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## Facts and Figures

The agreement in the July Package to establish a special safeguard mechanism for the use of poorer countries is a major achievement. Its urgency is illustrated by some critical changes in agricultural trade markets from 1995 to 2000:

- Senegal's tomato paste imports increased 15-fold to 6000 tonnes while average annual production fell 50 percent, from 43,000 tonnes to 20,000 tonnes.
- In Jamaica, domestic production of vegetable oils fell by 68 percent to 5000 tonnes. Average annual imports, at 29,000 tonnes, were more than double the 1990-94 volume.
- In 1990, the volume of milk processed in Kenya amounted to 392,000 tonnes. By 1998 it was down to 126,000 tonnes. At the same time, imports of milk powder rose from 48 tonnes to 2500 tonnes.

Source: *Some Trade Policy Issues Relating to Trends in Agricultural Imports in the Context of Food Security*. FAO. 2003

## New Uncertainties for the Doha Round?

The Paris 'mini-ministerial' in May cleared the way forward in agriculture by solving the technical tariff conversion issue, but the French and Dutch rejections of the European constitution and the imminent departure of the agriculture negotiations Chair Tim Groser have brought new uncertainties to the already rocky road to Hong Kong.

How to convert volume-based import duties into value-based *ad valorem* equivalents (AVEs) had effectively held the larger agenda of the agriculture negotiations hostage for months until WTO delegates indicated on 10 May that they could live with the method agreed by some 30 ministers in Paris on 4 May. The compromise solution was to weight the prices of basic products towards the lower world prices of the UN's commodity price statistics (ComTrade), while those of processed goods would be closer to the higher import price levels in the Integrated Database maintained by the WTO. In line with EU demands, the weighting will take place before a single AVE conversion is carried out. This sequencing enabled the EU and the G-10 group of net food-importing countries to agree to a weighting more skewed toward ComTrade data than they had initially been willing to accept.

At the early June negotiating session on agriculture, Members finally turned their attention to other market access issues, such as the tariff reduction formula, 'sensitive products' that all Members may designate to exempt a number of tariff lines from full formula reductions, and 'special products', a category that allows deviations or exemptions for products essential to food and livelihood security and rural development in developing countries.

In an attempt to overcome the long-standing impasse between Members insisting on either the Swiss formula (favoured by the Cairns Group and the US) or the Uruguay Round approach (pushed in particular by the EU and the G-10), Canada proposed a reducing tariffs by dividing them into components, where the greatest part of the tariff would be reduced the most. This method could, for instance, cut a 200 percent tariff to 61 percent and a five percent tariff to 2.8 percent. Welcoming the efforts by a Canada, as well as Brazil and China to look at possible and realistic alternatives, Chair Groser warned Members against locking themselves into "strong in-principle statements" regarding the Swiss vs Uruguay Round approaches. He also said that he remained "deadly serious" about producing a 'first approximation' of a tariff reduction formula by the end of July (see page 7).

### Will Europe's Disarray Effect the Negotiations?

EU member countries are still reeling from the resounding rejection of the continent's first constitution delivered by two of the Union's founding states with convincing margins and a solid turnout of voters.

While the French vote was more about domestic issues than Europe's future, there is no denying that key political constituencies voted 'no' out of concerns linked to what they saw as the government's failure to protect them against the effects of globalisation and liberalisation: forty-six percent gave worsening unemployment as their main reason for rejecting the treaty and 36 percent considered its economic orientation too liberal.<sup>1</sup> Voters cited the relocation of industries, increased imports and competition from cheap labour from other EU countries for jobs in France, as well as threats to societal choices such as the 35-hour workweek, among their

*Continued on page 2*

# Bridges

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prime motives. These factors drove more than 58 percent of people under sixty to reject the constitution, with 70 percent of farmers, 79 percent of labourers and 67 percent of office workers voting no. Only in the professional, executive and middle management categories did the vote come out clearly in favour.<sup>2</sup> These are numbers that any government can ignore only at its peril. French opposition to further reforms of the EU's Common Agricultural Policy – a key element of the European Commission's WTO strategy – will almost certainly stiffen.

The Dutch 'no' was also motivated by domestic political and policy concerns. It reflected fears of job losses and apprehension regarding the loss of national identity in too big an EU dominated by its largest members. The tide could turn in other EU members as well.

It is too early to tell whether Europe will turn towards more protectionism. While the nay-sayers see themselves as defenders of the continent's 'social model', others say the rejection reflects vested interests and stubborn resistance to much-needed reforms. Either way, few doubt that the EU's external trade policy will be affected. The margin of manoeuvre of the European Commission, which negotiates trade policy on behalf of the member states, is likely to be narrowed, particularly with regard to further agricultural liberalisation or better access to EU markets for service providers from developing countries in the Doha Round negotiations.

### Timothy Groser to Leave

Ambassador Tim Groser stunned WTO delegates, as well as his own government, by announcing on 23 May that he was a candidate for the centre-right opposition National Party in New Zealand's parliamentary elections this fall. Although Mr Groser immediately resigned from his ambassadorial position, he will continue to chair the agriculture negotiations at least until the WTO's summer break in August. General Council Chair Amina Mohamed is holding consultations on how WTO Members would like to proceed after that.

Mr Groser is virtually certain to win a parliamentary seat and may well be appointed trade minister if his party wins the elections. Should Labour hold on to power, however, there is some speculation that he could carry on as Chair until the Hong Kong Ministerial Conference, if WTO Members asked him to do so. Most observers consider such an outcome unlikely, not least because New Zealand's Prime Minister Helen Clarke's statement that while "it is up to the WTO who it appoints [...] whether the WTO would want to go down the track of employing someone who can't enjoy the confidence of a Member state and has resigned as ambassador is something the WTO would want to consider."

A number of WTO Members have expressed concern about losing Mr Groser's energetic leadership of the negotiations, which are trailing behind schedule after four months essentially spent on finding a solution to the tariff conversion problem (see page 7). Others, however, have quietly let it be known that they would welcome the appointment of a new Chair. The New Zealand government has offered to cover Mr Groser's expenses in Geneva until one month before the elections, which must take place before the end of September.

### Tough Task for Lamy

Speaking after the 26 May General Council meeting that confirmed his appointment as the WTO's Director-General starting next September, former EU Trade Commissioner and French Socialist Pascal Lamy said that the successful conclusion of the Doha Round would be his first, second and third priority. The key to success will be agriculture, and his former position in the European Commission, as well as his formidable negotiating skills, could be important assets if the EU were to turn more protectionist. Mr Lamy, who sees his WTO role as "a manager, an advocate [and] an honest-broker" also faces a major challenge in ensuring that the international trading system is "re-balanced in favour of developing countries", something he listed as a top priority when announcing his candidacy for the WTO's top job last December.

### ENDNOTES

<sup>1</sup> TNS Sofres/Unilog telephone poll of 29 May.

<sup>2</sup> Ipsos telephone poll of 29 May.

# The WTO Negotiations and Disciplines for Food Aid

Linda M. Young and Philip C. Abbott

Further rules and potential restrictions on international food aid are being negotiated in the Doha Round, but the treatment of food aid solely in its role as an export subsidy runs the risk of losing sight of its humanitarian and developmental roles.

Food aid is considered within the export competition pillar of the agricultural negotiations, and so is negotiated in conjunction with export subsidies, export credits and state trading organisations. Negotiations within the export competition pillar are focused on achieving a commitment from the European Union to eliminate export subsidies and devising rules to remove the subsidy component of US export credit programmes.

Food aid is part of this pillar because donors, particularly the United States, have given surplus stocks, largely grain, as food aid. Since this aid varies counter-cyclically with need, it is perceived as an implicit export subsidy. A potential subsidy is also seen when donors use food aid to develop future commercial markets rather than to address humanitarian need. In addition, purchasing commodities for food aid from the donor's market, called tying, is perceived as advantageous for the producers of the donor country yet inefficient in delivering aid to the needy. The inclusion of food aid in this pillar, and the treatment of food aid solely in its role as an export subsidy, runs the risk of losing sight of the humanitarian and developmental roles of food aid.

## Brief Background and Concerns About Food Aid

Over the ten years between 1994 and 2003, food aid averaged 10 million metric tonnes per year. The United States donates over half of global food aid. Emergency food aid averaged 43 percent of the total and was given to countries experiencing conflict or extreme shortfalls in production. The remainder is divided between project food aid and programme food aid. Project food aid is mostly given to NGOs to support a wide variety of development projects. Programme food aid is given on a government-to-government basis and is sold on recipient country markets with proceeds used by the recipient government. Selling food aid on domestic markets, rather than targeting donations to the poor, is called 'monetisation', and is more likely to distort markets. 'Tied' food aid requires the procurement of goods and services from the donor country. About 90 percent of global food aid meets this definition

The Uruguay Round Agreement attempted to balance concern over the possible trade impacts of food aid with recognition of the role that food aid plays in the food security of developing countries, and at times, developed countries as well. Efforts to discipline food aid to minimise disruption to commercial markets included a continued prohibition on food aid as a blatant export subsidy and a reference to the rules governing food aid under the Food and Agriculture Organisation of the United Nations. Concerns over food security were recognised in a ministerial decision that committed the WTO to review the level of food aid guaranteed by the Food Aid Convention to ensure that the legitimate needs of developing countries were met, and to take other actions to promote food security. However, in the 1999 renewal of the Food Aid Convention, the first since the Uruguay Round, donor commitments dropped to their lowest level in 33 years. Lack of action on this ministerial decision is among the implementation issues of concern to developing countries in the Doha Round.

In the WTO, the 2004 July framework instructs Members to develop specific food aid disciplines. Reflecting WTO priorities, the framework states that the objective of these disciplines is to prevent commercial displacement. The amount of commercial displacement depends on the extent to which donations increase consumption by targeting poor consumers who would not have consumed that much food otherwise, called 'additional consumption'. Commercial displacement caused by US food aid programmes is of great concern to the European Union and other exporters. In sharp contrast to the United States, the EU has moved towards giving cash instead of food in kind for its food aid programmes. US pro-

grammes require a minimum level of monetisation, exacerbating commercial displacement.

An important concern held by recipient country governments is that food aid may increase the supply of food on a domestic market, reducing the market price and resulting in lower production. If food aid donations do not result in an equal increase in consumption (additionality) it is possible that this 'disincentive effect' can occur, but this is not likely. Food aid may reduce domestic prices if the country is closed to trade or uses trade measures, such as quotas or variable tariffs, to insulate the domestic market from the world market. If the recipient country is a small open economy, food aid is more likely to reduce commercial imports than to depress production. While many empirical studies have investigated whether food aid depresses local production, little evidence to support the disincentive effect has been found. Evidence indicates that displacement of commercial imports is much more likely, because countries pursue domestic and trade policies to minimise the production disincentive effect.

Emergency food aid is most likely to increase consumption, as it is given to people who lack the money to purchase food. In contrast, some project and all programme food aid is monetised. For example, NGOs implementing food aid programmes sell a portion of the food aid they distribute to cover distribution costs and to fund a variety of development programmes. The United States is the only donor that allows (requires) project food aid to be monetised, and monetisation accounts for an increasing percentage of project food aid.

In recognition of the important humanitarian role played by emergency food aid, WTO proposals to discipline food aid do not include emergency food aid in order to not impede the speed or the size of the in-

*Continued on page 4*

ternational response to crises. However, recipients worry that the international response to crises will be inadequate, as donors have reduced the quantity they guarantee to contribute. This led Egypt, early in the round, to submit a proposal that donor commitments for food aid be a part of donors' legally-enforceable WTO commitments, but this proposal has not advanced.

### Proposals to Discipline Food Aid

Oxfam argues that food aid should be provided largely in cash form, with additional restrictions on the use of in-kind food aid. It recently called for restrictions on tied and monetised food aid due to fears that non-emergency food aid has an adverse impact on local production and commercial imports. Despite little evidence of local production being depressed by food aid, it has long been recognised that cash assistance is most efficient and has fewer potential adverse impacts on both local and international markets than food aid given in-kind. More importantly, the disincentive effect is not a trade concern to be regulated by the WTO. If recipient country policymakers believe that non-emergency food aid is harming their domestic production, they can make a decision to restrict it. But the tradeoff faced by recipients may be between production disincentives or import displacement, so rules to limit displacement may induce disincentive effects in the future, especially if recipients lose 'policy space' to limit disincentives, and unless food aid is much better targeted to the poor.

Another proposal by Barrett and Maxwell adopts the framework used in the Uruguay Round Agreement on Agriculture to discipline food aid. They propose that non-emergency 'tied' food aid be categorised as Blue Box, with some quantity restrictions, and that poorly targeted non-emergency food aid be placed in the Amber Box and be phased out over five to ten years.

