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From the Director's Desk

Prabir Sengupta

THE Hong Kong Ministerial has brought back hopes that the much troubled Doha Round of multilateral trade negotiations may see finality before the end of 2006. Members were unanimous in their view that the failure of the current round of negotiations would make everyone poorer and that members of the multilateral trading system would have to exert themselves fully in order that a deal is indeed struck in the months ahead.

The issue of export subsidy virtually held the centre stage of negotiations at Hong Kong, finally earmarking 2013 as the end date of eventual total phase-out. While many would feel that the proposed phase-out of export subsidies is too back-loaded for comfort, the fact that the EU has moved from its almost inflexible position of not agreeing to any drastic changes in its export subsidy regime must be of considerable comfort for the WTO membership. This forward movement on the part of the EU could help address the other contentious issues.

The other issues which were at the heart of the negotiations such as NAMA and services did not witness any forward movement. In NAMA, there has been an agreement on adaopting a "Swiss formula", a language which, according to countries like India, does not preclude the use of the modified formula as proposed by India, Brazil and Argentina. However, the Ministerial Declaration does not provide any other guidance towards ending the deadlock over the NAMA negotiations.

Similarly, in services no major breakthrough either on Mode 1 or 4 – excepting that there has been a shift in approach, i.e., a method of "plurilateral" and timelines – has been adopted. Developing countries feel that with the adoption of "plurilateral" approach and timelines, the flexibilities available to them in the bilateral negotiations of request and offer may get eroded.

One of the major achievements of this Ministerial Conference was the fruition of the "grand alliance" between the developing and the least-developed countries in the form of G-110. The unity of faith, purpose and togetherness of this alliance gave the impression that the fulcrum of global trade negotiations can never always be one-sided. Another positive development of this Ministerial is that a feeling of acute cynicism or failure towards the multilateral trading regime governed by WTO hasn't set in unlike many had predicted it to be. All these are good signs in that a healthy commitment to the multilateral process with dispersed powers of negotiations are bound to improve the acceptability of WTO among developed and developing countries alike.

India and the Hong Kong Ministerial Talks

Veena Jha*

The Indian economy is witnessing a growth of over 7 per cent per annum on a sustained basis. As the country is embarked on a trade led growth strategy, many important issues come into the fore in terms of what should be its negotiating strategy, aspirations and opportunities. Today, trade accounts 30 per cent of our GDP and has the potential to grow even more provided right policies and strategies are adopted.

In a dynamic multilateral trading regime governed by WTO, there is always a need to re-align countries' negotiating strategies and priorities on a global scale in order to realize maximum gains. This paper makes an attempt to understand, analyze and suggest the ways and means of achieving more economic gains by looking at three major sectors, namely agriculture, NAMA and services.

Keeping Hong Kong Ministerial Declaration in view, the paper has dealt with all these issues in detail and recommended certain strategies to be looked at seriously if India intends to achieve higher gains from this multilateral trading regime.

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THE Indian economy is now growing at over 7 per cent per annum on a sustained basis. In 2004–05, its exports stood at US$ 80 billion, imports at US$ 105 billion, and foreign exchange reserves at US$ 140 billion. India's market for consumer goods, infrastructure, transpor-tation, energy, environment, healthcare, education, hi-tech, and defence sectors exceeds tens of billion dollars in each sector.

At a time when India appears to be poised for a trade led growth strategy, an important issue is what should be its negotiating strategy, aspirations and what are its opportunities. Today, trade accounts for 30 per cent of its GDP and this figure is likely to grow to 40 per cent this fiscal year. It has also been proven that while trade led growth in general generates higher rates of growth than would otherwise be possible, it also results in a higher disconnect between the largely subsistence agriculture and non-agricultural trade led growth. This leads to higher levels of inequality as India has been experiencing. Trade led growth can have poverty alleviating consequences through inter state migration, the rise of the informal sector and higher engagement in services. This is also a phenomenon that India has seen. Recent studies also show that in the case of India, people who can take advantage of trade led growth are typically those who have access to assets such as education and health instead of assets such as land. This makes it even more imperative for the government to invest in social infrastructural facilities.

The dynamics of global trade and the opportunities provided by the multilateral trading regime necessitate a continuous realignment of India's negotiating strategies and priorities. Unlike earlier, when merchandise export was overwhelmingly the main foreign exchange earner, today gross earnings from invisibles (essentially software and private transfers or remittances from Indians working abroad) run almost neck-to-neck with export earnings. In 2004–05, the last complete year for which figures are available, gross earnings from invisibles stood at almost US$ 77.5 billion, just about US$ 3 billion short of merchandise export earnings of US$ 80.8 billion. As automation becomes a prerequisite for increase in productivity on the one hand and the provision of services becomes less elitist on the other, old beliefs that manufacturing creates more jobs than services may increasingly be questioned. India is the largest recipient of inward remittances in the developing world. As lower skill categories get vacated for white collar and technical specialists and as the Western world, faced with greying populations, allows freer movement of labour, such remittances will only increase. So it is logical for India to push for faster opening up of services trade, especially Mode 4 (movement of natural persons). In fact, it is in India's interest to push for progressive liberalization in almost all sectors while maintaining the flexibility of the GATS architecture and the request and offer approach.

India should take advantage of its strength in IT and use it extensively in all areas of the economy in order to upgrade manufacturing, agriculture, as well as services. Although manufacturing may not be the primary engine of growth, its significance can hardly be exaggerated in view of the high income-elasticity of demand for manufactures at India's level of per capita income. In view of the huge policy challenges confronting the Indian economy, the country must create the institutions and the means to effectively introduce this technology into the rest of the economy. This is certainly one of the real strategic tasks facing the Indian policy-makers during the next ten years and explains why India's negotiating strategy should focus so much on the opening and binding of liberalization under Mode 1.

Indian policy-makers face two major strategic challenges in adopting an export promotion model of growth. *First*, in relation to employment and work, India not only currently has large-scale underemployment and unemployment, its labour force is growing at an average rate of 2 per cent per annum. The task of ensuring that the new entrants to the labour force, as well as the existing unemployed and underemployed, are able to have employment and work with adequate remuneration and/or rising real wages is immense. *Second*, in relation to international integration, India should seek further integration with the world economy in such a way that it does not lead to employment losses, poor income distribution, or increased poverty, but rather to greater employment and prosperity. A programme of globalization that leads only to elitist multiplexes and is perceived to generate visible income inequality is unlikely to be sustainable in a poor country that has a robust democracy.

It is also predicated that the formal sector in India is unlikely to create net new jobs without a much faster rate of growth (which for many reasons may not be feasible in already fast-growing countries like India), and the burden of providing employment and work will fall necessarily on the informal sector. The informal economy is estimated to account for 60 per cent of net domestic product (NDP), 68 per cent of income, 60 per cent of savings, 31 per cent of agriculture exports, and 41 per cent of manufacture exports. A vast majority of people in the informal sector are involved in the production and consumption of agriculture and food-related goods and services. The CMI estimated that people in the informal sector spend 90 per cent of their incomes on products of the informal economy, and only 10 per cent on those of the corporate sector.

An issue of central concern is how to make the informal sector dynamic. The most important way in which the government can help is through maintaining as high a rate of growth of aggregate demand and exports as possible, and as is compatible with the country's sustainable current account balance. In this context, market access in NAMA becomes all the more important, especially in sectors of export interest to India such as textiles & garments, gems & jewellery, auto components, leather & leather goods, etc. Some of these sectors particularly face tariff peaks and tariff escalation in major markets. In addition, non-tariff barriers need to be addressed in a definitive manner. At the same time, the informal sector is vulnerable in sectors such as fish and processed food where protection may be required.

It is also argued that liberalization of services is market and technology driven and would take place with or without the Doha round of negotiations. It is therefore necessary to evaluate whether trade-offs should be offered in other sectors for greater gains in services. Each sector is *sui generis* and trade-offs should be affecting each individually, though the gains from liberalization in terms of growth and employment may be highest from services liberalization.

While autonomous liberalization in NAMA has outstripped India's commitments at the WTO, India should only bind its unbound tariffs if, in return, it is able to get some market concessions, particularly in sectors such as textiles & garments, leather & leather products, auto components, etc. As regards agriculture, for the medium term, India's defensive interests overwhelm its offensive interests. Nevertheless, India should try to get a time-frame for total reduction of subsidies in developed countries, as in a few years' time there may be a few products and a few sectors where India may become competitive in agricultural exports. In addition, the price wedge between domestic and international prices would decrease making agriculture in India less vulnerable to import surges. Tariff cuts on the market access pillar granted by India should only match the subsidy reductions offered by developed countries. Of primary interest to India is the livelihood security of its essentially rural population, especially because trade led growth is likely to benefit the industrial and services sectors to a much larger extent than agriculture. Thus any tariff reduction should not be agreed unless special products and the special safeguard mechanism is already in place.

India's interests lie primarily in using trade facilitation negotiations to address several logistic related non-tariff barriers (NTBs) while putting its own house in order. Similarly, its large reserve of traditional knowledge and the stage of its development argue for more development friendly Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS Agreement) and a subsidy regime that permits subsidized capital imports. On TRIPS and Public health, the General Council decision should be ratified by India, as the provision of medicines for medical emergencies is a tangible way in which India can assist the Least Developed Countries (LDCs). India could also show leadership by granting preferential market access to LDCs, a proposal which the government is already considering.

The Hong Kong Ministerial Text

After six days of talks in Hong Kong, the draft Ministerial Text calls for developed countries to open their markets to 97 per cent of goods from the world's poorest economies by 2008 by abolishing import duties and quotas. However, concerns voiced by Japan on rice and the United States on its textiles industry indicate that certain products can be selectively excluded from the package of concessions.

The EU will also be required to phase out its export subsidies by 2013 and the US will have to move faster on reducing payments to cotton farmers and to end all export aid in 2006. However, the deal on cotton is contingent on reaching an agreement for elimination of all export subsidies by 2006. These proposals are expected to boost the chances of a final accord in 2006.

According to the text, the EU will eliminate export subsidies with "a substantive part" of the cuts made in the first half of an implementation period that is now scheduled to start from 2008. Brazil and India, backed by the US, had wanted the EU export payments for dairy, sugar and other commodity products to scrap the aid, worth $3.6 billion last year, by 2010. The 2013 deadline, provides comfort to the EU as that is the time when its recently-approved six-year budget will come to an end.

The Ministerial Text specifies that developing countries will continue to have the flexibility to provide certain types of export subsidies for a grace period of 5 years after 2013. Instead of specifying the 5-year period, it may have been more appropriate to link the grace period to achieving competitiveness in agricultural exports, say by designating 5 per cent share in global trade for the product concerned as the threshold for competitiveness.

On green box subsidies, the text seems to have pushed the real objective of reviewing and clarifying disciplines on green box to the background. It may now be more difficult to develop criteria for ensuring that these subsidies, given primarily by the developed countries, result in no or minimal trade distortions.

An important development is that developing countries would be able to *self* designate an appropriate number of tariff lines as Special Products, which would be subject to softer tariff reductions. The right of developing countries to counter low-priced agricultural imports through the use of special safeguard mechanism based on price and volume triggers has been recognized. This represents an important step in protecting the interests of Indian farmers. What is now important is to ensure that subsequent technical negotiations do not restrict these flexibilities.

The text doesn't push the negotiations forward on agricultural tariffs and does little to lower duties on industrial goods.

In order to address the concerns of certain developing countries, the ministerial text incorporates changes, which are principally to do with reaffirming and underscoring that the text on services is not prescriptive. At the same time, the changes seek to align the text even more closely with the General Agreement on Trade in Services (GATS) and the Doha mandate for services negotiations.

With expectations from the Hong Kong Ministerial Meeting already having been recalibrated and scaled downwards last month, the draft Ministerial Text contains no major surprises. The text of the Ministerial Declaration appears to have been agreed with the basic objective to turn the broad agreements currently achieved in the negotiations into something more specific. While technical details in most of the areas are lacking, the text would guide the work in the coming months on developing the detailed "modalities" in agriculture and NAMA. The proposal for 30 April 2006 as a deadline to attain modalities on NAMA and agricultural is considered a significant development reached at Hongkong Ministrial

Post Hong Kong Work

While the Hong Kong Ministerial Declaration contains a few small symbolic steps to help advance the process of trade negotiations, it has postponed taking decisions on the core issues. WTO Members have undertaken the ambitious aim of establishing modalities on agriculture and NAMA by 30 April 2006 and to submit comprehensive draft Schedules based on these modalities by 31 July 2006. Timelines have also been fixed for the submission of plurilateral requests, revised offers and final draft schedules in the services negotiations. Thin negotiating resources of developing countries are certainly going to be stretched to their limit, in the coming few months.

Given India's key negotiating interests in both NAMA and services, it is of material importance that India tries to maintain a balance between its interests and the demands emanating out of these. This will particularly be true in modes 1 and 4, but also in mode 2. India should seek to change the best endeavour clauses of the services text to a binding commitment. Similarly, in NAMA, India should try to get some market advantages in textiles & clothing, leather, other labour intensive products in exchange for binding its unbound tariff lines and for its autonomous liberalization. It should also seek to maintain a flexible list of special products.

To conclude, as a significant and growing contributor to the economy, trade and hence the round of negotiations in which the Hong Kong Ministerial is but a milestone, is of importance to India. While every sector is of importance, from a pro poor angle India needs to push for greater market access in all sectors, while maintaining flexibilities, especially in agriculture. It should also be understood that India's vast market, its growing appetite for imports, its service potential make it a particularly attractive negotiating partner for developed and developing countries.

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Hong Kong Ministerial Just Kept the Issues Alive

*Anil K. Kanungo**

Hong Kong Ministerial is over amid strong protest and hard bargain. Even though there has not been much forward movement on important issues such as agriculture, NAMA, and services, atleast it has been able to keep the Doha development agenda alive and further negotiable. The issue of export subsidies virtually held the centre stage of deliberations at Hong Kong and finally set 2013, the end date for its total phase-out. Other important issues in Agriculture such as domestic support and market access, however, have not received adequate attention. A significant development in this round of Ministerial has been the formation of G-110. During the entire negotiations this group stood firm on its issues of interest and played a role in the bargain. This paper makes an attempt to analyze the issues involved and provides a summary of the outcome of Hong Kong Ministerial.

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HONG KONG Ministerial is over amid strong protest and hard bargain. What did it achieve? What have been its real tangible gains? As one probes, one finds not much real progress except that it has managed to keep the Doha development agenda further negotiable.

Series of anti-WTO processions outside and almost one week of frenetic negotiations inside produced a verdict whose future depends a lot on the completion of modalities set for the year – 2006. As usual the issue of agriculture remained the focal point of negotiations, consuming most of its deliberations on the dimension of export subsidy. The pledge made by EU and US on a new date to phase out the total export subsidy on farm products by 2013 may have displayed a concern, but was not appreciated much, as three fourth of WTO members feel that they have to wait for 8 long years to realize the minimal gains, because of its small impact in the markets. Besides, phasing out of this export subsidy was decided four years ago at Doha Ministerial, to that end, it is nothing extraordinary that the EU has considered. All of them understand that export subsidy doesn't play that big a role in agricultural distortions as is done by the domestic support. The entire export subsidies given to the magnitude of $5 billion on farm products are miniscule compared to the domestic support that is given to the tune of $1 billion per day. Though export subsidy remains a major irritant to free trade, according the World Bank its abolition will only yield 2 per cent of theoretical gains to world agriculture. In the heat of the moment, it looks the promise of total phase-out of export subsidy is only a small gesture shown towards pacifying the popular anger and discontent-ment of large number of WTO members. By conveniently setting 2013 as the target date for total phase-out of export subsidies, the EU has managed to harmonize its WTO commitments with the budgetary deal agreed at Brussels virtually at the same time when the Hong Kong Ministerial was in progress. As a result, it has escaped the wrath of any individual member of the bloc and around that is the time when new agricultural programmes and commitments will come into effect.

A significant aspect of end date of 2013 during the Ministerial was that it had upset overall G-20, the prominent voice of developing countries and a reckoning force in the current round of trade negotiations at WTO, which had coalesced at the Cancun Ministerial conference in 2003. A visibly dissatisfied Brazil had opposed to this compromise. It tried hard in the dying moments of the Ministerial to strike a deal on its own strength, demanding

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an advance commitment by EU to bring export subsidies down to a defined figure by 2010. The situation got sobered down when EU made some concession – that the reduction would be "progressive" and would be achieved in "substantial part" by "the end of the first-half of the implementation period".

If by and large WTO members felt that the Hong Kong Ministerial at least made a serious beginning in terms of addressing the issue of phasing out of export subsidies, yet the revised Declaration, couched in a language, gave some leverage to the EU to meet the elimination process of export subsidies. The Draft mentions that phasing out will be subject to certain conditionality. The revised draft Declaration says, "We agree to ensure that the parallel elimination of all forms of export subsidies and discipline on all export measures with equivalent effect to be completed by the end of 2013. This will be achieved in a progressive and parallel manner, to be specified in the modalities, so that a substantial part is realized by the end of the first half of the implementation period." This can be interpreted in the most sophisticated language of trade negotiations that the pledge made by EU regarding elimination of export subsidies by 2013 will now be subject to "parallelism" with all other forms of market distortions. The intention of EU behind this design of parallel process could be to counter the interests of US that the US should bring in disciplines on export credits, export credit guarantees or insurance programmes, export state trading enterprises and more importantly, food aid. Even in the revised draft EU brought in a clause that "no loop hole" for continuing export subsidization would remain. EU was rather firm on its views that end date of 2013 will be operative only when modalities on parallel elimination of all forms of subsidies, both overt or hidden are agreed.

As substantial part of Hong Kong Ministerial negotiations focused on the issue of export subsidies, the remaining part hardly made any significant forward movement on issues of domestic support and market access. Both are of critical importance to developing countries.

With regard to market access, Hong Kong Declaration provides a mandate of adopting four bands for effecting tariff cuts. This mandate is based on a proposal submitted by G-20 which argued for a progressivity in tariff cuts, that would ensure that higher tariffs are subjected to deeper cuts. What ultimately in the bargain developing countries like India received in relation to market access is the inclusion of special products (SPs) and special safeguard mechanism (SSM).

Reduction of production related subsidies, the so-called domestic support and the real dampener in the agricultural distortions, poses the biggest challenge to developing countries since developed countries rely heavily on this form of subsidy to realize the maximum gains accruing from this sector without harming their farmers and exports of agricultural products.

Although Hong Kong Declaration has adopted the framework for reduction of domestic support proposed by the G-20 countries, for future negotiations it becomes essential that the group remains united, tries to muster their collective strength without arriving at any ambivalent position to ensure that a definite move forward is made. Though the Declaration proposes overall reduction in domestic support, but failed to articulate how a review of criteria for the "Green Box" support, the exempt category of support, which is given to rural infrastructure, research and development and food aid for the poor to be established.

Coming back to the pledge of phasing out of export subsidies, the Declaration hasn't committed anything as to how the sequencing, stages or quantification of phase-out of export subsidies would commence. In particular, no formula is in sight. A closer look at the Declaration suggests that no final decision is made on the schedule as it is made dependent on the "completion of modalities" for which 30 April 2006 is the deadline, and deadlines in the WTO are hardly met, rather many of them have already become or becoming a part of WTO folklore, a myth perpetuated by developed nations.

The other issues which were at the heart of the negotiations such as NAMA and services hardly witnessed any forward movement. On NAMA, the Swiss formula has been preferred over modified formula submitted earlier by India and others. The declaration also doesn't indicate anything about the coefficients whether there are two or many, which would take into account different requirements of poor economies as well. Similarly, in services, the growth engine of the post industrialized world, nothing has been committed to, in spite of India and other developing nations vociferously pitching for progressive liberalization on mode 4. Interestingly, there has been a shift in approach to this sector as the Annexure C of the Declaration dealing with services has adopted a method of "plurilateral" and timelines. Developing countries feel that with the adoption of "plurilateral" approach and timelines, the flexibilities in the bilateral negotiations of request and offer available to them may get eroded.

Though during the negotiations additional concession of providing H1B visas to professionals of developing countries was somewhat promised by developed countries, yet one is not certain of its culmination, for outsourcing of such services has already created some amount of social tensions in the developed countries. Removal or substantial reduction of economic needs test on mode 4 suggested in the Declaration, however, may be seen as an encouraging sign for higher liberalization of services in this mode.

