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Facts and Figures

- China has only eight percent of the world's fresh water to meet the needs of 22 percent of the world's people. In India, urban water demand is expected to double—and industrial demand to triple—by 2025.
- India's use of oil has doubled since 1992, while China went from near self-sufficiency in the mid-1990s to the world's second largest oil importer in 2004.
- However, India already has the fourth largest wind power industry in the world, while China and India are the third and fourth largest ethanol producers, respectively. Both countries have vast land areas that contain a large dispersed and diverse portfolio of renewable energy sources that are attracting foreign and domestic investment.
- The average person in China has an ecological footprint of 1.6 global hectares, and, in India, 0.8 global hectares. In contrast, the average person in the United States has an ecological footprint of 9.7 hectares, and that footprint grew by 21 percent between 1992 and 2002.

Source: *State of the World 2006*. Worldwatch Institute. December 2005

Geneva Gears for 'Moment of Truth'

Virtually no one expects 'full modalities' for further liberalisation of trade in agricultural and industrial goods to be agreed in April. However, up to forty ministers are expected in Geneva in late April in an attempt to cobble together a package that would avoid the impression of outright failure.

WTO Director-General Pascal Lamy warned Members on 28 March that "we would be making a huge collective mistake if we thought we could postpone the establishment of modalities by the end of April. Backloading the three key areas of agriculture domestic support and market access in agriculture and industrial products is in my view a recipe for failure."

Nevertheless, despite frequent meetings of ministers from key countries, most recently in London and Rio de Janeiro, WTO Members are no closer to consensus on how to take the Doha Round forward.

Differences were not narrowed at all in London, where trade ministers of the G-6 – Australia, Brazil, India, Japan, the EU and the US – met on 10-11 March. Hopes had been raised that the ministers might be ready to make simultaneous moves on the three issues that are widely seen as the reason for the deadlock: the EU would improve its agricultural market access offer, the US would promise to make a larger reduction in domestic support for agriculture, and Brazil and India – both members of the G-20 coalition of developing countries focused on an ambitious result in agriculture – would consent to make bigger reductions in industrial tariffs. Those moves did not happen. Instead, thirteen European agriculture ministers warned EU Trade Commissioner Mandelson in a letter that "on market access and on domestic support, all room for manoeuvre is exhausted," adding that it might already have been exceeded in the 28 October 2005 proposal, which most WTO Members found unacceptably weak on market access, both with regard to tariff cuts and the large number of 'sensitive' tariff lines.

The Rio de Janeiro meeting between Brazil's Trade Minister Celso Amorim, US Trade Representative Robert Portman, Commissioner Mandelson and Director-General Lamy on 31 March and 1 April was equally inconclusive, although the participants officially reiterated their belief that full modalities were still achievable by the end-April deadline set in Hong Kong. Nevertheless, USTR Portman said after the meeting that progress had been 'inadequate'. He also doubted that the US could offer more on domestic subsidies than is already on the table.

More Simulations Underway

Even if the results of previous simulations on different scenarios for agricultural and industrial tariff cuts failed to shift Members' positions an iota, ministers agreed in Rio to run one more test: a comparison of how different base periods would affect the end-result of domestic subsidy cuts in agriculture. The simulation will evaluate the difference between basing cuts on average domestic support in 1995-2000 and 2000-2005. US support in 2000-2005 was much higher than that in the previous five-year period because the 2002 Farm Bill drastically increased agricultural spending. According to trade sources, Canada agreed to undertake a larger exercise on domestic subsidies at a senior officials' meeting held after the London mini-ministerial.

What Should Be Done?

In an effort to secure full modalities by July, Pascal Lamy has identified a set of issues that require results by the end-April deadline.

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Bridges

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Director: Ricardo Meléndez-Ortiz
Editor: Anja Halle
Address: 7 chemin de Balexert
1219 Geneva, Switzerland
Tel: (41-22) 917-8492
Fax: (41-22) 917-8093
E-mail: ictsd@ictsd.ch
Web: <http://www.ictsd.org>

Regular ICTSD contributors include:

Heike Baumüller
Johanna von Braun
Dominic Furlong
Malena Sell
Mahesh Sugathan
David Vivas

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In agriculture, a decision is needed on the size of the cut in trade-distorting domestic subsidies. So far, the EU has offered a 70 percent reduction and the US 60 percent. Since the reductions will take place from the very high ceilings agreed at the end of the Uruguay Round, neither a 70-percent EU cut nor a 60-percent US cut would reduce current spending levels. Mr Lamy would also like Members to agree on rules that would prevent the concentration of Blue Box support on certain commodities. Both the EU and the US, which are the main users of Blue Box support, oppose the G-20's proposal to establish product-specific spending limits in this subsidy category. On agricultural market access, Members should agree on the number and thresholds for tariff bands, as well as the percentage of the reduction in each band.

In non-agricultural market access (NAMA), Members should agree on the coefficients to be used in the tariff reduction formula and the flexibilities to be granted to developing countries. Discussions on both issues remain deadlocked. More generally, WTO Members continue to fundamentally disagree on the meaning of the 'comparably high level of ambition' in the agriculture and NAMA negotiations that ministers instructed the negotiators to achieve (see page 13).

The Geneva 'Non-Ministerial'

Between 30 and 40 ministers are likely to attend negotiations from 28 April to 5 May in a 'green room' setting similar to the one that led to the adoption of the July 2004 Framework Agreement. While Mr Lamy has urged Members to focus on the 'triangle' of domestic agricultural subsidies plus market access for industrial and agricultural goods, sources say there is considerable pressure for the ministers to take on board other concerns as well. Among suggested themes are development-related issues in agriculture and NAMA, preference erosion, and concerns of least-developed countries, such as a decision on the total elimination of domestic subsidies for cotton and more clarity on expanding duty- and quota-free market access for their exports. Some Members are pushing for at least an indication of progress in the services negotiations. Sources close to the process consider it likely that the ministers will issue some kind of statement that goes beyond the agricultural and NAMA modalities mandate.

At least the G-33 group of developing countries has already complained about the processes used to drive the negotiations forward, including small ministerial meetings (such as those in London and Rio) and the projected 'green room' exercise, which will exclude the majority of Members. Reporting to the Trade Negotiations Committee on 28 March, Mr Lamy said that the establishment of modalities as foreseen by the Hong Kong Declaration would require "some sort of ministerial involvement," but he also stressed that ultimately the entire membership would make the decisions and it would not "be enough for a small number of Members to suddenly arrive with a piece of paper in their hands on 30 April. The 'no surprises principle' remains as valid as it was before Hong Kong."

What Are the Odds?

Considering the political constraints and unwillingness to compromise up to now, it is highly questionable whether 'ministerial involvement' in Geneva can produce a significant push forward by 31 April, let alone consensus on 'full modalities'. India's Trade Minister Kamal Nath told Mr Lamy in early April that while timelines and deadlines were important, they should not be respected "at the cost of the development content of the Doha Round."

Speaking at a conference organised by Columbia University in on 5-7 April, former Mexican President Ernesto Zedillo, who now heads the Yale Centre for the Study of Globalisation, said that it was "very hard to see how, in the next few months, the negotiating dynamics could undergo enough positive change to achieve a good conclusion in the Doha Round." The moment of truth, he said, would come in July – rather than late April as suggested by Mr Lamy – when the membership should decide whether to prolong the deadline for concluding the Doha Round beyond the end of this year, or accept a minimally ambitious result.

Meanwhile, US Senate Finance Committee Chair Chuck Grassley has called a 'minimal deal', such as the EU's agricultural market access offer, unacceptable to the US and said he would "not even allow it to be brought up for consideration in the Finance Committee."

Will the Real Demandeurs in Services Negotiations Stand Up, Please?

Thomas Chan

The Hong Kong outcome on services has been decried by many NGOs as outrageous and by business sectors as meagre. This article is a personal reflection from a negotiator's perspective on what has happened and what lies ahead for services negotiations.

The single new element of the Hong Kong Ministerial Declaration with regard to services was Annex C in which ministers agreed to intensify the negotiations “with a view to expanding the sectoral and modal coverage of commitments and improving their quality.”

So, what are the key aspects in the famous/infamous Annex C?

- best-endeavour modal and cross-cutting objectives for making new and improved market access commitments with appropriate flexibility for developing Members (paragraph 1);
- intensification of negotiations on GATS rules (emergency safeguard measures, government procurement and subsidies) including best-endeavour focus of work (paragraph 4);
- a mandate to develop disciplines on domestic regulations under Article VI:4 before the end of the current round and a call on Members to develop text for adoption (paragraph 5);
- intensification of the request-offer negotiations, including an outline of procedures for pursuing request-offer negotiations on a plurilateral basis with a best-endeavour timeline for requests and regard to limited capacity of developing Members and smaller delegations (paragraphs 6-7 and 11(b));
- specific regard to the size of economies of Members in negotiations, and due consideration of proposals on trade-related concerns of small economies);
- specific (and mandatory) provisions for full and effective implementation of the Modalities for the Special Treatment of Least-Developed Countries (paragraphs 3 and 9);
- provision of technical assistance to developing and least-developing countries with a view to enabling their effective participation in the negotiations (paragraph 10); and
- timelines for a second round of revised offers by 31 July 2006 and final draft schedules by 31 October 2006.

Is the Criticism Justified?

Even a casual (but sincere) attempt at reading the Ministerial Declaration and Annex C can hardly fail to show the stark contrast between the number of issues concerning developing and least-developed countries in the text on the one hand, and the vehement opposition and criticism by many about how development-unfriendly the text is on the other. Of course, quantity does not imply quality (the favourite argument that many Members have used to oppose any proposal for quantitative targets in the negotiations). However, a more careful reading will reveal that quite a few of the development-related provisions (e.g. small economies and LDCs) are mandatory, while those relating to market access negotiations are either best-endeavour (the objectives for commitments) or merely procedural (the plurilateral request-offer negotiations). At the same time, almost all the language related to market access negotiations is closely tied to language concerning flexibility for developing countries. Least-developed countries are not expected to undertake any new commitments at all.

For those who criticise the services text on process rather than substance, I can only say that during my lifetime as a negotiator, I have never participated in a more open, transparent and inclusive process in arriving at a text. Throughout the run-up to Hong Kong, the text was developed in Geneva entirely through meetings open to all Members. While it was drafted and presented on the Chair's own responsibility, the issues covered were based entirely on Members' suggestions and the language was drawn entirely from their inputs.

On the other hand, I also have difficulty understanding the criticism from the opposite end of the spectrum about the outcome on services being meagre. True, to some extent the text might not be as ambitious as some would like it to be. For instance, I would imagine that some

would like to see more specific and mandatory targets – quantitative or qualitative – set for services commitments so as to provide some sort of ‘guarantee’ on the ambition of the outcome, much as some have tried to seek similar ‘guarantees’ in other areas of negotiations.

However, this could only underscore the different nature of services negotiations from other negotiations. Like it or not, liberalisation commitments in services are unlike tariff reductions; instead of taking out a computer to crunch import/export and tariff figures, they require a much more arduous negotiation process both domestically and among trading partners. Services trade takes place within a much more diverse and complex policy, regulatory, political, social and economic framework. Even setting aside the technical challenge of trying to pin down the precise scope and definition of services under consideration, as well as the implications of GATS disciplines for a wide range of measures, the mere fact that different services industries are subject to different regulatory frameworks and authorities is already a huge challenge for the negotiations (and the negotiators).