Restrictions that limit the use of in-kind or tied food aid, as advanced by both Oxfam and by Barrett and Maxwell, are likely to result in reduced food aid donations from the United States and perhaps from other donors. Food aid programmes are supported by a diverse constituency in the

United States, including agricultural producers, processors and NGOs. These groups are unlikely to advocate and achieve an increase in US foreign assistance – already on a declining trend – that would compensate for reduction in food aid programmes.

A different approach is for the WTO to discipline the aspects of food aid that are most contentious – and most likely to act as implicit export subsidies – in an attempt to meet the overall goal of achieving success in the agricultural negotiations. However, the WTO should tread lightly and leave further reform and criteria to a new food aid institution, which would act in an advisory capacity to the WTO on food aid issues. In particular, the WTO should allow participants in the new institution to make the tradeoff between efficiency, trade effects, disincentive effects and likely levels of food aid available under new rules.

Potential disciplines following this line of reasoning include:

- Disciplining market development programmes: the US PL 480 Title I programme is contentious, as its stated objective is to develop future markets for US exports. Language prohibiting market development objectives for food aid programmes should be included in a Doha Round Agreement.
- Elimination of the surplus disposal aspect of food aid: extensive criticism has been directed over the years to the link between food aid and the domestic agricultural policy of some donors, so that stocks resulting from domestic price support and stocks policy are disposed of as food aid. This criticism has been directed at US food aid programmes since their inception in the 1950s, as well as at European food aid programmes before reforms ensured the EU's food aid programmes' independence of the Common Agricultural Policy.

Objections to the surplus disposal aspect of food aid are both moral and practical. The moral issue is that food aid should be given purely in response to need without being linked to domestic agricultural policy. Food aid from stocks may be used to meet legitimate need, even if it also supports agricultural policies. A discipline focused on the surplus disposal aspect of food aid would likely target US Section 416b. However, stocks from 416b are sometimes donated to the World Food Programme in amounts that are not easily dismissed in times of need, including 1.5 mmt in 1999 and 2001. Prohibition of food aid donated from stocks may reduce the achievement of the humanitarian objectives of these programmes. A less severe discipline could mandate that food aid from stocks be channelled through the World Food Programme of the UN (see box on page 6). This would minimise the possibility of political gain by donor governments, while ensuring the beneficial use of stocks.

The practical issue is that stocks, and hence food aid availability, tend to be higher in times of low prices. The problem presented by the inverse relationship between food aid availability and need may be best addressed by mandating higher levels of guaranteed food aid through the Food Aid Convention or, preferably, through a new institution governing food aid. Minimum commitments in the past have never bound donors to give more food aid, however.

### A Discipline to Guard Against

It is possible that WTO negotiators, under pressure to achieve a deal advancing the negotiations, might decide to discipline food aid by eliminating all monetised food aid (namely food aid sold on recipient country markets). While arguments can be made for the elimination of programme food aid, a discipline restricting all monetised food aid should be guarded against, as it would eliminate the multitude of development projects now funded by project food aid in a time of declining aid budgets. It could also reduce resources used by NGOs to meet transactions costs associated with the distribution of food aid. Elimination of monetised project food aid implies that it is appropriate for the WTO to trade off developmental benefits to achieve the goal of no commercial displacement, a tradeoff that is difficult to defend in light of the Doha mandate, which placed the needs and interests of developing countries at the heart of the negotiations.



## Conclusions

Current food aid practices (surplus disposal, tying, and monetisation) lead to inefficiencies in delivery of donations, but also to political support for assistance in donor countries. The WTO has agreed that the purpose of food aid disciplines is to minimise commercial displacement. This indicates that the WTO places more value on the concerns of agricultural exporters than on the developmental and humanitarian benefits of food aid, and that another institution with a different balance of interests should take the lead in disciplining food aid.

The greatest positive benefit to securing and realising the benefits of food aid would spring from the creation of a new institutional home for food aid. Current institutions are outdated, disjointed and ineffective. The new institution should have balanced representation of donors and recipients. Barrett and Maxwell provide ideas about how to effectively structure this institution and on its role and potential criteria for food aid. It would be charged with advising the WTO on appropriate disciplines, but should remain operationally independent. This institution, with ample representation from recipients and development interests, should

decide if restrictions to improve the efficacy of food aid are worth the risk of lower levels.

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# Special Safeguards: A Price Floor Mechanism for Developing Countries

*Alberto Valdés and William Foster*

Paragraph 42 of the July Package states that a special agricultural safeguard mechanism “will be established for use by developing country members” but says nothing about what form it should take. A pragmatic solution would be to base the new instrument on a modification of the price floor mechanism under the existing agricultural special safeguard.

The decision to establish a special safeguard mechanism (SMM) is a response to developing countries’ concerns that lowering bound tariffs will reduce their ability to protect themselves against agricultural market instability and make them increasingly vulnerable to import surges. These concerns are of particular importance to low-income countries where agriculture employs nearly three-quarters of the labour force and generates around 30 percent of GDP. Moreover, low-income countries lack the fiscal resources to manage extended periods of low prices and compensate their farmers through domestic support. They also have fewer alternative instruments to counteract the higher probability of periods of low domestic prices that could result from further tariff reduction. Indeed, without access to a safeguard mechanism that could offset possible price declines, developing countries might be reluctant to undertake deeper liberalisation measures, especially with respect to lowering high-bound tariff levels.

A special safeguard (SSG) is already provided under Article 5 of the Agreement on Agriculture. Access to this mechanism enables countries to impose an additional duty above their bound tariff levels for certain products if imports surge beyond a given volume (volume trigger) or the price of the product falls below a threshold level (price trigger). Recourse to the SSG, however, is limited to those WTO Members that undertook tariffication – converting their non-tariff measures (such as import quotas and other border restrictions) into tariffs using a specified formula – at the end of the Uruguay Round. During these negotiations Members were given the choice of applying either the tariffication formula or binding tariff ceilings. Most developing countries opted for the latter, creating an anomaly where only 22 developing (and 17 developed) countries have access to the SSG. Even among SSG-eligible developing countries, the safeguard has been little used in practice. This is the context that led to the July Package agreement to establish the SSM as a new safeguard available to all poorer countries.

## Principles for Establishing the SSM

The SSM could be established by adapting the existing SSG to allow developing countries, under certain restrictions, to apply tariffs beyond their bound ceilings to safeguard otherwise-competitive domestic producers against injury during temporary periods of extremely low

prices. To meet this objective, modifications to the SSG would have to adhere to five basic principles:

- Any modification of the SSG should enhance trade by reducing overall protection.
- Safeguards should not be used to isolate producers from long-term changes in world prices. Instead, they should be applied consistently over time to ensure credibility and be restricted to a small number of sensitive products.
- Any modification should address the question of the persistence of price downturns (such downturns can last for more than a year).
- Safeguards should not be an enduring substitute for purely domestic supports that minimise trade distortions.
- Whatever safeguard mechanism is adopted should be transparent, difficult to manipulate and should not isolate producers from long-term price trends.

## Volume Triggers

Volume triggers for the safeguard mechanisms have their drawbacks. On a practical level, many developing countries do not

*Continued on page 6*

have the information resources to determine import flows in real time or the possibilities of import surges. Second, volume triggers can be unrelated to low prices, and therefore inconsistent with the principle of protecting potentially competitive sectors. While the use of volume triggers has the advantage of being based on a verifiable event, the damage to the domestic sector is not due to the volume of imports, but the reduction in net producer income related to the price decline.

For example, a sharp rise in imports could be related to harvest shortfalls. Thus, domestic prices could actually increase while imports rise, making it difficult to justify the imposition of additional duties on the basis of maintaining a price floor to protect a viable industry. In this case, the volume trigger would not reliably indicate the harm to the industry, which is the ultimate event to be verified. Moreover, import volume surges are often *ex post*; they follow price drops. A decline in the border price could lead to a reduction in domestic producer prices, even prior to import surges.

### Price Triggers

As a result of the potential drawbacks of using volume triggers, the SSM should be based on a price trigger and follow a common rule for all WTO Members. This price floor mechanism should be a reference price that incorporates long-term trends in world prices and is not subject to changes due to domestic considerations. The shielding of the trigger price from domestic considerations would protect the credibility of a government commitment to only use the safeguard to avoid very low prices, and would induce domestic producers to plan in terms of long-run competitiveness. Trends could be adjusted periodically, following adjustment rules agreed upon in WTO negotiations, not requiring continuing negotiations. An important element to give transparency to the policy and to avoid abuse is to require detailed notification to the WTO Secretariat, perhaps every six months, indicating the products for which safeguards have been activated. This would also provide a database in the determination of reference prices. WTO Members should have up-to-date information and be able to hold consultations. To increase transparency, the WTO Secretariat should assist every coun-

try that plans to use the safeguard in establishing a system for computing reference prices and surcharges.

The importance of rapid and easy use of safeguard instruments, especially if a safeguard is to be limited in duration, suggests proof of injury and compensation should not be required. The triggering of variable safeguards would have to be specified in terms of well-defined low-price events, universally applicable to all countries. Access to special safeguards, however, should be made contingent on low levels of domestic support transfers. Countries with the ability to use other safety net mechanisms (income per capita is a good proxy) to protect producers during periods of low prices should be effectively excluded. The end result should be that special safeguards are accessible only to developing countries.

With respect to the specific reference prices that would trigger the safeguard, a regression-trend reference price would avoid most of the problems associated with other price indicators. Of course a regression-based trend retains the problem of all reference prices being an inexact predictor of long-term future trends. Nevertheless, it remains the most practical mechanism available for the extrapolation of some sort of price trend based on historical data.

### Product Coverage

From the perspective of freeing trade and as a practical matter, the simultaneous application of safeguards should be limited to a small number of products, although the instrument could be available to any product. There have been suggestions to restrict this mechanism to food security crops. But rather than restricting the use during any period to a small number of importables for which the bound tariff is low, we see no advantage in restricting a country from determining its own priorities. The simultaneous application of a large number of products per country would be unmanageable for the WTO to monitor, and individual countries would find it difficult to manage the data required. Furthermore, a limited number of products to which safeguards could be applied at any one time would help prevent the misuse of the instrument and maintain the focus on politically sensitive products where a lack of protection would otherwise be an obstacle for trade liberalisation.

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### WFP Sounds Food Aid Warning

James Morris, the Executive Director of the UN World Food Programme (WFP), has warned that improperly drafted new rules on food aid could contribute to hunger in the world's poorest countries. He said on 9 May that the WFP was "absolutely opposed" to limiting food aid to cash, since this might dissuade countries – especially developing ones such as India – from making legitimate in-kind donations.

The EU and other exporters of agricultural products have argued that food aid should be restricted to cash grants (except during emergencies). These countries aim to halt what they see as US exports of surplus subsidised products in the guise of bilateral aid programmes. The US denies these charges, countering that EU agricultural subsidies are the real source of harm. The cash grant proposal is supported by some recipient countries such as Uganda, which have seen poor farmers displaced from local markets by subsidised agricultural surpluses that entered the country as food aid.

Mr Morris questioned the need for disciplines at a time of a general decrease in donations and an increase in chronically hungry people. Citing WFP statistics showing that food aid in 2004 amounted to 7.5 million tonnes – a 30 percent drop from the year before, and half the 1999 level, he argued that food aid should be judged according to its end use, as opposed to whether or not it is surplus. He also urged donor countries to increase food aid back to the 11 million tonne mark it was at in 2001.

## Agriculture: AVE Problem Solved, But It's a Race to July

While the Paris 'mini-ministerial' managed to find a compromise on converting specific duties to ad valorem equivalents, a large number of issues remains to be solved in the coming weeks if even an outline of a 'first approximation' is to emerge in July of the agriculture package to be presented to the WTO Ministerial Conference in Hong Kong next December. The likely departure of Chair Tim Groser in August adds a further complication.

The early June negotiating session saw a re-emergence of the old debate on the tariff reduction formula. The EU, the G-10 group of net food-importing countries, the African, Caribbean and Pacific (ACP) Group of States, as well India and Indonesia (both members of G-20 coalition of developing countries) argued strongly for the Uruguay Round approach, which set average percentage cuts subject to minimum cuts per tariff line. These countries also opposed setting a maximum tariff rate for any product.

The US continued to call for the 'Swiss formula', which sets a single coefficient for both the size of the tariff reduction and the maximum possible final tariff (a coefficient of 25 would mean a maximum final tariff of 25 percent.) Others who had previously advocated the Swiss formula, such as some members of the Cairns Group and G-20 – including some Latin American countries and Malaysia, were willing to accept an alternative method focused on harmonising tariffs. Nevertheless, all these countries rejected the Uruguay Round approach arguing that it had been shown to fail to produce genuine improvements in market access in all products (as required by the July 2004 framework). Argentina was among those arguing that – due to the framework's inclusion of 'sensitive products' in the negotiations – the framework's inclusion of 'sensitive products' – the Uruguay Round approach's flexibility would be redundant and undermine improvements in access.