During this Ministerial what is interesting to note is that Hong Kong witnessed an appeasement of least developed countries (LDCs), whether for all good reasons, that these countries were offered a set of goodies which would provide duty-free quota-free access to rich countries' markets of at least 97 per cent of their goods. This may just have been a good gesture. But the issue is if 3 per cent were taken out of the ambit of duty and quota free access, all products of export interests to the LDCs such as sugar, textiles and garments would effectively be eliminated. The US also promised West African cotton producers to reduce its cotton subsidies more quickly than other farm supports. Its further pledge of phasing out of cotton subsidies by end of next year also formed a part of the Declaration. The point is, such promise was also earlier made to African nations (earlier WTO ruling) but nothing has fructified since then. Whether such promises are real concerns or more of vaunted in nature, the end of 2006 will tell.

Another reason why such attention was given to the least-developed countries was to make some forward movement in other areas as the negotiations on major issues of agriculture, NAMA and services were facing stiff opposition, and not taking off. An extreme view of this could be that developed countries were trying hard to buy them off now so that they make a future deal easier. The real politik in the functioning of WTO is to garner power and not try for immediate wealth, because wealth in any case will follow once you are entrusted with more power. Besides, developed countries are fully aware that the WTO works by consensus, so the poorest economy of the lot can use the veto and stall the proceedings, even if its share of world trade is abysmally low.

Finally being perceived as a "development round" there was no serious deliberation on other developmental issues such as progress on TRIPS or special and differential treatment.

India and other developing countries feel that a situation of despair has not been created where they would lose their competitiveness or would harm millions of poor and needy ones. But the point is tangible gains which would have been materialized haven't been accomplished (services, bringing down the tariff barriers and market access). Developing special safeguard mechanism (SSM) and protecting a set of special products from foreign competition are only a defensive mechanism; do not allow you to reap prevailing benefits of free trade.

However, a remarkable aspect of this Ministerial is that it gave birth to a group of G-110. The unity of faith, purpose and togetherness allowed the G-20 and G-90 to mobilize the lesser economies to graduate to G-110 who stood firm in the common bargain despite EU and US efforts to break the unity.

A positive development, one can perhaps sense out of this Ministerial is that a feeling of acute cynicism or failure towards the multilateral trading regime governed by WTO hasn't set in. That it hasn't been visualized as a repeat of Seattle or Cancun of 1999 and 2003. That it hasn't triggered a thought towards forming regional trade arrangements, unlike immediately after Cancun.

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NEWS
(NATIONAL/INTERNATIONAL)

India Pushing Hard to Ensure Favourable Plurilateral Rules

INDIA is all set to do its homework well in time to ensure that the rules for carrying out the plurilateral negotiations on services at the World Trade Organization (WTO) are not loaded against the interests of the country.

In the recently concluded WTO Ministerial Meet in Hong Kong, it was decided that countries which wanted to fast-track the negotiations could autonomously participate in plurilateral negotiations. Such countries could request each other to open sectors of interest to them. The offers made on the basis of the requests would, however, apply multilaterally to all members.

According to officials in the Commerce Ministry, while India wants to be part of the plurilateral negotiations, it does not want to agree to any rule that the developed members propose. “We want to participate in the plurilateral negotiations with our eyes and ears open. We do not want to be pulled into anything we do not feel comfortable with,” an official said.

Indian officials engaged in services negotiations would meet next week to thrash out what is acceptable to India in the plurilateral negotiations, which would begin shortly. Countries are required to submit their requests for plurilateral negotiations by 28 February 2006.

India’s primary interest in the services negotiations lie in mode 1 and mode 4 of the negotiations. In mode 1, which relates to cross-border movement of services like business process outsourcing, India wants developed countries, including the US and the EU to bind their commitments at their present levels of liberalization. This is important to ensure that countries do not start using restrictive measures, giving in to domestic pressure against outsourcing.

In mode 4, which relates to cross-border movement of people, India wants more visas and less restrictive practising rules for IT professionals. The EU, which is pushing the cause of the services sector most vigorously at the WTO, is mainly interested in mode 3, which relates to establishment of commercial presence.

It is looking for openings in the financial services sector (like banking and insurance) in developing country markets like India.

(*The Financial Express*, 30 December 2005)

India to Pitch for Removal of Non-tariff Barriers

THE Commerce and Industry Minister Shri Kamal Nath said the country would push for the abolition of non-tariff barriers (NTBs) imposed by the developed world on the import of both agricultural and industrial goods and the misuse of anti-dumping provisions in the ongoing negotiations of the Doha Round at the World Trade Organization (WTO).

In his address at an interaction with editors and economists organized by ICRIER on the recently-concluded Hong Kong Ministerial Meet, the minister said these issues could not be taken up in details in Hong Kong, but would now be pushed vigorously.

“The issues of NTBs and the misuse of anti-dumping norms are among the unaddressed issues in Hong Kong. We will make it an important plank of our negotiations in the coming months,” he said.

All the WTO members are expected to finalize the modalities of negotiations for agriculture and non-agriculture market access (NAMA) by the end of May 2006. Submissions based on the modalities are to be made by individual members by the end of July 2006, he added.

The Minister said India had managed to ensure that whatever was decided went in its favour in Hong Kong and the contours of the unresolved issues suited its needs. Regulating non-tariff barriers is an important issue for India as it is an easy tool for developed countries to stop imports from the developing world.

- Regulating non-tariff barriers is an important issue for India as it is an easy tool for developed countries to stop imports from the developing world.
- WTO members are expected to finalize modalities of NAMA negotiations by May 2006. Submissions based on the modalities are to be made by individual members by July 2006.
- India had managed to ensure that whatever was decided went in its favour in Hong Kong and the contours of the unresolved issues suited its needs.

Stringent sanitary and phytosanitary (SPS) measures are often imposed on agriculture goods by countries like the US and the EU, and consignments from developing countries are rejected on the basis of non-transparent criteria. Industrial goods like textiles and leather are also rejected on flimsy grounds.

Misuse of anti-dumping rules by some countries is also an area of concern for India. For instance, the faulty calculation of dumping margins using the "zeroing" technique done by the US leads to wrongful imposition of anti-dumping duties on a number of products.

(*The Financial Express*, 27 December 2005)

India Pushed Own, LDC Interests, Says Kamal Nath

INDIA has managed a "reasonable amount" of success in the WTO Ministerial Meet not only for itself but also towards taking the multilateral system forward.

Speaking at an interaction organized by FICCI on the achievements at the Hong Kong Ministerial, Shri Kamal Nath, Minister of Commerce & Industry, said that the coming together of the groupings of developing countries had managed to ensure that the concerns of the developing world got a push at the meet.

India was not only able to protect its interests but also forwarded the cause of other developing and least developed countries in Hong Kong, Shri Nath said.

The Minister added that the contours laid down at the Ministerial will fully take care of India's concerns in agriculture and industrial goods.

He pointed out that the provisions on special products and special safeguard mechanism (SSM) in agriculture would ensure that India's agriculture is not adversely affected. We can secure our agriculture products not only against sharp increase in imports but also against unnatural fall in international prices, he said.

In the industrial negotiations, India had made it clear that it wanted tariff peaks and escalations in developed countries to be addressed first.

Shri Nath said that although tariffs in India were coming down to ASEAN levels, it had ensured that sensitive products like automobiles and the ones produced by the small-scale sector could be insulated against formula cuts in tariff.

The Minister said that India was trying to make the developed countries understand that the global economy cannot be healthy if the economies of developing countries are not healthy.

The reasonable success at Hong Kong had made it clear that India can play a constructive role in establishing equity in global trade, Shri Nath added.

"We have established that India can play a constructive role to make a move towards equity. The inequities in global trade cannot be perpetuated further," he said.

(*The Financial Express*, 24 December 2005)

Market Access in Cotton a Gain at Hong Kong

MUCH has been left undone at the Hong Kong WTO Ministerial, but there has been some progress in a positive direction with respect to textiles and clothing sector, feel industry experts. With regard to cotton, while the issue of large amounts of domestic subsidy being given to farmers by rich countries remained unresolved, developed nations have agreed on allowing market access in cotton exports, which is basically a "non-issue," they say.

A more significant development is the commitment by the advanced countries to ease out export subsidies on cotton by 2006. By far, this move is considered to be a positive outcome of the Hong Kong Ministerial.

According to industry analysts, the issue of domestic subsidy, which was considered as the most important as far as cotton is concerned, has not been agreed upon and is subject to further negotiation.

Though in Para 11 of the ministerial draft, the developed countries have agreed to reduce their domestic support on cotton by a greater extent than on other commodities, there has been no agreement on trade-distorting subsidies," Dr. Parthapratim Pal of Indian Council for Research on International Economic Relations (ICRIER) told *FE*.

The developed countries are known to spend heavily on farm subsidies, with the US spending almost $4-5 billion, i.e approximately Rs 20,000 crore on its cotton farmers. Developing countries are demanding for a cut in subsidies to get a level playing field.

The fact that advanced countries have agreed to cut on their export subsidies on cotton which amounts to about $400 million, by 2006, is a marginal step in the positive direction. However, experts feel that allowing market access for cotton imports is a "non-issue". "It would not be of much help to developing countries, as US dominates the scenario in cotton exports," said D.K. Nair, Secretary General, Confederation of Indian Textile Industry.

The agreement to adopt the non-linear Swiss formula sends mixed signals, feel trade experts, as there is a lot of ambiguity regarding the coefficients used in the formula. Developing countries had been pushing for two coeffients - one each for developing countries and developed countries, as such an arrangement will help developing countries to take on lower tariff reduction commitments.

However, a lot of issues remain unresolved. According to sources, on the three main issues concerning India at the WTO, regarding textiles which were tariff peaks, high tariffs and tariff escalation, no major progress has been made.

(*The Financial Express*, 23 December 2005)

"Development Back on WTO Agenda"

THE alliance of developing and least-developed countries (LDCs) has helped put the development agenda of the Doha Round back on the negotiating table at the WTO, Commerce Secretary S.N. Menon has said.

Speaking at a National Conference on WTO and Trade Policy organized by the CII, Shri Menon pointed out that for the first time in WTO, the framework text (negotiated in the Ministerial Meet) is in favour of developing countries instead of favouring developed countries.

Shri Menon said that on all aspects of the negotiations, India has been able to safeguard its defensive interests without giving up its demand for removing trade-distorting measures in the developed world.

In the area of agriculture, Shri Menon said that India and other developing countries could continue to retain 10 per cent *de-minimis* levels on the aggregate measure of support. Further, India can continue to provide some of the current subsidies that exist, he said.

The most important achievement in the area of agriculture is the issue of price trigger for special safeguard measures. This was not supported by many countries till India could provide the data to back up the need for continuing with the price trigger mechanism.

In the area of industrial goods, Shri Menon pointed out that the flexibilities that are now available to the developing countries can take care of the sensitive sectors in India.

In services, he said that India would continue to work with major trade partners to ensure that our interests are adequately addressed in this round. He called for industry inputs for ensuring that Indian negotiators keep up the pressure at Geneva.

(*The Financial Express*, 23 December 2005)

Services Requests being Formulated

INDIA will start formulating its plurilateral requests for submitting to the countries participating in the plurilateral negotiations in the ongoing services negotiations at the WTO.

Addressing the services session at the CII meet on the WTO negotiations, Commerce Ministry Director Krishna Gupta said that the process has to begin immediately, as countries were required to submit their requests for plurilateral negotiations by 28 February 2006.

In the recently concluded Hong Kong Ministerial Meet, it was decided that countries which wanted to fast-track the negotiations could voluntarily take part in plurilateral discussions. Although only a handful of members would participate in these talks, the offers will have to be made multilaterally to each member. India, which has an aggressive interest in services, wants to be part of the plurilateral group.

The Hong Kong Ministerial Meet has set a time-line for submitting revised offers under the request-offer process (the process under which the negotiations are taking place). The Hong Kong text says that such offers have to be submitted latest by 31 July 2006. India has already submitted its revised offer to the WTO. The importance of services in India's economy is growing by the year. India's services sector contributed 51.7 per cent to the total gross domestic product (GDP) in 2004-05 and accounted for 39 per cent of total exports.

(*The Financial Express*, 23 December 2005)

Govt will Safeguard National Interests at WTO, Assures Minister

Hong Kong Draft Gives Enough "Negotiating Space"

THE Government said that it would continue its "close engagement" with various stakeholders on World Trade Organization (WTO) issues so that the best result could be obtained "fully protecting our farmers, industry as well as promoting our national interests and core concerns."

In a statement in the Lok Sabha on the Hong Kong (HK) Ministerial Conference of WTO member countries for which he led the Indian delegation, the Union Commerce and Industry Minister, Shri Kamal Nath, contended that the HK Ministerial Declaration finally agreed upon addresses "our core concerns and interests and provides us enough negotiating space for future work leading to modalities." The text has a positive development content, which would need to be built upon and fully realized in the next stage of negotiations. Stating that the principal elements of the text represent "significant gains" for India, the Minister said that in the case of agriculture and domestic support, developing countries such as India with no aggregate measurement of support (AMS) commitments would be exempt from any cuts on their support. As the green box providing for legitimate subsidies is being reviewed, programmes of developing country members, which have a minimal trade distorting effect, would be incorporated into the box, he said.

Shri Nath said developing countries such as India would continue to benefit from the provisions of Article 9.4 of the Agreement on Agriculture (they should be able to continue to provide marketing and transport subsidies for five years after elimination of export subsidies, — up to 2018, as export subsidies of developed countries would be abolished in 2013).

On non-agricultural market access (NAMA), the Minister said the declaration also recognizes the sensitivity attached to the unbound tariff lines by providing for "a non-linear mark-up before applying formula reductions." It is also agreed that participation in the sectoral initiatives to reduce or completely eliminate tariffs would be on a non-mandatory basis. In services, the declaration agreed to remove or substantially reduce the economic needs test. This has been one of the principal barriers to export of services from developing countries and also a long-standing demand of India. Revised offers on services would be submitted by 31 July 2006 and final draft schedules would be ready by 31 October 2006.

(*The Hindu Business Line*, 22 December 2005)

US, EU Pursued Own Interests at WTO Meet: Oxfam

THE United States and the European Union (EU) nearly wrecked the WTO's Hong Kong Conference by pursuing their own interests at the expense of poor countries, Oxfam said.

And unless the two trade powers change their ways in the coming months, the WTO's troubled Doha Round, due to end with a new global pact by the end of next year, could drag on into the next decade, the international aid body said.

"The WTO Hong Kong Ministerial Meeting was a lost opportunity to make trade fairer for poor people around the world," Oxfam said in a 20-page report on the gathering. "Rich countries put their commercial interests before those of developing countries," the report said. Oxfam's International Executive Director Jeremy Hobbs pinned the blame for what even WTO officials have agreed was a meagre outcome firmly on the 25-nation EU and the US and their stance on farm trade.

Mr. Hobbs said in a statement with the report that assertions by EU Trade Commissioner Peter Mandelson that the Union had helped save the talks from a collapse similar to earlier meetings in Seattle in 1999 and Cancun in 2003 were "ludicrous".

(*The Financial Express*, 22 December 2005)

Special Products, Special Safeguards to Protect Farmers Major Gain for India in WTO Hong Kong Ministerial

Intense Negotiations Ahead

THE securing of special products and special safeguard mechanism (SSM) which will fully protect interests of farmers is a major gain for India in the Hong Kong Ministerial Conference of the WTO as India and developing countries including the G-33 had fought a long and hard battle for this in the trade negotiations, Shri Kamal Nath, Minister of Commerce and Industry, has said. In a statement in the Lok Sabha, the Minister said: "Developing countries will be able to self-designate an appropriate number of tariff lines as Special Products guided by indicators based on the criteria of food security, livelihood security and rural development. To safeguard our farmers against surge in imports or fall in international prices, developing countries will have recourse to a Special Safeguard Mechanism with both import quantity and price triggers".

Shri Nath has underlined that the Hong Kong Ministerial Declaration as finally agreed upon has addressed India's core concerns and interests, with enough negotiating space for future work leading to modalities for negotiations in the coming months. "The text has positive development content, which would need to be built upon and fully realized in the next stage of negotiations", he said.

The coming months, Shri Nath said, would see intense negotiations as the modalities would be finalized. He assured that "the government would continue its close engagement with various stakeholders in each of the areas, so that the best result could be obtained, fully protecting our farmers, industry, as well as promoting our national interests and core concerns".

The following is the full text of the statement in the Lok Sabha by Shri Kamal Nath on the outcome of the Hong Kong Ministerial Conference of WTO member countries:

"Hon'ble Members will recall that I had made a statement in this House on 7th December 2005 on the Hong Kong Ministerial Conference of the Commerce and Trade Ministers of 149 member countries from 13-18 December 2005. The Ministers issued a declaration, copies of which have been placed in the Parliament Library.

During this Conference, India was proactive in articulating its position on issues of concern to us and other developing countries, especially in the 21 member G-20 alliance and 45 member G-33 alliance. India played a key role in further strengthening the developing country coalitions by bringing together G-20, G-33 and G-90 groups of countries in a Grand Alliance to reinforce each others' position on issues of mutual interest. India also enabled the formation of NAMA 11 Group (countries such as India, Brazil, Argentina, South Africa, Philippines, Indonesia, etc.) to pursue and integrate meaningfully Special and Differential Treatment issues in Non-Agricultural Market Access matters.

As far as India is concerned, the Hong Kong Ministerial Declaration finally agreed upon, addresses our core concerns and interests and provides us enough negotiating space for future work leading up to modalities. The text has positive development content, which would need to be built upon and fully realized in the next stage of negotiations.

The Declaration stipulates that the negotiations must be concluded by 2006 and establishes time-lines and targets in specific areas. Among other issues, in Agriculture and NAMA, we agreed that the modalities are to be established by 30 April 2006 and comprehensive draft schedules submitted by 31 July 2006.

The principal elements of the text represent significant gains for India. In agriculture, in domestic support, developing countries like India with no AMS (Aggregate Measurement of Support) commitments will be exempt from any cuts on their *de minimis* support. Green box criteria will be reviewed so that programmes of developing country members which have minimal trade distorting effect will be incorporated into the green box. All forms of Export Subsidies by developed countries and other export measures with equivalent effect (such as Export Credits, guarantees & Insurance in excess of 180 days, and to trade distorting practices of STEs and food aid) will be eliminated by the end of 2013, with the substantial part eliminated by the middle of the implementation period, i.e. 2010. Developing countries like India will continue to benefit from the provisions of Article 9.4 of the Agreement on Agriculture, i.e. they shall be able to continue to provide marketing and transport subsidies for 5 years after elimination of export subsidies, i.e. up to 2018. Developing countries will be able to self-designate an appropriate number of tariff lines as Special Products guided by indicators based on the criteria of food security, livelihood security and rural development. To safeguard our farmers against surge in imports or fall in international prices, developing countries will have recourse to a Special Safeguard Mechanism with both import quantity and price triggers.

Specifically, on cotton, export subsidies by developed countries will be fully eliminated in 2006; and trade distorting domestic support by developed countries will be reduced ambitiously over a shorter period than for other agricultural products.

On non agricultural market access (NAMA), the Declaration calls for a Swiss formula with coefficients. This formulations preserve the ABI formula submitted by Argentina, Brazil and India for multiple coefficients based on each country's tariff average. The Declaration reiterates that special and differential treatment for developing countries be maintained through the principle of less than full reciprocity in reduction commitments and the flexibilities to exclude a certain percentage of tariff lines from tariff cuts. The Declaration also recognizes the sensitivity attached to the unbound tariff lines by providing for a non-linear mark up before applying formula reductions. It is agreed that tariff peaks, tariff escalations and high tariffs on products of export interest to developing countries be either reduced or eliminated. It is also agreed that participation in the sectoral initiatives to reduce or eliminate tariffs will be on a non-mandatory basis.

In services, developing countries will have adequate policy space and necessary flexibility to pursue their developmental objectives. The primacy of the Request-Offer process has been maintained. In Mode-1 and Mode-2 (including Cross Border Supply), commitments at the existing levels have been secured. Members have agreed to offer enhanced commitments in Mode-4 (Movement of Natural Persons). We agreed to removal or substantial reduction of the Economic Needs Test. This has been one of the principal barriers to export of Services from developing countries, and has been a longstanding demand of India. It was also agreed that the approaches to negotiations, which includes plurilateral negotiations, will follow the GATS Agreement and the Negotiating Guidelines and Procedures evolved in 2003. The Declaration does not introduce any compulsion on developing countries for opening up services sectors. Revised offers would be submitted by 31 July 2006, and final draft schedules would be readied by 31 October 2006.