So in all fairness, perhaps one should not blame the negotiators too much for arriving at a deal which seems less focused on substance than on process. Sometimes process holds the key to substance, and in the case of services negotiations, this might be particularly true. It remains to be seen, of course, whether there is the political will on all parts to bring the substance – on the part of the *demandeurs* to identify clearly, precisely, specifically and realistically what the priorities of their demands in these negotiations are (involving necessarily and inevitably certain trade-offs among different interests); and on the part of those who receive requests (the *demandeurs* themselves included), to participate with sincerity in

Continued on page 4

the negotiations and respond in earnest with offers that carry a level of ambition on a par with that for the round as a whole.

Developed vs. Developing Countries?

One interesting perspective arising from the negotiations of the services text adopted in Hong Kong is the seeming continuation and reaffirmation of the long-standing conventional wisdom that the line is clearly divided between developed and developing countries in terms of offensive and defensive interests in services. Most NGOs seem to consider this as doctrine and many negotiators play it up as a fact for a variety of reasons; even many stakeholders with an interest in services trade seem to take it for granted with little challenge. Why this should be the case is beyond my comprehension, especially when the truth is so different both in reality and in terms of what actually happens in the negotiation dynamics.

On what is going on in reality, many studies by various organisations including OECD and UNCTAD have shown that:

- services amount to a very substantial proportion of most economies, even developing ones (very often over half);
- services have huge potential for being the driver for economic growth especially for developing countries;
- services trade carries the largest potential for further growth, outgrowing trade in goods, both in growth rate and possibly even absolute volume in the longer term;
- services trade among developing countries has actually seen bigger growth than that between developed and developing and will continue to grow faster than North-South trade;
- while developed countries continue to dominate exports in certain traditional capital and technology intensive sectors such as telecom and financial services, increasingly some developing countries have recognised their export niche in certain sectors, especially those that are labour-intensive (e.g. professional services and business process outsourcing); and
- developing country services exporters are more likely to encounter trade barriers in developed countries than vice-versa (e.g. economic needs tests, nationality/residency requirements, regulatory re-

quirements, qualification recognition, visas, commercial presence requirements, mandatory wage parity, social security contributions, etc., especially for professional service providers under Mode 4 or cross-border trade such as business process outsourcing; on the other hand, common limitations scheduled by developing countries such as foreign equity limitations, joint-venture requirements, and other quantitative limitations pose barriers of a different nature to service suppliers, and in many cases these have already been autonomously liberalised *de facto*).

It is true that developed countries still hold the lion's share of services exports today, much as they still hold a major share of goods exports. It is also true that it will be quite some time before developing countries will catch up with developed countries in terms of sheer volume of services exports. But this hardly detracts from the fact that many developing countries should have an offensive interest in services trade from a purely economic point of view.

Of course, there may be studies from some agencies that appear to contradict or question these notions. Rather than enter into a debate about the different bases or methodologies of such work, I would like to simply suggest to readers a couple of points for thought. When India and the Philippines are exporting hundreds of thousands of professional, skilled or even semi-skilled workers all over the world through various arrangements, when Barbados and Mauritius are providing back-office functions to many financial institutions, when Chinese and Pakistani construction workers are building much of the buildings and infrastructure in the Middle East, when almost every developing country is trying to reap benefits from offshoring and out-sourcing from developed countries or even some of their more developed developing neighbours, it is hard to believe that developing countries have only defensive interests in the services negotiations.

As with all negotiations, one can only maximise benefits by pursuing offensive interests vigorously. To take a wholly defensive position in the services negotiations would seem like a strategy aiming at a lose-lose scenario. A failure to take an offensive position on certain issues of particular importance to developing countries could also mean a lost opportunity to ensure a level playing field for developing countries in areas relevant to their potential for services export. Chances are, as developing countries' services exports pick up, the table could be easily turned: what happened to textile and clothing yesterday and agriculture today could easily happen to Mode 4 and outsourcing tomorrow (if it is not happening already). A strategy to do nothing today could have adverse consequences tomorrow.

Will the Real Demandeurs Stand Up, Please?

Ironically, the negotiating dynamics seem to suggest exactly such a scenario. In both political and economic terms, the extremely defensive position taken by some major developed Members over Mode 4 appears to have outweighed the huge interests these countries have across the services sectors. Many developed countries also seem to place greater emphasis in the negotiations on sectors of defensive interest, such as education, health, audiovisual, water, etc., especially where there is a huge NGO following. As a negotiator, it is sometimes surreal to hear the business sectors in these countries stressing the vital importance of the offensive interests at stake, while in the negotiations their governments' positions seem to be predominantly dictated by defensive interests. But perhaps I should not be surprised that some Members have chosen the negotiation strategy that they are taking, if only in recognition of the fact that the negotiation strategy of their biggest trading partners, not only in services but in other areas, is dictated not by rationality but by politics.

Meanwhile, it is interesting to observe that some major developing countries are starting to find themselves in a position similar to that of many developed countries. Many of the former, without consciously allowing or pursuing it, have already found themselves to be target markets of their regional neighbours for many forms of services exports (e.g. Malaysia's import of seasonal workers and other labourers from its ASEAN neighbours, Latin America's import of Mexican TV dramas, Pakistan's import of a range of professional services from across its border to the south-east) or are facing stiff competition from their fellow developing countries in

certain traditional services export niches (e.g. Egyptian construction workers, Filipino nurses, shipping crews and household helpers). Again, perhaps I should not be surprised at all if these countries take a position in the negotiations, or in certain parts such as Mode 4, that would seem to put them in alliance with the defensive interests of developed countries.

So what does it mean, if these Members really are becoming more defensive in the services negotiations? For one thing, it could mean that those NGOs that are against the services negotiations need not worry so much after all. It could also mean a lost opportunity for all those stakeholders in every country who, whether they are aware of it or not, do have a stake in services trade and thus in the services negotiations. Worse still, it could mean concluding a round with low ambition given the need for overall balance. I know that these are gloomy scenarios, but

with only nine months remaining I guess it's better to tell it like it is rather than to continue to dress it up like it will never be.

As a negotiator, I have been known to be a chronic pessimist. If only to prove me wrong, will the *real demandeurs* in services negotiations stand up, please?

Thomas Chan is Deputy Representative of Hong Kong, China, to the WTO.

Plurilateral Services Requests Target Brazil, Asian Members

Negotiations started on 27 March between demandeurs and recipients of plurilateral market opening requests in services, but many doubt that the collective approach will make a substantive difference in market opening offers.

Ministers decided in Hong Kong that WTO Members could complement the bilateral request-offer process, which many complained was inefficient, by making collective requests to groups of countries. The deadline for submitting such requests was 28 February 2006.

Twenty-two collective requests had been submitted in time to be discussed at the early late March – early April services cluster. Of these, sixteen pertain to specific sectors or sub-sectors, spanning from telecommunications and computer services to postal and distribution services, financial and legal services, and different types of engineering services, as well as services related to education, the environment, energy and agriculture. Requests on computer-related services appear to be addressed most evenly to developed and developing countries. Several negotiators point to this as evidence of the commonality of opportunities in this sector for countries across different levels of economic development.

Collective requests were also made on the different modes of services delivery, i.e. regulations concerning the cross-border supply of a service, consumption of a service abroad, the right to commercial establishment, and the movement of service providers. Another three requests ask for the elimination or reduction of various exemptions from the most-favoured-nation treatment obligation in Members' services schedules.

Mode 4 Request Tabled

One of only two requests submitted exclusively by developing countries – Argentina, Brazil, Chile, China, Colombia, the Dominican Republic, Egypt, Guatemala, India, Mexico, Morocco, Pakistan, Peru, Thailand and Uruguay – concerned improved market access for service providers, or 'movement of natural persons' under services delivery Mode 4. The request is addressed to the US, the EU, Japan, Canada, Australia, New Zealand, Switzerland, Norway and Iceland. It focuses on the categories of contractual service suppliers and independent professionals.

Among the salient features of the request is its stipulation that wage parity with local hires should not be a pre-condition for the entry of foreign workers, which is likely to attract objections from labour unions in recipient countries. The request also asks that economic needs tests (ENTs) should be removed or substantially reduced. ENTs, which allow the entry of service suppliers only upon determination that there is no domestic supplier able and willing to supply the same service, are often used to keep out foreign service providers. Other improvements requested include work permits lasting one year or the duration of the contract, with a possibility of renewal.

The request is heavily geared to the movement of skilled workers, who have either a university degree, a relevant diploma or demonstrable experience in one of 24 services sub-sectors, includ-

ing, *inter alia*, accounting and bookkeeping; architectural and engineering services; various categories of medical personnel; computer-related services; research and development; advertising, management and marketing; and technical testing and analysis.

The same rights (permits, etc.) should apply to independent workers with equally high qualifications as those demanded from contractual service providers in the request.

Despite this emphasis, initial reactions from target countries were more than cautious. In the US, for instance, a bi-partisan group of Senators wrote to President Bush that the US "should not give the bloc of countries making Mode 4/immigration demands any false hopes that the Administration would be amenable at any time to agreeing to include, bind or modify US immigration policy in trade agreements."

Demandeurs and Demandeés

Among the most active participants in the plurilateral requests were Japan, the EU, the US, Australia, Canada, Norway, New Zealand, as well as Chile, Hong Kong, Mexico and Singapore. The most frequent targets were advanced developing countries such as the Philippines, Brazil, Indonesia and Thailand, which received demands in practically every sector. Malaysia, China, India Argentina, South Africa and Egypt also received numerous requests. All 16 plurilateral sectoral requests explicitly state that the requesting Members would themselves take on the liberalisation commitment they are asking for.

Cotton Four Target April Modalities for Progress

Benin, Burkina Faso, Chad and Mali have demanded that the April modalities in agriculture include setting an end-date for the total elimination of domestic subsidies for cotton, but the US maintains that the level of ambition in cotton must reflect that in agriculture in general.

Frustrated with the watering down of their long-standing demand that all cotton subsidies be phased out rapidly, the four African least-developed countries on 2 March called for the end-date to be decided before the end of the Doha Round. In Hong Kong, ministers decided to eliminate export subsidies for cotton in 2006, but only agreed that domestic support should be reduced faster and 'more ambitiously' than that for other agricultural products.

The Cotton Four, as the *demandeurs* are called, proposed a cotton domestic subsidy reduction formula designed in such a way that the smaller the general subsidy cut, the greater would be the reduction applied to cotton subsidies. For example, a 60 per cent general cut would produce a 22.2 per cent higher cotton subsidy cut, while a 90 per cent general cut would result in a cotton reduction only 3.7 percentage points above the overall level (see table below). This method would go some way towards ensuring that domestic cotton subsidy cuts will still be meaningful even if the outcome on other domestic subsidies – or agriculture more generally – turns out to be modest.

The proposal targets all forms of domestic subsidy programmes for cotton, including *de minimis* support and the Blue Box. The latter should have a specific ceiling for cotton at one third of the cap agreed for other Blue Box support.