### Alternatives to Polarisation

Canada proposed an alternative harmonising type of formula comparable to income tax. Instead of placing entire tariffs in different tiers with reduction obligations increasing according to the level of the present rate, each tariff rate would be broken into components corresponding to the tiers, and the reduction in each tier would apply to the corresponding component (see table below on how this might work in practice). Members did not react immediately to this, preferring to study it.

China said Members needed to consider a way to find middle ground. As an example, a compromise between the two poles could be to have some products in each tier cut by a Swiss formula and some cut by the Uruguay Round approach, China suggested. Brazil supported China's search for middle ground and called for moderation (particularly from developing countries arguing about the development agenda). The objective, Brazil noted, was to try to ensure genuine improvements in market access, while avoiding countries that are defensive on the import side being forced to designate a large number of products as 'sensitive'.

Costa Rica proposed that tropical products and crops grown as substitutes for narcotics be taken out of the formula and given maximum liberalisation. Sri Lanka objected that developed countries should be allowed to protect farmers growing these products, but Costa Rica said developed country markets were the main target of the substitute crops. Croatia repeated the calls of countries that recently joined the WTO for extra flexibility and leniency.

Illustrative Table on the Effects of the Canadian Proposal<sup>1</sup>

Tier	Tariff Cut	Initial 200% tariff	Initial 100% tariff	Initial 25% tariff
Over 60%	75%	140% cut by 75%	40% cut by 75%	
35–60%	65%	25% cut by 65%	25% cut by 65%	
15–35%	55%	20% cut by 55%	20% cut by 55%	85% cut by 55%
Under 15%	45%	15% cut by 45%	15% cut by 45%	15% cut by 45%
Combined Tariff Cut		69.5 percent	64 percent	49 percent
Remaining Tariff		61 percent	36 percent	12.75 percent

<sup>1</sup> Hypothetical figures; the actual number of tiers and thresholds would be negotiated.

### Other Issues

WTO Members' continued to differ on the definition of 'sensitive products', which according to the July framework must not undermine the objectives of tariff reductions, including "substantial improvements in market access ... for all products" and "substantial trade expansion". In addition, the ACP group's argument that sensitive products were critical to preserve the interests of countries enjoying long-standing preferences re-sparked the debate between the ACP and other developing countries (particularly Latin Americans) about preferences.

Nor did Members get any closer to consensus – including among developing countries – on the criteria for 'special products', which the latter may designate to protect food security and to advance rural development needs. The crux of the debate is whether giving countries a 'free hand' is the best way to meet developmental goals.

The special safeguard mechanism (SSM) for the use of developing countries (see related article on page 5), and a number of detailed amendments to the rules governing the Green Box were also evoked but not discussed in any detail. The next issue of Bridges will provide further details. The next 'agriculture week' starts on 4 July.

### No Agreement on Cotton

At the 29 April meeting of the Sub-committee on Cotton, the African Group proposed that Members eliminate all export subsidies for cotton by 1 July, 2005, followed by a 21 September elimination of trade-distorting domestic subsidies and the establishment of an emergency fund to address the social and economic consequences stemming from an international cotton market depressed by subsidised supplies. Many WTO Members supported the submission. The EU said that its previous commitments to ACP countries precluded participation in the proposed cotton fund. The US again argued that agricultural reforms should take place within the Doha Round.

## S&D Negotiations Focus on Poorest Countries' Proposals

During the May negotiating session on special and differential treatment for developing countries, WTO Members at last addressed the substance of a number of proposals put forward by least-developed countries, but only agreed that most of them should be redrafted.

The meeting followed intense consultations on the way forward, after the April session was suspended over a disagreement on the agenda proposed by the negotiations' Chair Faizel Ismail of South Africa (Bridges Year 9 No.4, page 12). Several deadlines have already been missed on ways to strengthen special and differential treatment (S&D) provisions in WTO agreements, with Members disagreeing on how to sequence consideration of the 88 specific proposals put forward by developing countries and the cross-cutting issues of the objectives and principles that underlie the WTO's approach to S&D. The latest deadline for 'clear recommendations' on how to enhance S&D is July 2005, but few expect it to be met.

At its May session, the Committee on Trade and Development addressed five specific proposals submitted by least-developed countries (LDCs), while allowing Members to suggest cross-cutting solutions. Some Members noted that this would break the procedural barrier that had prevented detailed consideration of agreement-specific proposals, most of which were drafted over four years ago and haven't been examined in more than two years.

The five proposals on the agenda concerned the Understanding in Respect of Waivers of Obligations (proposal 22/23), the Enabling Clause (proposal 38), the Agreement on Trade-related Investment Measures (TRIMS; proposal 84), Measures in Favour of LDCs (proposal 88) and the Enabling Clause para. 3b (proposal 36).

The most recent version of proposal 22/23 calls for 'special consideration' of requests from developing and LDC Members for waivers of WTO obligations. In the discussion on the proposal, Australia, Canada, and the US wanted to hear more about the problems facing developing countries when requesting a waiver. In addition, the EU, Canada and Norway said they could only agree to a provision that would apply solely to LDCs. A number of other coun-

tries, including India, Colombia, Costa Rica, Brazil, Japan, Malaysia and Pakistan supported current language, and Paraguay suggested different wording providing for 'adequate safeguarding' of all developing country Members when granting waiver requests.

Proposal 38 calls for the revision of the Enabling Clause (Decision on Differential and More Favourable Treatment, Reciprocity and Full Participation of Developing Countries) to ensure that the "extent and pace of liberalisation shall be determined in consultation with the government" of LDCs, taking into account that LDCs should not be required to take liberalisation measures that are inconsistent with their development, trade and financial needs. According to the proposal, the Enabling Clause should also be revised to provide flexibility regarding determinations of the base year from which liberalisation commitments are made to give credit to earlier liberalisation measures taken by developing countries and LDCs. The most controversial part (c) of the proposal, suggests that LDCs be allowed, if warranted by their economic and trade situations and stage of development, (i) to make no reductions in their agricultural or industrial tariffs; (ii) exclude sub-sectors within these sectors from tariff reductions; and (iii) bind the rates reduced in the negotiations and the prevailing applied rates at levels consistent with their needs.

Switzerland, Australia and the EU said that the situation had changed since the proposal was written and that this issue was being addressed in current negotiations. In particular, the need to provide flexibility and less than full reciprocity was addressed in the July Package's text on non agricultural market access (NAMA) and agriculture, including in provisions on less than full reciprocity in the former and special products/special safeguard mechanism (SP/SSM) in the latter. LDCs and the Africa Group said, however, that they would like to see such provisions considered not only in the current round of negotiations but on a longer-term basis, as they sought for a permanent solution to be incorporated into the structure of the WTO and not one for this round of negotiations only.

However, a number of developed countries, including the US, said that LDCs could not expect to make no commitments or receive a blanket perpetual exemption, as the objective of WTO membership was to integrate LDCs into the multilateral trading system at some point and enable them to use it to full advantage. Some LDCs suggested that the intent of the proposal was to address the costs of implementation of WTO disciplines, not to ask for a blanket exemption. India and Brazil, along with several other countries, suggested that the LDCs redraft the proposal.

The remaining proposals ask for an exemption for LDCs from TRIMS (proposal 84), for LDCs to not be required to make commitments prejudicial to their development needs or capacity (proposal 88), and for the mitigation of negative impacts of erosion of preferences for LDCs (proposal 36, which was not discussed).

According to trade sources, the level of ambition and pace of discussions is being affected by overall progress in the Doha Round and the slow pace of agriculture negotiations in particular. The discussions on the LDC proposals specifically revealed that some were outdated, or did not address the concerns and needs of the countries that proposed them. As such, LDCs met informally with other Members after the session to discuss how the proposals could be redrafted to better address their needs, a process they will continue in small groups with the assistance of the Chair. Redrafting will occur with support from the WTO Secretariat. Whether the next meeting will look at the same five proposals, as some Members hope, move on to other proposals, or come back to the Chair's original approach, will be determined in coming weeks. The date of the next negotiating session was not announced at press time.



## NAMA Group to Tackle Tariff Formula

The 6–10 June meeting of the Negotiating Group on Non-agricultural Market Access (NAMA) will need to significantly pick up the pace if it is to deliver on the tariff reduction formula in July.

At the end of the group's last meeting, NAMA Chair Ambassador Stefan Johannesson warned that Members might not even be able to agree on 'an outline of a formula' for reducing tariffs on industrial goods by the end of July. A number of proposals are on the table, but these suggest widely divergent approaches, and lack concrete figures that would allow Members to compare their economic impacts. So far, the submitting countries have been reluctant to supply even indicative figures, although some have been requested to do so. In early May, the EU's Trade Commissioner Peter Mandelson called on the WTO Secretariat to start inserting tariff lines and numbers into the tabled formula approaches, but this request has not been endorsed by the NAMA group.

The main approaches have been submitted by the US, the EU, Mexico (jointly with Chile and Colombia) and Brazil (jointly with Argentina and India). The EU and the US advocate the use of a Swiss formula, aimed at cutting all Members' highest tariffs the most. A large number of developing countries object to this on the grounds that it would put a disproportionate burden on them due to their generally higher average tariff levels, when the NAMA negotiating mandate is based on the principle that developing countries will be allowed 'less than full reciprocity in reduction commitments'. Mexico, Chile and Colombia have proposed a framework of 'flexibility options' for developing countries, designed to deliver the same level of ambition through different combinations of binding coverage, formula co-efficients, exceptions/deviations from the formula and implementation periods (Bridges Year 9 No.2-3, page 11). Finally, in April the NAMA Group discussed a proposal from Brazil, Argentina and India, which aimed at reducing tariffs in a way that would preserve the difference between high- and low-tariff countries, notably through different reduction co-efficients based on the country's existing bound tariff level (Bridges Year 9 No.4, page 9). The proposal – based on the approach suggested prior to the Cancun Ministerial Conference by then-Chair Pierre-Louis Girard – found support from a number of developing countries, although some complained that it would deliver significant benefits to a relatively small number of countries with very high average tariffs, including the three proponents.

### Flexibilities and Unbound Tariffs

Also at issue are the flexibilities for developing countries contained in the July Package NAMA text. While the Brazil-Argentina-India stressed that these were special and differential treatment (S&D) provisions that should apply independently of the formula choice, the US has made clear that a gentler co-efficient for developing countries should automatically mean the loss of at least some of the flexibilities. In addition, Members are unlikely to agree on the formula before at least some agreement emerges on the treatment of unbound tariffs. Here the main differences centre on whether all Members should be required to bind all their tariffs, and whether the newly-bound tariffs would be subject to reductions.

Summing up the April meeting, Chair Johannesson noted that while Members had broadly accepted the use of a 'Swiss or Swiss-type' non-linear formula, there were "significantly divergent views" on the co-efficient(s), particularly with regard to (i) their number; (ii) the criteria they should be based on; and (iii) whether the co-efficients should be independent of flexibilities. He appealed for an "urgent meeting of minds to arrive at 'first approximations' of a NAMA package by July, but conceded that he did not see "any light at the end of the tunnel" with regard to the treatment of unbound tariffs.

Other issues that are likely to hamper consensus-building on the formula is the role of, and participation in, sector-specific tariff reductions and the treatment of non-reciprocal trade preferences. Further work also needs to be done on non-tariff barriers, but this is unlikely seriously affect the talks in the short term.

## Textiles Update

The 10 May meeting of the Council for Trade in Goods was suspended over China's refusal to consider yet another call on the WTO to address the negative impact of quota removal on developing and least-developed country (LDC) textile exporters.

This time around, Jordan and Turkey sought discussions on a Tunisian proposal calling on WTO Members to examine 'impacts, issues and proposals for action' following the removal of import quotas on clothing and textiles at the beginning of January. Among the issues were ways to stabilise market prices, and the establishment – in collaboration with international financial institutions – of a funding mechanism to help developing countries and LDCs cope with adjustment. According to Tunisia, LDCs and smaller developing countries had been particularly affected by the last stage of quota removal since most of their textiles and apparel exports belonged to the categories liberated on 1 January 2005.

Goods Council Chair Vesa Himanen said he would consult with Members 'on an urgent basis' to resolve the issue.

Previous moves to involve the Goods Council in considering the adverse effects of quota removal have consistently been rebuffed by countries expected to benefit from it (Bridges Year 8 No.9, page 1).