The Declaration notes the amendment made a fortnight ago, spearheaded by the African Group and supported by India, to the TRIPS Agreement to incorporate the Public Health concerns. On the Implementation Issues relating to TRIPS and the Convention on Biodiversity, and extension of the protection of Geographical Indications, the Declaration calls for intensification of consultations so that the General Council could take appropriate action by 31 July 2006.

India spoke not only for herself, but in the tradition established since the time of Pandit Jawaharlal Nehru and Smt. Indira Gandhi, we also lent a powerful voice to the concerns of least-developed countries. Through close co-ordination with the LDC Group and the Africa Group, we were instrumental in fashioning an LDC package.

As part of Special and Differential Treatment, the Membership agreed to five LDC specific proposals, including the one relating to provision of duty-free and quota-free market access in developed countries for products originating from LDCs. We further directed that on the remaining proposals, recommendations be made by December 2006.

The contours of the Domestic Support reduction formula in Agriculture as also the tariff reduction formulae in Agriculture as well as NAMA have been given shape. The coming months will see intense negotiations, as the modalities are finalized. The Government will continue its close engagement with various stakeholders in each of the areas, so that the best result could be obtained, fully protecting our farmers, industry, as well as promoting our national interests and core concerns."

(*www.commin.nic.in*, 21 December 2005)

Domestic Concerns Addressed at WTO Meet: Kamal Nath

THE Union Commerce and Industry Minister, Shri Kamal Nath, said the decisions arrived at Hong Kong Ministerial of the World Trade Organization (WTO) on key issues such as agriculture and industrial tariffs would safeguard the domestic interests as they squarely and adequately addressed the abiding concerns voiced by domestic stakeholders.

Addressing a news conference in New Delhi on the outcome of the recently-concluded Hong Kong Ministerial of the WTO, the Minister said the agreement reached on agriculture would help Indian farmers in giving them enough opportunities to export farm products, while permitting them to retain domestic support and exempting some products from tariff cuts.

"We have been able to secure an agreement that the WTO will not come in the way of domestic support given to farmers in developing countries like India," Shri Nath categorically asserted.

He noted that developed countries would need to eliminate their export subsidies on farm products by 2013 while reducing them considerably by 2010. This would help make Indian products competitive and increase India's exports in the international markets, he added.

The Minister further said India would be able to draw up a list of 90 special products, which would be outside the tariff-reduction formula and enable Indian farmers to safeguard their crucial crops from global competition.

He said New Delhi would also have the option of increasing import duties on farm products if there is a drop in prices in the originating country of export to safeguard the livelihood concerns of domestic farmers.

Shri Nath said the Indian industry would also stand to benefit as developed countries resolved to reduce duties on products of interest to developing countries, which would not have to reciprocate by cutting duties proportionately.

"Before we went to Hong Kong, certain things were clear, that we would not reach modalities but we tried to build a structure and contours for the agreement on the Doha Round," Shri Nath said adding that "I expect the modalities to be completed by June 2006".

Shri Nath said in services, the policy space required for developing countries including India has been fully preserved.

A right mix has been scored between flexibility for developing countries and securing market access for areas of export interest to India like Mode 4 categories delinked from commercial presence and Mode 1. Further guidance on commitments at extant levels of Modes 1 and 2 (cross-border supply which includes business process outsourcing or BPO and e-enabled services) have been secured.

(*The Hindu Business Line*, 21 December 2005)

Nath Rules out Duty Cuts on Farm Imports

Minister Says Special Provisions Made to Protect Farmers

COMMERCE & Industry Minister Shri Kamal Nath said that India would not reduce import duty on key items like edible oil, sugar and foodgrain. "There is no commitment to reduce duties on agri products. We have made special provisions to protect the interests of our farmers," he said while speaking at a media briefing in New Delhi after his return from the Hong Kong Ministerial Meeting of the World Trade Organization (WTO).

On the other hand, Indian farmers would get enhanced market access as the Hong Kong agreement would force industrialized countries like the US, France and Germany to phase out farm export subsidies.

Emphasizing that interests of farmers have been protected, Shri Kamal Nath said there was no question of committing any reduction in customs duty on sensitive agri products. These items will be covered under the provision for special products which will be exempt from duty cuts, he explained.

Another provision has also been made for countries like India through a special safeguard mechanism (SSM). This facility will enable developing countries to check surge in imports on the basis of fall in prices of the commodity concerned and on the basis of sudden increase in import volumes.

Shri Nath, refuting charges made by Left parties, said he would speak to them to explain the impact of the understanding. "We will convince them. Export subsidies were distorting trade in a big way due to their direct impact," he said. Due to pressure from developing countries, the EU and the US have agreed to phase out farm subsidies by 2013.

India made substantial gains from the deal without compromising on its policy space, Shri Kamal Nath emphasized. The CPM had accused the Government of failing to protect the interests of farmers and the country at the WTO conference. The Commerce & Industry Minister asserted that the Government has not made any compromise in the talks and the agreement takes on board the concerns of agriculture, industry as well as the services sector. In agriculture, India would not have to make any cuts in the *"de minimis"* (a very small quantity, considered insignificant) subsidies that are provided to the farmers.

(*The Economic Time*, 21 December 2005)

"Hollow Gains at WTO"

THE Hong Kong declaration is a disaster for Third World economies, according to Afsar Jafri of the Bangkok-based Focus on the Global South (FGS). His colleague Walden Bellow said in the same vein, "The developing world has got a hollow end-date for subsidies in exchange for a bad deal in the rest of agriculture, a bad deal in industry and a bad deal in services."

The claim that subsidies would be eliminated is a bluff, says the organization, as the 2013 date will result in zero cuts to export support. In fact, subsidies of 55 billion euro per year will continue and there are provisions to increase the amount.

There will be continuation of dumping as there is no accord on disciplining trade-distorting domestic support. This will allow dumping to continue unabated.

FGS said that the declaration called for elimination of cotton subsidies by 2006, but the US should have eliminated them by September 2005. They are committing to something that they should have done anyway. This is not really an offer but a PR stunt on something they have violated under WTO rules.

On the services deal, FGS said that the process of arriving at this draft was inherently undemocratic. Brackets that indicated disagreements around Annex C were removed in a greenroom process. The text changes the flexible nature of GATS and forces developing countries into plurilateral, sectoral and government procurement negotiations. It compromises the ability of developing countries to regulate foreign services corporations. GATS clauses of progressive liberalization will ensure that international companies will be given the same regulatory treatment as domestic ones.

(*The Financial Express*, 21 December 2005)

6 Days of Deception in Hong Kong

SIX thousand delegates, six days of talks, but what has all this effort achieved? Hong Kong has been in the eye of the storm as trade ministers and officials from the WTO's 150 member states descended on the city to thrash out an agreement on how global trade can be harnessed to help alleviate poverty.

Expectations were low even before the WTO's sixth ministerial conference kicked off on 13 December but as the ink dries on the final declaration, it is disappointing and frustrating that poor countries have been cheated once again.

The current round of trade talks — the so-called Doha Development Agenda — are meant to culminate in an agreement that ensures trade rules help fight poverty rather than hinder it. But, right now, it feels as though we are going backwards, not forwards.

The declaration, issued by the WTO on 18 December evening, reflects the interests of a few rich countries like the EU and US rather than those of more than 100 developing countries, home to four-fifths of humanity.

The EU and US ended up making only paltry offers to reduce their agricultural subsidies, the thorniest issue on the negotiating table.

The EU managed to deceive poor countries by concentrating everyone's mind on an end date of 2013 for its •1 billion worth of export subsidies, when the real issue is the •55 billion that it gives in other forms of domestic support.

The US played a similar game by merely tinkering with its cotton subsidies. It offered to end its cotton export subsidies by 2006, but the vast majority of its nearly $4billion of subsidies takes the form of domestic support and not the export subsidies.

In return for these token offers, significant concessions were extracted from poor countries in areas like services and manufactured products. An agreement on services was pushed through to force poor countries open up key services sectors including essential public necessities like healthcare, education and water.

In the area of manufactured goods, poor countries are being pushed to drastically cut their tariffs. This will open up their vulnerable industries to unfair competition from advanced industries and powerful multinational corporations.

Protestors weren't happy with how the negotiations were proceeding either. Thousands of poor farmers, factory workers and fisherfolk from all over Asia gathered everyday in Victoria Park near the convention centre and staged colourful marches drawing attention to how their lives have been directly affected by WTO rules.

The South Korean protesters graphically demonstrated the level of desperation that many of the world's poorest people have been driven to by a trade deal that favours the rich and betrays the poor.

One positive thing that came out of this summit was the formation of a powerful new alliance between the world's poor countries. All the major developing country blocs — the G-20, G-33 and G-90 — came together for the first time at the WTO.

Although they didn't manage to prevent a bad deal, the united front they will present at the next round of talks, scheduled to take place in a few months' time, can only be good for ensuring that the true aim of this round of talks — ending world poverty — returns firmly to the heart of the negotiations.

(*The Financial Express*, 20 December 2005)

WTO Deal Fails to Heal Rifts

WTO members reached a compromise agreement that averted a crisis at their Hong Kong meeting, but at the cost of postponing until next year all the most difficult negotiations in the troubled Doha trade round.

Ministers representing the WTO's 149 members reluctantly approved a draft ministerial declaration, hammered out after five days of arduous talks that failed to bridge deep rifts between them.

The agreement sets an end-date of 2013 for farm export subsidies, offers export help to the world's poorest countries and brings some relief to struggling African cotton producers. The compromise deal was reached after winning the backing of a group of developing countries led by Brazil and India.

"We have managed to put the round back on track," Pascal Lamy, WTO Director-General, said. He said the talks were now 60 per cent of the way to their conclusion and that he was more confident than a month ago about their prospects, though he was still not sure they would succeed.

Charles Grassley, chairman of the powerful US Senate finance committee, said Congress was unlikely to approve a Doha deal unless much more progress was made in the next few months. "On the toughest issues, (the Hong Kong meeting), simply kicks the can down the road," he said.

Although the ministers patched up some bitter disputes, none of them moved beyond long-established negotiating positions. Their final declaration, intended to provide guidelines for the next stage of the talks, contained many vague provisions and ambiguities.

The meeting's main achievement was a package of trade and aid measures intended to help the poorest countries, many of whom have been reluctant to support the Doha round. In addition to increasing technical aid, rich nations agreed to remove most of their restrictions on imports from least-developed countries.

However, the US refused to eliminate tariffs on textiles imports from Bangladesh and Cambodia, saying they were too competitive. It also fought off demands that it rapidly eliminate annual subsidies of more than $4 billion to its cotton farmers, which poor west-African countries say are driving their producers out of business.

Instead, Washington promised only to hold talks with the African countries aimed at achieving faster and deeper cuts in its cotton subsidies than for other agricultural products under negotiation in the round.

Under strong pressure from the US, Australia, Brazil and most other developing countries, the European Union reluctantly accepted a 2013 deadline for eliminating all farm export subsidies and agreed to make "substantial" reductions by the end of 2010.

Mariann Fischer Boel, agriculture commissioner, said she was happy with the 2013 deadline, because the EU already planned to phase out by then most of its export subsidies. However, she said Brussels would reject in the WTO a timetable for reductions that required further EU farm reforms.

Celso Amorim, Brazil's foreign minister and leader of the influential Group of 20 developing-country agricultural exporters, called the meeting's results "modest but not insignificant".

(*Financial Times*, 19 December, 2005)

What the Deal Means for India

WHILE the industry faces the prospect of lower import duty bindings arising from the Swiss formula adopted for industrial goods, farmers can look forward to better market access under the proposed plan to phase out agri export subsidies by 2013. On services, there is very little to write home about, except a timetable for submission of improved offers, while India has managed the flexibility it needed to protect small industries and livelihood of farmers. ***ET*** *simplifies the jargon for you.*

The Farm Package

Special Safeguard Mechanism: This gives powers to Government to protect farmers from sudden increase in inputs by providing for hike in customs duties. This will ensure that domestic prices do not crash due to flood of imports. Developing countries were fighting for this, which has been accepted now.

Special Products: India can select a few sensitive products, like wheat which is important for Punjab farmers or coffee which is an important source of livelihood in Karnataka, and keep them out of import tariff reduction. This provision was won by poor nations despite stiff resistance from influential players.

Domestic Support: Issues like fertilizer subsidy will become WTO-compatible and backing provided by developing countries for farmers won't face countervailing action by other members.

Phase-out of Export Subsidy by 2013: Debated in an acrimonious manner, the deadline means that farmers in the EU and the US will gradually lose subsidies for exports. Elimination of subsidies will get more market access for Indian agri products. Initially, the deadline was set at 2010 but the EU put its foot down to gain three more years.

For India Inc

Tariff Peaks & Tariff Escalation: While maintaining a low average level of import duties, industrialized countries use high tariffs, known as tariff peaks, to protect sensitive industries like textiles and leather.

Tariff escalation works in a similar way, blocking areas of interest of developing countries. The HK deal calls for focus on tariffs peaks and tariff escalation on products of interest to developing countries. Once the peaks and escalation are addressed, countries like India can hope for better market access for products of their interest.

Coefficients: While arriving at duty reduction bindings on industrial goods through the Swiss formula, different coefficients would be used for developing countries and developed countries. In effect, this would mean that the duty cut levels to be committed by developing countries would be less than that of rich nations. This gives more breathing space for developing countries to open up further.

Services

Annexure C: Lays down fresh deadlines for submission of improved offers. This may get the bogged down negotiations going. The improved offers are to come in by July 2006 and final schedules are to be submitted to WTO by October 2006. In a year from now, progress can be expected on services. The Hong Kong declaration also call for "higher level" of liberalization in services that what is being perceived now.

Less than Full Reciprocity: Reiterates the basic thread of the Doha Development Round that sacrifices from developing countries should be lower than that of industrialized world.

Flexibilities: Has the same effect as less than full reciprocity and emphasizes that developing countries need flexibility, considering their level of development.

(*The Economic Times*, 19 December 2005)

Unity Helped Clinch the Deal: Nath

LOOKING forward to more progress next year, India Inc cautiously lauded the WTO's Hong Kong Ministerial Declaration while Commerce & Industry Minister Shri Kamal Nath said that the interests of developing countries have been protected due to "unprecedented unity". The main relief for both the industry and the government seems to be in securing the "defensive interests" of India, which primarily pertains to protecting farmers as well as India Inc from further import competition. In the case of services, where India has an "offensive interest" to gain more market access, both sides are content over the timelines set for taking the negotiations forward.

The "Development Aspect" of the Doha Round has been brought back to centre stage as the WTO has acknowledged the legitimate demands of poor nations for ending the "inequalities" in global trade, Shri Kamal Nath said. "We do hope for more progress and look forward to further negotiations in 2007, he said.

CII Vice President R. Seshasayee said the Indian negotiators have done a good job in securing the interests of developing countries. The WTO should now ensure that the development objectives of the Doha Round are met quickly, he added.

FICCI Secretary-General Amit Mitra said the commitment to end farm export subsidies by 2013 was important for developing countries like India. The proposal to ensure substantial reduction in these subsidies during the first half of the implementation period (which could be 2006-13) was a good measure, he added. India has also won flexibilities for farmers and the industry, the apex chamber noted.

The auto industry also welcomed the move with the Society of Indian Automobile Manufacturers (SIAM) as well the Automotive Component Manufacturers Association of India (ACMA) lauding India for winning flexibilities in import duty reduction bindings for developing countries. While the Hong Kong declaration was welcome, non-tariff barriers should be addressed soon, said S. Sandilya, Co-chairman of SIAM's International Trade Committee.

While international non-government organizations (NGOs) said the WTO "compromise" left a lot to be desired, Shri Nath said the interests of Indian industry have been protected. Describing the deal as a victory for the G-20, G-33, the African-Caribbean-Pacific (ACP) countries, the least-developed countries (LDCs), and small economies, he said all the groupings stood firm on adopting a united approach without compromising on issues of their interest.

"*Firstly*, we have been able to secure agreement that WTO will not come in the way of domestic support given to farmers in developing countries like India, which has a preponderance of small farmers. Therefore, all the programmes of the government aimed at benefiting farmers will not be subject to any WTO discipline. *Secondly*, there is also an agreement that developing countries will be able to declare an appropriate number of special products on a self-selection basis. These are agricultural products of concern to developing countries which would be outside the ambit of tariff reduction. This will help our farmers in protecting their important crops from unfair international competition. *Thirdly*, we will also have a special safeguard mechanism which means that we will be able to raise import duties on agricultural products if there is a surge in their imports or there is a fall in their prices," the Commerce & Industry Minister said.

"Our farmers would not have to worry about their income levels falling due to unfair competition from subsidized imports. And finally, agreement has been reached on complete elimination of export subsidies on all agricultural products by developed countries. This will not only help in protecting our farmers from unfair competition in the domestic market, but will also open up new opportunities for export of agricultural products".

He said the policy space essential for developing countries including India has been fully preserved, adding that the primacy of the request-offer process has been maintained and the architecture of the General Agreement on Trade in Services (GATS) remains intact. Market access in services areas of export interest to India like movement of personnel has been assured, while commitments at the existing levels in respect of cross-border supply and e-enabled services have been secured, he added.

(*The Economic Times*, 19 December 2005)

Davids Face Heat from Goliaths

THE "compromise" deal clinched at the WTO Ministerial Conference in Hong Kong was not without its share of high drama. Various players, including the US, the EU, Brazil, India and a number of small nations, threatened to derail the conference at various points. The key aspect that was noted by trade experts and WTO veterans was that influential players like the EU, the US and Japan were under severe pressure throughout the Ministerial due to growing unity among the unrelenting bunch of developing countries and least-developed nations (LDCs).

Even small countries were so vocal that they sought a promise just before the close of the ministerial that the proposed amendments to the draft declaration should be implemented to their satisfaction. In the end, a bunch of poor nations like Benin, Chad and Burkina Faso managed to get the mighty US bow to their wish of an end to cotton subsidies. Similar was the case with the "duty-free, quota-free" package meant for LDCs. Despite US pressure, efforts were made till the eleventh hour to keep the package free of exemptions, with the final deal according the benefit to nearly 97 per cent of all product lines, exempting just 3 per cent.

Brazil and India also turned the heat on the Big Two with ample support from South Africa, Argentina and China. Even the "cool" foreign minister of Brazil, Celso Amorim, is said to have threatened to walk out in protest against the lack of end-date on agri export subsidies. India had done its bit earlier by shooting off a strongly-worded letter to WTO Director General Pascal Lamy who ultimately managed to sew up a deal together despite heavy odds.

Commerce & Industry Minister Shri Kamal Nath said industrialized nations should come to terms with the ground realities, indicating that they should not try to lord over the WTO. Diplomats acknowledged the emerging situation saying that the days of big players deciding on drafts that were then forced on the majority of poor countries was over. The unprecedented unity among the poor nations has also made it more difficult to split their ranks. After all, 110 out of 150 is far more lethal than a brute majority!

(*The Economic Times*, 19 December 2005)

Bio-piracy Checks to be in Place by July

DESPITE strong resistance from US, the WTO has decided to initiate negotiations on steps to provide protection to traditional knowledge. With a significant impact for India, the move would help in preventing bio-piracy and check those seeking to patent inventions without even disclosing the traditional knowledge sourced to achieve those inventions.

The Ministerial Declaration at the WTO conference has called for completion of negotiations on this aspect by 30 June 2006. The relationship between TRIPS and the UN Convention on Biological Diversity would be discussed in detail during this period to bring in necessary safeguards.

The deadline will also apply for negotiations on geographical indications (GIs) which hold a key impact for India. The EU was seeking a "clawback" on GIs while India is keen on protection to items like basmati rice and Darjeeling tea. The provisions included in the Ministerial Declaration would help in protecting traditional knowledge like Ayurveda and Unani, Commerce & Industry Minister Shri Kamal Nath said. The move is significant in view of efforts to patent items like turmeric and basmati rice which were resisted bitterly by India.