The proposal specifies that reductions would take place from the value of domestic support in the 1995-2000 period, i.e. before the US substantially increased agri-

cultural spending in the 2002 Farm Bill. In addition, the cotton subsidy cuts should be carried out in one third of the time period eventually agreed for other agricultural products.

The Cotton Four (C-4) also addressed the Hong Kong mandate that the WTO Director-General "further intensify his consultative efforts with bilateral donors and with multilateral and regional institutions... and explore the possibility of establishing through such institutions a mechanism to deal with income declines in the cotton sector until the end of subsidies." They stressed that support must be time-limited, determined in relation to the effect of subsidies on prices, and distributed directly to producers. They suggested that Members agree in principle to creating a safety net in April, as well as set up a task force to develop a proposal for a mechanism by July.

These dates correspond to the end-April target set out in the Hong Kong Declaration for a comprehensive agreement on farm subsidy and tariff cuts, and the July date for a report from Director-General Pascal Lamy's Aid For Trade Task Force (see page 15).

US 'Disappointed'

A large number of WTO Members – including the African Group, Brazil, China, the EU and New Zealand – supported the proposal either when it was submitted on 2 March or at the 27 March meeting of the Sub-committee on Cotton. The only country to oppose it was the US, whose extensive support programmes (estimated at US\$4.2 billion in 2004-2005) are the C-4's primary target. The EU suggested that cotton from all developing countries (rather than just LDCs) should have duty- and quota-free access. In contrast, the US stressed that a substantial result on domestic support for cotton would require a substantial result in all three pillars (export subsidies, domestic support and market access), and that treatment for cotton should be discussed only after the overall modalities are agreed. Christin Baker, a spokesperson for the US Trade Representative, said the US was 'very disappointed' at the African nations' tabling the proposal: "We came to an agreement with the C-4 countries in Hong Kong last December. We are sticking to that agreement and we expect our trading partners to do the same. [...] If the C-4 want ambition in cotton, they need to push for ambition in agriculture overall."

The Hong Kong cotton compromise has three elements: (a) that developed countries will eliminate all forms of export subsidies in 2006; (b) that developed countries will grant duty- and quota-free access to least-developed countries' cotton exports as of the conclusion of the Doha Round negotiations; and (c) that trade-distorting domestic subsidies will be reduced – not eliminated – 'more ambitiously' and at a faster pace than those for other agricultural products. The Cotton Four proposal aims at 'operationalising' the last provision.

Domestic Subsidy Cuts Essential, World Bank Researchers Say

In a World Bank Trade Note (March 2006), Kym Anderson and Ernesto Valenzuela remarked that "[e]xport subsidy removal would contribute almost none of the global benefits from reform, and cotton tariff removal would account for only one-ninth of the global gain, with the other eight-ninths due to cutting domestic support programmes. This latter result contrasts markedly with that for the removal of *all* agricultural subsidies and tariffs (to which cotton is a tiny contributor), whereby tariff removal accounts for a huge 93 per cent of the global benefits and domestic support programmes only five percent." They also estimated that "the removal of all cotton subsidies and import tariffs would boost global economic welfare by US\$283 million per year, and would raise the price of cotton in international markets by an average of 13 percent. [...] Especially noteworthy is the relatively large benefit bestowed on Sub-Saharan Africa, of US\$147 million per year. About two-fifths of that would go to the Cotton-4 and another one-fifth to other West African countries."

Result of Applying the C-4 Cotton Formula

GR % ¹	>>>	CR % ²	Difference %
60	>>>	82.2	22.2
70	>>>	84.3	14.3
80	>>>	88.3	8.3
90	>>>	93.7	3.7
100	>>>	100	0

¹ GR = general reduction percentage

² CR = cotton reduction percentage

Only Minimal Progress in Agriculture

The March agriculture week saw 'constructive' debates on a wide range of issues, but failed to produce any breakthroughs on the core issues of subsidy and tariff cuts, making it ever more doubtful that the end-April deadline for a comprehensive agreement on modalities can be met.

Food Aid Inching Towards Solution

Members again discussed disciplines to ensure that food aid does not act as an export subsidy. The African and least-developed country (LDC) groups circulated a submission on how to protect legitimate emergency and non-emergency aid flows while simultaneously ensuring that "food aid does not [...] abet dumping of food or encourage displacement in recipient countries" (TN/AG/GEN/13). The paper outlined criteria for a 'safe box' of emergency food aid, which would be exempt from disciplines, suggesting that recipient countries should co-operate with international humanitarian assistance bodies to declare emergencies based on UN definitions. The 'safe box' would cover aid flows from other Members in quantities based on independent needs assessments for the duration of the emergency.

With regard to 'non-emergency food aid', the paper specified that in-kind food aid must be demand-driven, provided exclusively in grant form, and free of conditionalities. The LDC and African Groups also want to prohibit the re-exportation of non-emergency food aid, which should in any case take into account local market conditions. Food aid could be sold to raise money ('monetised') in 'exceptional circumstances' to fund activities directly related to its delivery or the procurement of agricultural inputs.

WTO Members generally welcomed the proposal, although some countries wanted stronger rules on monetisation to prevent food aid from displacing commercial sales. Several sources referred to the discussions as a rare instance of real negotiations occurring in a plenary session with all Members present.

Expansion of Tariff Quotas for 'Sensitive' Products

According to the July 2004 Framework Agreement, both developed and developing countries will be able to designate a number of agricultural products as 'sensitive' and thus eligible for lower tariff cuts than those required by the reduction formula, so long as they provide increased market access through a combination of tariff cuts and tariff-rate quota (TRQ) expansion. However, some Members continue to insist that quota expansion should be linked to domestic consumption of the product in question, while others argue that it should be based on present imports or existing TRQ commitments. The problem is that the first approach does not take into account the degree of the product's 'sensitivity' to a particular Member, while the latter two would fail to produce substantial increases if original levels were low. At the March negotiating session, the G-10 group of net food-importing countries drew attention to their existing proposal based on both domestic consumption and existing TRQ levels. Brazil informed Members that the G-20 developing country coalition was working on a 'hybrid' approach of its own.

No Convergence on Domestic Support

Members continued to disagree on disciplines for Blue Box domestic support. The pre-July 2004 Blue Box covered trade-distorting subsidies linked to production-limiting measures. The July 2004 Framework Agreement expanded this 'old' Blue Box to cover price-related support, such as the counter-cyclical payments the US grants to farmers to help them cope with fluctuating world market prices. Showing a slight increase in flexibility, the EU indicated that it could consider product-specific spending limits, provided that other Members – principally the US – dropped their opposition to new rules on Blue Box spending.

G-33 Floats Special Safeguard Details

The G-33 group of developing countries, which focuses on rural development, as well as livelihood and food security, floated a controversial informal proposal on additional duties that developing countries could apply when facing agricultural import surges.

The 'special safeguard mechanism' (SSM) is intended to enable developing countries to quickly raise tariffs beyond bound levels on farm imports when farmers are threatened by import surges or a collapse in import prices. The G-33 proposed specific thresholds for changes in import price and volume from the three-year average levels that would trigger the SSM, along with ceiling figures for additional safeguard duties.

It suggested dividing increases in volume in four tiers, each linked to correspondingly higher levels of potential safeguard duties. A country would not be allowed to impose any additional duties if the import volume of a particular product increased by less than five percent over the three-year average. For an increase between five and ten percent, however, countries would be allowed to impose an additional duty of up to 50 percent of the bound tariff for that product or 40 percentage points, whichever was higher. If import volumes went up by 10 to 30 percent, the potential additional duties would rise to 75 percent of bound tariff levels. Finally, for increases in import volume in excess of 30 percent of the average level, countries would be allowed to impose a maximum additional safeguard duty of 100 percent.

As for price-triggered safeguards, the paper provides for safeguard duties to be imposed in two different ways: on a shipment-by-shipment basis, where the specific amount of additional duties would not exceed the gap between the import price of each shipment and how much it would have cost at the three-year average trigger price level; or on a percentage *ad valorem* basis that would not be higher than what is necessary to compensate for the difference between the import price and the trigger level. The size of the addition would depend on the size of the price fall. The proposal further stipulates that developing countries would be allowed to start imposing shipment-by-shipment safeguard duties if two shipments in a row of the particular product were at prices at least five percent below the trigger level.

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Discussions on the G-33 proposal revealed some differences among developing countries, and notably within the G-20, about the precise purpose of the SSM.

According to the G-33, the SSM is simply an emergency measure to protect farmers from import surges, and should be available to all developing countries for all products for an indefinite period. Countries backing this view included G-20 members China, India, Indonesia, Nigeria, the Philippines and Venezuela, as well as Trinidad and Tobago, Turkey, Sri Lanka, Zambia, Jamaica, Nicaragua, Kenya, the group of Asian, Caribbean and Pacific (ACP) countries, Honduras, the Dominican Republic and Madagascar.

Opposition came from both developed and developing country farm exporters, which argued that the SSM proposed by the G-33 could be used as a pretext for protectionism. The US, the EU, Canada, Australia, New Zealand, Argentina, Chile, Malaysia, South Africa, Egypt and Thailand called for restricting the SSM to products in which trade was already substantially liberalised. Others argued that products designated as 'sensitive' or 'special' should not be eligible for the SSM.

A request from five recently-acceded Members (Croatia, Moldova, Jordan, Albania and Oman) to be granted recourse to the SSM received widespread sympathy. Most new Members of the WTO have particularly low tariffs as a result of bilateral negotiations during the accession process.

G-20 co-ordinator Brazil stayed out of the fray, contending that the SSM would fall into place with a clearer picture of the level of ambition in agricultural market access.

Malaysia's SP Proposal Upsets G-33

In a victory for the G-33, the July 2004 Framework Agreement included a special and differential treatment provision that allowed developing countries to exclude from full tariff cuts a to-be-decided number of 'special products' (SPs) based on their food- and livelihood security, as well as rural development needs. Both the criteria and the treatment of such products were to be specified during the agriculture negotiations. The Hong Kong Ministerial Declaration further stated that developing

countries could self-designate SPs "guided by indicators" based on the three criteria mentioned in the Framework Agreement.

As soon as the concept of special products was mooted at the WTO, a number of both developed and developing countries raised concerns about its potential to negatively affect South-South trade. An informal paper on possible SP indicators presented by Malaysia during the March agriculture week reflected this position by warning that SPs could "undermine the development agenda of exporting developing countries" since the income of many poor farmers in such countries depended on the production and export of one or two crops. In 2004, Malaysia – the world's largest palm oil producer and exporter – accounted for 51 percent of global palm oil production and 62 percent of exports. The Philippines and Indonesia, both of which belong to the G-33, are also major palm oil producers and exporters.

Malaysia suggested that products in which developing countries accounted for the bulk of world trade should not be eligible for SP status. It proposed an indicative threshold figure of 75 percent, which would preclude other developing countries from designating such products as SPs irrespective of their food security, livelihood security or rural development concerns.

Other indicators proposed by Malaysia included the proportion of domestic consumption of a product accounted for by domestic production, the product's share in the country's agricultural GDP or farm sector employment, and its contribution to the total nutritional value (dietary and calorific requirement) of the population. The paper called for the establishment of percentage thresholds for each, above which products would be eligible for SP status.