The issue has also been raised in the Subcommittee on Least-developed Countries, where Members agreed in January to request the WTO Secretariat to prepare a report on how LDCs could improve their competitiveness in the textiles and clothing sector. The mandate is, however, limited to coherence programmes of the World Bank and the IMF, more flexible rules of origin, technical assistance, bilateral co-operation programmes and "other means to tackle constraints affecting LDC exports". LDCs had requested a study that would, *inter alia*, propose ways for a 'smooth transition' to a post-quota environment, including through the preservation of pre-quota removal market access (Bridges Year 9 No.1, page 11).

## WTO Verdict May Expedite Controversial EU Sugar Reform

The EU is under contradictory pressures in putting together an implementation strategy for the WTO's adverse decision on its export subsidies for sugar, adopted by the Dispute Settlement Body on 19 May.

The Appellate Body upheld the October 2005 panel ruling, which found that EU's internal support for sugar – which also benefits sugar exporters from African, Caribbean and Pacific (ACP) countries, as well as India – acted as a cross-subsidy for its sugar exports (Bridges Year 8 No.9, page 13). The case was brought by Brazil, Australia and Thailand.

Exports of sugar in excess of the A and B production quotas, or so-called 'C sugar', the Appellate Body said, "could not take place profitably at a price below the total cost of production" without the "highly remunerative prices guaranteed by the EU for A and B [sugar] beet". The AB noted that, according to EU regulations, C sugar must be exported, and found those exports to be "financed by virtue of governmental action" and thus inconsistent with Article 9.1(c) of the Agreement on Agriculture. Legal experts have predicted that the AB's confirmation of the panel's interpretation (i.e. that WTO-inconsistent cross-subsidisation occurs when domestic support for inputs allows a good to be exported below the cost of production) will have far-reaching consequences for other agricultural subsidy challenges.

However, the AB faulted the panel for having exercised "false judicial economy" in declining to rule on whether the EU's sugar regime also violated the Agreement on Subsidies and Countervailing Measures (SCM), under which prohibited subsidies must be withdrawn more rapidly (usually within 90 days) than the 15-month 'reasonable period' typically given to Members to implement dispute settlement rulings under other WTO agreements. Nevertheless, the AB declined to rule on the SCM claim, saying it lacked the "requisite factual findings" to complete the analysis.

### Reactions

Australia noted that to implement the panel and Appellate Body rulings the EU would have to reduce its annual subsidised sugar exports from more than five million tonnes to

1.2735 million tonnes, and Brazil stressed that the explained that the enlarged international market would benefit all competitive producers and exporters, most of them developing countries.

All complainants emphasised that nothing in the reports condemned ACP countries or India's preferential access to the European market. Canada in particular urged the EU to minimise the potential adverse effect the implementation of the reports could have on ACP countries and on India.

Speaking for ACP countries, Mauritius expressed concern about the rulings' socio-economic impacts on weak and vulnerable ACP States, such as St Kitts & Nevis that were already being forced out of sugar production. In a 3 May press release, ACP countries said they were disappointed that the Appellate Body had not taken into account the arguments – "so crucial for the survival of our small vulnerable economies" – they had put forward as third parties to the dispute settlement proceedings. They also noted that the ruling could have systemic implications for the three pillars that underpin the Agreement on Agriculture, and warned that it had "created an element of uncertainty which now needs to be addressed in the ongoing Doha Round".

The EU said that it intended to comply but that the reports raised a number of systemic concerns, including the Appellate Body's rejection of the EU's claim that a footnote inserted in its Schedule of commitments exempted export subsidies to ACP/India equivalent sugar from reduction commitments or budget disciplines.

### A Revised EU Sugar Proposal in June

The European Commission is due to present a revised version of its controversial plan to reform the EU's sugar regime on 22 June. Draft copies leaked to the press indicate that the Commission plans to cut price support more steeply and more quickly (between 37-39 percent for beet and 42 percent for white sugar over two years) than suggested in its initial reform proposal in July 2004 (37 percent for beet and 33 percent for refined sugar over three years; see Bridges Year 8 No.7, page 16).

While the EU's Agriculture Commissioner Mariann Fischer Boel has repeatedly stated that she intends to push the reform through by the year's end, several EU member states are expected to object to the Commission's plan, with sugar farmers taking a particularly strong stance in France and Germany.

The Commission is also under much pressure from ACP countries to come up with the concrete action it proposes to take to make good of Commissioner Fischer Boel's July 2004 promise that the EU would fully stand by its commitments to ACP countries and India, which would be given a "clear perspective, keep their import preferences and retain an attractive export market."

The EU's price for ACP sugar is pegged to the intervention price for European producers, which makes their exports to the EU three times more valuable than those sold at the current depressed world market price. On 20 May, Mozambique's Minister of Industry and Trade Antonio Fernando expressed grave concern about the Commission's plan to slash the intervention price, arguing that a drastic cut over a short period of time would prevent the country's sugar industry from becoming competitive and possible force some mills to close. Guyana's Minister of Foreign Trade and International Co-operation Clement Rohee has exhorted Caribbean stakeholders in the sugar trade to hold the EU's trade Commissioner Peter Mandelson to his promise of an early EU assistance package to the Caribbean to mitigate the impact of the new sugar regime.

# The Poverty Impacts of a WTO Agreement

Thomas W. Hertel and L. Alan Winters

A major research project has found that the best poverty outcome of the Doha Round would require deep cuts in developed countries' agricultural subsidies and tariffs, as well as a reduction of developing country tariffs and a host of complementary domestic reforms.

International trade is arguably the most direct economic means by which rich countries influence poor countries. Developing countries' manufactures exports have increased rapidly over the last 30 years, and this has helped a number of them make the transition out of agriculture, lifting many out of poverty. However, some of the poorest countries have gained relatively little from increased manufactures trade. Market access for their most competitive manufactured export (apparel) remains heavily restricted, as it does for their key source of employment and exports, farming. The problem with agricultural exports is further exacerbated by the massive government subsidies provided to OECD farmers.

A majority of the poor in developing countries are concentrated in rural areas, where agriculture is usually the main source of economic activity. The poor also spend a disproportionate share of their income on food. Together, these facts suggest that multilateral trade policies on agriculture could have a major influence on poverty in developing countries. And since agricultural liberalisation is so sensitive in developed countries, this topic has become central in the debate over the Doha Development Agenda (DDA).

This article describes a major research project on the poverty impacts of a potential Doha agreement, combining the results from several strands of research.<sup>1</sup> Taking the July 2005 Framework agreement as a starting point, the scenarios investigated by the research project assume substantial reductions in domestic agricultural support, improved market access for both agricultural and non-agricultural products, and the elimination of export subsidies. Their implications for world markets are established using a global modelling framework. These world trade impacts, in turn, form the basis for twelve country case studies of the national poverty impacts of the Doha scenarios.

It is important to distinguish the near-term impacts of trade reform, where the main effect is to redistribute economic activity from protected to competitive sectors, from those that occur over the longer run, when trade reform alters the growth path of the economy. The near-term impacts generally attract the most attention from the critics of trade reform, so we begin our discussion here.

The first near-term poverty impact of the Doha scenario comes via higher world prices for agricultural products. In most countries the majority of the poor reside in the countryside and an increase in farm prices would boost agricultural – and consequently rural – incomes. For example, in China, the rural poverty headcount (45 percent) is ten times as high as that in the urban areas. Therefore, even though the Doha scenario raises urban poverty slightly, the rural reduction dominates, and five million people are lifted out of poverty due to higher agricultural prices in the wake of Doha implementation.<sup>2</sup>

A second likely consequence of Doha is higher prices for food consumption, which – to the extent that food is purchased – has adverse consequences for poverty since the budget share devoted to food items by the poor is high (often as high as two-thirds). In Bangladesh, higher food prices in the wake of the Doha scenario are projected to raise poverty for all groups except large farms which, as net sellers of food stuffs, would benefit from higher agricultural prices. However, this overall effect is very small – around a 0.03 percent increase in national poverty.<sup>3</sup>

## Income Increases for the Poorest

One of the most important, but frequently overlooked, determinants of the poverty impacts flowing from the DDA is the remuneration of low-income households' most plentiful re-

source: unskilled labour. Consider Brazil: there is little doubt that the country would be a big gainer under the DDA due to its competitive production of heavily protected agricultural products ranging from sugar to oilseeds and beef. But some argue that within Brazil, the bulk of the benefits would go to large commercial farms, so that income distribution in Brazil – already one of the most unequal in the world – would worsen further. This line of argument is particularly popular among those with pre-existing interests in continued OECD protection for agriculture.

The authors of our Brazilian case study, however, found that, on the contrary, income distribution in Brazil should *improve* under the DDA and poverty fall by about a quarter of a million people.<sup>4</sup> These findings were based on a detailed analysis of the employment – both current and projected – of 260,000 individuals belonging to more than 100,000 households across the 27 states in Brazil. While the Doha scenario would cause some individuals to lose their jobs as employment declines – particularly in the industrial states of São Paulo and Rio – it would boost employment in agriculture, which already employs 40 percent of the least-skilled workers in Brazil. Increased employment for the poorest households would lead this group to experience the largest proportional gains from trade reform. As a consequence, inequality in Brazil would actually *decline* under the Doha scenario.

## The Price Transmission Factor

Of course, a critical question in many countries is whether higher world prices for farm and food products would even reach rural households. The Mexican case study explores this issue in considerable detail.<sup>5</sup> In a previous study on the impact of the dramatic opening of the Mexican economy in the 1990's – first under NAFTA and then under the Uruguay Round and a series of bilateral trade agreements – the author had

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found that households in the North of Mexico along the US border had benefited significantly, but that households in the South of Mexico saw much smaller gains due to the *incomplete transmission* of world prices to that region of the country. He then applied this understanding of price transmission to project the Doha Round's likely impacts on Mexico. As any type of multi-lateral tariff cut would erode Mexican preferences in the US market, it was no surprise that the DDA would have an adverse impact on most of the country's population. Although the poorest rural households in the border regions showed small gains due to higher farm prices, these were dissipated by incomplete price transmission as one moved to the Centre and South of the country.

The author also explored the impact of complementary domestic reforms that might permit rural producers to respond to improved world market conditions without incurring additional costs (i.e., a productivity gain). This would enhance the welfare outcome for rural households in all regions excepting the South. His overall conclusion was that rural households in the South would only benefit under the Doha scenario if domestic reforms were accompanied by enhanced price transmission through improved transport and market infrastructure.

### Marketing Infrastructure and Least-developed Countries

Several of the country case studies found indirect evidence of poor marketing infrastructure in very high rates of own-consumption. For example, in Mozambique, roughly half of all measured consumption in a recent household survey was accounted for by products produced at home. Households operating on such a subsistence basis are not integrated into domestic economy, so the likelihood of them being affected by changes in world prices is quite remote. Indeed, this was the finding of the Mozambique study: most rural households would be unaffected by the prospective DDA.<sup>6</sup> Overall poverty in Mozambique would still rise slightly under the Doha scenario due to the erosion of Mozambique's preferences in industrial country markets.

While the dominance of subsistence households in many LDCs tends to dampen the

potential poverty-alleviating impacts of a prospective DDA agreement, domestic reforms can have the opposite effect. This was illustrated in the Zambian case study, which began by exploring the impact of recent cotton marketing board reforms on the share of income derived from cotton by low-income producers.<sup>7</sup> By introducing an 'outgrower' scheme in which producers received seed and fertilizer on loan – to be repaid when the crop was harvested – cotton marketing firms were able to sharply increase the participation of low-income households in cotton production. The authors estimated that households making this switch from subsistence farming to cotton boosted their income by an average of 20 percent, as well as improved long-term nutritional outcomes for their children. Such a switch also put them in a position to benefit directly from the higher world prices for cotton anticipated to follow a Doha agreement.

### Labour Mobility

Labour markets play a critical role in determining the strength of the trade-poverty linkage. This point was emphasised in a second Brazilian case study, which focused on the movement of labour between the farm and non-farm sectors.<sup>8</sup> In a baseline projection from 2005 – 2015, the authors found that a significant portion of the poverty reduction would result from the exit of labour from the relatively low-wage agricultural sector to higher wage non-farm jobs. This labour movement was particularly important to the poorest farm households. Indeed, the authors found that the largest percentage point reduction in poverty over the baseline period would happen to those leaving agriculture, leading to a 22.4 percentage point reduction in the poverty headcount (down from 53.4 percent to 31 percent). This group would also experience the greatest incremental poverty reduction, above and beyond the baseline, as a result of trade reforms ushered in by the Doha Round.

The China case study also highlighted the importance of farm/non-farm labour mobility to achieving a favourable poverty outcome in the wake of WTO reforms. In this case, the authors focused on education as a vehicle for enhancing off-farm labour mobility. They built on evidence indicating that an additional year of education boosts an individual's chances of obtaining an off-farm job in China by 14 percent. Yet rural education expenditures per pupil lag significantly behind urban spending in China. So the authors explored the implications of accompanying trade reform with additional educational investment in rural areas to enhance rural labour mobility, productivity and income. In particular, they boosted expenditures per pupil enrolled in mandatory education by 16 percent to bring it on par with the comparable urban level. This combination of educational and trade reforms had a much stronger impact on poverty alleviation than did trade reform alone, with the number of the poor living on less than two dollars a day falling by ten times as much. Clearly, complementary reforms would be required in order to make deep inroads into the poverty problem in most developing countries.