It is understood that India will seek to create a balance between IPR and rights of local communities through the negotiations mandated by WTO. Similar will be the case with use of genetic material and traditional knowledge. This issue is of immense interest to us in view of our rich biodiversity, Shri Kamal Nath said.

"In TRIPS and CBD, this should enable us, by the end of the Doha Round, to create a balance between private intellectual property rights and rights of communities over genetic material and traditional knowledge. The benefit from an extension of the higher level of protection for geographical indications to products of interest to developing countries would increase the welfare of farmers and artisans, by enabling them to get better price realization, and more markets, for agri-products and handicrafts, like Darjeeling tea, basmati rice, alphonso mangoes, pochampalli silk and other such items," he said after the Ministerial Declaration was finalized on 18 December.

(*The Economic Times*, 19 December 2005)

WTO Cuts Deal on Farm Subsidies

WILD swings took WTO to the brink on several occasions, but trade ministers of 149 nations finally managed to hammer out a "compromise deal" that holds a lot of promise for developing countries like India on market access for agriculture products. The rich nations have agreed to phase out farm export subsidies by 2013. In return, they managed to force developing countries to accept the Swiss formula for import duty reduction bindings for industrial goods. With not much progress in services, the compromise deal tries to balance a trade-off between agriculture sops to benefit developing countries and enhanced access in industrial goods to appease rich nations. For India, the Hong Kong declaration holds a mixed bag. On the one hand is acceptance of the Swiss formula on reduction in industrial tariffs, that was being vehemently opposed till the last moment. India Inc may have to now prepare for lower import duty protection. The details would be worked out next year. Since multiple coefficients are to be applied, the level of customs duty cut will be lower than what industrialized nations would face. The domestic industry seems to be ready to face the situation since adequate safeguards have been provided under the non-agriculture market access (NAMA) understanding.

The final outcome hinged on the agri-for-NAMA compromise that finally won the day. However, the US and the EU did not give up without a fight on the package for poor nations, including the cotton agreement.

On the positive side, farmers can expect to get more access once farm export subsidies are phased out. Also, the fear of subsidized farm goods hurting Indian farmers has been addressed.

The special safeguards sought by developing countries to protect livelihood concerns of farmers has also been accepted by WTO. There was some disappointment among developing countries that the end-date for farm export subsidies was shifted from 2010, as discussed till the last day, to 2013. Considering the poor expectations from the Hong Kong Ministerial, the compromise deal is a major victory for global trade liberalization. At least, the process is moving forward after the major setback suffered at Cancun. However, much will depend on the follow-up action that is expected next year with a series of "mini ministerial" meetings starting January.

While the minor efforts made to take services trade liberalization forward has not met the demands of countries like India, there is some good news for protection of traditional knowledge.

Commerce & Industry Minister Shri Kamal Nath said negotiations will begin next year to bring about measures to protect traditional knowledge such as Ayurveda and Unani forms of medicine.

The Hong Kong compromise was rocked by haggling and protests till the final minutes as the EU put its foot down on earlier end to farm export subsidies while poor nations threatened to walk out over lack of sops for cotton, bananas and "quota-free, duty-free" market access for least-developing countries (LDCs). With the EU meeting in Brussels reaching an agreement that left no scope for EU Trade Commissioner Peter Mandelson to commit phase-out of agri export subsidies by 2010 as demanded by developing countries, the comprise deal hit a dead-end.

While Brazil indicated that developing countries would walk out if the deadline was not accepted, it was left to WTO Director General Pascal Lamy to rescue the deal.

Ultimately, it was accepted that the farm export subsidies would be eliminated by 2013, with substantial cuts taking place during the first half of the implementation period. The language in the Ministerial Declaration is carefully worded to avoid "back-loading" by the EU a fear expressed by developing countries on the basis of experiences faced in implementing phase-out of textiles quotas. Back-loading would mean preserving most of the subsidies till 2013, leaving no scope for enhanced market access during the remaining period of implementing the phase out.

(*The Economic Times*, 19 December, 2005)

Who Needs WTO?

THE WTO has completed a decade of its existence. During this 10-year period, the multilateral trading system has generated more problems than solutions. The global body had suffered severe blows at the Seattle and Cancun Ministerials. The sixth ministerial at Hong Kong has brought to the fore the cumulative public resentment against this global body.

The Ministerial is likely to end with no solution in sight. It is time for a comprehensive review of the impact of globalization under WTO regime in general and on farm sector in particular. Also, the study should incorporate the impact of economic liberalization and free regional and bilateral trade agreements undertaken by different countries across the globe.

Some environmental NGOs like Greenpeace have called for an assessment of the health and environment impact. Their studies should be based on hard facts. Ideally, WTO itself should commission such studies through a network of independent agencies, including civil society organizations and experts.

Doha Work Programme, launched in November 2001 has, in fact, very little development agenda. There was initial resistance at Doha against calling this a development round. Even after fours years, the development round remains unimplemented due to the rigid positions of the developed countries.

Developing countries need more "policy space" and have the option of using a wider range of policy instruments than are permitted under the aegis of WTO, IMF and the World Bank. These policy choices should be at the level of what today's industrialized countries enjoyed during their period of industrialization and development.

However, fragmented studies done so far paint an awful impact of globalization of trade on the world's poor. To cite a few examples, in many African countries food imports recorded a surge, severely affecting domestic production.

The import of tomato paste by Senegal increased 15-fold from an annual average of 400 tonnes during 1990-94 to roughly 6,000 tonnes in 1995-2000. Between the same period, average annual production fell by 50 per cent from 43,000 tonnes to about 20,000 tonnes. In Burkina Fasso, the import of tomato paste increased by four times between the same period from 400 tonnes to 1,400 tonnes while tomato production fell by 50 per cent from about 22,000 tonnes to 10,000 tonnes.

In Kenya, during 1980-90 the volume of processed milk rose steadily from 179,000 tonnes to 392,000 tonnes. From 1992 onwards, the volume of processed milk fell dramatically to as low as 126,000 tonnes in 1998. This decline was mainly due to the decline in deregulation of the Kenyan Milk Board. In Benin, chicken meat imports increased 17-fold by 1995-2000 from 1985-1989 annual average of about 1,000 tonnes. The sorrows of cotton and coffee growers in Africa are well known.

In Central America and Mexico where some of the world's highest quality of coffee is grown, the World Bank estimates that 600,000 permanent and temporary coffee growers have lost their jobs in the past two years alone. Relief agencies estimate that more than 1.5 million peasants in the region lack food.

Back in Asia, Indian farmers are unable to get remunerative prices on exports of several agro produces and products on account of depressed global prices. The near self-sufficiency achieved in oilseeds production on account of the efforts of the technology mission was upset by dependence on cheap vegetable oil imports from Malaysia and Indonesia. Between 1996-97 and 2003-04, agriculture imports into India have increased by a whopping 375 per cent in volume and 300 per cent in value terms. It is important to note that the value of imports as proportion to agricultural GDP has also increased from less than 3 per cent to 4.34 per cent during the same period.

The surge in imports of several agro commodities is also marked in the Philippines, Sri Lanka, Vietnam and Indonesia.

In face of the sufferings in developing countries, the developed world continues with their protected regime in the farm sector, denying market access to the produces and products from the Third World.

The subsidy regime in developed countries has depressed global prices to the disadvantage of the farmers in the developing world. The subsidy regime in the developed world benefits only farmers with large landholdings and agri-business corporation, much to the neglect of small and family farms.

(*The Financial Express*, 19 December 2005)

Six-day War of Words Ends, Hong Kong Delivers

THE grand alliance of developing and least-developed countries led by India, Brazil and Zambia managed to wrest significant concessions from the stubborn West at the sixth ministerial meet of the WTO.

These countries made the EU commit to end export subsidies in agriculture by 2013 and got some flexibilities in tariff reduction in agricultural and industrial goods.

Further, the developing countries including India have got the flexibility to self-designate an appropriate number of tariff lines as special products in agriculture. Such tariff lines would attract nil or minimal tariff cuts.

The contentious issues of domestic subsidies and reduction formulae for tariffs in agriculture and industry, however, remained unresolved even as the curtains were about to draw to a close.

The special safeguard measures allowed to developing countries to check imports of sensitive products have been linked to both quantity and prices. Now, countries can take action to stop imports of a particular agriculture commodity not only when imports surge but also when international prices fall to very low levels.

India will also not have to take commitment to reduce the minimum level of subsidies that it advances to its farmers.

No agreement was, however, reached on domestic subsidy reduction in agriculture. Neither was there a consensus on India's demand for linear reduction of agriculture tariffs in the agreed bands.

As for non-agriculture market access (NAMA), the text takes on board the Argentina, Brazil, India (ABI) proposal of linking reduction to average tariffs existing in different countries. It also leaves scope for developing countries to take on lower reduction commitments than their developed counterparts. The reduction formula, however, was to be agreed upon at the time of going to the press.

In services, despite a prolonged stand-off between the EU and the LDCs, some sort of a weak compromise has been managed to be arrived at.

In services, the text lays down various criteria under which negotiations will be done under the various modes and also mentions the time-lines. The EU's and India's demand of fast-tracking negotiations by making plurilateral talks mandatory, has, however, not been met.

The EU's refusal to put an end date to export subsidies took much of the negotiating time. Till the last day of the Ministerial it kept linking the issue of export subsidies to the food aid provided by the US. Finally, the EU agreed to eliminate such subsidies by 2013 instead of 2010 being sought by other members, including India.

Similarly, persistent demand by the least-developed countries forced the US agree on an ambitious reduction of the huge levels of trade distor-ting domestic subsidies for cotton. It was only when the LDCs threatened to walk out of the Ministerial did the US agree to a definite deal in this regard.

(*The Financial Express*, 19 December 2005)

India Scores: Strateagy of Grand Alliancae of Developing Countries Pays Off

THE strategy of forging a grand alliance of developing countries has paid off, with India and other developing countries scoring in a big way in areas of key concern to them, including agriculture, non-agricultural market access and development issues. Shri Kamal Nath, Commerce and Industry Minister of India, hailed the outcome of the sixth ministerial conference of the World Trade Organization (WTO) as a victory of the developing countries - G-20, G-33, the African-Caribbean-Pacific (ACP) countries, the least-developed countries (LDCs), and the small economies - who for the first time in the history of the WTO, came together to push the development agenda in multilateral trade negotiations and coordinated their efforts in order to develop a common approach to issues of common interest.

Addressing a news conference in Hong Kong on 18 December 2005, Shri Kamal Nath said that the interests of Indian farmers had been fully protected in the Hong Kong Ministerial Agreement. Outlining the gains for India and many developing countries in agriculture obtained through tough negotiations at marathon, all night.

Green Room sessions, in Hong Kong, the Minister said: "*Firstly*, we have been able to secure agreement that WTO will not come in the way of domestic support given to farmers in developing countries like India, which has a preponderance of small farmers. Therefore, all the programmes of the government aimed at benefiting farmers will not be subject to any WTO discipline. *Secondly*, there is also an agreement that developing countries will be able to declare an appropriate number of special products on a self-selection basis. These are agricultural products of concern to developing countries which would be outside the ambit of tariff reduction. This will help our farmers in protecting their important crops from unfair international competition. *Thirdly*, we will also have a special safeguard mechanism which means that we will be able to raise import duties on agricultural products if there is a surge in their imports or there is a fall in their prices. Our farmers would not have to worry about their income levels falling due to unfair competition from subsidized imports. And *finally*, agreement has been reached on complete elimination of export subsidies on all agricultural products by developed countries. This will not only help in protecting our farmers from unfair competition in the domestic market, but will also open up new opportunities for export of agricultural products".

Regarding domestic industry, Shri Nath said that the interests of Indian industry had been fully protected in the Hong Kong Ministerial Agreement. "Preservation of adequate negotiating space was a goal and has been ensured for the future. While building in necessary provisions to safeguard India's defensive interests, provision to promote our export interests too have been strengthened. "A clear instruction to focus on reduction of tariffs, especially tariff peaks and tariff escalation, on products of export interest to developing countries has been included in the Declaration. The concept of less than full reciprocity in reduction commitments by developing countries has been firmly reiterated and incorporated in the paragraph relating to the formula. It has been ensured that flexibilities for developing countries will be included in the final package. This reinforces the paragraph 8 provisions of the July Framework Agreement allowing exemption of a specific number of tariff lines from formula cuts", he said. The Ministerial Declaration call for a Swiss formula with co-efficients preserves all the proposals on the table, including the one submitted by Argentina, Brazil and India (ABI), which envisages a multilple co-efficient Swiss formula based on each country's tariff average.

In services, the policy space essential for developing countries including India has been fully preserved, Shri Kamal Nath said, adding that the primacy of the request-offer process has been maintained and the architecture of the General Agreement on Trade in Services (GATS) remains intact. Explaining this, the Minister said: "Given that the flexibility for developing countries has been fully preserved, each member including India, can decide on the level of commitments that they would take commensurate with their levels of development and national policy objectives. In other words, there is no compulsion on developing countries to open up services sectors". Market access in services areas of export interest to India like Mode 4 categories of contractual service suppliers and independent professionals of developing countries has been assured, while commitments at the existing levels in respect of cross-border supply (Modes 1 & 2) which include business process outsourcing (BPO) and e-enabled services have been secured. Referring to the issue of trade-related intellectual property rights (TRIPS) - Convention on Bio-Diversity (CBD) which was taken up strongly by India during the Hong Kong deliberations, Shri Kamal Nath said that the Ministerial decided to further intensify discussions in the two areas of interest to India and other developing countries, namely Geographical Indications and Biological Diversity so as to complete the work by June 2006. "In TRIPS and CBD, this should enable us, by the end of the Doha Round, to create a balance between private intellectual property rights and rights of communities over genetic material and traditional knowledge. The benefit from an extension of the higher level of protection for geographical indications to products of interest to developing countries would increase the welfare of farmers and artisans, by enabling them to get better price realization, and more markets, for agri-products and handicrafts, like Darjeeling tea, basmati rice, alphonso mangoes, pochampalli silk and other such items".

Shri Kamal Nath welcomed the package for LDCs, stating that this should be taken by logical conclusion and implemented in its true spirit, as it would bring substantial benefits to the LDCs and give them greater stake in the multilateral trading process. The Minister concluded by emphasizing that while forging a consensus in multilateral trade talks was not an easy task, "the development focus of these trade talks makes it imperative for all of us to do our utmost so that the development aspirations from this Round can be realized".

(*www.commin.nic.in* 18 December 2005)

India Defines Terms on Industrial Tariffs

WITH the European Union and the United States closing ranks on pushing for a Swiss formula with two co-efficients for reduction in industrial tariffs, India said it would not agree to any proposal unless the flexibilities offering less than formula reduction or not reducing tariff on certain lines were included.

Commerce and Industry Minister Shri Kamal Nath also wrote a letter to WTO Director-General Pascal Lamy, stating that India would not budge on agricultural and industrial tariff negotiations unless developed countries agreed on an end date for elimination of export subsidies, special products and special safeguard mechanisms in agriculture and flexibilities on Para 8 in industrial tariffs.

Officials said since even developing countries had offensive interests in India's market, New Delhi may have to contend with flexibilties being provided as part of the formula rather than as a stand-alone provision.

The EU Trade Commissioner Peter Mandelson said, "the US made a proposal and I second it in every respect." He said the US and the EU proposal, as it is now called, was backed by a majority of the countries that were present. A US official said the US continued to support a Swiss formula with two coefficients in NAMA and added that the EU, too, shared that position.

Shri Nath said developing countries needed flexibilities to protect their domestic industries, such as offering less than formula reduction or making no reduction at all on a specified number of tariff lines covering their sensitive items or sectors.

While India toughened its stance, Mr. Mandelson said the EU was not willing to discuss dates for the elimination of export subsidies until other countries sign up for transparent reform to their forms of export subsidies.

In a statement, the EU said Europe's commitment to eliminating all export subsidies in an unequivocal and transparent way remains absolute. But every form of export support distorts world markets and the need to act applies to all governments engaged in export subsidization.

Mr. Mariann Fischer Boel, EU Agriculture Commissioner, said, "We are ready to move, but we insist on taking others like the US, Canada, Australia and New Zealand along with us. A date for ending export subsidies is not a trade-off for transparent commitments to reform export subsidy programmes."

These commitments are what others owe to all members of the WTO as part of their commitment to ending export subsidies in the July Framework Agreement of 2004.

(*Business Standard*, 17 December 2005)

India will Not Move in WTO Farm Talks at Hong Kong without End Date for Removal for Agri Export Subsidies by Developed Countries, says Kamal Nath

SHRI Kamal Nath, Minister of Commerce and Industry of India, indicated that India will not move in the agricultural negotiations at the Hong Kong Ministerial Conference of the World Trade Organization (WTO) unless the developed countries set a definite end date for elimination of all forms of export subsidies in the agriculture sector. At an informal news briefing on the Green Room deliberations, the Minister explained how such subsidies kept the prices of agricultural products in the international market at artificially low levels and adversely impacted on the interests of poor farmers in developing countries like India who were not able to get remunerative returns for their produce. He further said that there would be no movement as far as India was concerned in the area of industrial tariffs (i.e., non-agricultural market access – NAMA) either, without the flexibilities in tariff reduction commitments that were required to protect domestic industries in India.

India is standing firm on the issues of interest to it in the key sectors of Agriculture and NAMA, Shri Nath said.

In order to safeguard the interests of Indian agriculture in the ongoing Doha Round of negotiations on agriculture, the G-20 – of which India is a founder member – has also sought elimination of all forms of export subsidies by a credible end date. Further, under the special & differential (S&D) treatment provisions for developing countries, the July Framework of 2004 (that set out the guidelines and principles on modalities for further negotiations post-Cancun) provides that developing countries will continue to benefit from provisions that allow subsidies for marketing and transport of exported goods for a reasonable period even after all agricultural export subsidies have been phased out.

On NAMA or industrial tariff negotiations, Shri Kamal Nath said he had made it amply clear during Green Room discussions that it would not be possible for India to move forward in the negotiations without the flexibilities that developing countries needed to protect their domestic industries, such as offering less than the formula reduction or making no reduction at all on a specified number of tariff lines covering their sensitive items/sectors. "This is absolutely vital for countries like India in order to be able to safeguard the interests of small and medium enterprises which provide livelihood to millions of industrial workers", he said.

(*www.commin.nic.in*, 16 December 2005)

Developing Countries Show Unprecedented Unity at WTO Hong Kong Ministerial Conference

Not Mere Posturing – says Kamal Nath

IN an unprecedented show of unity all the developing country groupings, for the first time in the World Trade Organization (WTO), held a Ministerial Meeting in Hong Kong during the sixth ministerial conference where the G-20, the G-33, the African-Caribbean-Pacific (ACP) countries, the least-developed countries (LDCs), the Africa group and the small economies came together on a single platform and decided to better coordinate their efforts in order to develop a common approach to issues of common interest. At a press conference where he shared the platform with trade ministers of other developing countries, Shri Kamal Nath, Minister of Commerce & Industry, said the coming together was not mere posturing, but a genuine reflection of developing countries' resolve to take multilateral trade negotiations forward in a manner that would ensure that global trade was not only open but also equitable and fair.

In a joint statement reiterating their shared interest in the development dimension of the current Doha Round and their expectations of the comprehensive development outcome, the Ministers of all the developing countries agreed as follows:

1. The round must result in the removal of the distortions that inhibit the export growth of developing countries and the provision of adequate policy spare to ensure their sustainable socio-economic development. To this end, they

agreed that developed countries must eliminate export support measures by 2010 while addressing specific needs of LDCs and also substantially reduce trade distorting domestic support.

2. Market access for products of export interest from developing countries in developed country markets must improve substantially and concerns of preferences receiving countries must be addressed.
3. Emphasizing the importance of special & differential (S&D) treatment in all the three pillars of agriculture negotiations, they stressed the role of special products (SPs) and special safeguard mechanism (SSM) as a means of addressing the food security, rural development and livelihood means of developing countries in the area of agricultural market access.
4. They reaffirmed their support for LDC demands for duty-free and quota-free (DFQF) market access and called for a concrete outcome in Hong Kong on this issue.
5. They stressed the need for a commitment at Hong Kong to address the issue of cotton ambitiously, expeditiously and specifically.
6. The specific measures should be adopted to address trade-related issues raised by the small, vulnerable economies.
7. Vowing to intensify the dialogue while recognizing the diversity of their situations and perceptions, they reiterated their commitment to a successful conclusion of the Doha Round by the end of 2006.