Furthermore, the paper specified that SPs should be 'staples produced domestically'. Thus, while a country could designate its native-grown staple products as SPs, it would not be able to apply the higher tariffs afforded by SP status to imports that could potentially substitute for these staples, leaving vulnerable farmers susceptible to displacement by foreign substitutes.

With regard to the treatment of SPs, Malaysia suggested exempting SPs with bound tariffs below 20 percent from reduction commitments. In addition, SPs already subject to tariff rate quota commitments would face lower expansion requirements than other products. Malaysia also proposed that the maximum tariff that developing countries could apply on SPs should be higher than the tariff cap for other products.

The US, Australia, Canada, New Zealand, Costa Rica and Thailand said the Malaysian submissions was a good starting point for further work towards indicators for identifying SPs.

G-33 Objects to Malaysia's Approach

In contrast, G-33 members argued that the proposed set of indicators failed to adequately reflect the objectives of food security, livelihood security and rural development, emphasising that SPs were meant to address developmental objectives "beyond the scope of commercial consideration and requirements to improve market access." They also claimed that Malaysia's criteria were impractical, since they would not be able to capture the diverse conditions that prevail in different developing countries. Mauritius said that under Malaysia's approach, African countries would be unable to designate any SPs, since their crops would fail to qualify.

The G-33 maintained that its own favoured approach – which would have Members use a non-exhaustive list of indicators to help guide their designation of SPs – was the only practical way for a wide range of countries to address their unique concerns. The group was particularly critical about the specific numerical thresholds to exclude products from SP eligibility.

The discussions on SPs, as well as the 'special safeguard mechanism' at the March meeting reflected in particular a disagreement among developing countries about the nature and purpose of agricultural market access flexibilities. Defending the G-33 view, the Philippines said that exporters stood to make gains from the overall tariff cuts, and argued that exporting farmers could not be fairly compared to subsistence ones.

DSU Review Picks Up after Hiatus

After months of virtually no activity, WTO Members in March discussed three new proposals for amending WTO rules on dispute settlement.

The 2001 Doha Declaration mandated Members to negotiate ‘improvements and clarifications’ to the Dispute Settlement Understanding (DSU) by May 2003, but that deadline and several others were missed. Reflecting renewed interest after a period of inactivity, Members have submitted several revised contributions since the Hong Kong Ministerial Conference. Nonetheless, some developing country members are concerned that attention to development concerns may be lost amidst the revived discussions on systemic issues.

US Seeks to Curb ‘Judicial Activism’

At the 21 March DSU review session, the United States presented a contribution that sought to provide direction on how panels and the Appellate Body should order their analysis of a disputed trade measure, or – in dispute settlement language – ‘the measure under review’. The paper emphasised that the purpose of the dispute settlement system was to help Members resolve trade disputes among themselves, not to produce reports or to ‘make law’ (TN/DS/W/82/Add.2).

When faced with adverse dispute settlement rulings, US politicians have frequently accused WTO panels or the Appellate Body of ‘judicial activism’, i.e. of ‘making’ rules rather than just assessing their correct application. To address those concerns, the US submission elaborated on earlier proposals aimed at providing ‘additional guidance to WTO adjudicative bodies’. In discussing the ‘order of analysis’ of the measure under review, it noted that “WTO adjudicative bodies should avoid making findings that are not aimed at resolving the dispute. It is useful to bear in mind that such bodies are not permitted to render authoritative interpretations of the covered agreements.” After a brief discussion on the definition of a ‘measure’, the paper concluded that a WTO adjudicative body must presume that a Member would not choose to violate WTO rules. Therefore, the US suggested that any ‘measure’ broad enough to allow a Member to comply – as well as not to comply – with a WTO agreement, “may not be found to be inconsistent” with the agreement in question.

A number of delegates said that the issues presented were too complex and challenging to be dealt with in the review. Others argued that although the purpose of the system was indeed the resolution of specific disputes, dispute settlement could also serve to clarify Members’ rights and obligations. One delegate expressed concern that the proposal might unduly restrict the ability of adjudicating bodies to rule on challenged measures.

G-7 Calls for Enhanced Third Party Rights

Argentina, Brazil, Canada, India, New Zealand, Norway and Mexico, the so-called G-7, submitted a revision of an earlier ‘package deal’ on various aspects of the DSU (Mexico is not a full sponsor of this proposal but is working with the group).

The proposal sought to strike an appropriate balance between the enhancement of third party rights and the preservation of the interests of the main parties to a dispute. With respect to requests to join in consultations, the G-7 explained that upon reflection, it had decided to maintain its ‘all or nothing’ approach, meaning that a main party would have the option of either accepting or rejecting *all* requests for third party rights, but not be allowed to discriminate among Members.

Several members expressed reservations about this approach, noting that it could be prejudicial to those who had a genuine interest in the consultations. In justifying its proposal to allow countries to join a dispute as a third party at the appellate stage, Canada argued that the current requirement for countries to seek third party status at the panel stage – long before any systemic issues arising from the case became clear – placed a heavy burden on resource-constrained WTO Members.

‘Confidential Information’ in Disputes

Canada introduced a revised proposal on the protection of confidential information in panel and Appellate Body proceedings. While the original January 2003 proposal (TN/DS/W/41) focused on confidential business information, the revision addresses ‘strictly’ confidential information more broadly. It also covers requests for information in disputes over subsidies outlined under Annex 5 of the Agreement on Subsidies and Countervailing Measures, which require governments to disclose data about grants to companies and address the destruction or return of such information. According to the proposal, a party that introduces as evidence proprietary or commercially sensitive information not in the public domain would be permitted to designate it as confidential, provided that it acts in good faith and exercises restraint. Access to strictly confidential information would be limited to persons who have signed a declaration of non-disclosure and who are representatives of the disputing parties, members of the panel, WTO Secretariat staff or experts appointed by the panel. In introducing this proposal, Canada noted the potential link between this issue and that of transparency and suggested that both issues would be integrated as work progressed.

While a number of delegates welcomed the Canadian contribution as a good basis for further work, one delegate noted some concerns about the potential for abuse of the procedure if it were inserted into the DSU. In the Canada-Aircraft case, where Brazil challenged Canadian subsidies on aircrafts, both parties had requested the Appellate body to adopt additional procedures for the protection of business confidential information — only to have them rejected by the Appellate Body. Trade commentators speculate that this proposal and its predecessor stem from Canada’s experience in this case. The EU indicated that it was working towards a text on ‘post-retaliation’.

The next DSU review meeting is scheduled for 24-25 April.

Draft Language Discussed on Fisheries Subsidies

At the mid-March meeting of the Negotiating Group on Rules, Members examined draft legal texts put forward by Brazil and New Zealand on new disciplines on fisheries subsidies that contribute to fleet overcapacity and the depletion of fishstocks.

In order to be in a position to submit a consolidated draft for Members' consideration by late July, the Chair of the rules negotiations, Ambassador Guillermo Valles Galmés of Uruguay, asked Members in February to start submitting draft text that could be used to legally amend WTO provisions on subsidies, anti-dumping and regional trade agreements.

N. Zealand Approach 'Too Broad'

Members welcomed the fact that New Zealand had submitted draft language for a fisheries-specific amendment to the Agreement on Subsidies and Countervailing Measures (TN/RL/GEN/100), but a number of delegates said the proposal was too broad in its scope and coverage, and failed to provide adequate special and differential treatment (S&D) for developing countries. The proposal reflected the top-down 'blanket ban' approach favoured by the Friends of Fish group, i.e. a prohibition of all subsidies that "confer a benefit directly or indirectly on any natural or legal person engaged in the harvesting, processing, transport, marketing or sale of fish and fisheries products" with some specified carve-outs. Most delegates said that the proposal could have provided more detail about the conditions that would trigger exemptions for access payments, aquaculture, research related to fisheries management, vessel decommissioning, some infrastructure, certain social insurance programmes and natural disaster relief.

Many developing countries, among them some small and vulnerable coastal states, were particularly concerned about the proposal's extension of disciplines to cover canned and processed fish. The Solomon Islands maintained that new rules should not apply to subsidies given to such value-added activities in the interest of helping small and vulnerable economies develop their fishing industries. It also reminded Members that the purpose of the disciplines was to prevent over-fishing, and argued that they should therefore only cover capture fisheries and not aquaculture.

Some two dozen developing countries, including Brazil, India and several Latin American and African, Caribbean and Pacific countries, expressed disappointment in the S&D provisions in New Zealand's draft text, which exempted a certain *de minimis* amount of developing country subsidies from the general prohibition, but did not elaborate on how much, or the types of subsidies that would be exempted. Both the EU and the developing countries claimed that a *de minimis* exemption was unlikely to be sufficient to allow these countries to pursue legitimate developmental and social objectives, and asked for more detail on how such a provision could be applied in practice. Sources report that New Zealand suggested in the corridors that it was developing a new proposal on a *de minimis* approach to S&D.

Some Question Brazil's Linking Subsidies to RFMO Membership

While the Brazilian text paid significant attention to S&D-related concerns, its linking special and differential treatment to membership in a regional fisheries management organisation (RFMOs) raised concerns from some developing and developed countries. The proposal would allow developing countries that are part of an RFMO to grant capacity-enhancing subsidies, so long as the fishing capacity remains within a sustainable level of exploitation as defined by the RFMO in question (TN/RL/GEN/79/Rev.1).

Norway, Japan, New Zealand and some developing countries suggested that many RFMOs did not have the capacity to determine the sustainability of fisheries for the purposes of the WTO (see related article on page 21). They also pointed out that many countries were not members of RFMOs and argued that the proposal's criteria for non-RFMO members were too strict.

One trade expert also suggested that the proposal would give the WTO too much of a role in determining whether fisheries stocks are overexploited or not. Another source noted that the vast majority of fishing took place within countries' exclusive economic zones, which are not usually covered by RFMOs.

Brazil's proposal would allow all WTO Members to subsidise small-scale and artisanal fishing, except in 'patently-at-risk' fisheries.¹ Some delegates questioned how the status of a fishery could be examined or proven in the WTO. Many developing country delegates pointed out that they considered artisanal and small-scale fisheries to be the same, while Brazil defined 'small-scale' fishing as activities carried out by vessels under 24 metres in length, and 'artisanal' fishing as activities performed at an in-shore basis with non-automatic net-retriever devices, provided, *inter alia*, that the activities are carried out in the absence of an 'employer-employee relationship'. A developing country delegate said that while artisanal fishing in developing countries should be exempted from subsidy disciplines, in developed subsidies should be prohibited.

Most developing countries welcomed India's submission, which contained a list of 'general characteristics' of small-scale, artisanal fisheries, which it felt could be more useful than trying to develop a common definition (TN/RL/W/203). The submission also contended that since disciplines on fisheries subsidies shifted the ambit of the Agreement on Subsidies and Countervailing Measures (ASCM) from trade distortions to problems related to over-fishing and overcapacity, developing countries would require more policy space than the ASCM already provides. India was requested to flesh out its propositions in the form of draft legal text.

The next rules negotiating session will take place from 24 April to 5 May.