### Beyond the Doha Scenario

Stepping back from the single country case studies, one of the key chapters in the forthcoming book on the research results compares the poverty impacts of a prospective Doha scenario with those stemming from a 'non-Doha' scenario – i.e. removing the trade barriers that would remain after the DDA.<sup>9</sup> This was done for a cross-section of 15 countries. The finding was that the Doha scenario was relatively less poverty-alleviating because it contained very few of the most poverty-eradicating reforms, namely the reduction of developing country tariffs while engaging in complete removal of export subsidies, the reform of which raises national poverty in many countries. We conclude from this study that greater developing country engagement in the round would result in a better poverty outcome.

While most of the case studies focused on the near-term impacts of WTO trade reform on poverty, two examined the longer-term impacts whereby trade reform would stimulate investment and productivity – and thus economic expansion. The Bangladesh case study showed that trade reforms involving across-the-board reductions in domestic tariffs would tend to stimulate growth and poverty reduction by lowering the price of capital goods and spurring investment. The sector most favourably affected in the long run by this trade-led growth would be ready-made garments, which is a major employer for women from low-income households, and therefore has a very beneficial impact on poverty.



The second linkage between trade reform and growth is through increased productivity. This was the focus of the Russian country study. Those authors concluded that, to have a substantial growth impact, trade reforms would have to be broad-based and far-reaching – going beyond merchandise trade to include services.<sup>10</sup> Because services represent a critical input into nearly every other sector in the economy, improving the quality, cost and variety of services can boost productivity substantially. Indeed, while merchandise trade reform under our Doha scenario would have a slight adverse impact on poverty in Russia (due to its status as a net food-importer), when combined with liberalisation of services trade and investment, substantial productivity gains, growth and poverty reduction would be achieved.

Of course, all of these findings hinge critically on the Doha Round concluding with ambitious targets for liberalisation of tariffs and agricultural subsidies, as we have assumed in our analysis. Due to the current large gap between bound and applied rates for these instruments, moderate reductions will have little impact on trade and production and hence little impact on poverty. In order for this to be a true Development Round, deep cuts in protection will be required.

## The Doha Round and Poverty: An LDC Perspective

Debapriya Bhattacharya

The latest World Bank study on the possible outcomes of the Doha Round and their poverty implications presents a nuanced picture of some emerging trends with mixed consequences. Unfortunately, some of the findings point to least-developed countries ultimately turning out as net losers.

The relationship between trade and poverty has been under considerable scrutiny in recent years. The main focus of research has been the impact of trade liberalisation (implying drastic reduction in tariff barriers) on absolute poverty alleviation (frequently covering income inequality). These studies have usually examined the static link between trade liberalisation and poverty alleviation through short- to medium-term changes in relative prices and wages, often expanding into the dynamic, indirect links running from trade to poverty alleviation via productivity and investment-induced economic growth and income distribution. However, one recent World Bank study, deploying various empirical approaches, could not establish any correlation between rates of poverty reduction and expanding the volume of trade.<sup>1</sup>

With regard to the Doha Round now underway, an early estimate suggested that global free trade would confer a static income gain of about US\$228 billion annually (0.93 percent of world GDP) of which developing countries would obtain US\$87 billion (1.85 percent of their GDP). This would amount to potentially lifting from poverty more than 500 million people globally over a 15-year period. However, estimations based on more realistic scenarios suggest that the welfare effects of trade liberalisation may go down as low as US\$100 billion.<sup>2</sup> Understandably, the poverty impact will be much more smaller in this case.

It is well-known that these welfare estimates of trade liberalisation based on global models are fraught with courageous assumptions, inadequate data and information availability, confusing reference times and price levels, controversial attributions and interpretative ambiguity. Moreover, these are *ex-ante* measurements of outcomes of various scenarios and are hardly subjected to *ex-post* validation, i.e. reruns of the models once real time country level data becomes available. One may recall that while Peter Sutherland, the then Director General of the GATT portrayed the gains for the Uruguay Round as large as US\$500 billion per year,<sup>3</sup> another study using a different model simulated a world-wide gain of no more than US\$96 billion from the Uruguay Round's conclusion.<sup>4</sup> One wonders how much the world in general and developing countries in particular actually did gain during the decade of implementation of the Uruguay Round agreements, as there has been no tracking exercise in this regard.

A forthcoming book (hereafter referred to as 'the study') based on substantial research conducted at the World Bank (see article on page 11) is going to generate not only a fresh outlook

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### ENDNOTES

<sup>1</sup> The research will be published in a forthcoming book entitled: *Putting Development Back into the Doha Agenda: Poverty Impacts of a WTO Agreement*, edited by the authors and due to appear in the fall, 2005. The complete set of studies is available on the World Bank's web site. This page is most easily accessed through the following link: <http://www.gtap.org/poverty>.

to the Doha talks, but will also provide new insights into trade-poverty debate.<sup>5</sup>

The study suggests that full liberalisation of merchandise trade over the period 2005-2015 will lead to a global gain of US\$278 billion per year, of which about 70 percent will accrue to developed countries. The static gains have been projected at US\$82 billion or US\$121 billion. It is obvious from these numbers that the estimated 'full liberalisation' gains are relatively modest, which may partly explain the current 'interest deficit' – particularly on the part of large trading economies – in moving the Doha talks forward.

It should also be pointed that the low figures of possible welfare gains are predicated by the scope of the estimates, which essentially exclude the impact of services liberalisation. It is reckoned that negotiation outcomes in this sector will not be deep or far-reaching.

The study's analysis has been significantly strengthened by the use of better preference and protection data, as well as accessing household-level data drawn from a larger group of countries. The case studies of the three least-developed countries (LDCs) included in the volume indicate that LDCs – notwithstanding the fact that they may not

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have to make new tariff reduction commitments under the agriculture and non-agriculture negotiations – may ultimately turn out to be net losers in terms of short- and medium-run gains under the Doha Round.

The latest World Bank study presents a nuanced picture of some emerging trends with mixed consequences. The projected increase in agricultural prices in the post-Doha scenario is a case in point. While the increase may boost agricultural (rural) incomes, it will also entail higher expenditures for food consumption by the poor. In Bangladesh, for example, the latter trend is to raise poverty for all groups of poor except a few large farms. Indeed, 44 out of the 50 LDCs are net food-importing countries, while only 16 are net agricultural exporters. Notwithstanding probable improved market access for agri-products, will LDCs turn out to be net losers from a substantial reduction in domestic support and export subsidies in agriculture? Can the benefits from improved market access be protected without arguing for the highly distortive agriculture policy of OECD countries? One would have expected a presentation of a forceful case guided by the study findings for the establishment of a compensatory food assistance facility in favour of net food-importing low-income countries.

With regard to the liberalisation of manufactured exports, some of the LDCs that are experiencing the beginnings of industrialisation through the growth of their textiles and clothing sectors also face a dilemma. While struggling to survive in the post-quota world, these countries (i.e. Bangladesh, Cambodia, Haiti, Laos, Lesotho, Nepal and the Maldives) must now absorb higher cotton prices and confront preference erosion due to rightfully needed liberalisation of trade in non-agricultural products. It has been argued elsewhere that while most LDC exports suffer from preference erosion, estimated losses are small for majority of them.<sup>6</sup> It should, however, be noted that even 'small' exogenous shocks may not only significantly destabilise fragile macro-economic balances in these countries, but may also have long deleterious effects on the growth of nascent national industries. More importantly, will the welfare loss to be incurred by the LDCs due to preference erosion be considered as their 'contribution' to the Doha Round?

The study rightly points out that the welfare gains to low-income countries will significantly improve if they receive effective access to the markets of other developing countries. However, without duty-free access to all developed countries, and the US in particular, LDCs will have little inclination in this regard. A stronger spotlight on preference erosion in the study would have illuminated further the case of low-income countries under alternative Doha scenarios.

The study recognises that higher world prices for agri-products may not reach rural households due to 'incomplete transmission' of global prices to regional pockets of poverty. One needs to also point out that the existence of non-competitive international market structures for a number of primary and processed agri-products (not only in the 'supply-managed sectors') militates against low-income economies from benefiting from higher global prices.

How does one enhance the marginal share of LDCs in the projected welfare gains from the Doha Round? It is widely appreciated that without opening up of the sectors of interest to LDCs for temporary movement of natural persons as service providers, this group of countries is unlikely to generate a net benefit from the Round. In fact, one of the editors of the volume did provide a revealing estimate earlier, indicating that an increase in the temporary labour force by three percent in developed countries could increase world welfare by over US\$150 billion.<sup>7</sup> Curiously, in the present volume, the authors, "accepting the reality", did not attempt to include estimates of the potential impact of liberalising services sectors, particularly following the LDC modalities adopted for Mode 4.

Some of the study's assumptions underlying the poverty consequences of the welfare impact raise legitimate questions. For example, it is hardly plausible that labour in developing countries will become perfectly mobile inter-sectorally within a ten-year period. Such an assumption possibly overstates returns to labour of the poor under the dynamic model. Similarly, the study is based on assumption that the revenue loss resulting from tariff reductions will be replaced by direct taxation that has a pro-poor impact. However, it is well known that in the context of the persistent inefficiency of tax administration in developing countries and LDCs, mean-neutral indirect taxes are growing at a faster pace than direct taxes.

The study recognises the complementary role that non-trade policies and institutional initiatives (i.e. cotton marketing board reforms in Zambia and more years of schooling in China) may play in leveraging gains from trade liberalisation. However, instead of developing a full package of negotiating stances for low-income countries and their poor populations, the final analysis emphasises deeper cuts in industrial tariffs and agricultural subsidies in *all* countries across the board. Nevertheless, one can only agree with the authors' conclusion that "greater developing country engagement in the Round will result in a better poverty outcome."

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# China-India Strategic Partnership and East Asian Integration

Nagesh Kumar

Chinese Premier Wen Jiabao's recent visit to India generated much interest across the world. Although media attention has mostly focused on the rapid growth of bilateral trade, which crossed US\$13.6 billion in 2004 – recording a 79 percent jump in a year, there is substantial potential for a more broad-based mutually beneficial China-India strategic partnership.

First, such a partnership would help exploit the growing synergies between the Chinese and Indian economies. India has emerged as a leader in software development and other knowledge-based industries attracting interest of major IT enterprises from anywhere in the world. China, on the other hand, has become a major base for manufacture of IT hardware. Matching India's software capability with China's hardware strength could produce a formidable combination in the world. This could be facilitated by joint ventures of Chinese and Indian enterprises extending their production networks to each other. Already, for instance, China's Huawei Technologies are having their chips designed in Bangalore while Indian companies are taking advantage of cheaper manufacturing costs for hardware in China.

Second, both countries' booming demand for energy and high dependence on oil and gas imports have pushed Chinese and Indian companies to secure oil equity abroad, frequently competing for stakes in overseas fields. A strategy based on co-operation rather than competition would help them secure better terms collectively besides spreading risk. For this, a consortium or joint venture approach for joint bidding in prospective fields might be desirable. They could also invest in building joint pipelines and thus share the costs for such infrastructure.

Third, their co-ordinated position in international negotiations can be highly fruitful: obviously, the world has to take notice when countries representing more than a third of all humanity speak with one voice. This is evident from the outcome of some WTO negotiations. For instance, a paper on investor and home country obligations – co-sponsored by India and China along with four others in the debate on a multilateral framework on investment in November 2002 – is believed to have been a turning point in dropping investment from the Doha Agenda. The fact that the G-20 has emerged as a credible negotiating platform on agriculture issues is also largely due to participation of the two populous Asian neighbours in it. Such co-ordination should be extended to other WTO issues, such as Mode 4 in services. China and India with their substantial foreign exchange reserves, should increase their role in the decision-making process of the Bretton Woods organisations, and should push for the long-pending reform of international financial architecture. Another area for co-operation is reform of the UN Security Council. China should support India's place in an expanded Security Council, which would increase Asia's clout in world affairs.

Finally, China and India, as the continent's two most populous countries, need to work together for the realisation of broader regional economic integration in order to help make the twenty-first century really Asia's. Important steps were taken in that direction at the November 2004 Summit meeting of the Association of Southeast Asian Nations (ASEAN) in Laos, where political leaders decided to consolidate and deepen economic integration of ASEAN as a grouping, as well as agreed to organise an East Asian Summit in November 2005 in Malaysia to launch the process of broader East Asian integration (Bridges Year 8 No.10, page 20).