Meanwhile, the Federation of Indian Chambers of Commerce and Industry (FICCI) in a statement has welcomed the unprecedented alliance among a large number of developing and least-developed countries having diverse interests and termed this as being among the most significant developments so far in the Hong Kong Ministerial Conference. They complimented Shri Kamal Nath for his efforts towards coalition building in Hong Kong which, they said, could be a vital input in achieving a pro-development outcome from the Doha Round.

(*www.commin.nic.in*, 16 December 2005)

"Sensitive Products" Hold Key to Breakthrough

FOR Japan, it's rice. For France, it's champagne and Roquefort cheese, among other things. When it comes to free trade, almost every country has its own sacred cows, traditional products they insist on protecting from outside competition.

Trade talks in Hong Kong are focusing on proposals to open the markets of wealthy industrialized countries to imports from 32 of the world's poorest nations. Some, like Australia and New Zealand, want that offer to apply to all products for all these least-developed countries. They made that commitment back in 2003. Many other rich countries among the 150 WTO member nations say they simply can't go that far.

Much of the criticism at the stalled WTO talks has focused on the European Union's refusal to further cut government subsidies and import tariffs on farm goods.

But they aren't alone. Japan, the US and many other WTO members have so-called "sensitive products" they try to protect through tariffs meant to keep their farmers competitive against lower cost imports from developing countries.

Japan, which proposed to allow duty-free, quota-free access to "essentially" all products from least-developed countries those with per capita income of less than US$750 a year - draws the line at rice.

"Our people have a special affection for rice," says Seiichi Kondo, Japan's ambassador for international trade and economics. "Rice and rice plants are so deeply embedded in the culture, in our hearts and minds, that it is so difficult to expose the rice trade to international competition," he said.

Leather products are another, he said. "Our experts are working very hard on how much they can do. The number of products that will be exempted will be very, very small. We will not escape our duty, we will open our markets."

To shelter its farmers for reasons including cultural tradition, dietary preferences, food safety and security, and even environmental protection, Japan imposes value-added tariffs of up to 771 per cent on rice imports.

The imports that do make it into the country tend to be used in other products, such as sake, rice cakes and crackers consumers willingly pay higher prices for the domestically grown, sticky varieties served plain at breakfast, lunch and dinner.

WTO delegates remained deadlocked over what percentage of products their countries should be allowed to designate as "sensitive," and therefore subject to smaller tariff cuts. The US was proposing only 1 per cent. The EU, 8 per cent or higher.

The issue was clouded by the fact that many participants would not, or couldn't, say which exact products fall into the sensitive category. The EU hasn't said which exact products that would be, though quality products known by the area in which they are produced - such as France's champagne or roquefort cheese, are thought to be among them.

Australia's trade minister, Mark Vaile, said he also thought a compromise was possible, if participants would accept "safeguard mechanisms" for certain products.

(*The Hindu Business Line*, 16 December 2005)

No Breakthrough at WTO as Predicted

THREE days of hard negotiations at the Ministerial Meeting of the WTO have failed to result in any breakthrough in the important areas of agriculture, non-agriculture market access, development package and services.

In fact, greenroom discussions (comprising 30 members including India) only served to highlight the huge differences in positions existing between key members on most issues. Countries, both developing and developed, are still accusing each other of posturing, and nobody seems to be in the mood to make the first move.

If members do not consciously decide to move from their rigid positions, it seems unlikely that the Hong Kong Ministerial will be able to provide the "foundation" for a successful conclusion of the on-going Doha Round by the end of next year.

According to Brazilian foreign minister Celso Amorim, members are trying to strengthen their bargaining capacities by pretending that they don't understand positions of other members which they are actually aware of. "Members are trying to proceed from zero. If we waste time on things that we already know, there will not be enough time for settling real issues," he said.

India's Minister for Commerce and Industry Shri Kamal Nath pointed out that there had been no movement in either agriculture, NAMA, services or development issues. Based on bitter experiences in the previous ministerial, where draft texts representing views of certain developed countries were circulated without consultations, he added that having no breakthrough was at least better than having bad deals thrust on developing countries.

EU, however, did not appear to be as patient. EU trade commissioner Peter Mandelson said, brinkmanship by large exporting countries was holding up a deal in agriculture. Mr. Mandelson accused other members of merely posturing and not putting enough on the table. He also said that the focus of the talks should shift from agriculture to NAMA as more than half of total trade globally happened in industrial goods.

Responding to Mr. Mandelson's point, Shri Nath said that the group of nine countries (which has now grown to 11) on NAMA had put forward its position, but was still waiting for an EU response. The meeting of the G-20 group of developing countries in agriculture with US trade representative Rob Portman did not amount to much, with the latter not willing to do much in the area of reducing domestic subsidies.

Greenroom discussions have been often criticized for including just a handful of countries. However, in the absence of an alternative approach, it is seen as a handy tool in breaking impasse when some quick decision-making is required in identified areas. The 30-odd countries participating in the greenroom are a mixture of developed, developing and least-developed countries. The list includes the US, the EU, India, Chile, Brazil, China, Pakistan, Argentina, Zambia and Ghana, among others.

(*The Financial Express*, 15 December 2005)

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BOOKS/ARTICLES NOTES

ARTICLES

Should India Demand Farm Subsidy Cuts by Developed Nations? *The Hindu Business Line*, 4 January 2006, p. 11.

IN its introductory remarks, the article says that agricultural policies of various countries and their impact on world farm goods trade are a major focus area in the ongoing discussion among members of the World Trade Organization (WTO). In particular, trade-distorting subsidies (both domestic support and for export), market access, and reduction of tariffs are issues that continue to engage the attention of policymakers from around the world but seem to defy an amicable and equitable solution. Since the Doha meeting in November 2001, India has been playing an active role in harnessing opinion to shape agricultural policies that reduce distortions and create a level playing field for all nations, especially the developing economies, some of which rely on farm goods exports on which depend the livelihood of millions of farmers.

It is in this global and national context that one must examine whether India's stand at the WTO negotiations for reduction of subsidies by developed economies makes commercial sense for the country.

Further, it states that subsidies given by OECD countries, especially the US and the EU, are huge. Every tonne of commodity produced is subsidized to the extent of between 25 and 50 per cent of the market price. These subsidies encourage more production, augment global supplies, depress world prices and distort the discovery of free-market prices. There is, therefore, a strong move to pressure the developed economies to phase out farm support.

Developed economies, it says, can afford huge payments as subsidy. India cannot. At a time when quantitative restrictions on imports have been removed and the domestic market is slowly integrating with the global market, the only way for the policymakers to regulate/monitor low priced subsidized imports is to use the fiscal instrument (customs tariff) effectively.

In its concluding remark, the article says that our main objective should be to make Indian agriculture globally competitive.

Hong Kong—A Ministerial of Vague Promises by Anil K. Kanungo, *The Financial Express*, 2 January 2006, p. 6.

THE article states that the Hong Kong WTO Ministerial has managed to keep the Doha development agenda negotiable.

Further, it says that export subsidy remains a major irritant to free trade. However, nothing is committed as to how the sequencing and quantification of phase-out of export subsidies would commence. No formula is in sight. A closer look suggests no final decision has been made, as it is dependent on the "completion of modalities," for which 30 April 2006 is the deadline.

The other issues such as NAMA and services, hardly witnessed any forward movement. On NAMA, the Swiss formula has been preferred over the modified formula proposed earlier by India and others. The declaration also doesn't indicate anything about the coefficients, whether there are two or many, which would take into account the different requirements of poor economies as well. Similarly, in services, the growth engine of the post-industrialized world, nothing has been committed, in spite of India and other developing nations vociferously pitching for progressive liberalization on Mode 4.

However, a remarkable aspect of this ministerial is that it gave birth to a group, the G-110. The unity of faith, purpose and togetherness allowed the G-20 and G-90 to mobilize the lesser economies to graduate to G-110, which stood firm in the common bargain despite EU and US efforts to break the unity.

In its concluding remarks, it says that the only other positive development of this ministerial is that a feeling of acute cynicism or failure towards the multilateral trading regime governed by WTO hasn't set in. It hasn't been seen as a repeat of Seattle or Cancun. It hasn't triggered a thought towards forming regional trade arrangements, unlike immediately after Cancun.

The Salt and Pepper of "Aid for Trade"
by Bharat Jhunjhunwala, *The Hindu Business Line*, 3 January 2006, p. 10.

THE article states that at the Hong Kong WTO Ministerial, the developed countries agreed to enhance aid to enable developing countries trade in the global market. But expansion of every kind of trade is not necessarily beneficial for us. Expansion of trade in an environment of competition, it says, brings scant benefits to the producers. It is a necessary evil. There is thus a need to focus on creating monopolies instead of blindly assuming that expansion of all trade will bring benefit.

In its concluding remarks, it says that the final beneficiary of the enhanced "Aid for Trade" will be the consumers in the developed countries who have a monopolistic control over the global market. However, the higher paid workers in the developing countries will lose out to lower paid workers as those in Kerala have lost to their Vietnamese counterparts. So instead of competing with Vietnam in the global market, we should join hands with that country to increase the price of pepper. The ultimate determinant of the distribution of benefits of trade is the price. Mere expansion of trade will not bring us benefits.

Global Garibi Hatao by Narendar Pani,
The Economic Times, 30 December 2005, p. 10.

THE article states that the alliance between the richest and the poorest stepped up pressure on the relatively better off developing countries. Having argued for years in trade negotiations that it was the duty of richer countries to offer special concessions to poorer ones, India and other developing countries couldn't refuse to help the poorest. And in the Hong Kong Ministerial, they agreed to offer LDCs duty-free and quota-free access to their markets.

Further, it says that with India continuing to emphasize the need for special and differential treatment in the WTO, the rich nations argue that India should provide to LDCs what it preaches to the developed world. Some of the more powerful LDCs like Bangladesh would gain from duty-free and quota-free access to Indian market. They can use their low labour costs to take on lower-end Indian textile products. If India is forced to provide duty-free and quota-free access to the products of the LDCs, the politics of WTO negotiations, it says, will enter the domestic arena. In macroeconomic terms, the impact of providing access to LDC products may not be much.

Further, it says that if the government wants to be really radical, it can insist that the concessions offered to the LDCs can be extended to poor regions in all the countries. Since there are a number of countries with uneven development, this demand could gain significant support. If it goes through, it will ensure that Indian capital instead of fleeing to neighbouring countries, would move to the less developed regions. Removing infrastructural bottlenecks in the regions, may help raise productivity and offset some of the low labour cost advantages of LDCs.

Another Show of South Solidarity by Pradeep S. Mehta and Pranav Kumar, *The Hindu Business Line*, 29 December 2005, p.10.

THE article states that the outcome of Hong Kong was modest. The main demand of the G-20 to eliminate export subsidies by 2010 was not accepted by the EU. Instead, a compromise date of 2013 was agreed with some frontloading which culminates with the EU Common Agricultural Policy reform.

Further, it says that outcome of the Hong Kong Ministerial is not as important as the message it sends for the developing countries. The latter's major demand was to seek greater market access in the North, particularly in the products of export interest to them. The Hong Kong Declaration does not promise much on this front as the ticklish issues of modalities are yet to be sorted out.

Developing countries, it says, need to develop an alternative to Northern markets. This is possible only through greater South-South cooperation on trade and economic issues.

Over the last decade, developing economies, it further states, have grown much faster than developed countries and are expected to continue to do so in the coming years. This positive growth performance in the 1990s resulted in the increased share of South-South trade in world trade. The South-South trade almost doubled, reaching 10.7 per cent of the world trade in 2001 from 6.5 per cent in 1990. This, it says, is not enough to reduce their dependence on North and to diversify exports of many LDCs beyond primary products.

In its concluding remarks, it says that despite significant reductions in the obstacles to trade, the developing countries among themselves still maintain higher tariff and non-tariff barriers. The cost of doing trade is also high among Southern countries. It is, therefore, important for them not only to reduce these barriers but also step up trade facilitation measures at the regional level.

Hailing Hong Kong, Completing Doha
by Arvind Panagariya, *The Economic Times*,
28 December 2005, p. 12.

AT the outset, the article states that contrary to the doom and gloom scenarios advanced by many, the WTO Ministerial Conference at Hong Kong concluded successfully on 18 December 2005, making significant progress towards completing the Doha Round.

The Hong Kong Conference, it says, has moved WTO members significantly closer to a final Doha agreement. In addition to agreeing to end agricultural export subsidies by 2013, the member countries have made progress on tackling domestic agricultural subsidies. They have agreed to create three tiers of countries whereby the EU, which is by far the biggest user of such subsidies, will be required to make the deepest cuts; the US and Japan, the next largest users of the subsidies, will be subject to the next deepest cuts; and the remaining countries will be subject to smallest cuts. While the final agreement is to be reached on 30 April 2006 under the current proposals, the cuts for the EU are expected to be in the 70-80 per cent range and for the US and Japan in the 53-75 per cent range.

Further, it says that on market access in agriculture, the member countries have agreed to base tariff cuts on four bands, defined according to the existing level of tariffs. Precise modalities for these bands and the extent of the cuts are to be negotiated by 30 April 2006. On market access in non-agricultural products, the member countries have explicitly adopted the Swiss formula that would cut higher tariffs more and lower tariffs less. Again, the modalities of the precise levels of cuts are to be negotiated by 30 April 2006.

A key achievement of the conference is that it addressed to several demands of the LDCs. For example, developed countries have agreed to open their markets for 97 per cent or more products on a duty-free basis to them. The LDCs will not be required to undertake reciprocal tariff cuts in any products.

In its concluding remarks, the article states that with LDCs demands effectively addressed, the larger developed and developing countries such as the US, EU, Japan, Brazil, China, India and South Africa must now focus efforts on completing the modalities of negotiations.

Night Watchman Carries the Bat at Hong Kong
by Sharad Joshi, *The Hindu Business Line*,
28 December 2005, p. 10.

HIGHLIGHTING main outcome of the Hong Kong Meet, the article says that there would be a safe box for the aid receiving countries, and that the developing countries would have greater latitude in listing the special products.

Further, it says that there is reason to be happy that Hong Kong was an improvement over the Cancun Ministerial. The WTO has survived in spite of the verbal tirades and violent protests on the streets of Hong Kong. The ministers have succeeded in moving towards enunciating certain principles and the work programme for future action.

In its concluding remarks, it says that Hong Kong Ministerial has kept the hope alive. If it took 60 years for the GATT to blossom into the WTO, the WTO agreements will take a much shorter period to bring in a new world.

High Ambition, Tight Deadlines by Abhijit Das, *The Financial Express*, 28 December 2005, p. 7.

AT the outset, the article states that WTO members have undertaken the ambitious task of establishing modalities on agriculture and NAMA by 30 April 2006, and to submit comprehensive draft schedules based on these modalities by 31 July 2006. Timeframes have also been fixed for the submission of plurilateral requests, revised offers and final draft schedules in the services negotiations.

In agriculture, it says, while problems remain in the three pillars—reduction/elimination of tariffs, domestic support, and export subsidies—the key issue which needs to be resolved is the domestic support in developed countries. Although an agreement was reached at Hong Kong stating that trade-distorting domestic support would be reduced based on three bands, the tough task ahead would be to define the bands and the extent of cuts within each.

Further, it says that in NAMA, the crucial areas where divergence in positions would need to be bridged include: the level of tariff cuts expected from developing countries, nature and extent of flexibilities to be allowed to them for protecting sensitive products and the concern of certain ACP countries relating to erosion of tariff preferences.

In the area of services, the main bottleneck, it says, is likely to be how to negotiate and schedule new commitments, particularly if negotiations continue to be subordinated to agreement on an agricultural modalities.

Finally, it says that developed countries have not shown much flexibility in addressing concerns of developing countries. In terms of adhering to the dates it says that it is difficult to visualize how the challenges of intricate technical negotiations, particularly in cutting farm support and liberalizing services, will be met.

Good Show by India at Hong Kong
by N. Srinivasan, *The Financial Express*, 28 December 2005, p. 7.

IN its opening remark, the article says that the grand alliance of developing and least developed countries which was formed during the Hong Kong Ministerial meet managed to put the Doha Development Round back on track. The alliance which includes the G-20, G-33, G-90 and the ACP exerted pressure on advanced countries to open their highly protected agricultural markets. By getting developed countries to accept a date for elimination of export subsidies, these countries have managed to start real work towards disciplining the highly distorted global market for agricultural products.

Further, it says that the Hong Kong Declaration mandates completion of modalities for elimination or reduction of domestic support between April and July 2006. At the same time, developing country negotiators have managed to safeguard the food security and livelihood concerns of their small and marginal farmers.

In the negotiations on industrial goods, it points out that there was tremendous pressure on India to accept a formula for cutting tariffs that would eventually harmonize tariffs across the world. India was being bracketed by some developed and advanced developing countries that it should accept tariff cuts that were close to the levels that the developed countries were willing to undertake. Developed countries were not willing to give India and a few other countries the flexibility and the special and differential treatment that is available under the Doha Agenda.

On services, India, it says, has managed to gain substantially. The timelines for revised offers and for group of members presenting plurilateral requests will ensure that enough pressure is built on our important trade partners to bring reasonable offers on the table.

Finally, it says that trade facilitation is an area of immense interest where negotiators are making good progress. This, it says, is a critical component for cutting transaction costs and is likely to become very relevant as business is getting more competitive across the globe.

Agreement on Agriculture and NAMA within Reach by Arvind Panagariya, *The Financial Express*, 28 December 2005, p. 7.

THE article says that contrary to prediction of another Cancun-style breakdown, the Hong Kong Ministerial Conference has concluded successfully. The critical question we now face is whether a final Doha agreement can be reached and if yes, when and how.

Further, it says that there are good reasons why the prospects for a final agreement are excellent. Beginning with the launch of the Uruguay Round in 1986, developing countries had sought an end to agricultural subsidies and protection. At Doha and Cancun, they also opposed the inclusion of investment, competition policy and government procurement into the negotiating agenda.

Finally, the article says that much depends on whether the large developed and developing countries—US, EU, India and Brazil along with Japan and South Africa—take the initiative to resolve their differences.

It is Too Early to Celebrate: The War has Just Begun by Samar Verma, *The Financial Express*, *28* December 2005, p. 7.

AT the outset, the article says that the inflexibility of developed countries on all major issues leaves little reason to be optimistic about reaching an agreement on all modalities in the next five months as scheduled and completing the round by the end of 2006.

While our interests in agriculture, it says, predominate today, the appropriate timeframe to look at it is around 2010. Our agriculture exports stand at $7 billion. However, given the rising export competitiveness in select agricultural products, combined with the huge employment they generate, agricultural market access would be an increasingly important issue for us. The high levels of ambition being talked about in agriculture market access are both a threat and an opportunity for India. Much would depend on how the negotiations progress in the next few months.

It further says that in NAMA, no matter what the negotiators would like us to believe, the fact is that the text which was not agreed to at all in July 2005 is now a firm, and agreed basis for negotiations. Moreover, contrary to widespread belief that India fears no reduction in tariffs since we are committed to moving towards ASEAN levels of 5-10 per cent voluntarily, there would be serious consequences of deep tariff cuts especially for the small-scale sector.

In its concluding remarks, it says that the global contours are rapidly changing. Chinese and Indian markets are now attracting attention not only of developed countries but also of our Asian neighbours. The framework of global economic analysis is not as simple as North-South, or even South- South.

WTO: Hong Kong Declaration Can be A Positive Force by Bhanoji Rao, *The Hindu Business line*, 27 December 2005, p. 10.

THE article says that there is before the world's trading nations a 44-page document that serves as the basis for future work of completing "full modalities" in agriculture and Non-Agricultural Market Access by 30 April 2006.

The movement of a global meeting towards a conclusion on such contentious issues such as reducing export subsidies, which are politically sensitive issues in every country have to be necessarily slow and can never be a big bang affair.

One must wait to see the impact of these measures, and there is no need for any undue pessimism that things will not work the way they are expected.

Further, it says that if there is nothing tangible for us from Hong Kong, we have much to say on the intangibles.

In its concluding remark, it points out that what the Hong Kong Meet achieved was just putting the Doha Round on track and that would imply that all the contentious issues still remain as they were.

Swiss Formula for NAMA Negotiations by T.N.C. Rajagopalan, *The Business Standard*, 26 December 2005, p. 6.