ENDNOTES

¹ 'Patently-at-risk' fisheries comprise those considered 'overexploited', 'depleted' or 'recovering' by the UN Food and Agricultural Organisation; see table on page 22.

Little Progress in Environmental Goods Negotiations

Meeting in February 2006, WTO negotiators on trade and environment continued to differ on the criteria for environmental goods, as well as the scope and approach to take to liberalising trade in such products.

Paragraph 31 (iii) of the Doha Declaration mandated Members to negotiate on “the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.”

Parameters Proposed for Environmental Goods

Countries are now considering two sets of ‘indicative parameters’ for evaluating some of these products. The first set, which was proposed by the Chair of the negotiations, Ambassador Toufiq Ali of Bangladesh, asks whether the product has a clear and direct environmental end-use; what environmental products, categories of products or projects are of particular interest to developing country Members; and what other considerations may be taken into account when determining whether a product constitutes an environmental good. The second, more product-specific set was tabled by the US (TN/TE/W/64). It asks whether the product has a clear and direct environmental benefit; if any potential dual or multiple uses could be addressed by using a narrower product description at the national level; whether the product is “so central to the delivery of key environmental and developmental benefits... that its exclusion from liberalisation would reduce the intended environmental benefits” of the initiative; and if the product is sensitive or raised other concerns for delegations. The US also urged Members not to continue “the same kind of unstructured debate” as last year.

Multiple Use Products, Focus Categories Still Divisive

After consulting with several Members on the second day of negotiations, Chair Ali suggested discussing the merits of some proposed products in four categories – renewable energy, air pollution control, wastewater treatment and soil remediation – in a technical meeting during the next negotiating session in June. India, on behalf of a group of ten developing countries including Argentina, Brazil, China, Egypt, Mexico and South Africa, rejected that suggestion. Instead, it proposed that Members examine products in the categories of renewable energy and air pollution control, apply the criteria of single environmental end-use as a filter,

and examine the remaining products against cross-cutting issues such as special and differential treatment, related non-tariff barriers and technology transfer. The US expressed opposition to proceeding in such a manner, indicating that it would prefer to move quickly to the consideration of multiple use products, and to discuss other issues later. Cuba also raised some doubts about the practicality of applying the parameters first for single-use renewable energy and air pollution control products, and then restarting the whole exercise for multiple use products in the same categories.

As a result of these disagreements and the two different sets of parameters for evaluating products, the procedure to be adopted at the next meeting remained somewhat unclear. The Chair emphasised, however, that all proposals related to products within the categories of air pollution control and renewable energy tabled prior to the Hong Kong Ministerial would be discussed. The next negotiating session on trade and environment will be held on 14-15 June.

TRIPS Council: Old Divisions Persist on Disclosure, GIs

Developing countries have called for negotiations, starting in late April, on a new provision in the TRIPS Agreement that would require applicants to disclose the origin of any genetic resources or traditional knowledge used in the invention they seek to patent.

Disclosure has been a topic of debate and division in the TRIPS Council for years. Since the Doha Ministerial Conference in 2001, it has also been addressed as an ‘outstanding implementation issue’ in separate consultations – currently conducted by WTO Deputy Director-General Rufus Yerxa – aimed at clarifying the relationship between the TRIPS Agreement and the Convention of Biological Diversity (CBD, see related story on page 20).

The main proponents of disclosure are Brazil, India and Peru, supported by a number of other developing countries, as well as Norway. These countries argue that a disclosure requirement in the TRIPS Agreement would help reduce the number of ‘bad’ patents granted for inventions that misappropriate genetic resources and/or traditional knowledge and deprive the countries or communities at the origin of the resources of any share of profits arising from the invention’s commercialisation. They also seek an obligation for patent applicants to produce evidence of prior informed consent given by the source country to access the genetic resources/traditional knowledge involved in the invention.

At the mid-March session of the TRIPS Council, the amendment-seeking countries said their proposal to start text-based negotiations on a disclosure obligation was justified by paragraph

39 of the Hong Kong Declaration, which instructed Members take ‘any appropriate action’ on outstanding implementation issues by the end of July. They were emphatic that the discussions had matured to the point that launching negotiations would constitute the ‘appropriate action’ called for.

Predictably, the US and Australia rejected the proposal citing wide disagreement among the membership. Argentina also came out in opposition to a WTO disclosure requirement. The EU and Switzerland, which support national-level disclosure obligations, continue to reject the notion of a TRIPS obligation to do so.

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This fundamental difference of views came out more clearly in Mr Yerxa's informal consultations, in which delegates responded to a set of questions that he had circulated in an attempt to focus the discussions. While Members agreed on the need to avoid erroneous patents and ensure equitable and fair benefit-sharing, they continued to disagree on the role of disclosure requirements in achieving it. The US believes that a simple and rapid 'challenge' process would be sufficient to prevent bad patents. India countered that patent challenge proceedings were expensive for developing countries, and that mandatory disclosure would reduce the chances of approval of erroneous patents.

Impasse Continues in GI Talks

Positions remain largely unchanged in the TRIPS Council Special Session, where Members are discussing the creation of a multilateral register for the protection of geographical indications (GIs) for wines and spirits, as well as in a separate set of consultations run by Mr Yerxa on whether the higher level of GI protection currently accorded to wines and spirits should be extended to other products (GI extension).

The faultline regarding GI extension lies between 'old world' countries that seek to protect denominations of products associated with a particular geographic provenance or traditional manufacturing method and 'new world' nations that consider many denominations as generic and favour strong protection for registered trademarks instead. During consultations held in March, both camps sought to support their positions by referring to the positive or negative impact of enhanced GI protection would on developing country economies. While opponents, such as Argentina, Brazil, Canada and Chile, reiterated concern about its high implementation costs, supporters like the EU, India and Sri Lanka pointed to the improved opportunities it would offer developing country producers to gain price premiums in export markets.

WTO Members' views also remain unchanged in the formal negotiations on establishing a multilateral register for wines and spirits mandated in the 2001 Doha Ministerial Declaration. The EU, supported by Switzerland and partly by Turkey, fa-

vours a system where registered terms would be protected in all WTO Member countries apart from those that have challenged them. In contrast, 'new world' countries such as Argentina, Australia, Canada, Chile, the Dominican Republic, Ecuador, Mexico, New Zealand, Taiwan and the US, want the register to be a simple notification system that countries may consult in order to decide whether or not to protect a denomination. Under Hong Kong's compromise proposal (TN/IP/W/8), registered GIs would enjoy a more modest degree of protection, and that only in those countries willing to participate in the system. At the March meeting on the issue, even some developing countries that support GI extension thought that the cost of implementing the EU's approach to a register would be unacceptably high.

The next TRIPS sessions are scheduled for mid-June 2006.

Disputes in Brief

On 30 March, both the EU and the US requested dispute settlement consultations on China's tariffs for car parts, which they alleged to exceed the country's accession commitments, as well as violate several WTO agreements. According to the complainants, last year, China increased tariffs from 10-15 percent to 28 percent for specific combinations of parts used in cars made in China, or for imports that make up more than 60 percent of the value of a Chinese-made automobile. The US consultation request argues that "to the extent China may be viewed as imposing a lesser tariff on imported auto parts if the final assembled vehicle contains specified amounts of local content, it would be forgoing revenue otherwise due, and China would appear to be providing a subsidy contingent upon the use of domestic rather than imported goods." Both complainants maintain that the tariff hikes are designed to promote China's domestic car part industry. If the consultations fail to resolve the issue, the EU and the US can request the establishment of a panel in May.

The Caribbean island state of Antigua and Barbuda is considering retaliatory action against the US due to the latter's non-compliance with the 2005 WTO ruling on US restrictions with regard to Internet gambling. The Appellate Body found that the US could in fact ban such services to protect 'public morals' even if it had not exempted gambling when it agreed to open up recreational services to foreign competition. However, AB ruled that the US implemented its gambling restrictions in a discriminatory fashion because on-line interstate betting was – and is – still allowed under the 1978 Interstate Horse Racing Act (a new legislative initiative that would prohibit all forms Internet gambling is currently pending). The gambling case highlights the difficulty that a small economy such as Antigua (population 67,000) faces when trying to bring a large trading partner into compliance with WTO rulings. Mark Mendel, a legal counsel to the Antiguan government, said that if compensation negotiations between the two parties failed, Antigua would request the right to impose trade sanctions on the US 'in a timely manner', although he acknowledged that Antigua would need to be "a bit creative to motivate the Americans [...] in the direction of compliance."

Colombia has threatened to resort to trade retaliation as of 1 June unless the EU concludes a 'compensation' deal on bananas before then (G/C/W/545, 21 March 2006). At issue is compensation for the higher banana tariffs adopted by the ten new EU member countries when they joined the Union in 2004. Negotiations must take place under GATT Article XXIV.6, which calls for 'compensatory adjustment' to trading partners when a Member increases its tariff beyond the level bound at the WTO upon joining a customs union or a free trade area. Colombia complains that the EU has negotiated compensation for the US and others but, in the case of Colombia, has unilaterally bundled compensation for banana tariff changes resulting from enlargement with the separate issue of the new EU banana import regime, which entered into force at the beginning of this year (Bridges Year 10 No.1, page 14). Colombia is likely to target luxury cars such as BMWs in order to pressure Germany to take a proactive position in the compensation negotiations.

New Proposals But No Results in NAMA Negotiations

WTO negotiations on non-agricultural market access (NAMA) remain deadlocked, with countries still disagreeing on the tariff reduction formula, as well as on how to achieve a 'comparably high level of ambition' in market access for agriculture and NAMA.

Ambassador Don Stephenson, who chairs the negotiations, told WTO Members after the March NAMA week that no material progress had occurred in his consultations. Instead, Members' positions seem increasingly polarised between the 'less than full reciprocity' camp spearheaded by a coalition of developing countries and the 'market access' camp intent on opening advanced developing country markets.

NAMA-11 Outline Development-friendly Modalities

At the March non-agricultural market access negotiating session, a group of developing countries¹ put forward an eight-page paper outlining their view of development-friendly industrial market access modalities (TN/MA/W/68). The proposal also spelled out the group's interpretation of the injunction in paragraph 24 of the Hong Kong Ministerial Declaration that negotiators must "ensure that there is a comparably high level of ambition in market access for agriculture and NAMA."

First, the submission called for the elimination of developed country tariff peaks and escalation, as well as cutting tariffs on developing country industrial exports by at least an amount equal to that of the overall average reduction. According to the NAMA-11, as the group is called, previous trade rounds have delivered smaller-than-average tariff cuts on industrial products of developing countries.

Second, it noted that the principle that developing countries should cut their tariffs on the basis of 'less than full reciprocity' must be reflected in the *effort* made by developed and developing countries rather than the end result. The group acknowledged that developed countries generally had far lower average tariffs than developing countries but, quoting a 1994 GATT study, argued that "a 50 percent reduction in a 3 percent tariff would cause the tariff inclusive price to decline by 1.5 percentage points, whereas a 25 percent cut in a 36 percent tariff would result in a 6.6 percentage point reduction in the tariff inclusive price." Therefore, a higher reduction coefficient—resulting in higher post-reduction tariffs—would still provide 'much more' actual market opening in developing countries than a low coefficient would in developed countries.