Meeting in Cebu in April 2005, ASEAN Foreign Ministers paved the way for India's participation in the Summit, along with the ten ASEAN countries<sup>1</sup> and their other full dialogue partners, i.e. China, Japan and South Korea. The Summit is expected to launch an East Asian Community as a starting point of a broader Asian economic community. Studies conducted at the Research and Information System for Developing Countries have shown that integration between ASEAN, China, Japan, South Korea and India (the so-called ASEAN+3+India formula) would yield substantial welfare gains for the partners due to the profound synergies between the participating economies.

With their rapidly growing and mutually integrating economies, the China-India strategic partnership is likely to make Asia regain its place as centre of gravity of the world economy that it once was!

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## ENDNOTE

Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

## FTAs in Asia

Bilateral and regional integration in Asia is booming. Both Australia and New Zealand are negotiating with China, whose trade integration with the ASEAN countries is already well underway. New Zealand is also pursuing deals with Singapore and Thailand, while Singapore is engaged in negotiations with India, Brunei Darussalam and Chile. Malaysia aims to finalise a 'comprehensive' trade pact with Japan by the end of the year.

In addition, a 'New Asia-Africa Strategic Partnership' agreement was signed in April amid calls for a more united front at the WTO. China has stepped up investment in Africa for some time, and recently announced that it aimed to conclude a pact on trade in goods with the Gulf Co-operation Council, which is also negotiating with Brazil, the EU and the US. Despite civil society opposition, FTA talks between the US and Thailand are expected to conclude before the year's end, at which time the US is also likely to decide whether to enter into negotiations with Malaysia.



## China Faces Textiles Curbs

Both the US and the EU are evoking safeguards against Chinese textile imports.

The US safeguards concern seven categories of shirts, blouses, trousers, underwear and combed cotton yarn. For three of the categories, the decision to activate the textiles safeguard clause in China's WTO accession protocol was based on evidence of import surges in the first quarter of 2005.

Much more controversial was the decision to extend the safeguards to four other categories on the basis that they posed a threat of import surges. Although the legality of threat-based safeguard determinations is still under litigation in US courts, the US Committee for the Implementation of Textiles Agreements (CITA) has announced that it will resume the consideration of another eight threat-based petitions filed by US industry.

The EU has also initiated safeguard action on T-shirts and flax yarn. Seven other products are under consideration.

The safeguards will limit Chinese imports to 7.5 percent over the level of the first 12 of the last 14 months. They will be lifted at the end of the year. According to China's WTO accession protocol, Members may curb textile imports from China until 2008 if these cause market disruption or threaten to impede the 'orderly development of trade'.

China blasted the safeguards, which it contended were based on "short-term and inaccurate data." It also said the import restrictions set a "very bad precedent" just six months after the general elimination of textiles quotas, and reserved its right to undertake 'further action' under the WTO. In addition, the Chinese government revoked export tariffs on 81 categories of products. The tariffs were to be increased fivefold for 74 of those categories as a voluntary measure to ease trade tension, but Chinese textile companies, caught between new taxes at home and restrictions overseas, warned the government that the dual pressure would put too many people out of work.

## Australia-China FTA Negotiations Launched

China and Australia announced in late April that the two countries would begin negotiations for a free trade agreement. No deadline was set for concluding the talks.

The agreement followed the release of a joint feasibility study, which showed benefits amounting to US\$24 billion for Australia and US\$83 billion for China over ten years. The study highlighted China's fast-growing demand for energy, resources, agricultural products, speciality manufactures and services, as well as the fact that China would probably overtake Germany to become the world's third-largest economy in the next decade.

### Australia Looks for Export Gains, But Some Urge for Restraint

On the Australian side, the major gain expected from the trade deal is a boost in coal, iron ore and aluminium exports. The country's National Farmers Federation expects to sell more wool, cotton, grains and red meat to China, and Trade Minister Mark Vaile has stressed the benefits of cheaper manufactures, such as clothing. The Australian Council of Trade Unions, however, is less enthusiastic, citing, *inter alia*, the feasibility study's prediction that 3,000 of Australia's 22,000 garment workers would lose their jobs if a free trade deal goes ahead. A survey of 850 manufacturing companies published last year by the Australian Industry Group, which represents the manufacturing and service sectors, found that 90 percent of companies were restructuring their business in response to the pressures generated by China's eight percent yearly growth rate. More than half of these businesses saw China as a competitive threat in the domestic market, while 44 percent viewed it as an opportunity for sourcing low cost inputs.

Australia's former ambassador to China, Professor Ross Garnaut, has also sounded a note of caution: "When you negotiate a bilateral [free trade agreement], you emphasise the protectionist elements and not the free trade elements. We saw that in the discussions in China this week [April 2005], where the Chinese were at pains to say that they were on the defensive on agriculture and would resist liberalisation there. We were at pains to say we were on the defensive in textiles and would resist liberalisation there." Other critics have pointed to China's lack of implementation of its WTO commitments on intellectual property protection and technical barriers to trade, including government regulations on foreign companies wanting to establish a commercial presence in the country.

### China Gets Market Economy Status

For China, the benefit of securing a steady source of energy and raw materials is likely to be outstripped by Australia's recognition of China as a 'market economy'. That is something the country has so far failed to achieve with either the US or the EU, both of which have recently taken measures to curb Chinese exports, particularly textiles (see opposite). Market economy status will make it much harder for Australia to impose anti-dumping or safeguard measures on imports from China. Since 1999, four of the nine anti-dumping complaints investigated by Australian authorities have led to the imposition of trade remedies on steel products and chemicals.

### Sustainable Development Concerns

Further growth of China's already astounding performance in manufacturing holds the promise of employment for some of the 12 million farmers expected to lose their livelihoods as a consequence of the country's WTO accession. For a country plagued with a huge income and employment disparity between rural areas and mostly urban industrial growth centres, this is a major sustainable development consideration. Nevertheless, both within and beyond China's borders, many are concerned about the environmental impact of future growth powered by fossil fuels. China has already experienced a sharp increase in the number of vehicles on the road and demand, with the attendant air pollution, is expected to grow significantly. According to the Chinese Academy of Sciences, the country's desert area has been expanding at a rate of 2,460 square kilometres per year since the early 1990s, threatening the livelihood of about 400 million people (Bridges Year 8 No.2, page 11). Managing the environmental impacts of rapid export-led growth remains a major challenge for Chinese policy-makers.



## Storm over Aims of EPA Negotiations

EU Trade Commissioner Peter Mandelson has cautioned non-governmental organisations against letting their 'campaigning zeal' lead them to "oppose innovation, frustrate change and undermine the case for reform in developing countries."

The warning followed NGO indignation after The Guardian published a leaked letter from Peter Carl, the Director-General of the European Commission's Trade Directorate, which criticised "the major and unwelcome shift" of the UK government regarding the Economic Partnership Agreements (EPAs) under negotiation between the EU and the African, Caribbean and Pacific (ACP) Group of States. The 'shift' referred to the UK government's 22 March 2005 announcement of its official position on EPAs, which stated that: 'Each ACP regional group should make its own decisions on the timing, pace, sequencing and product coverage of market opening in line with individual countries' national development plans and poverty reduction strategies.'

While Christian Aid, a British anti-poverty group, welcomed the policy shift, it also said that it had not yet "translated into a change in the European Commission's negotiating position", and reproached the UK government for "still insist[ing] on 'minimal reciprocity' and that African governments open up their markets over an arbitrary timeframe of 20 or more years." In contrast, Peter Carl wrote in his letter that the UK statement was "contrary to the agreed EU position and harmful for our common objective of promoting development through trade." He also said that the UK stance "could well make progress with EPA negotiations more difficult by reinforcing the views of the more sceptical ACP states and raising the prospect of alternatives that are, in reality, impractical" and that Commissioner Mandelson was "taking up our concerns and will press for a revised UK line." The Guardian quoted anonymous trade sources in Brussels confirming that Mr Mandelson had met with former Trade and Industry Secretary Patricia Hewitt, urging the UK government to take a "more moderate line." Several UK officials denied that the government was considering watering down its position on EPAs.

Oxfam called the letter an example of the Commission "gagging pro-development member states", adding that it clearly wanted "to use EPAs as a tool to open markets and further its own interests." On 23 May, Commissioner Mandelson told the European Parliament's Trade Committee that the EPAs were "emphatically not about opening markets to our own exports [but] about opening European, as well as crucial regional markets, to developing countries and enabling them to take advantage of these opportunities." Mr Mandelson went on to say that while WTO rules required some degree of reciprocity, there would not be "equality in these obligations." Stressing that the EPAs aimed to be "pro-development, pro-reform instruments", he then warned NGOs against excessive 'campaign zeal' against them "because, in this case, you will not helping [ACP] countries and the progressive ministers in their governments."

### New Report Highlights Openness of EU Markets

On 23 May, Commissioner Mandelson issued a report on developing countries' access to European markets between 1999-2003, which showed that the EU was "the world's most open market for poor countries: in 2003 around 80 percent of developing countries' exports entered the EU duty-free or at reduced rates of duty." According to the report, 97 percent of ACP countries' imports to the EU in 2003 entered at zero duty or at reduced rates of duty. In the same year, the EU absorbed 63 percent of exports from least-developed countries, and was the main importer of agricultural products from developing countries, absorbing more than the US, Japan and Canada put together. The report acknowledged that, due to insufficient production facilities and infrastructure, free access to the EU market had been insufficient to deliver development in Sub-Saharan Africa. It "identifie[d] the need to build effective regional African markets. This is the chief objective of the Economic and Partnership Agreements currently being negotiated between the EU and ACP regions, four of which are in Sub-Saharan Africa." The publication of the Commission's first-ever report developing countries' market access could not have come at a more opportune moment.

## The Americas

The tenth round of talks for the Andean Free Trade Agreement between the US, Colombia, Ecuador and Peru will be held in Quayaquil, Ecuador from 6-10 June. This session is to focus on co-operation, textiles, technical barriers to trade, investment, labour and institutional issues, as well as financial services. Agriculture, which will be addressed in bilateral meetings during June, has become so contentious that the Colombian Farmers' Association has requested the government to boycott the negotiations until the US answers Colombia's market opening request on tobacco, cigars, fruit, flowers and ethanol. The farmers also want to ensure that Colombian markets are not excessively opened to US rice, oilseeds, wheat or soy. Intellectual property is also conspicuously off the table, with the Andean countries demanding a response from the US on their proposals, including on the disclosure of origin of genetic resources. In an innovative move, the new government of Ecuador has asked for differentiated treatment and flexibilities for the Andean countries in the FTA.

Negotiators on both sides are also keenly aware that the chances of their concluding the talks – still informally slated for July, although whispers about a September end-date are growing louder – will be diminished if the US-Central America/Dominican Republic Free Trade Agreement (CAFTA-DR) fails to pass US Congress. At press time, implementing legislation had not yet been submitted to Congress, and many were predicting that the treaty would be rejected if no changes were made to its sugar, labour and textiles provisions.

The European Commission is trying to rekindle Mercosur's interest in a free trade area. In March 2005 Mercosur officials refused to confirm their previous best market access offer on the grounds that the terms of the discussion remained unbalanced in favour of the EU. A ministerial-level meeting is tentatively scheduled for July.

## GM0 Labelling Continues to Divide Codex

At the May meeting of the Codex Committee on Food Labelling, most countries supported process-based labelling for products containing genetically modified organisms in order to enable consumer choice. Major biotech producers, however, argued that labelling should only be required for biotech foods that substantially differ from their conventional counterparts.

The debate revolved around the *Proposed Draft Guidelines for the Labelling of Foods and Food Ingredients Obtained through Certain Techniques of Genetic Modification/Genetic Engineering*. While member governments are free to decide whether or not to apply Codex standards and guidelines, their mere existence puts countries in a stronger position if their regulations are ever challenged at the WTO (see background below).

At the May meeting, Argentina, Australia, Mexico, Paraguay, the Philippines, Thailand and the US said that the guidelines should only recommend labelling for biotech foods that are substantially different in terms of composition, nutritional value or allergenic content. In contrast, they strongly rejected proposed labelling for products (i) composed of or containing GMOs, or (ii) produced from but no longer containing GMOs. Mexico and Argentina, in particular, argued extensively against the use of process-based labels, saying that genetic modification in itself did not change the final product. Consumer groups questioned in particular the position of Australia and Thailand, given that these countries have set up extensive domestic GM labelling requirements for all foods where GM material can be detected.

Approximately 30 countries supported the inclusion of process-based GM labelling, including the EU, Japan, Brazil, Malaysia, India, Kenya, Indonesia, Switzerland, Norway, New Zealand, Tunisia, Senegal, Swaziland, Panama, Turkey and Ghana.