THE article brings forth the point that the big news for Indian businessmen is that the Doha Round will adopt Swiss formula for negotiations on the Non-Agricultural Market Access (NAMA). The Swiss formula, it says represents an "aggressive" approach, requiring drastic cuts in tariffs. This will affect most developing countries more as their tariffs are generally higher than those of industrialized countries.

Argentina, Brazil and India, it further states had opposed the simple Swiss formula and proposed another non-linear formula which incorporates the average bound tariff of a country into the equation to soften the tariff cuts especially for countries with higher bound average tariffs.

Finally, referring to the FICCI's calculations which showed that under the formula at a co-efficient of 10, while the US and the European Union will cut their tariffs by 24.22 and 28.06 per cent respectively, India will cut its tariffs by 77.43 per cent. This, it says, is a welcome development. The article stresses the need to make an indepth study of the rules, on the one hand, and preparation of a document for presenting the cases for establishing full modalities for further negotiations by end April 2006, on the other.

WTO: The Next Bargaining Phase by Ranabir Ray Choudhury, *The Business Line*, 26 December 2005, p. 8.

IN its opening remarks, the article says that at the Hong Kong Ministerial, the developed world has not sacrificed anything of importance in respect of agriculture, industrial tariffs and services. These areas, it says, are crucial because on them will depend the future health of the international economy. Forged unity among the developing economies (including the least-developed countries) will impact working of the 149-member WTO.

On NAMA, the article says that the Indian stand was spelt clearly by the Commerce Minister when he said that developing countries needed flexibilities to protect their domestic industries such as offering less-than-formula reduction or making no reduction at all on a specified number of tariff lines covering their sensitive items or sectors.

The US and the EU in this respect, it further says, backed a 'Swiss formula' with two coefficients as against the Indian preference for multiple coefficients.

In its concluding remark, it says that if the Swiss formula issue can be overlooked for the moment, this certainly is a concession to the developing countries.

WTO: 350 Cups of Coffee But Little Progress
by Gauri Lakhanpal, *The Financial Express*, 24 December 2005, p. 7.

THE article states that the challenge for members is now to complete full modalities in agricultural and non-agricultural market by the new deadline of 30 April 2006. Besides, several loopholes need to be plugged to avoid hidden export subsidies of any kind.

Further, it states that much remains to be done and time is rapidly running out. This is against the background that US President George Bush's negotiating authority, given by the US Congress, expires in 2006. This authority allows the President to sign a WTO agreement without Congress amendment.

Hong Kong: Micro Steps, But Firm Ones
by Biswajit Dhar, *The Economic Times*, 23 December 2005, p. 20.

THE article states that the deal reached at the Hong Kong resulted in removing export subsidies. While most countries wanted to eliminate this form of subsidies by the end of the decade, the EU, the largest users of export subsidies, sought a longer phase-out period. The agreed end-date of 2013 gives the EU more time to phase out its export subsidies as a part of its Common Agricultural Policy (CAP).

Further, it says that reduction of production related subsidies poses great challenge to developing countries since developed countries rely heavily on this form of subsidies. Although the Hong Kong Declaration has adopted the framework for reduction of domestic support proposed by the G-20 countries, these countries would have to bring their collective strength to ensure that a definite objective is achieved. But the Ministerial Declaration fails to provide a road-map for addressing the problems caused by the so-called support, the form of subsidies that is not subjected to any reduction.

It further says that in the area of non-agricultural market access, India and several other developing countries have argued that the flexibilities in the application of the formula would constitute its most critical component and have found its reflection in the Hong Kong Ministerial Declaration.

In its concluding remark, the article says that the focus of the current round of negotiations on issues concerning the developing countries has a salutary effect on the coalitions involving these countries which have gathered momentum over time. Hong Kong saw the culmination of this process as the "grand alliance" involving the G-90, the G-33 and the G-20 countries took shape. This alliance gave the impression that the dynamics of trade negotiations have started to shift away from the developed countries.

Did India Retain Its WTO Bargain? by Sunil K. Agarwal and Sharad Joshi, *The Economic Times*, 23 December 2005, p. 20.

THE article contains views of Sunil K. Agarwal, President, ASSOCHAM and Sharad Joshi, Member, Rajya Sabha on the outcome of the Hong Kong Ministerial Meeting held from 13-18 December 2005 at Hong Kong. At the outset, Shri Agarwal says that the final WTO Ministerial Declaration at Hong Kong was able to put a specific year of 2013 for total elimination of the farm export subsidies, which depress international market prices to the detriment of the poor farmers in the developing countries is a major achievement. The real challenge is the formula for industrial tariff reduction that still remains and which is the real battle ahead when trade ministers meet in Geneva next year. Focus on tariff peaks and tariff escalation, he said, will help industries like leather, textiles and marine products which face high duty in the US, EU and Japan. Developing countries will have the obligation to cut industrial tariff on the principle of "less than full reciprocity". There would be no compulsion on developing countries to open up the services sector.

Shri Joshi stated that the pivotal point at Hong Kong was the Agreement on Agriculture (AoA). The share of agriculture to GDP has now come down to 21 per cent. As such it does not represent the same interest as it did during the Uruguay round. India, he said, has now much larger interests in industry and services sectors.

Laddoos and Jalebis for Kamal Nath
by Pradeep S. Mehta, *The Economic Times*, 22 December 2005, p. 4.

IN its opening remark, the article says that developing countries have extracted the maximum they could at Hong Kong and India played a key role in the coalition-building and negotiations that accomplished this. It was only after the joint meeting of G-110, the EU and the US realized that LDCs will not cave in or be lured by "bribes". Formation of this grand alliance was a masterstroke and helped in bringing back focus of the negotiations on the core agenda of trade liberalization and development. Otherwise, during the first three days, it says, developed countries spent their time in discussing peripheral issues of aid for trade, and duty and quota-free market access for LDCs.

Finally, it says that since none could have afforded a failure, good sense prevailed over key players. The EU softened its stance on agreeing to an end date for elimination of export subsidies. G-20 too inched closer by agreeing to an end-date of 2013 instead of 2010. Export subsidies are but the beginning of the end of the whole bundle of farm subsidies; domestic support too is on the anvil — to be negotiated by April 2006.

India, Run with the Big Guys Now
by S. Narayan, *The Financial Express*, 21 December 2005, p. 6.

THE article states that India was able to forge an alliance of developing countries, the G-110, which was effectively able to negotiate for an end date (2013) for agricultural subsidies of the developed countries as well as for provisions of Special Products and Special Safeguard Mechanism against surges in imports. On industrial tariffs, it says that the less than full reciprocity provision is likely to be of advantage to the developing countries seeking to reduce import tariffs.

At the same time, on issues that India was advocating strongly, there was little progress. TRIPS and public health issues remained in the background throughout the conference, and did not attract significant attention.

Further, it states that little progress was made in Mode 4, and there were no significant gains for India in the area of services that it was trying for so hard. On NAMA, the commitment for sectoral negotiations may be only a mixed blessing, with the opportunities of trade in manufactured goods weighted in favour of imports.

Finally, it says that if success has to be judged by what India had to give, then the round was a success for India, for it gave away little, but if it is to be judged by what it gained in terms of trade, then it got very little.

Minimalist Ministerial, *The Hindu Business Line*, 20 December 2005, p. 10.

THE article says that the biggest success of the Hong Kong WTO Ministerial is that it has been able to produce a unanimous Declaration which reflects a strong desire among all members of the World Trade Organization not to sacrifice the Doha Round at the altar of narrow national economic interests.

The Declaration, it further says, has practically nothing for the developing economies. This is disappointing considering the demands made by the bloc in the run-up to the meeting. Among other things, it was repeatedly said that the key to the Ministerial was agriculture and its success would be decided on whether the developing countries extract their pound of flesh in the sector *vis-a-vis* the developed economies (notably the EU and the US), specifically in the areas of export subsidy, domestic support and market access. Nothing was achieved in any of these areas; this can be interpreted as a victory for the developed economies.

On non-agriculture market access (NAMA), the Swiss formula has been preferred. On services, while India had specifically asked for Mode 4 concessions, the Declaration makes a special mention of such allowance only for the least developed countries.

WTO Deal Fails to Bridge Differences
by Guy De Jonquieres and Frances Williams, *The Business Standard*, 20 December 2005, p. 8.

THE article says that Ministers representing the WTO's 149 members reluctantly approved a Draft Ministerial Declaration after five days of arduous talks that failed to bridge deep rifts among them.

The agreement sets an end-date of 2013 for farm export subsidies and offers export help to the world's poorest countries and brings relief to struggling African cotton producers. The compromise deal was reached after winning the backing of a group of developing countries led by Brazil and India.

The meeting's main achievement was a package of trade and aid measures intended to help the poorest countries, many of whom were reluctant to support the Doha round. In addition to increasing technical aid, rich nations agreed to remove most of their restrictions on imports from least developed countries.

However, the US refused to eliminate tariffs on textile imports from Bangladesh and Cambodia.

Under strong pressure from the US, Australia, Brazil and most other developing countries, the EU accepted 2013 deadline for eliminating all farm export subsidies and agreed to make "substantial" reductions by 2010 end.

Keeping the Faith, *The Financial Express*, 20 December 2005, p. 6.

IN its opening remark, the article says that the Ministerial text that emerged after six days of wrangling among 149 nations in Hong Kong is a compromise document. The agreement sets an end-date of 2013 for doing away with farm export subsidies and allows developing countries to retain higher tariffs on items they feel are important, keeping at the same time food and livelihood concerns in mind. It also commits developed countries to allow duty and quota-free market access for 97 per cent of products produced by the world's poorest nations.

Further, it says that much work remains to be done keeping in view the deadline of end-2006. There are no definite commitments on reducing domestic subsidies and the exact formula for tariff reduction. In the area of non-agriculture market access (NAMA), it says that there is no agreement on the formula for reduction. On services, there has been almost no progress at all and India's hopes of seeing forward movement on temporary visas remain stillborn.

In its concluding remarks, it says that though in concrete terms the Hong Kong Ministerial

Declaration may not have achieved much, yet by keeping alive the world's faith in multilateral trade negotiations at a time when global trade is increasingly coming to look like a bowl of spaghetti, it has done singular service to the cause of development.

Hong Kong Keeps Doha Alive,
The Economic Times, 20 December 2005, p. 16.

AT the outset, the article says that the WTO's Hong Kong Ministerial has done enough to keep alive the prospects of a successful completion of the Doha Development Round. The developed world has been forced to give in to the demand to end agricultural export subsidies by 2013. It has also been agreed that a version of the Swiss formula would be used to improve access to non-agricultural markets. And to ensure that the least-developed countries (LDCs) are the major beneficiaries, they have been promised duty-free and quota-free access to the markets of not just the developed world, but also those of developing countries.

Within these overriding trends, India needs to concentrate on gaining as much flexibility as it can to protect itself from any adverse fallout from these trends. In agriculture, developing countries have been given the right to designate Special Products based on consideration like food security and to create a Special Safeguard Mechanism designed to prevent a surge in imports. The Swiss formula for non-agricultural market access too is expected to take into account the developing countries' concerns.

GATS: Dealing with Brain-Drain
by Deepak Srivastava, *The Hindu Business Line*, 20 December 2005, p. 19.

IN its introductory remark, the article says that developing countries are unhappy with the level of Mode-4 commitments of the General Agreement on Trade and Services (GATS). As such, considerable thought needs to be given to welfare advantages of migration to developing countries in the existing GATS framework.

These issues, it further points out, have not been tackled by any other international organization. Several professional institutions provide only consultancy on migration-related issues and do not handle welfare issues.

Finally, it says that since the World Trade Organization is the recognized multilateral institution in the field of international trade, GATS should strengthen the definition of a multilateral framework for migration, by expanding its surveillance role, on the one hand, and by providing it with additional resources, on the other.

A Blend of Strong Measures Puts Trade Talks Back Together by Jagdish Bhagwati,
The Financial Express, 20 December 2005, p. 13.

THE article states that in Hong Kong, there was more progress on the key issues because of various factors. *First*, on agriculture, an agreement to eliminate export subsidies which amounts to about $5 billion (£ 2.8bn) was desired. The EU, it says, insisted that food aid which is trade-distorting, be included in the lines of export credits and state trading practices as long as they distort trade. With the support of India and China, which have refrained from targeting the EU, an agreement was reached to eliminate export subsidies not by 2010 but by the end of 2013. *Second*, while there is no commitment on the other trade-distorting agricultural subsidies, tariffs and quotas, much progress has been made on who should cut subsidies. *Third*, the 50 least-developed countries have now been accorded duty-free and quota-free access on 97 per cent of import lines by the EU, Japan and the US by 2008. *Fourth*, the declaration endorses that aid should be given to enable the poor countries to take advantage of the improved opportunities resulting from the reduction of trade barriers. Offers in this respect, it says, were made by the EU, US and Japan.

No Breakthrough But No Breakdown Either
by Veena Jha, *The Financial Express*,
19 December 2005, p. 7.

IN its opening remarks, the article says that the Draft Ministerial calls upon the developed countries to open their markets to 97 per cent of their goods for the world's poorest economies by 2008 by abolishing import duties and quotas. If the draft is approved, the EU will be required to phase out its export subsidies by 2013 and the US will have to move faster on reducing payments to its cotton farmers and end all export aid in 2006.

The developing countries, it further says, will continue to have the flexibility to provide certain types of export subsidies for five years after 2013. The article opines that it may have been more appropriate to link the grace period to achieving competitiveness in agricultural exports.

Finally, it says that the text would help in developing detailed "modalities" in agriculture and NAMA. This is because the text proposed 30 April 2006 as deadline for reaching an agreement on modalities on NAMA and agriculture.

Development Hardly Visible at Hong Kong Ministerial by Nagesh Kumar, *The Financial Express*, 19 December 2005, p. 10.

THE article says that the Ministerial text likely to be adopted includes a clause on duty-free and quota-free access to LDCs thereby giving developed countries the flexibility to keep a proportion of products out of such commitment.

In the area of agriculture, elimination of export subsidies by 2013, it says, is a forward movement. The phase-out of export subsidies, it further says, is a long overdue small step in removing distortions in the area of agriculture. But since the total magnitude of export subsidies are only of the order of $5 billion, the article opines that it would not make much difference to markets for agricultural products until the domestic support is reduced substantially.

In its concluding remarks, it says that a sharp reduction in industrial tariffs could affect developing countries significantly by using tariffs as tools of development policy.

WTO Nations Agree on Trade Pact: Farm Subsidies to Go by 2013, *The Hindu Business Line*, 19 December 2005, p. 5.

IN its opening remark, the article says that trade negotiators of the 149 WTO member nations reached a crucial breakthrough on the contentious issues of agricultural subsidies and industrial tariffs.

After some hard bargaining on the last day of the sixth WTO Ministerial Meeting, negotiators agreed to phase out farm export subsidies by 2013 by delivering a development package to the poorest countries and agreeing to a new deadline of 30 April 2006 to complete modalities of the agreement. The WTO text proposes 30 April 2006 as the new deadline for completion of the modalities and 31 August 2006 for completing the legal schedules for these modalities so as to complete the Doha Round negotiations by the end of 2006. The agreement is scheduled for implementation from 2008.

In a major step forward, the text proposed elimination of all export subsidies by developed countries by 2013.

Trade Deal: India Stands to Gain
by K.A. Badarinath, *The Hindustan Times*,
19 December 2005, p. 17.

AT the outset, the article pinpoints sector-wise gains which countries like India and Brazil are likely to reap from the trade deal. Both the countries stand to gain owing to flexibilities allowed in reducing the duties. Sector-wise benefits accruing are as under:

Agriculture:

- Ending subsidies in rich countries will open up export markets for Indian products like basmati, non-basmati rice and cereals. Agri-exports are likely to double to US$14 billion in five years.

Industrial Products:

- Proposed cut in peak duties and non-tariff barriers by rich countries would push Indian exports.

Services:

- Flexibility in allowing FDI in banking, insurance, pension and telecom sectors.
- No fresh commitments for poor countries to open services.

TRIPS:

- Proposal to protect traditional knowledge like unani, ayurveda, and homeopathy products.

Fair Gains for India at WTO by Monica Gupta, *The Business Standard*, 19 December 2005, p. 15.

IN its introductory remarks, the article says that India has succeeded in getting several of its concerns in agriculture, industrial goods and services addressed in the Ministerial text agreed to by the WTO members.

India, it says, has managed to gain a significant concession for developing countries whose level of domestic support in agriculture is far below the limit allowed by the WTO. According to the Ministerial Declaration, India will not have to undertake any cuts in its domestic support in this regard.

Further, it states that while decisions on several contentious issues including a formula for reduction of trade distorting subsidies in agriculture and reduction of industrial tariffs has been put off till 2006, developing countries succeeded in putting together a package for poor nations, in general, and cotton, in particular. Developed countries have agreed to eliminate all forms of export subsidies by 2006 and extend duty- and quota-free access. Similarly, developed countries and developing countries have also agreed to provide duty- and quota-free market access on a lasting basis for all products from LDCs by 2008.

Declaration Reverses Inequalities in Global Trade by Shankar Raghuraman, *The Times of India*, 19 December 2005, p. 8.

THE article lists out a series of gains from the final deal. This, it says, was stated by India's Commerce & Industry Minister Shri Kamal Nath. This, the Minister said, became possible because of a strategy that brought the developing world together to raise its demands as one unit.

Addressing the media after the deal, Shri Nath claimed that India had gained not only in agriculture, but also in the area of industrial tariffs, services and in terms of protection for India's biodiversity and the rights of communities to traditional knowledge based medicines.

In agriculture, he said, the deal ensured that there was no restraint on the government to provide domestic support for farmers. The government, he pointed out, could raise import duties on farm produce on two counts: *one*, either because of a surge in imports, and *two*, because the import price was too low.

In the longer run, the Commerce Minister said that elimination of subsidies to farm produce from the developed world would end the artificialities of world prices.

India, he said, claimed significant gains in the negotiations on industrial tariffs. The Declaration, for instance, specifically talks on cuts in tariff peaks and tariff escalation on products of export interest to developing countries. The significance of this lies in the fact while countries like the US and EU may have low duty rates, they have much higher duty rates on items like leather goods and textiles, for instance.

In services, he said, the text does not compel developing countries to open up their services sectors, thus preserving the policy space essential for them. At the same time, it allows for some forward movement of professionals from developing countries gaining access to developed country markets even if the access is limited.

Finally, he said that the deal calls for intensified discussions to be completed by June 2006 on geographical indications and biological diversity. While the former will mean that India will be able to prevent others from using labels like basmati or Darjeeling tea, the latter will mean that the government will be able to do more to protect the rights of communities over generic material and traditional knowledge in areas like herbal medicines, for instance.

Offer LDCs Liberal Access to Indian Market? by Rupa Chanda, N. Srinivasan, and Veena Jha, *The Economic Times*, 27 December 2005, p. 11.

THE article presents views of three experts on the implications of offering LDCs liberal access to Indian market.

Ms. Rupa Chanda, Professor, IIM Bangalore opines that there is need to assess the extent of flexibility provided in the Declaration and how this flexibility can be used by India to address sensitivities in sectors like textiles & clothing (T&C) and leather where LDC exports are highly competitive. As a developing country, she says, India will be able to meet its commitments and enjoy "appropriate flexibility" in coverage.

(Contd. on page 52)

DOCUMENTS

Ministerial Conference
Sixth Session
Hong Kong, 13-18 December 2005

DOHA WORK PROGRAMME

Draft Ministerial Declaration

ANNEX A

Agriculture

Report by the Chairman of the Special Session of the Committee on Agriculture to the TNC

1. The present report has been prepared on my own responsibility. I have done so in response to the direction of Members as expressed at the informal Special Session of the Committee on Agriculture on 11 November 2005. At that meeting, following the informal Heads of Delegation meeting the preceding day, Members made it crystal clear that they sought from me at this point an objective factual summary of where the negotiations have reached at this time. It was clear from that meeting that Members did not expect or desire anything that purported to be more than that. In particular, it was clear that, following the decision at the Heads of Delegation meeting that full modalities will not be achieved at Hong Kong, Members did not want anything that suggested implicit or explicit agreement where it did not exist.

2. This is not, of course, the kind of paper that I would have chosen or preferred to have prepared at this point. Ideally, my task should have been to work with Members to generate a draft text of modalities. But this text reflects the reality of the present situation. There will be – because there must be if we are to conclude these negotiations – such a draft text in the future. I look at this now as a task postponed, but the precise timing of this is in the hands of Members.