Referring to the results of the tariff cut simulations run by six developed and four developing WTO Members (see table below), the NAMA-11 noted that the coefficients in the tariff reduction formula for developed and developing countries should be markedly different to deliver on the principle of 'less than full reciprocity'. In contrast, the EU has proposed a coefficient of 10 for developed countries and 15 for developing countries, while the US has called for the coefficients to be as close as possible. Indeed, the US has previously argued that 'less than full reciprocity' would be achieved even by using a single coefficient for all WTO Members (except least-developed countries, which are not required to make tariff reductions), since countries with higher initial tariffs would still have a higher final end rate.

The NAMA-11 paper also strongly made the point that tariff cuts must be made from bound levels as stated in the July 2004 Framework Agreement. The EU and other developed coun-

tries have repeatedly stressed that the NAMA negotiations must result in real improvement in market access in advanced developing countries and not just a cut in the 'water' between bound and applied tariff rates. In India, for instance, the average bound rate is 32 percent while the average applied rate is 19.46 percent. In developed countries both bound and applied tariffs for industrial products are mostly under four percent. The NAMA-11 argued that the gap between developing countries' bound and applied rates resulted from autonomous liberalisation and that they should not be penalised for having taken such action. The group also noted that developing countries might need to maintain some difference between their bound and applied rates "so as to retain the policy space required for industrial development."

A key issue in the negotiations concerns the flexibilities for developing countries contained in paragraph 8 of the NAMA annex of the July 2004 Framework Agreement. This paragraph gives developing countries the choice of either (a) applying just half the cut required by the formula to up to [10] percent of tariff lines, or (b) keeping tariff lines unbound, or not applying formula cuts for up to [5] percent of tariff lines.

The US in particular has insisted that if developing countries have a higher tariff reduction coefficient, they must give up at least some of these flexibilities. The NAMA-11 proposal reiterates a point frequently made by Argentina, Brazil and India that paragraph 8 is a 'stand-alone' provision and "any move to link it, or use it as a trade-off with the tariff reduction formula will create unnecessary difficulties in the negotiations."

At an earlier NAMA meeting, many developed countries objected to China's and several other developing countries' insistence that the bracketed figures in para. 8 were the lowest they could accept for flexibilities. The figures, the critics said, would remain open to negotiation until the tariff reduction formula was finalised.

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Percentage Reduction by Developed Countries ² in Bound Tariffs			
Swiss Coefficient 2	Swiss Coefficient 5	Swiss Coefficient 10	ABI = 1
47.5%	36.6%	25.77%	35.78%
Percentage Reduction by Developing Countries ² in Bound Tariffs			
Swiss Coefficient 30	Swiss Coefficient 35	Swiss Coefficient 40	ABI = 1
47.99%	44.45%	41.47%	49.59%

The proposal emphasised that the NAMA framework needed to be consistent with that in agriculture, where tariff cuts will take place from bound rates despite ‘considerable’ water in developed countries’ tariff structures. In addition the NAMA-11 noted that developed countries had “insisted on using bound levels as a basis for their domestic support reductions” in agriculture and that none of the proposals on the table in this area were likely to go beyond current applied levels or beyond spending levels after the implementation of domestic reforms. The paper referred to a 13 March 2006 Argentine submission, which outlined elements that could be used to compare the level of ambition (TN/MA/W/76). That paper showed, *inter alia*, that under the EU’s agricultural market access proposal, final agricultural tariffs would average 12.02 percent. However, if the reduction formula proposed by the EU for NAMA were applied to its agricultural tariffs, the post-Doha average tariff would only be 4.82 percent.

Turkey Proposes ‘Reverse’ Sectoral Initiative on Textiles

On 23 March, Turkey proposed that textiles and clothing be treated differently from other industrial goods. Unlike other sectoral initiatives, which seek deeper tariff cuts for certain products, the Turkish proposal would result in maintaining higher tariffs for at least some textiles and clothing products through ‘harmonising’ Members’ tariffs within a certain range. According to Turkey, this approach would allow some tariff lines to be reduced less than the formula demands, while others would be cut more steeply. In order for all developing countries to benefit, all ‘competitive producers’ should take part in the initiative.

However, most of those competitive producers, including China, India and Pakistan, rejected the proposal out of hand, with some reminding Members that the July 2004 Framework Agreement called for the NAMA negotiations to proceed on a “non-linear formula applied on a line-by-line basis” with no *a priori* exclusions. Indonesia and Hong Kong also cautioned against the initiative. The US, where textiles manufacturers have long pressed the government to request a protective sectoral initiative such as the one suggested by Turkey, nei-

ther supported nor opposed the proposal, although US Trade Representative Robert Portman called it ‘constructive’. In contrast, the EU continues to seek a standard sectoral deal aimed at bringing textiles tariffs as close to zero as possible.

Jordan, Mauritius, Sri Lanka and Tunisia expressed support for the initiative. These countries, along with other smaller textile-producing WTO Members, are worried about their ability to export in a quota-less world where a handful of extremely competitive producers are likely to dominate global trade (see article on page 18). Speaking to journalists on 28 March, WTO Director-General Pascal Lamy called the initiative ‘strange’ as it would result in “a NAMA-minus in a negotiation where we have always structured the thing so that there may be NAMA-plus.”

EU Eyes Export Tax Agreement

The European Commission has circulated to EU member states a draft proposal for a new WTO agreement to discipline export taxes in the context of the NAMA negotiations on non-tariff barriers. According to the Commission, the proposal aims to address “distortions to international trade caused by export taxes used for the purpose of (or otherwise having the effect of):

- artificially transferring gains from trade between WTO Members (beggars thy neighbour);
- creating unfair advantages to domestic industries in international trade at the expense of other WTO Members’ producers, including infant industries in developing countries; and
- evading existing WTO disciplines on export restrictions by shifting to more or less prohibitive taxes on the exportation of goods.”

The agreement, which would be subject to dispute settlement, would require developed countries to eliminate export taxes upon the agreement’s entry into force. Developing countries would have a three-year transition period and LDCs five years.

The Commission specifies, however, that its proposal would not affect WTO Members’ right to introduce export taxes for ‘legitimate purposes’, such as the general exceptions contained in GATT Article XX. Neither would it curb developing countries’ right to grant government assistance to economic development under Article XVIII, or to safeguard their balance of payments as authorised under Article XII. However, export taxes maintained by developing countries must be at low levels and apply to a limited number of products. In addition they must be ‘necessary’ to maintain fiscal stability, satisfy fiscal needs, or to facilitate diversification away from an excessive dependence on the export of primary products. The final caveat foresees that the taxes must not “adversely affect international trade by limiting the availability of goods to WTO Members in general or by raising world market prices of any goods beyond the prices that would prevail in the absence of such measures, or otherwise cause serious prejudice of another developing country Member.”

The draft agreement also contains a built-in agenda to start negotiations on the phase-out of any remaining export taxes five years after its entry into force.

John Hilary of the UK-based charity War on Want said that it was ‘incredible’ that the EU was “planning to introduce such a divisive new agreement at this late stage in the WTO negotiations. Developing countries have consistently opposed discussing export taxes in the current talks, yet Peter Mandelson now wishes to table a full-blown agreement on the issue. This is a politically motivated action designed to please the Brussels business lobby, but it is one more nail in the coffin of the Doha Development Agenda.”

In related news, the Chinese government announced in March that it would double its 5 percent export tax on copper and copper alloy products as of 10 April in order to restrict exports of energy-intensive products.

ENDNOTES

¹ Argentina, Brazil, Egypt, India, Indonesia, Namibia, the Philippines, South Africa, Tunisia and Venezuela submitted the NAMA-11 proposal.

Aid for Trade: For What and How?

As hopes for an ambitious outcome of the Doha Round dwindle, the expected expansion of 'aid for trade' is increasingly seen as one of the most important gains for developing countries.

In the Hong Kong Declaration, ministers noted that aid for trade should "aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO agreements and more broadly to expand their trade." Building on their Doha Declaration confirmation that technical co-operation and capacity-building are 'core elements of the development dimension of the multilateral trading system', they instructed the WTO Director-General to create a task force to provide recommendations by July 2006 on how to 'operationalise' aid for trade, and how it might most effectively contribute to the development dimension of the Doha Round. They also requested him to consult with other international organisations on "appropriate mechanisms to secure additional financial mechanisms for aid for trade."

The aid-for-trade task force was set up in February 2006. It comprises 13 members: Barbados, Brazil, Canada, China, Colombia, the European Union, Japan, India, Thailand, the United States and the co-ordinators of the ACP, African and LDC groups. It is chaired by Ambassador Mia Horn Af Rantzien of Sweden in her personal capacity.

The task force has so far met twice. Its March meeting was primarily a brainstorming exercise about what an aid for trade mechanism acceptable to both recipient and donor countries might look like. Discussions focused on the need to agree on the scope of an aid-for-trade package, as well as its financing, implementation and monitoring. At the April meeting, WTO Director-General Pascal Lamy is expected to report on his consultations with various international and regional financial institutions with regard to securing funding for aid for trade. The task force is also contemplating an open-ended consultation with all Members in mid-May.

Several countries have pledged to vastly increase their aid-for-trade support. In Hong Kong, for example, Japan announced it would spend US\$10 billion over a three-year period on trade, production and distribution infrastructure; the US announced annual aid-for-trade grants of US\$2.7 billion by 2010; and the EU said it would increase yearly trade-related spending to • 2 billion by 2010.

Development through Trade Should Be Ultimate Goal, Researchers Say

A recent paper by Nobel Laureate Joseph Stiglitz and Andrew Charlton – presented at a conference jointly organised by the Commonwealth Secretariat and UNCTAD from 21-22 March – provides some ideas on what aid for trade should be, as well as how the money should be given and managed.

First, the authors make it clear that they do not see aid for trade as a bargaining chip to 'buy' progress in the negotiations, or as compensation for adjustment shocks, or even as a 'fairness' mechanism that would distribute some of the rich country benefits to those who will gain less from the conclusion of the Doha Round. Instead, they assert that aid for trade should be seen as an "essential component of market access offers to the poor countries. The message from least-developed countries in the Doha negotiations should be: 'Aid for trade must be part of the market access agenda. It is meaningless to give us tariff-free entry if we are unable to use it. In the context of supply constraints, giving access to your markets must mean giving us both free entry and aid to ensure we can use it'."

Stiglitz and Charlton acknowledge that countries facing adjustment shocks (preference-dependent countries, LDCs facing adverse terms of trade shocks and tariff losses) should receive funding, but stress that the purpose of aid for trade should be to promote future exports, not to compensate the loss of past exports: "The objective should be to put resources into increasing the volume and value-added of exports, diversifying export products and export markets

and attracting foreign investment to generate jobs and exports." To bring this about, the authors recommend a strong focus on private sector development.