An EU negotiator argued that there was a fundamental difference between GM and non-modified food. He noted that labelling GM food would not immediately raise consumer concerns, and gave as examples the labelling of irradiated food and food additives. He also countered arguments that labelling would increase the cost of food, citing China as an example where labelled GM soy oil is still the cheapest. Several de-

veloping countries including Swaziland, Ghana, Kenya and a number of other African countries spoke up in support of labelling of all GM foods, noting that it was essential for consumer information and choice. Labelling also facilitates the tracing of GMOs from the field to the final product, a process that environmentalists argue could be essential in recognising and mitigating damage that could result from GMOs.

The Chair of the session, Anne Mackenzie of Canada, acknowledged the “overwhelming support” for proceeding with discussions on GMO labelling guidelines and, along with the EU, attempted to reach a compromise between the two positions. Canada proposed to split the guidelines between mandatory and optional labelling provisions. ‘Mandatory’ labels would apply to substantially different GM foods, while the guidelines would include as ‘optional’ labelling of GM foods that are different because they have been produced through genetic modification. In the interest of moving the twelve-year old debate forward, participants agreed with Chair Mackenzie’s proposal to create a Working Group chaired by Canada to ‘reconstitute’ the current guidelines. The Working Group will report back to the Committee next year. However, confusion remains on what ‘reconstitute’ will mean in practice, namely, whether the current guidelines will be used solely as a skeleton to be completely reworked, as the US and Argentina hope, or whether the Working Group will revert back to the current guidelines if no consensus can be found on a way to change them.

### Background

While Codex standards are only voluntary, the Codex Alimentarius Commission is recognised by the WTO Agreement on Sanitary and Phytosanitary Standards (SPS) as the international organisation responsible for standard-setting related to food safety. Article 3.1 states that to “harmonise sanitary and phytosanitary measures on as wide a basis as possible, Members shall base their [SPS] measures on international standards, guidelines or recommendations,” and Article 3.2 confirms that such measures “shall be deemed to be necessary to protect human, animal or plant life or health, and presumed to be consistent with the relevant provisions” of the SPS Agreement. The other two international standard-setting bodies recognised in the SPS Agreement are the International Plant Protection Convention (IPPC) for plant health and the Office International de Epizooties (OIE) for animal health.

### GM0 Panel Report Delayed Yet Again

In related news, the WTO dispute settlement panel considering the US/Argentina/Canada challenge of the EU’s application of its approval process for GMOs announced in May that its report would not be delivered to the parties until 5 August, that is nearly two years after the panel was established. The case has been held up due to procedural roadblocks; the most recent of which concerned the appointment of experts to assist the panel in evaluating the large amount of scientific evidence presented by the EU.

Despite persistently criticising the EU’s entire GMO regulation regime (considered the strictest in the world) in the WTO’s SPS Committee, the complainants have strongly emphasised that the dispute is limited to cases where genetically modified products have received a positive scientific evaluation from EU authorities but still face national marketing and approval bans in a number of member states. Nevertheless, both the Argentine and the US government are under pressure from domestic lobbies to also challenge the regulatory framework itself on the grounds that it is more trade-restrictive than necessary, and not based on sufficient scientific evidence. The existence of Codex guidelines recommending the labelling of all GMO-based products, including those where GMOs can no longer be detected, would provide the EU with an important defensive argument should such a case materialise.

# Cross-retaliation through TRIPS in the Cotton Dispute?

Maristela Basso and Edson Beas

On the first of July, the US should implement several changes to its cotton subsidy policy, but few expect that deadline to be met. It is against this backdrop that a group of Brazilian scholars have proposed to use the TRIPS Agreement as a *sui generis* retaliation instrument for developing countries to force developed countries to comply with their WTO obligations.

In recent years, developing countries have become increasingly successful in using the WTO's dispute settlement system against developed countries. At the same time, however, they have had little effect in forcing the latter to actually implement adverse rulings; their threat of retaliation simply does not have enough weight to induce action. Due to the small size of many developing country markets, tariff increases on exports from the non-implementing country make little difference to the latter.

In this sense the much-criticised Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) can become an interesting and innovative instrument in achieving an effective solution in commercial litigation involving industrialised and developing countries. The proposal centres on the argument that developing countries can disregard their obligations under TRIPS if the losing party fails to bring its measures into compliance with its WTO obligations and if conventional methods of commercial retaliation prove to be of little effect. The great advantage of retaliating through TRIPS is that it is straightforward, effective and legal. Furthermore, it may even lead to 'socially acceptable' (or desirable) consequences. Instead of transferring the burden of the litigation onto society, which would happen if tariffs were doubled for imports from the non-implementing party, the burden is transformed into a social benefit, for example through increasing access to medicines, cultural goods, entertainment products or just information.

## TRIPS as an Instrument of Retaliation

Retaliatory action should satisfy two conditions: (a) it should inflict immediate damage to the losing party, and (b) it should benefit the retaliating country. Conventional commercial retaliation satisfies the first condition, but usually not the second. In general, commercial retaliatory action even harms the country that seeks retaliation through its impact on consumers.

With the inception of the WTO, developing countries have taken on a very strict IPR system that primarily benefits industries in developed countries, particularly in the pharmaceutical, biotechnological, information technology and software sectors, as well as musical producers and the owners of famous trademarks. Indeed, lobby groups from these very sectors were the ones that led to the 'success' of the TRIPS negotiations during the Uruguay Round. Consequently, non-compliance with TRIPS obligations will inflict considerable losses to exactly these sectors. The first condition – focusing on the effectiveness – is thus fulfilled.

As seen above, retaliation via TRIPS is likely to lead to great socio-economic improvements in the retaliating country. Nevertheless, to be legitimate and credible, IPRs may only be suppressed if an alternative supply of the product in question exists. National availability must not be jeopardised.

Retaliating under TRIPS also holds the potential of creating lobbies in the non-compliant country that will push the government to fulfil its WTO obligations. The greater the cost of the retaliation in the IP area, the greater the possibility of lobbying pressure in favour of the retaliating country.

For example, if Brazil threatened to suspend the transfer of royalty payments to Pfizer and other US pharmaceutical industries in retaliation to the country's illegal cotton subsidies; Pfizer and the rest of the industry would end up lobbying the politicians in favour of the current cotton policy to reach a quick and effective solution to the problem. The prompt nature of the retaliation would make a difference in this case, as Brazil could choose the

individual IP title holder that would be the most affected.

## Practical Difficulties

Retaliation in the form of waiving IPRs is not so easy due to the fact that IPRs are private rights that can only be contested in the courts of the country that confers them. Therefore, if IPRs are suspended through government action, the retaliatory measures may end up being taken to local courts and declared illegal or even unconstitutional. On the other hand, when the level of the tariffs is increased, as part of a retaliatory measure, the affected suppliers do not have the right to take the measure to the local courts of the retaliating country. In most countries, a tariff increase is achieved by an order of the executive power. This is not the case when granting or suppressing of IPRs. Moreover, the suppression of IPRs can be interpreted as an expropriation of rights and may thus generate problems vis-à-vis other international agreements.

Another practical complication appears if TRIPS is used as a retaliatory instrument: benefits to the retaliating country can only be achieved if alternative sources of supply of the product are able to satisfy national demand. Furthermore, it is crucial that the retaliatory measure is constructed so that it does not generate uncertainties to the alternative suppliers. This could be the case if, for instance, a patent waiver were suspended abruptly upon the accused country's fulfilling its WTO obligations. The 'alternative' suppliers would then lose their market. The uncertainty associated with this process could potentially generate an unwillingness of the alternative producers to enter in the market during the period of retaliation, in the first place. This would make the defence measure meaningless.

## Cross-retaliation under the WTO

Article 22 of the Dispute Settlement Understanding (DSU) deals with compensa-

*Continued on page 20*

tion and suspension of concessions. It states that if the country that lost the dispute fails to implement the decision of the Dispute Settlement Body (DSB) within a period of reasonable time, the country that won the dispute will be able to seek authorisation of the DSB to suspend certain duties of the WTO system against the losing country in question. The decision on what kind of concessions or obligations are to be suspended lies with the complainant.

The principles and procedures to be respected in this context are foreseen in Article 22.3:

- First, the plaintiff must suspend its concessions in the same commercial sector that was involved in the dispute (for instance, if the dispute involved the GATT Agreement, the retaliation should target the same industrial sector that started the controversy).
- If this turns out to be *impossible* or *ineffective*, the country wishing to retaliate may seek the DSB's authorisation to suspend its concessions in other industrial sectors covered by the same agreement (the GATT, the GATS or TRIPS);
- If this measure, too, is considered of little or no effect, the country will be able to request the suspension of its obligations covered by another agreement. This is referred to as cross-retaliation, i.e. retaliation in a dispute that involved the GATT would consist of commercial restrictions under the TRIPS or GATS Agreements. The DSB may only reject the request of cross-retaliation by consensus.
- If the country wants to obtain the right to cross-retaliate in the field of IPRs, it will have to make the case that retaliation within the same sector is inefficient due to the differences in the size and profile of the national economies involved in the dispute. Furthermore, it must show that conventional retaliation (i.e. punitive import tariffs) would lead to damages within the retaliating country itself. These arguments were successfully used by Ecuador in the banana dispute against the EU (Bridges Year 4 No.4, page 3).

### Conflict with Pre-existing International Agreements

Would the implementation of cross-retaliation using TRIPS cause conflicts with other international agreements? For example, if

the retaliation were to be based on waiving certain patent obligations, would this break the Paris Convention of Industrial Property (1883)? Would retaliation in the field of copyrights violate the Bern Convention (1886)?

Two observations are relevant here. First, TRIPS Article 2.2, which requires WTO Members to honour prior obligations under other IPR treaties, does not apply to the DSU (paragraphs 148-150 of the report WT/DS27/ARB/ECU). Second, if the DSB permits cross-retaliation, according to the 1969 Vienna Convention on the Right of Treaties, the conflict must be interpreted in favour of TRIPS, which is the more recent and specialised agreement.

### The Retaliation Framework

The difficulties described above can be overcome with a well-structured plan of retaliation. IPRs are private rights and thus their suspension must be accomplished through local legislation. Let's say country A seeks to retaliate against country B that fails to comply with its WTO obligations in a way that affects country A. Country A must therefore provide its executive authorities with the right to revoke or suspend certain IPRs belonging to nationals of Country B. To avoid international conflicts, country A's national legislation must therefore be re-written to preserve the legitimate character of the retaliatory measure against country B.

The following options could support the implementation:

- First, the retaliatory measure could suspend the rights of those patent holders that belong to companies or nationals of the country that is subject to retaliation. This would still allow the company to register the patent in another country that is not involved in the dispute but experiences losses in the market that is seeking retaliation.
- Second, the retaliatory measure could take the form of a compulsory license. National IP legislation could clearly specify that if a commercial competitor ignores its obligations under the WTO in a way that harms the domestic market, a compulsory license may be granted by the government. The advantage of this legal strategy is that it allows the government to have precise control over the nature of the retaliation and can specify its exact conditions and timing. The government would also retain the power to revoke the license at any time.
- The nature of the retaliation must, of course, remain limited to the domestic market and national demand. The product in question may not be exported to other countries where its sale would infringe national IPRs.
- Third, to facilitate the process, the government could choose to prioritise products whose patents are about to expire, thus allowing competitors to enter the market and start commercialising the generic products slightly ahead of their official entry. This is unlikely to generate much uncertainty for the supplier as the patent life would most likely expire during the period in which the solution between the disputing parties is being negotiated.
- Trademarks and copyrights could also be used in retaliation, simply because reproducing them is so straightforward. The initial investment for products subject to trademark and copyright protection tends to be lower than that of patents, which also reduces the risk of alternative producers. Most commercial products today are subject to trademark protection, which opens a large window of opportunities. In the banana dispute between Ecuador and the EU, Ecuador chose to retaliate through goods that were subject to copyright protection, industrial designs and geographic indications.
- Another option lies in the temporary prohibition of local production and importation of certain products that are patented or protected by trademarks belonging to nationals of the country to be retaliated against. Such a prohibition, however, would be traditional commercial retaliation rather than cross-retaliation under the TRIPS Agreement. Furthermore, if it failed to promote alternative production at the national level, it would result in a negative impact on local consumers and thus defeat its purpose.
- Last, but not least, the plaintiff could freeze the transfer of royalty fees to nationals of the non-compliant country. So far, this possibility has not been put forward at the international level. It could, however, be very effective as it would allow for the perfect calculation of the amount aimed for in the retaliation.

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# Redesigning the Trading System for Sustainable Development

Alejandro Nadal

In a relatively short period of time, human activity has brought the world to the brink of a major ecological disaster, while disparities and inequality mark the global social and economic landscape, both at the national and international levels.