3. As for this paper, it is precisely what it is described to be. No more, no less. It is the Chairman's report and, as such, it goes from me to the TNC. It is not anything more than my personal report – in particular, it is not in any sense an agreed text of Members. It does not, therefore, in any way prejudge or prejudice the positions of Members on any matter within it or outside of it. And, it certainly does not bind Members in any way. It should go without saying that the agreed basis of our work is, and shall remain, the Doha Mandate itself and the Framework in the Decision adopted by the General Council on 1 August 2004.

4. As to the character of the paper, I have endeavoured to reflect what I discerned as the wishes of Members when they directed me to prepare this paper. I have tried to capture as clearly as I can such conditional progress and convergence as has developed in the post-July 2004 period. In doing so, I have not tried to brush under the carpet divergences that remain, and the paper tries to be

just as clear on those points. Of course, it is a summary report. As such, it cannot – and does not – recapitulate each and every detail on each and every issue. But I took from Members' comments that they would prefer a paper which could 'orient' further discussion.

5. In that regard, I hope that anyone reading this paper would be able to get a pretty clear idea of what it is that remains to be done. Members made it clear that it was not my task as Chair to prescribe what is to be done next in a programmatic way. My task was to register where we are now, but I confess to having done so with an eye to genuinely clarifying where key convergences exist or key divergences remain, rather than obscuring or overcomplicating matters.

6. My own sense, when I review this myself, is the compelling urgency of seizing the moment and driving the process to a conclusion as rapidly as possible. We have made – particularly since August of this year – genuine and material progress. Indeed, it has come at a relatively rapid pace. It is also clear to me that it has been the product of a genuinely negotiating process. In other words, it has been a case of making proposals and counterproposals. That is why the matters covered in this report have an essentially conditional character. As I see it, the reality is that we have yet to find that last bridge to agreement that we need to secure modalities. But it would be a grave error, in my view, to imagine that we can take much time to find that bridge. As Chair, I am convinced that we must maintain momentum. You don't close divergences by taking time off to have a cup of tea. If you do so, you will find that everyone has moved backwards in the meantime. That, it seems to me, is a profound risk to our process. I would like to believe that this report at least underlines to us that there is indeed something real and important still within our grasp and we ought not to risk losing it. Our over-riding challenge and responsibility is to meet the development objective of the Doha Development Agenda. To meet this challenge and achieve this goal, we must act decisively and with real urgency.

7. The future life of this paper, if any, is a matter entirely in the hands of TNC Members to decide. This, as I see it, is the proper safeguard of the integrity of what has come to be described as a "bottom-up" process.

DOMESTIC SUPPORT

8. There has been very considerable potential convergence, albeit on a manifestly conditional basis.

Overall Cut

- There is a working hypothesis of three bands for overall cuts by developed countries. There is a strongly convergent working hypothesis that the thresholds for the three bands be US$ billion 0-10; 10-60; >60. On this basis, the European Communities would be in the top band, the United States and Japan in the second band, and all other developed countries at least in the third band. For developing countries, there is a view that either developing countries are assigned to the relevant integrated band (the bottom) or that there is a separate band for them.[1]
- Based on post-July 2005 proposals, there has been an undeniably significant convergence on the range of cuts. Of course, this has been conditional. But subject to that feature, a great deal of progress has been made since the bare bones of the July 2004 Framework. The following matrix provides a snapshot:

Bands	*Thresholds (US$ billion)*	*Cuts*
1	0-10	31-70%
2	10-60	53-75%
3	> 60	70-80%

De Minimis

- On product-specific *de minimis* and non-product-specific *de minimis*, there is a zone of engagement for cuts between 50% and 80% for developed countries.
- As regards developing countries, there are still divergences to be bridged. In addition to the exemption specifically provided for in the Framework, there is a view that, for all developing countries, there should be no cut in *de minimis* at all. Alternatively, at least for those with no AMS, there should be no cut and, in any case, any cut for those with an AMS should be less than 2/3 of the cut for developed countries.

Blue Box

9. There is important and significant convergence on moving beyond (i.e. further constraining) Blue Box programme payments envisaged in the July 2004 Framework. However, the technique for achieving this remains to be determined. One proposal is to shrink the current 5% ceiling to 2.5%.[2] Another proposal rejects this in favour of additional criteria disciplining the so-called "new" Blue Box only. Others favour a combination of both, including additional disciplines on the "old" Blue Box.

AMS

- There is a working hypothesis of three bands for developed countries.
- There is close (but not full) convergence on the thresholds for those bands. There appears to be convergence that the top tier should be US$25 billion and above. There is some remaining divergence over the ceiling for the bottom band: between US$12 billion and 15 billion.
- There has been an undeniably significant convergence on the range of cuts. Of course, this has been conditional. But, that understood, a great deal of progress has been made since the bare bones of the July 2004 Framework. The following matrix[3] provides a snapshot:

Bands	*Thresholds (US$ billion)*	*Cuts*
1	0-12/15	37-60%
2	12/15-25	60-70%
3	>25	70-83%

- There is therefore working hypothesis agreement that the European Communities should be in the top tier, and the United States in the second tier. However, while the basis for Japan's placement as between these two tiers has been narrowed, it remains to be finally resolved.
- For developed countries in the bottom band, with a relatively high level of AMS relative to total value of agriculture production, there is emerging consensus that their band-related reduction should be complemented with an additional effort.
- What is needed now is a further step to bridge the remaining gap in positions – particularly as regards the United States and the European Communities, it being understood that this is not a matter to be resolved in isolation from the other elements in this pillar and beyond.
- On the base period for product-specific caps, certain proposals (such as for 1995-2000 and 1999-2001) are on the table. This needs to be resolved appropriately, including the manner in which special and differential treatment should be applied.

Green Box

10. The review and clarification commitment has not resulted in any discernible convergence on operational outcomes. There is, on the one side, a firm rejection of anything that is seen as departing from the existing disciplines while there is, on the other, an enduring sense that more could be done to review the Green Box without undermining ongoing reform. Beyond that there is, however, some tangible openness to finding appropriate ways to ensure that the Green Box is more "development friendly" i.e. better tailored to meet the realities of developing country agriculture but in a way that respects the fundamental requirement of at most minimal trade distortion.

EXPORT COMPETITION

End Date

11. While concrete proposals[4] have been made on the issue of an end date for elimination of all forms of export subsidies, there is at this stage no convergence. There are suggestions for the principle of front-loading or accelerated elimination for specific products, including particularly cotton.

Export Credits

12. Convergence has been achieved on a number of elements of disciplines with respect to export credits, export credit guarantee or insurance programmes with repayment periods of 180 days and below. However, a number of critical issues remain.[5]

Exporting State Trading Enterprises

13. There has been material convergence on rules to address trade-distorting practices identified in the July 2004 Framework text, although there are still major differences regarding the scope of practices to be covered by the new disciplines. Fundamentally opposing positions remain, however, on the issue of the future use of monopoly powers. There have been concrete drafting proposals on such matters as definition of entities and practices to be addressed as well as transparency. But there has been no genuine convergence in such areas.

Food Aid

14. There is consensus among Members that the WTO shall not stand in the way of the provision of genuine food aid. There is also consensus that what is to be eliminated is commercial displacement. There have been detailed and intensive discussions, some of which have even been text-based, but not to a point where a consolidated draft text could be developed. This has been precluded by Members clinging to fundamentally disparate conceptual premises. There are proposals that in the disciplines a distinction should be made between at least two types of food aid: emergency food aid and food aid to address other situations. However, there is not yet a common understanding where emergency food aid ends and other food aid begins, reflecting concerns that this distinction should not become a means to create a loophole in disciplines. A fundamental sticking point is whether, except in exceptional, genuine emergency situations, Members should (albeit gradually) move towards untied, in-cash food aid only, as some Members propose but other Members strongly oppose.[6]

Special and Differential Treatment

15. Framework provisions for special and differential treatment, including with respect to the monopoly status of state trading enterprises in developing countries and an extended lifetime for Article 9.4, have been uncontroversial, but details remain to be established.

Special Circumstances

16. Work on the criteria and consultation procedures to govern any ad hoc temporary financing arrangements relating to exports to developing countries in exceptional circumstances is not much developed.

MARKET ACCESS

Tiered Formula

- We have progressed on *ad valorem* equivalents.[7] This has successfully created a basis for allocating items into bands for the tiered formula.
- We have a working hypothesis of four bands for structuring tariff cuts.
- There has been very considerable convergence on adopting a linear-based approach for cuts within those bands. Members have, of course, by no means formally abandoned positions that are even more divergent.[8] We need now to narrow the extent of divergence that remains. This will include whether or not to include any "pivot" in any band.
- Members have made strong efforts to promote convergence on the size of actual cuts to be undertaken within those bands. But, even though genuine efforts have been made to move from formal positions (which of course remain), major gaps are yet to be bridged. Somewhat greater convergence has been achieved as regards the thresholds for the bands. Substantial movement is clearly essential to progress.[9]
- Some Members continue to reject completely the concept of a tariff cap. Others have proposed[10] a cap between 75-100 per cent.

Sensitive Products

- Members have been prepared to make concrete - albeit conditional - proposals on the number of sensitive products. But, in a situation where proposals extend from as little as 1 per cent to as much as 15 per cent of tariff lines, further bridging this difference is essential to progress.
- The fundamental divergence over the basic approach to treatment of sensitive products needs to be resolved.[11] Beyond that, there needs to be convergence on the consequential extent of liberalization for such products.

Special and Differential Treatment

- Just as for developed countries, there is a working hypothesis of four bands for developing countries. There is no disagreement on lesser cuts within the bands. A certain body of opinion is open to considering cuts of two-thirds of the amount of the cuts for developed countries as a plausible zone in which to search more intensively for convergence.[12] But significant disagreement on that remains, and divergence is, if anything, somewhat more marked on the connected issue of higher thresholds for developing countries.[13]
- Some Members continue to reject completely the concept of a tariff cap for developing countries. Others have proposed[14] a cap at 150 per cent.
- For sensitive products, there is no disagreement that there should be greater flexibility for developing countries, but the extent of this needs to be further defined.[15]

Special Products

- Regarding *designation* of special products, there has been a clear divergence between those Members which consider that, prior to establishment of schedules, a list of non-exhaustive and illustrative criteria-based indicators should be established and those Members which are looking for a list which would act as a filter or screen for the selection of such products. Latterly, it has been proposed (but not yet discussed with Members as a whole) that a developing country Member should have the right to designate at least 20 per cent of its agricultural tariff lines as Special Products, and be further entitled to designate an SP where, for that product, an AMS has been notified and exports have taken place. This issue needs to be resolved as part of modalities so that there is assurance of the basis upon which Members may designate special products.
- Some moves toward convergence on *treatment* of Special Products have been made recently. Some Members had considered that special products should be fully exempt from any new market access commitments whatsoever and have automatic access to the SSM. Others had argued there should be some degree of market opening for these products, albeit reflecting more flexible treatment than for other products. In the presence of this fundamental divergence, it had clearly been impossible to undertake any definition of what such flexibility would be. Genuine convergence is obviously urgently needed. There is now a new proposal for a tripartite categorization of Special Products involving limited tariff cuts for at least a proportion of such products which remains to be fully discussed. It remains to be seen whether this discussion can help move us forward.

Special Safeguard Mechanism

- There is agreement that there would be a special safeguard mechanism and that it should be tailored to the particular circumstances and needs of developing countries. There is no material disagreement with the view that it should have a quantity trigger. Nor is there disagreement with the view that it should at least be capable of addressing effectively what might be described as import "surges". Divergence remains over whether, or if so how, situations that are lesser than "surge" are to be dealt with. There is, however, agreement that any remedy should be of a temporary nature. There remains strong divergence however on whether, or if so how, a special safeguard should be "price-based" to deal specifically with price effects.
- There is some discernible openness, albeit at varying levels, to at least consider coverage of products that are likely to undergo significant liberalization effects, and/or are already bound at low levels and/or are special products. Beyond that, however, there remains a fundamental divergence between those considering all products should be eligible for such a mechanism and those opposing such a blanket approach.

Other Elements

17. There has been no further material convergence on the matters covered by paragraphs 35 and 37 of the July 2004 Framework text. The same may be said for paragraph 36 on tariff escalation, albeit that there is full agreement on the need for this to be done, and a genuine recognition of the particular importance of this for commodities exporters. Certain concrete proposals have been made on

paragraph 38 (SSG) and met with opposition from some Members.

18. Concrete proposals have been made and discussed on how to implement paragraph 43 of the July 2004 Framework on tropical and diversification products. But there remains divergence over the precise interpretation of this section of the July Framework[16] and no common approach has been established.

19. The importance of long-standing preferences pursuant to paragraph 44 of the July 2004 Framework is fully recognized and concrete proposals regarding preference erosion have been made and discussed.[17] There seems not to be inherent difficulty with a role for capacity building. However, while there is some degree of support for e.g. longer implementation periods for at least certain products in order to facilitate adjustment, there is far from convergence on even this. Some argue it is not sufficient or certainly not in all cases, while others that it is not warranted at all.

LEAST-DEVELOPED COUNTRIES

20. There is no questioning of the terms of paragraph 45 of the July Framework agreement, which exempts least-developed countries from any reduction requirement. The stipulation that "developed Members, and developing country Members in a position to do so, should provide duty-free and quota-free market access for products originating from least-developed countries" is not at this point concretely operational for all Members. At this stage, several Members have made undertakings. Proposals for this to be bound remain on the table.[18]

COTTON

21. While there is genuine recognition of the problem to be addressed and concrete proposals have been made, Members remain at this point short of concrete and specific achievement that would be needed to meet the July Framework direction to address this matter ambitiously, expeditiously and specifically. There is no disagreement with the view that all forms of export subsidies are to be eliminated for cotton although the timing and speed remains to be specified. Proposals to eliminate them immediately or from day one of the implementation period are not at this point shared by all Members. In the case of trade distorting support, proponents seek full elimination with "front-loaded" implementation.[19] There is a view that the extent to which this can occur, and its timing, can only be determined in the context of an overall agreement. Another view is that there could be at least substantial and front-loaded reduction on cotton specifically from day one of implementation, with the major implementation achieved within twelve months, and the remainder to be completed within a period shorter than the overall implementation period for agriculture.[20]

RECENTLY-ACCEDED MEMBERS

22. Concrete proposals have been made and discussed, but no specific flexibility provisions have commanded consensus.

MONITORING AND SURVEILLANCE

23. A proposal has been made but there is no material advance at this point.

OTHER ISSUES

24. On paragraph 49 (sectoral initiatives, differential export taxes, GIs) certain positions and proposals have been tabled and/or referred to. They are issues that remain of interest but not agreed.

25. At this point, proposals on paragraph 50 have not advanced materially.

26. In the case of small and vulnerable economies, a concrete proposal has been made recently. It has not yet been subject to consultation.

27. There is openness to the particular concerns of commodity-dependent developing and least-developed countries facing long-term decline and/or sharp fluctuations in prices. There is, at this point (where, overall, precise modalities are still pending), support for the view that such modalities should eventually be capable of addressing effectively key areas for them.[21]

NOTES

[1] On the proposed basis that cut remains to be determined for those developing countries with an AMS. In any case, there is a view (not shared by all) that cuts for developing countries should be less than 2/3 of the cut for developed countries.

[2] The exact extent of the flexibility to be provided pursuant to paragraph 15 of the July 2004 Framework remains to be agreed.

[3] Of course, this needs to be viewed as illustrative rather than overly literally, if for no other reason than that these are conditional figures. For instance, while the European Communities has indicated it could be prepared to go as far as 70% in the top tier, they make it clear that this is acceptable only if the United States will go to 60% in the second tier. The United States for its part, however, has only indicated preparedness to go to that 60% if the European Communities is prepared to go as high as 83% - which it has not indicated it is prepared to do.

[4] One Member has proposed the year 2010 for "export subsidies", with accelerated elimination for "specific" products. Another group of Members have proposed a period "no longer than five years" for all forms of export subsidies, with "direct" export subsidies subject to front-loading within that period.

[5] This includes, but is not limited to: exemptions, if any, to the 180 day rule; whether the disciplines should allow for pure cover only or also permit direct financing; the appropriate period for programmes to fully recover their costs and losses through the premia levied from the exporters (principle of self-financing - there needs to be convergence between position which range from one year to fifteen years); the disciplines regarding special circumstances; and the question of special and differential treatment, including whether, as some Members argue, developing countries should be allowed longer repayment terms for export credits extended by them to other developing countries and the specifics of differential treatment in favour of least-developed and net food-importing developing countries.

[6] This fundamental divergence has effectively precluded convergence on such matters as what disciplines, if any, should be established with respect to monetization of food aid or the question of the provision of food aid in fully grant form only. The importance of operationally effective transparency requirements is generally acknowledged, but details have still to be developed, particularly those relating to the role of the WTO in this context. Further work is required to clarify the role of recipient countries and relevant international organizations or other entities in triggering or providing food aid.

[7] The method for calculating the AVEs for the sugar lines is still to be established.

[8] At one end of the spectrum, as it were, a "harmonization" formula within the bands; at the other end "flexibility" within the formula.

[9] The matrix below is an illustrative table that portrays the extent of divergences that remain, even on the basis of post-August 2005 proposals. This does not entirely cover all the subtleties of those proposals to utilize a "pivot" (although most are in fact within the ranges tabulated), but is intended to convey a snapshot of the status of average cuts proposed post-August.

	Thresholds	*Range of cuts (%)*
Band 1	0% - 20/30%	20-65
Band 2	20/30% - 40/60%	30-75
Band 3	40/60% - 60/90%	35-85
Band 4	>60/90%	42-90

[10] As an element in certain conditional proposals on overall market access, tabled post-July 2005.

[11] Some see this as being tariff quota based and expressed as a percentage of domestic consumption, with proposals of up to 10%. Others propose *pro rata* expansion on an existing trade basis, including taking account of current imports. Some also propose no new TRQs, with sensitivity in such cases to be provided through other means, e.g. differential phasing. There is also a proposal for a "sliding scale" approach.

[12] In this pillar, as well as in the other two, there is general convergence on the point that developing countries will have entitlement to longer implementation periods, albeit that concrete precision remains to be determined.

[13] The matrix below is an illustrative table that portrays the extent of divergences that remain, just on the basis of post-August 2005 proposals.

	Thresholds	*Range of cuts (%)*
Band 1	0% - 20/50%	15-25*
Band 2	20/50% - 40/100%	20-30*
Band 3	40/100% - 60/150%	25-35*
Band 4	>60-150%	30-40*

* There is also a proposal that cuts for developing countries should be "slightly lesser" than the upper tariff cuts for developed countries shown in the preceding table (i.e.: "slightly lesser" than 65, 75, 85 and 90%).

[14] As an element in certain conditional proposals on overall market access, tabled post-July 2005.

[15] While the eventual zone of convergence for developed countries undoubtedly has a bearing in this area, it has been proposed by a group of Members that the principles of sensitive products generally and for TRQs specifically should be different for developing countries. Another group of Members has proposed, in the post-August period, an entitlement for developing countries of at least 50% more than the maximum number of lines used by any developed Member. This would (based on developed country proposals) amount to a potential variation between 1.5% and 22.5% of tariff lines. This latter group has also proposed that products relating to long-standing preferences shall be designated as sensitive and that any TRQ expansion should not be "at the detriment of existing ACP quotas". This particular view has been, however, strongly opposed by other Members which take the firm position that tropical and diversification products should not at all be designated as sensitive products.

[16] It is argued by some Members that this is to be interpreted as meaning full duty- and tariff quota-free access, but by others as less than that.

[17] Note 15 above refers.

[18] It is also proposed that this should be accompanied by simple and transparent rules of origin and other measures to address non-tariff barriers.

[19] Concrete proposals have been made, with a three-step approach: 80% on day one, an additional 10% after 12 months and the last 10% a year later.

[20] A Member has indicated that it is prepared to implement all its commitments from day one and, in any case, to autonomously ensure that its commitments on eliminating the most trade-distorting domestic support, eliminating all forms of export subsidies and providing MFN duty- and quota-free access for cotton will take place from 2006.