The authors also propose that "the scale and scope of aid for trade be broadened and stress that this will require significant reform to the existing aid for trade system." To this end, they recommend that

- "Existing multilateral aid-for-trade structures, particularly the Integrated Framework, should be consolidated under the management of the World Bank where a new Global Trade Facility (GTF) should be housed much as the Global Environment Facility is housed within the World Bank.
- The six agencies currently participating in the Integrated Framework (of trade assistance to LDCs, *ed.*) would continue to operate in an advisory capacity. They would continue to promote harmonisation and to ensure that trade development is not considered in isolation, but as part of an overall package of domestic policy reforms and economic planning.
- The facility would receive a stream of funding (additional to existing aid commitments) agreed to as part of binding Doha Round agreements.
- These commitments would be subsequently enforceable within the WTO. The GTF could directly bring a charge of non-compliance against any country not meeting its aid commitments, and would have the right to auction off any enforcement action. All countries agreeing to contribute to the Trade Facility would subscribe to a 'maintenance of effort' commitment that current aid levels would not be reduced, and such maintenance-of-effort commitments would also be binding.
- The facility would have a broad mandate to finance technical assistance, trade-related capacity-building, enterprise development and infrastructure projects through a combination of grants and concessional loans."

Continued on page 16

Financing Aid for Trade

The two penultimate points would create an unprecedented situation for donor countries, whose binding funding commitments would be negotiated as part of the overall Doha outcome and ‘enforceable’ through WTO dispute settlement.

The report proposes that:

- advanced industrial countries would contribute 0.05% of their GDP to the Global Trade Facility;
- there would be an additional commitment of a small percentage of the value of their exports to LDCs; and
- there would be an additional commitment of 5 percent of all agricultural subsidies and 15 percent of all arms sales to developing countries, partially reflecting the costs that these impose on developing countries.

Capacity-building

The authors recognise that market access alone will not be sufficient to bring the benefits of trade to developing countries. Stiglitz and Charlton identify three broad categories of capacity-building to build supply capacity: trade policy and regulation, enterprise development aimed at helping private companies to trade and at creating a favourable business climate, and financing the removal of infrastructure bottlenecks.

On trade policy and regulations, the authors write that “a core need which should be addressed by aid for trade is the lack of trade policy capacity in many developing countries, which simply do not have the staff, finance, or the depth of skills to adequately represent their interests in trade negotiations and integrate their own trade policies to changing environments.” They also note that trade policy capacity-building is too often narrowly focused on encouraging developing countries to participate in negotiations of interest to rich countries instead of contributing to building national capacity to understand, negotiate and implement trade agreements in a way that maximises development. Ideally, they say, trade policy capacity-building would involve research, training and institutional funding with the aim of creating trade-related knowledge networks.

Forthcoming issues of Bridges will bring out more views on aid for trade.

LDCs Seek More Clarity on Market Access

Disagreement prevails on whether the implementation of the Hong Kong decision on duty- and quota-free access for most products from least-developed countries is a negotiating issue.

Least-developed countries have called on the Committee on Trade and Development Special Session (CTD-SS) to address the implementation of the decision that developed countries – and developing ones declaring themselves able to do so – must grant duty- and quota-free access to at least 97 percent of LDC exports as of 2008 (Bridges Year 10 No.1, page 6). While seemingly insignificant, the exemption of three percent of tariff lines is in fact enough to potentially shut out most of their export products, LDCs argue.

The Hong Kong text instructs Members unable to provide full market access in 2008 to “take steps to progressively achieve [duty- and quota-free access for all LDC exports], taking into account the impact on other developing countries at similar levels of development, and, as appropriate, by incrementally building on the initial list of covered products.” LDCs are now seeking a timeline for increasing product coverage, agreement on products that should not be allowed in the three-percent exemption and some definition of what would constitute preferential rules of origin that are “transparent and simple, and contribute to facilitating market access.” They would also like to discuss the nature of the unspecified ‘flexibility’ in product coverage that the Hong Kong Ministerial Declaration offers to developing countries that agree to provide duty- and quota-free access to LDC exports.

LDCs have argued that the CTD-SS is the right venue to address these issues since it is a negotiating body. The US, the main *demandeur* for the three-percent exemption in Hong Kong, continues to maintain that implementation is not a negotiating issue, and should therefore be discussed in the CTD’s regular session, to which Members must in case notify the steps they have taken to implement the decision. The Special Session Chair, Ambassador Burhan Gafoor of Singapore, has invited both sides to consult bilaterally in order to find a solution.

S&D Discussions Continue

The primary function of the CTD-SS is to review provisions in WTO agreements on special and differential treatment (S&D) for developing countries “with a view to strengthening them and making them more precise, effective and operational.” Prior to Hong Kong, the committee focused on proposals put forward by LDCs, such as the one on duty- and quota-free access. In March, Members looked in particular at proposals submitted by the African Group.

They considered the wording of three proposals (from the African Group, Thailand and India) aimed at giving more (binding) flexibilities to LDCs with respect to providing import statistics on products subject to import licensing. According to one developing country delegate, compromise language combining the three proposals could be found. However, many developed countries said that flexibilities already existed and that more should not be given at the expense of the need for transparency in the application of the agreement.

Discussions were much more contentious on the African Group’s proposal that LDCs be exempted from all restrictions under GATT Article XVIII on the promotion of development of domestic industries. Kenya explained that the purpose of the proposal was to ensure that flexibilities for LDCs to pursue development objectives were maintained. Kenya argued that such flexibilities were being “squeezed every day” and that LDCs wanted them strengthened.

The US, supported by other developed countries, said it was not prepared to “rewrite history” in order to make Article XVIII more precise, effective and operational. Switzerland noted that there was a need to balance rights and obligations for all WTO Members, and that the African proposal would encroach on those of other (developing) countries. Although no developing countries took the floor on this issue, some developing country delegates privately indicated that the African proposal went too far in undermining the predictability of the trading system. The Chair will hold consultations on the basis of new language proposed.

Doha's Hidden Price Tag

Kevin P. Gallagher

Much of the discussion of the Doha Round's development impact has centered on the potential benefits of the round, but relatively less attention has been paid to the potential costs.

When projections of gains from trade are presented to policy-makers, many of the underlying assumptions are left out of the discussion. A key assumption in the modeling exercises of the Doha benefits is that that governments' fiscal balances are fixed—in other words any losses in tariff revenue are offset by lump sum taxes. While there is evidence that shifting from trade to consumption taxes are better for welfare, in the real world such taxation schemes cost enormous amounts of political capital and in some cases may not even be possible. Indeed, it has been shown that tariffs may be preferable in developing countries with large informal sectors that cannot be taxed efficiently.

The World Bank estimates that the benefits from a 'likely' outcome of the Doha negotiations will be approximately US\$96 billion, with 70 percent of the gains going to developed countries. Developing country gains are projected to be approximately US\$16 billion, and amount to less than a penny-a-day per capita, less than 0.2 percent of GDP (see table below).¹ These small gains go a long way in explaining why there is a lack of urgency on the part of developing countries to finish the round as it is currently constructed.

Using the same model as the World Bank, UNCTAD has published estimates of projected tariff revenue losses under the NAMA negotiations of the Doha Round for a 'Swiss formula' scenario, which resembles the likely Doha outcome with a coefficient of 10 for developing countries. These tariff revenue losses are shown with the World Bank benefit projections for the world and various regions and countries in the table below.

Many developing countries rely on tariffs for more than a quarter of their tax revenue. For smaller nations with little diversification in their economies, tariff revenues provide the core of government budgets. According to the South Centre, in the Dominican Republic, Guinea, Madagascar, Sierra Leone, Swaziland and Uganda tariff revenues represent more than 40 percent of all government revenue.

As the table below shows, tariff revenue losses will be significant and even outweigh the benefits in some cases. Indeed, at US\$63.4 billion, the total of such losses for developing countries under NAMA could be almost four times the benefit. Africa, the Middle East and Bangladesh—areas with large informal economies and where tariff revenues are key for government revenues—are predicted to be net losers in terms of benefits, as well as to suffer even larger losses in tariff revenues.

In this table only in Brazil are the benefits larger than the losses. However, while Brazil may gain US\$3.6 billion, it will still lose US\$3.1 billion in tariff revenue. This is also predicted to result in increased competition from imports for the country's heavy industry. Such competition will be coupled with significant urban job losses in those industries. Although there may be modest job creation in Brazil's soy country, few of the displaced workers are likely to move to the countryside. What's more, the Brazilian government will be hard-pressed to tax the leftover benefits that will flow to soy agribusiness to compensate industrial workers for their losses.

In a recent issue of *Foreign Affairs*, Jagdish Bhagwati commented that the more attention needed to be paid to adjusting to tariff revenue losses in developing countries: "If poor countries dependent on tariff revenues for social spending risk losing that income through tariff cuts,

international agencies such as the World Bank should stand ready to make up the difference until their tax systems can be fixed to raise revenues in other, more appropriate, ways."² At present, however, even the most ambitious aid-for-trade packages come nowhere near filling the gap in lost tariff revenue predicted by UNCTAD.

WTO Members and international economic institutions agreed to make Doha a development round, yet the likely deal will yield small benefits and high adjustment costs for many developing countries. Putting development back in the round is the most important agenda item when negotiators meet in April. If this does not occur, no deal may be better than the one on the table.

Kevin P. Gallagher is a professor at Boston University and Senior Researcher at the Global Development and Environment Institute, Tufts University.

ENDNOTES

¹ New research by the Carnegie Endowment for International Peace using similar modeling exercises puts the potential gains to developing countries at US\$21.5 billion.

² See Jagdish Bhagwati, 'From Seattle to Hong Kong', *Foreign Affairs*, December 2005

³ Source for 'Doha Benefits': Kym Anderson and William Martin et al. 2005. *Agriculture Trade Reform and the Doha Development Agenda*. Washington DC, the World Bank; source for 'NAMA Tariff Losses': Santiago Fernandez de Cordoba and David Vanzetti. 2005. *Now What? Searching for a Solution in WTO Industrial Tariff Negotiations. Coping with Trade Reforms*. UNCTAD

Doha Benefits vs NAMA Tariff Losses³

Country or Region	Likely Benefits (US\$ 2001 billions)	NAMA Tariff Losses (US\$ 2001 billions)
Developed	79.9	38.0
Developing	16.1	63.4
Selected Developing Regions		
Middle East and North Africa	-0.6	7.0
Sub-Saharan Africa	0.4	1.7
Latin America and the Caribbean	7.9	10.7
Selected Countries		
Brazil	3.6	3.1
India	2.2	7.9
Mexico	-0.9	0.4
Bangladesh	-0.1	0.04

Trends in the Textiles Trade a Year After Quota Removal

Preliminary information on global trade in textiles and clothing products in 2005 indicates that the worst case scenario of a post-quota trading environment has largely been avoided.

As expected, Chinese exports to both the US and the EU increased dramatically in 2005. In the first nine months of the year, its total exports to the EU grew by 40 percent in volume terms and 45 percent in value. Exports of products in categories formerly subject to quotas swelled by 145 percent by volume and 95 percent by value, with growth in clothing exports nearly double that of textiles. Such exports to the US grew by 25 percent in volume and 29 percent in value, with clothing vastly outstripping textiles on both accounts.

In value terms, India's exports of clothing and textiles to the US in categories formerly subject to quotas increased 26 percent, while those to the EU increased 19 percent.

Indonesia, Thailand, Pakistan and Sri Lanka increased or maintained their share of the US market in 2005, but each registered 10-20 percent decreases in exports to the EU. Turkey's exports into the EU increased by 5.9 percent growth in value and one percent in volume in the first six months of 2005. Its exports to the US decreased 8.32 percent in value and 11.1 percent in volume terms.