Economic performance in the past thirty years has been marked by slower growth rates for higher and middle-income countries, and modest growth rates for lower income economies. Greater international disparity is not a temporary adjustment to liberalisation and it will not correct itself automatically. Also, the ecological footprint of the richest countries is still unduly heavy. The absolute volume of natural resources used by developed countries continues to increase and material flows analyses reveal the presence of environmental cost-shifting.

Faced with this situation, the ten-year-old WTO is at a critical juncture: clearly, reducing trade barriers is not an end in itself. The goal is sustainability and development, not free trade *per se*.

## The Myth of the Market

Examining how economic, social and environmental affairs have been managed in the past twenty years reveals that this period is dominated by the myth of the market. The notion of the 'invisible hand' as a process leading to efficient resource-allocation has become the paradigm for economic policy, supporting the 'one-size fits all' approach to economic policy favored by the IMF and World Bank. What evidence backs up this contention?

From the realm of economic history it is impossible to discern where the market stops and where state intervention begins. Subsidies of all types, protectionism and strict regulations on capital and labour mobility have been inseparable from the operation of market forces over the past two hundred years. This does not mean that markets and prices are unimportant, but they are not alone in explaining prosperity in Europe or the United States.

Economic theory does not prove that markets are the best system for resource allocation. Besides, trade theory is not a scientific truth in favour of liberalisation; it is marked by many flaws and the simplicity of international trade models is misleading. Proof of the basic theorems depends critically on initial assumptions, and when relaxed, conclusions are quite different. Protestors against deeper neoliberal globalisation are not mystical fanatics shrouded in obscurantism.

The triumph of market ideology is in stark contrast with the scientific bankruptcy of general equilibrium theory. From the perspective of applied economics and policy, we must start thinking in new and more rigorous terms if sustainability is to be a priority. The market cannot redress social inequalities, nor can it be the sole mechanism in charge of environmental stewardship. It is vital to understand this if we want to improve our performance in handling economic, social and environmental affairs.

## Special and Differential Treatment

In WTO parlance, special and differential treatment (S&D) is linked to the idea that developing countries need more time to adjust to the economic forces unleashed by trade liberalisation. However, S&D has not been able to redress asymmetries that took a long time to crystallise. In addition, the scope of available economic policy instruments has shrunk as a result of structural adjustment policies, the WTO and several regional agreements. The irony of this is that precisely when economic theory recognised asymmetric market configurations as the source of market failure, the world's trading system has essentially turned its back on the notion S&D as a tool to eliminate asymmetries.

A new S&D framework should recognise that developing countries need more room for policy-making and should be able to access the industrial policy instruments used by developed countries in the past. These are especially important to attain technology-based dynamic competitive advantages.

S&D requires financial assistance to level the playing field. Today we are far from the required levels of development aid. It is sometimes argued that foreign direct investment (FDI) flows are preferable to aid. But FDI remains heavily concentrated in a few developing countries and is made up of too many mergers and acquisitions. Financial assistance has a rationale of its own, oriented towards long-term investments under preferential conditions and should be part and parcel of trade agreements.

## Process and Production Methods

Most developing country governments are hostile to introducing into the WTO system trade measures based on environment-related process and productions methods (PPMs), i.e. differentiating between 'like products' according to the manner in which a good is produced rather than its physical characteristics. They fear that PPMs may lead to eco-protectionism, not to adequate environmental defense. However, the real problem is not PPMs, but the unilateral imposition of regulations and standards. Issues that should be the object of negotiations should not be left to the vagaries of dispute settlement.

WTO Members should start consultations with organisations such as UNEP in order to determine if and how PPM-based trade restrictions could be used. Defining criteria and accompanying disciplines should be the outcome of multilateral negotiations, not unilateral imposition. This is the only manner in which PPMs can be incorporated into the trade and environment agenda without fears that they will lead to unjustified neo-protectionism.

## Macroeconomics and Trade

Trade liberalisation is just a part of a broader economic model, which also includes capital account deregulation, monetary policy committed to price stability and a restrictive fiscal policy. Changes in macroeconomic policy, and not only in trade policies, are

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needed to make sustainable development the top priority.

Deregulating the capital account was supposed to bring about better resource allocation and lower cost of capital. Savings from developed countries would flow to developing countries, spurring growth and productivity. Deregulation of the financial and banking sectors was also thought to allow for better services through greater competition, lower interest rates and greater rates of investment. However, financial liberalisation has increased market volatility and opened new avenues for speculative investments, reducing productive capital formation.

The economic model promoted by the IMF is marked by serious contradictions and the Fund is already proposing reforms, although the macroeconomic policy package that it will recommend remains unclear. The IMF should start by not condemning policies that can shield countries from the effects of speculative capital flows. To the contrary, it should encourage countries to use Chilean-style holding-period taxes to discourage excessive short-term capital inflows.

Capital controls contribute to reducing overall economic vulnerability and allow policy-makers to regain some autonomy for a countercyclical monetary policy. This objective can also be attained with the use of balance-of-payments provisions within the WTO framework. These measures can provide a constructive response to external accounts crises and should be reconsidered as an important tool in the intersection between trade and financial flows.

### Agriculture

The world has been unable to reconcile adequate food production and distribution systems in a way that improves living standards and the environmental sustainability of agricultural production. The Uruguay Round's Agreement on Agriculture (AoA) opened up the markets of highly-populated countries to exports from the United States and Europe, and – although it envisaged subsidy reductions – it kept direct production-reducing payments, allowed payments decoupled from production and preserved the capacity of developed countries to maintain export subsidies.

The current model – based on the false premise that we need to let markets operate freely – is unsustainable. Instead of stabilising prices, it has led to dumping that has destroyed markets for small producers in developing countries, impoverished rural communities and benefited vertically integrated agribusiness. The AoA failed to open markets for developing country products, while global agricultural commodity prices suffered severe reductions and volatility increased. It also left unsolved the complex questions of food rights, economic development, social responsibility and environmental stewardship.

The system that the AoA helped enshrine must be replaced with a framework that blends sound supply-management policy measures with adequate support mechanisms. In the first place, developing countries must have the right to use quantitative restrictions as a protection against dumping and to de-link their key strategic sectors from the paradigm of the AoA. Quantitative restrictions are compatible with the WTO and are recognised in Article XVIII of the original GATT. Safeguards should also be made available for developing countries.

A new institutional arrangement, perhaps a new framework convention, needs to tackle the issues of sustainable agriculture, biodiversity, food security and access to genetic resources in one single undertaking in order to reconcile the objectives of food security and responsible environmental stewardship. The new convention should restate the fundamental right of nations to defend themselves against dumping and the market distortions brought about by the concentration of corporate power. Developing countries' support systems should not be considered as *a priori* market distorting.

### Intellectual Property Rights and Trade

Original patent protection treaties only required their members to set up a patent system. Those legal instruments accepted restrictions in areas such as public health, the environment and on moral grounds. There was no uniform standard regarding the duration of patents. This changed during the Uruguay Round. The TRIPS Agreement imposed on WTO Members the obligation to grant patents for a wide variety of items, including life forms (Article 27.3b). It also imposed a twenty-year patent protection period and almost eliminated compulsory licensing. For countries investing very little in research and development (R&D), as most developing countries, TRIPS is bad news.

Economists have embraced the idea that patents are incentives for inventive activity and R&D. This is inaccurate. Inter-firm competition is the main engine for innovations and this is why capitalist economies generate so many technical innovations. Patents do serve as important instruments in corporate strategies, rewarding rent-seeking behaviour and increasing entry barriers for potential competitors. Patents serve primarily the purpose of segmenting markets in order to extend monopoly rents. They are tools for inter-industry competition. Strengthening IPRs in developing countries will not necessarily increase R&D investment.

A more rational IPR system requires de-linking intellectual property rights from trade agreements. This is needed in order to redefine a global patent system that is not market-distorting and fulfils its mission to protect inventors' rights. It should not impose wide patentability and long duration for patents and it should abolish patents on life forms, a major element distorting the patent system with negative effects on human health and access to genetic resources.

### Investment and Trade

Through the WTO Agreement on Trade-related Investment Measures (TRIMS), developing countries have been forced to forego the use of important industrial policy instruments, such as policies aimed at increasing local content in value added products, or limiting imports to a certain proportion of exports. As if this was not sufficient, developed countries want to strengthen these provisions through investment agreements.

Instead of protecting developing countries against the effects of market concentration, TRIMS shields powerful multinational corporations against host country public policies. Some of the policy instruments eliminated by TRIMS are important for industrial policy, as well as critical

for obtaining technological capabilities. They are essential to building the forward and backward inter-industry linkages that are the carriers of economy-wide multiplier effects.

Chapter 11 of the North American Free Trade Agreement (NAFTA) is an example of unprecedented rights bestowed on private firms against government decisions perceived as detrimental to investors' rights. In a twist of priorities, special and differential treatment is accorded to private multinational firms in detriment of public interest in host countries. A revision of TRIMS is required to incorporate the need for greater market transparency through the monitoring of operations of multinational corporations.

### Final Comments

The international trading system is not leading to greater prosperity and economic justice. Rapid trade liberalisation coexists with slower GDP growth rates, a very large number of poor people across the world and severe environmental degradation. The trading system has concentrated on the elimination of barriers to trade and has ignored the task of building up development capabilities of poor countries. Free trade *per se* should not be the top priority of the world's trading system. It is just a tool for economic integration. But in this process, it is urgent to recognise social and environmental responsibility as the central priorities of the international agenda. Profit-making should stop being the leitmotif around which the world's trading system revolves. If the world's most powerful countries do not shift the balance towards sustainability, the negative consequences of today's irresponsibility will come to haunt us. The question of survival of our species is involved here.

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### IN MEMORIAM Konrad von Moltke

On May 20, 2005, Konrad von Moltke passed away in Vermont after a short but courageous battle with cancer. Dr von Moltke will be remembered for his groundbreaking work on environmental policy and international economic relations, which of late particularly focused on debt, trade, investment and development. Among the last of his many publications was *A Southern Agenda on Investment? Promoting Development with Balanced Rights and Obligations for Investors, Host States and Home States*, co-authored by Howard Mann in 2005.

Dr von Moltke was a Senior Fellow at the International Institute for Sustainable Development (IISD); a Senior Fellow at World Wildlife Fund in Washington, D.C.; an Adjunct Professor of Environmental Studies and Senior Fellow of the Institute on International Environmental Governance at Dartmouth College; and a Visiting Professor of Environmental Studies at the Free University, Amsterdam. From 1989 to 1998, he edited *International Environmental Affairs*, a journal for research and policy.

For the International Centre for Trade and Sustainable Development, Konrad von Moltke was a much valued friend and deeply respected colleague. Even more than his originality as a thinker and wide-ranging learning, we will miss his inspiration and many kindnesses to ICTSD since its very beginnings.

All of us at ICTSD extend our heartfelt condolences to Konrad's family.

The International Centre for Trade and Sustainable Development (ICTSD) is an independent non-profit organisation that aims to contribute to a better understanding of development and environmental concerns in the context of international trade.

ICTSD upholds sustainable development as the goal of international trade and promotes participatory decision-making in the design of trade policy. ICTSD implements its information, dialogue and research programmes through partnerships with institutions around the globe.

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### Meetings of WTO Bodies\*

June 6-10	Negotiating Group on Market Access
June 13-14	Negotiating Group on Rules
June 13-14	Negotiating Group on Trade Facilitation
June 14-17	Council for TRIPS, Regular Session followed by Special Session* (16-17 May)
June 16-17	Committee on Technical Barriers to Trade
June 20-22	Dispute Settlement Body, Regular Session followed by Special Session* (21-22 May)
June 21	Trade Negotiations Committee
June 22	Sub-Committee on Cotton
June 20- July 1	Services Meetings, with formal Special Sessions* on 27 June and 1 July
June 29- July 1	Committee on Sanitary and Phytosanitary Measures
July 4-5	Working Group on Trade, Debt and Finance
July 5-8	Committee on Trade and Environment, Regular Session followed by Special Session* (July 7-8)
July 8	Sub-Committee on Least-developed Countries
July 11-12	Negotiating Group on Rules
July 15	Council for Trade in Goods
July 18-21	Negotiating Group on Market Access

\* *Special Sessions denote negotiations mandated in the Doha Ministerial Declaration.*

### Other Meetings

June 6-10	10 <sup>th</sup> Negotiating Session for the US-Andean Guayaquil Free Trade Agreement
June 24-25	30 <sup>th</sup> ACP-EU Council of Ministers Luxembourg
June 25-27	Least-developed Countries Ministerial Meeting Livingstone in preparation for the WTO's Hong Kong Ministerial Conference
July 12-13	'Mini-ministerial' expected to review draft 'first Dalian approximations' submitted by the Chairs of China the WTO negotiating groups

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