[21] This would appear to include in particular such a matter as tariff escalation, where it discourages the development of processing industries in the commodity producing countries. The idea of a review and clarification of what the current status is of GATT 1994 provisions relating to the stabilization of prices through the adoption of supply management systems by producing countries, and the use of export taxes and restrictions under such systems is also on the table. Proponents would seek something more than this such as more concrete undertakings in the area of non-tariff measures and actual revision of existing provisions. There is, at this point, no consensus in these latter areas, but an appreciation at least of the underlying issues at stake.

ANNEX B

Market Access for Non-Agricultural Products

Report by the Chairman of the Negotiating Group on Market Access to the TNC

A. INTRODUCTION

1. A Chairman's commentary of the state of play of the NAMA negotiations was prepared in July 2005 and circulated in document JOB(05)/147 and Add.1 (hereinafter referred to as the "Chairman's commentary"). The current report, made on my responsibility, reflects the state of play of the NAMA negotiations at this juncture of the Doha Development Agenda, and supplements that commentary.

2. With an eye on the forthcoming Ministerial, Section B of this report attempts to highlight those areas of convergence and divergence on the elements of Annex B of Decision adopted by the General Council on 1 August 2004 (hereinafter referred to as the "NAMA framework"), and to provide some guidance as to what may be a possible future course of action with respect to some of the elements. Section C of the report provides some final remarks about possible action by Ministers at Hong Kong.

3. In preparing this report, use has been made of documents provided by Members (as listed in TN/MA/S/16/Rev.2) as well as the discussions in the open-ended sessions of the Group, plurilateral meetings and bilateral contacts, as long as they were not in the nature of confessionals.

B. SUMMARY OF THE STATE OF PLAY

4. Full modalities must have detailed language and, where required, final numbers on all elements of the NAMA framework. Such an agreement should also contain a detailed work plan concerning the process after the establishment of full modalities for the purpose of the submission, verification and annexation of Doha Schedules to a legal instrument. While acknowledging that progress has been made since the adoption of the NAMA framework, the establishment of full modalities is, at present, a difficult prospect given the lack of agreement on a number of elements in the NAMA framework including the formula, paragraph 8 flexibilities and unbound tariffs.

5. Regarding the structure of this section, generally Members recognize that the issues identified in the preceding paragraph are the three elements of the NAMA framework on which solutions are required as a matter of priority, and that there is a need to address them in an interlinked fashion. So, this report will commence with these three subjects before moving on to the other elements of the NAMA framework in the order in which they are presented therein.

Formula (paragraph 4 of the NAMA framework)

6. On the non-linear formula, there has been movement since the adoption of the NAMA framework. There is a more common understanding of the shape of the formula that Members are willing to adopt in these negotiations. In fact, Members have been focusing on a Swiss formula. During the past few months, much time and effort has been spent examining the impact of such a formula from both a defensive and offensive angle. In terms of the specifics of that formula, there are basically two variations on the table: a formula with a limited number of negotiated coefficients and a formula where the value of each country's coefficient would be based essentially on the tariff average of bound rates of that Member, resulting in multiple coefficients.

7. In order to move beyond a debate on the merits of the two options (and in recognition of the fact that what matters in the final analysis is the level of the coefficient) more recently Members have engaged in a discussion of numbers. Such a debate has been particularly helpful, especially as it demonstrated in a quantifiable manner to what extent the benchmarks established in paragraph 16 of the Doha Ministerial Declaration would be achieved. While it is evident that one of the characteristics of such a formula is to address tariff peaks, tariff escalation and high tariffs (as it brings down high tariffs more than low tariffs), one benchmark which has been the subject of differences of opinion has been that of "less than full reciprocity in reduction commitments" and how it should be measured. Some developing Members are of the view that this means less than average percentage cuts, i.e. as translated through a higher coefficient in the formula, than those undertaken by developed country Members. However, the latter have indicated that there are other measurements of less than full reciprocity in reduction commitments including the final rates after the formula cut which in their markets would be less than in developing country markets. Also, in their view, such a measurement of less than full reciprocity in reduction commitments has to take into account not only the additional effort made by them in all areas but also of paragraph 8 flexibilities and the fact that several developing Members and the LDCs would be exempt from formula cuts.

8. Other objectives put forward by developed Members and some developing Members as being part of the Doha NAMA mandate are: harmonization of tariffs between Members; cuts into applied rates; and improvement of South-South trade. However, these objectives have been challenged by other developing Members who believe that, on the contrary, they are not part of that mandate.

9. During the informal discussions, many Members engaged in an exchange on the basis of an approach with two coefficients. In the context of such debates, the coefficients which were mentioned for developed Members fell generally within the range of 5 to 10, and for developing Members within the range of 15 to 30, although some developing Members did propose lower coefficients for developed Members and higher coefficients for developing Members. In addition, a developing

country coefficient of 10 was also put forward by some developed Members. However, while this discussion of numbers is a positive development, the inescapable reality is that the range of coefficients is wide and reflects the divergence that exists as to Members' expectations regarding the contributions that their trading partners should be making.

Flexibilities for Developing Members Subject to a Formula (paragraph 8 of the NAMA framework)

10. A central issue concerning the paragraph 8 flexibilities has been the question of linkage or non-linkage between these flexibilities and the coefficient in the formula. A view was expressed that the flexibilities currently provided for in paragraph 8 are equivalent to 4-5 additional points to the coefficient in the formula, and as a result there was need to take this aspect into account in the developing country coefficient. In response, the argument has been made by many developing Members that those flexibilities are a stand alone provision as reflected in the language of that provision, and should not be linked to the coefficient. Otherwise, this would amount to re-opening the NAMA framework. Some of those Members have also expressed the view that the numbers currently within square brackets are the minimum required for their sensitive tariff lines, and have expressed concern about the conditions attached to the use of such flexibilities, such as the capping of the import value. In response, the point has been made by developed Members that they are not seeking to remove the flexibilities under paragraph 8, and therefore are not re-opening the NAMA framework. They further point out that the numbers in paragraph 8 are within square brackets precisely to reflect the fact that they are not fixed and may need to be adjusted downwards depending on the level of the coefficient. In addition, the need for more transparency and predictability with regard to the tariff lines which would be covered by paragraph 8 flexibilities has been raised by some of these Members. Some developing Members have also advanced the idea that there should be the option for those developing Members not wanting to use paragraph 8 flexibilities to have recourse to a higher coefficient in the formula in the interest of having a balanced outcome.

Unbound Tariff Lines (paragraph 5, indent two of the NAMA framework)

11. There has been progress on the discussion of unbound tariff lines. There is an understanding that full bindings would be a desirable objective of the NAMA negotiations, and a growing sense that unbound tariff lines should be subject to formula cuts provided there is a pragmatic solution for those lines with low applied rates. However, some Members have stressed that their unbound tariff lines with high applied rates are also sensitive and due consideration should be given to those lines. There now appears to be a willingness among several Members to move forward on the basis of a non-linear mark-up approach to establish base rates, and in the case of some of these Members, provided that such an approach yields an equitable result. A non-linear mark-up approach envisages the addition of a certain number of percentage points to the applied rate of the unbound tariff line in order to establish the base rate on which the formula is to be applied. There are two variations of such an approach. In one case, a constant number of percentage points are added to the applied rate in order to establish the base rate. The other variation consists of having a different number of percentage points depending on the level of the applied rate. In other words, the lower the applied rate the higher the mark-up and the higher the applied rate, the lower the mark-up. There is also one proposal on the table of a target average approach where an average is established through the use of a formula, with the unbound tariff lines expected to have final bindings around that average.

12. On a practical level, in their discussions on unbound tariff lines, Members have been referring mostly to the constant mark-up methodology to establish base rates. In the context of such discussions, the number for the mark-up has ranged from 5 to 30 percentage points. Once again the gap between the two figures is wide, but Members have displayed willingness to be flexible.

Other Elements of the Formula (paragraph 5 of the NAMA framework)

13. Concerning *product coverage (indent 1)*, Members have made good progress to establish a list of non-agricultural products as reflected in document JOB(05)/226/Rev.2. The main issue is whether the

outcome of this exercise should be an agreed list or guidelines. It would appear that several Members are in favour of the former outcome, however, some have expressed their preference for the latter. In any event, there are only a limited number of items (17) on which differences exist and Members should try and resolve these differences as quickly as possible.

14. On *ad valorem equivalents (indent 5)*, agreement was reached to convert non *ad valorem* duties to *ad valorem* equivalents on the basis of the methodology contained in JOB(05)/166/Rev.1 and to bind them in *ad valorem* terms. To date, four Members have submitted their preliminary AVE calculations, but there are many more due. Those Members would need to submit this information as quickly as possible so as to allow sufficient time for the multilateral verification process.

15. The subject of *how credit is to be given for autonomous liberalization (indent 4)* by developing countries provided that the tariff lines are bound on an MFN basis in the WTO since the conclusion of the Uruguay Round has not been discussed in detail since the adoption of the NAMA framework. However, this issue may be more usefully taken up once there is a clearer picture of the formula.

16. All the o*ther elements of the formula* such as tariff cuts commencing from bound rates after full implementation of current commitments (indent 2), the base year (indent 3), the nomenclature (indent 6) and reference period for import data (indent 7) have not been discussed any further since July 2004, as they were acceptable to Members as currently reflected in the NAMA framework.

Other Flexibilities for Developing Members

Members with Low Binding Coverage (paragraph 6 of the NAMA framework)

17. A submission by a group of developing Members, covered under paragraph 6 provisions, was made in June 2005. The paper proposed that Members falling under this paragraph should be encouraged to substantially increase their binding coverage, and bind tariff lines at a level consistent with their individual development, trade, fiscal and strategic needs. A preliminary discussion of this proposal revealed that there were concerns about this proposal re-opening this paragraph by seeking to enhance the flexibilities contained therein. Further discussion of this proposal is required. However, it appears that the issue of concern to some of the paragraph 6 Members is not related so much to the full binding coverage, but rather to the average level at which these Members would be required to bind their tariffs.

Flexibilities for LDCs (paragraph 9 of the NAMA framework)

18. There appears to be a common understanding that LDCs will be the judge of the extent and level of the bindings that they make. At the same time, Members have indicated that this substantial increase of the binding commitments which LDCs are expected to undertake should be done with a good faith effort. In this regard, some yardsticks for this effort were mentioned including the coverage and level of bindings made in the Uruguay Round by other LDCs as well as the more recently acceded LDCs.

Small, Vulnerable Economies

19. A paper was submitted recently by a group of Members which proposes *inter alia* lesser and linear cuts to Members identified by a criterion using trade share. While some developing and developed Members were sympathetic to the situation of such Members, concerns were expressed with respect to the threshold used to establish eligibility, and also the treatment envisaged. Other developing Members expressed serious reservations about this proposal which in their view appeared to be creating a new category of developing Members, and to be further diluting the ambition of the NAMA negotiations. The sponsors of this proposal stressed that the small, vulnerable economies had characteristics which warranted special treatment.

20. This is an issue on which there is a serious divergence of opinion among developing Members. This subject will need to be debated further. Discussions may be facilitated through additional statistical analysis.

Sectorals (paragraph 7 of the NAMA framework)

21. It appears that good progress is being made on the sectoral tariff component of the NAMA negotiations. Work which is taking place in an informal Member-driven process has focused on

inter alia identification of sectors, product coverage, participation, end rates and adequate provisions of flexibilities for developing countries. Besides the sectorals based on a critical mass approach identified in the Chairman's commentary – bicycles, chemicals, electronics/electrical equipment, fish, footwear, forest products, gems & jewellery, pharmaceuticals & medical equipment, raw materials and sporting goods – I understand that work is ongoing on other sectors, namely apparel, auto/auto parts and textiles.

22. While this component of the NAMA negotiations is recognized in the NAMA framework to be a key element to delivering on the objectives of paragraph 16 of the Doha NAMA mandate, some developing Members have questioned the rationale of engaging in sectoral negotiations before having the formula finalized. Many have also reiterated their view that sectorals are voluntary in nature. The point has also been made by other developing Members that sectorals harm smaller developing Members due to an erosion of their preferences. However, the proponents of such initiatives have argued that sectorals are another key element of the NAMA negotiations and an important modality for delivering on the elimination of duties as mandated in paragraph 16 of the Doha Ministerial Declaration. In addition, they have pointed out that some of the sectorals were initiated by developing Members. Moreover, such initiatives require substantive work and were time-consuming to prepare. Concerning preference erosion, this was a cross-cutting issue.

23. Members will need to begin considering time-lines for the finalization of such work, and the submission of the outcomes which will be applied on an MFN basis.

Market Access for LDCs (paragraph 10 of the NAMA framework)

24. In the discussions on this subject, it was noted that the Committee on Trade and Development in Special Session is examining the question of duty-free and quota-free access for non-agricultural products originating from LDCs. Consequently, there is recognition by Members that the discussions in that Committee would most probably have an impact on this element of the NAMA framework, and would need to be factored in at the appropriate time.

Newly Acceded Members (paragraph 11 of the NAMA framework)

25. Members recognize the extensive market access commitments made by the NAMs at the time of their accession. From the discussions held on this subject, it was clarified that those NAMs which are developing Members have access to paragraph 8 flexibilities. As special provisions for tariff reductions for the NAMs, some Members are willing to consider longer implementation periods than those to be provided to developing Members. Other proposals such as a higher coefficient and "grace periods" for the NAMs were also put forward, but a number of Members have objected to these ideas. There has also been a submission by four low-income economies in transition who have requested to be exempt from formula cuts in light of their substantive contributions at the time of their WTO accession and the current difficult state of their economies. While some Members showed sympathy for the situation of these Members, they expressed the view that other solutions may be more appropriate. Some developing Members also expressed concern about this proposal creating a differentiation between Members. Further discussion is required on these issues.

NTBs (paragraph 14 of the NAMA framework)

26. Since adoption of the July 2004 framework, Members have been focusing their attention on non-tariff barriers in recognition of the fact that they are an integral and equally important part of the NAMA negotiations. Some Members claim that they constitute a greater barrier to their exports than tariffs. The Group has spent a considerable amount of time identifying, categorizing and examining the notified NTBs. Members are using bilateral, vertical and horizontal approaches to the NTB negotiations. For example, many Members are raising issues bilaterally with their trading partners. Vertical initiatives are ongoing on automobiles, electronic products and wood products. There have been some proposals of a horizontal nature concerning export taxes, export restrictions and remanufactured products. On export taxes, some Members have expressed the view that such measures fall outside the mandate of the NAMA negotiations. Some Members have also raised in other Negotiating Groups some of the NTBs they had notified initially

in the context of the NAMA negotiations. For example, a number of trade facilitation measures are now being examined in the Negotiating Group on Trade Facilitation. Some other Members have also indicated their intention to bring issues to the regular WTO Committees. NTBs currently proposed for negotiation in the NAMA Group are contained in document JOB(05)/85/Rev.3.

27. Some proposals have been made of a procedural nature in order to expedite the NTB work, including a suggestion to hold dedicated NTB sessions. Further consideration will need to be given to this and other proposals. Members will also need to begin considering some time-lines for the submission of specific negotiating proposals and NTB outcomes.

Appropriate Studies and Capacity Building Measures (paragraph 15 of the NAMA framework)

28. There has been no discussion as such on this element as it is an ongoing and integral part of the negotiating process. Several papers have been prepared by the Secretariat during the course of the negotiations and capacity building activities by the Secretariat have increased considerably since the launch of the Doha Development Agenda. Such activities will need to continue taking into account the evolution of the negotiations.

Non-reciprocal Preferences (paragraph 16 of the NAMA framework)

29. In response to calls by some Members for a better idea of the scope of the problem, the ACP Group circulated an indicative list of products (170 HS 6-digit tariff lines) vulnerable to preference erosion in the EC and US markets as identified through a vulnerability index. Simulations were also submitted by the African Group. Some developing Members expressed concern that the tariff lines listed covered the majority of their exports, or covered critical exports to those markets and were also precisely the lines on which they sought MFN cuts. As a result, for these Members, it was impossible to entertain any solution which related to less than full formula cuts or longer staging. In this regard, concern was expressed by them that non-trade solutions were not being examined. For the proponents of the issue, a trade solution was necessary as this was a trade problem. According to them, their proposal would not undermine trade liberalization because they were seeking to manage such liberalization on a limited number of products.

30. This subject is highly divisive precisely because the interests of the two groups of developing Members are in direct conflict. Additionally, it is a cross-cutting issue which makes it even more sensitive. While, the aforementioned list of products has been helpful in providing a sense of the scope of the problem and may help Members to engage in a more focused discussion, it is clear that pragmatism will need to be shown by all concerned.

Environmental Goods (paragraph 17 of the NAMA framework)

31. Since the adoption of the July framework in 2004, limited discussions have been held on this subject in the Group. However, it is noted that much work under paragraph 31(iii) of the Doha Ministerial Declaration has been undertaken by the Committee on Trade and Environment in Special Session. There would need to be close coordination between the two negotiating groups and a stock taking of the work undertaken in that Committee would be required at the appropriate time by the NAMA Negotiating Group.

Other Elements of the NAMA Framework

32. On the other elements of the NAMA framework, such as supplementary modalities (paragraph 12), elimination of low duties (paragraph 13) and tariff revenue dependency (paragraph 16) the Group has not had a substantive debate. This has in part to do with the nature of the issue or because more information is required from the proponents. Regarding supplementary modalities, such modalities will become more relevant once the formula has been finalized. On elimination of low duties, this issue may be more suitable to consider once there is a better sense of the likely outcome of the NAMA negotiations. On tariff revenue dependency, more clarity is required from the proponents on the nature and scope of the problem.

C. FINAL REMARKS

33. As may be observed from the above report, Members are far away from achieving full modalities. This is highly troubling. It will take a major effort by all if the objective of concluding the NAMA negotiations by the end of 2006 is to be realized.

34. To this end, I would highlight as a critical objective for Hong Kong a common understanding on the formula, paragraph 8 flexibilities and unbound tariffs. It is crucial that Ministers move decisively on these elements so that the overall outcome is acceptable to all. This will give the necessary impetus to try and fulfil at a date soon thereafter the objective of full modalities for the NAMA negotiations.

35. Specifically, Ministers should:

- Obtain agreement on the final structure of the formula and narrow the range of numbers.
- Resolve their basic differences over paragraph 8 flexibilities.
- Clarify whether the constant mark-up approach is the way forward, and if so, narrow the range of numbers.

(WT/MIN(05)/W/3/Rev.2, 18 December 2005)

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(Contd. from page 38)

To take advantage of these flexibilities, India would need to: examine the pattern of its bilateral trade with key LDCs; the share of selected LDCs in the Indian market for products such as textile yarn and fabric, handicrafts, leather, shrimp, and rubber, where there may be employment and poverty-related concerns relating to unrestricted access; and assess the relative competitiveness of Indian versus LDC producers and sources of disadvantage to Indian producers. Accordingly, the product coverage and modalities of phase-in can be worked out and appropriate policies adopted to help Indian producers compete more effectively with LDC exports.

Bilateral and regional pacts like SAFTA could foster investment by Indian companies in member LDCs in areas like textiles and ceramics where partner countries like Bangladesh are competitive.

Continuing the debate, Shri N. Srinivasan, Director General, CII says that from an Indian perspective, granting liberal market access to these poor countries may not yield any major impact on India's poor people.

The LDC package, he says, is a good instrument to boost South-South trade, which has been going up in the last few years. India needs to work more closely with LDCs since we are neighbouring countries and a large market for products of interest to them. India is competitive enough to open up its markets for flow of goods from poorer countries.

It would be advisable for India come up with a reasonably good package to allow LDCs enter its market with ease in products of interest to them. This is important to keep our promise of making the Doha negotiations a truly development round.

Finally, Ms. Veena Jha, Coordinator, UNCTAD India says that while preferences must grant meaningful market access to LDCs, the interests of poor producers in India also need to be safeguarded.

Downgraded Doha, *The Wall Streed Journal*, 9 December, 2005, p. 17.

THE article opines that proliferation of bilateral trade deal partly reflects countires' impatience with the burdensome multilateral process of the WTO. But bilateral deals, it says, are a poor substitute for a broad multilateral agreement. This is because they create different rules of the game among nations, add burdensome costs for producers and complicate the mulilateral process by creating special preference arrangements that once signed are hard to give up. If trade is to become freer, it may be necessary for a coalition of willing nations to simply bypass the obstructionists and have a braod agreement of their own. •

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