Guatemala, Honduras and El Salvador appear to have retained their market share in the US, their main trading partner, while Costa Rica and the Dominican Republic exports to the US continued to decline. In contrast, Haitian exports to the US grew by 24 percent in value terms, while those from Nicaragua increased by 22.1 percent. Similarly, the value of Brazilian, Colombian, Argentine, Uruguayan and Peruvian exports to the US increased, although for Brazil and Colombia the volume decreased. Peru was the only Latin American country to increase its exports to the EU (28.8 percent) in the first six months of the year.

Sub-Saharan African countries have been undoubtedly the hardest hit by liberalisation. Coming up against rapid increases in production thanks to the incentives provided by the US African Growth and Opportunity Act (AGOA), exports from Sub-Saharan Africa to the US decreased by 25

percent in the first four months of 2005 compared to the same period in the previous year. Kenya registered a 13 percent export loss and job orders decreased in early 2005 in South Africa. Clothing exports from Mauritius declined by 16 percent in value terms during the first nine months of 2005, and overall exports to the EU fell by 20 percent. Namibia and Nigeria experienced factory closures. Some estimates show that one-thirds of Swaziland's labour force in the sector may have been lost in the first half of 2005. Given the crucial role that textiles and clothing play in a number of these countries as an earner of foreign exchange and a provider of jobs to low-skilled workers, these developments have worrying implications.

Determinants of Success and Lessons Learned

A number of studies published in the run-up to the elimination of quotas pointed, with differing degrees of emphasis, to a number of factors that would determine developing countries' ability to remain competitive in the new trading regime in 2005 and beyond. These included the location of production and transport time to major importing markets; the presence of free trade agreements or preferential arrangements with key importers and the rules of origin to qualify for such treatment; domestic sourcing of textiles and other inputs; labour costs and flexibility; the quality and reliability of production; lead time; and red tape and customs capacity. However, changes in trade flows since January 2005 suggest that while some of these factors are definitely important, labour productivity – not costs – is crucial, as is the ability to source inputs for garment production. In addition, studies have shown that other determining factors include the availability of a variety of services to retailers seeking to reduce their involvement in sourcing, design, transport and management; along with infrastructure, technology, labour rights, the presence of long-term preferences and importing countries' use of the textile-specific safeguard mechanism included in China's WTO accession agreement.

Case Studies Reveal Details

Pre-2005 predictions of steep declines export earnings and employment for Bangladesh and Cambodia have proven false. In the first eight months of 2005, Bangladesh's exports of textiles and clothing to the US increased by 20 percent in volume and value terms, while exports to the EU increased by 26 percent in volume terms in the first five months of the year. The relative success of the country in adjusting to liberalised markets has been attributed to the government's pro-active approach in the lead-up to quota elimination, which included an action plan that emphasised skill and quality, displaced worker rehabilitation, capacity enhancement, textile sector investment for backward linkages and forward linkage supports. Similarly, although as a least-developed country Cambodia was not expected to perform well, its textile and clothing exports to the US increased 15.6 percent in the post-quota period, with some items clocking increases up to 30 percent. Exports to the EU were also up in the first five months of the year. Cambodia's success has been attributed to its profile as a low-cost country that nonetheless upholds labour standards, based upon a deal with the ILO that ensured independent monitoring of its factories that gained it preferential access to the US before 2005.

Lesotho and Mexico, however, have not done as well. Between 2000 and 2004, significant investments based upon AGOA preferences led to growth in production in Lesotho, where the textiles and clothing sector accounted for 90 percent of exports and was the largest single employer in 2004. However, at the end of 2004, six of the country's 50 garment enterprises closed down. More than 6,500 garment workers lost their jobs; an additional 10,000 workers were reduced to part-time or sporadic work in one of the world's poorest LDCs, where the unemployment rate hovers around 40 percent. Mexico, which was expected to fare relatively well after the elimination of quotas, has also seen its fortunes plummet. In line with reductions of production and exports in the last four years, exports to the US decreased by 5.5 percent in the first eight months of 2005 compared to the same period the year before. Despite its membership in NAFTA, Mexico has not been able to withstand competition from Asian producers.

Measures Taken to Mitigate Change

Although predictions of Chinese growth in textiles and clothing exports were well-founded, a number of policy reactions mitigated the effect of China's unrestrained entry to previously restricted markets. The most important of these was the imposition of safeguards and the eventual adoption of bilateral agreements between China and the US, EU, Brazil and soon South Africa. On 10 June 2005, the EU and China signed a bilateral agreement that limits Chinese exports to the EU in ten sensitive textile and clothing categories to between 8 and 12.5 percent growth until the end of 2007. The US, on the other hand, imposed nine safeguard measures under the textile-specific safeguard provided in paragraph 242 of China's WTO accession agreement, which allows Members to limit imports of Chinese textiles and clothing products to an increase of 7.5 percent above the preceding year's import levels if they are found to disrupt markets. On 8 November 2005, the US and China signed a bilateral agreement, which will limit Chinese exports to the US in 34 product categories to 10 percent in 2006, 12.5 percent in 2007 and 15 percent in 2008.

Brazil and China signed a bilateral deal in February 2006 which limits increases in the eight categories of Chinese textile and clothing exports to Brazil to rates between eight and 25 percent between 2006 and 2008. South Africa and China had as of 15 February drafted a framework agreement on trade in the sector, but had not yet finalised the deal. These four agreements raise a number of policy questions, including the implications of China's agreement to restrain its right to export under WTO rules to avoid the potential imposition of safeguard measures – not only by the US and the EU, but also by two major developing countries of sufficient size and market power to negotiate bilateral deals.

Increases in China's textiles and clothing market share were to be expected given the extent to which Chinese exports were restrained in the MFA/ATC world. IMF estimates indicate that quotas imposed the equivalent of a 27.3 percent export tax on Chinese clothing exports to the US and a 25.3 percent export tax equivalent on clothes sent to the EU. Many economists would thus argue that Chinese workers are finally gaining the market share that they deserve based upon their competitiveness, a share that was suppressed for decades by unfair trade rules.

It is clear that the policy interventions used by Chinese authorities during the 10 year ATC adjustment period – including investments in technology, infrastructure, 'full-package' services and customs simplifications – have resulted in competitiveness gains there, and that similar interventions in other countries have also yielded benefits. For example, the policy interventions in Bangladesh and Cambodia have led to successes that, quite simply, were not anticipated nor incorporated into the GTAP models that attempted to predict the fall-out from liberalisation. This has lessons for adjustment to trade liberalisation more broadly, namely that modelled economic impacts can be mitigated by only moderately-predictable policy measures, such as strategic investments, deregulation of production (or lack thereof), safeguard measures in major importing countries, decisions of importers relating to labour rights or minimising risks by spreading sourcing of garment production.

Changes in Developing Country Market Share of T&C Exports to the US



Data source: Global Trade Atlas, geneva@gtis.com

Liberalisation of the textiles trade and its concomitant shifts in production to more competitive countries have had strong socio-economic impacts, for example in sub-Saharan African or Latin American countries that invested heavily in the sector both in terms of government funding and human capital, and yet were hit hard by quota elimination. Given that recent studies have suggested that the predominantly female workforce employed in these factories had gained increased respect, control over family income and involvement in political and economic life of their societies, the loss of market share and jobs in these countries may have adverse gender impacts in these societies. This has led a number of labour organisations to protest against the China's increasing dominance in the sector, and against high tariffs in importing countries.

What Next?

While smaller developing countries continue to call on the WTO to help lessen the negative effects of liberalisation (page 14), the extent to which WTO rules can affect competitiveness is limited. Technical assistance and future work resulting from the new aid-for-trade task force could help (see page 15). Nevertheless, if WTO Members are really concerned about helping the most vulnerable developing countries cope with textiles liberalisation, the best way to do so is by ensuring that the three-percent loophole in the Hong Kong duty- and quota-free decision is closed as quickly as possible (see page 16).

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Labelling Rules Adopted for 'Living Modified Organisms'

Agreement has at long last been reached under the Biosafety Protocol on labelling requirements for seed shipments that may contain living genetically modified organisms, even if the new rules are looser than their proponents would have wished.

Trade-related issues have been at the heart of the Protocol since its inception, and fears that its documentation requirements would hinder commerce have kept many agricultural exporters from adhering to it. In the recent dispute on the EU's approval process for genetically modified organisms, the EU used the very existence of the protocol as evidence that 'conventional' and GMO products could not be considered as 'like' under WTO rules on non-discrimination.

The new labelling regulations – adopted by the Meeting of the Parties to the Biosafety Protocol in Curitiba, Brazil, in mid-March – cover shipping documentation for cross-border movement of living modified organisms for use in food, feed and processing (LMO-FFPs) but not for release into the environment, i.e. they cannot be planted as crops.

Until now, if the exporter was not certain that a seed shipment intended for food, feed and processing was LMO-free, the shipment had to be labelled as 'may contain' LMO-FFPs not intended for release into the environment. That label applied both to shipments that consisted entirely of genetically modified seeds and to those that might only have been contaminated during processing or transport. Seed shipments free of any LMO presence did not – and still do not – have to be labelled.

The rules adopted in Curitiba provide two options: in cases where the identity of the LMO is known "through means such as identity preservation systems" (a series of documentation and storage-related requirements aimed at guaranteeing that a product retains particular characteristics), the shipment should be labelled as 'containing' LMO-FFPs. When the identity is unknown, the 'may contain' label will apply. In both cases, exporters must provide the common scientific or commercial names of the LMOs, as well as information about the specific nature of the genetic modification.

The decision's provisions apply to LMO-FFPs that are "in commercial production

and authorised in accordance with domestic regulatory frameworks," but do not specify whether these frameworks refer to the exporting or importing countries. Neither does the decision clarify how countries without a regulatory framework would be covered. In addition, given that the trigger for the 'contain' label was not further clarified, the choice of which labelling option to apply will most likely rest largely with the exporter.

The new rules contain another ambiguity, on which countries already have different interpretations. The decision states that the expression 'may contain' does not require listing LMOs of species "other than those that constitute the shipment." This provision fudges over the question of whether the rules cover the 'adventitious' (i.e. accidental, non-intentional) presence of LMOs in shipments. Future controversy is likely to centre on whether the term 'constitute' means the intended bulk of the shipment, or any elements – such as traces of other LMO commodities – that may be found in it.

The decision also explicitly states that the documentation requirements do not apply to non-parties to the Biosafety Protocol. While in a legal sense this seems self-evident, the language might lower the threshold for non-parties to challenge measures taken by participating countries to restrict imports of LMO commodities.

While the new labelling rules, due to their ambiguity and the leeway exporters still have to opt for 'contain' or 'may contain', may not have a significant impact on trade, the fact that they were adopted at all after fractious negotiations over two years allows the participants in the Biosafety Protocol to move on with other issues, such as enforcement and compliance. Reflecting relief over a decision on the thorny labelling issue, the participating governments agreed in the future to meet every two years rather than annually.

ABS Regime by 2010

At the Conference of the Parties to the Convention on Biological Diversity (CBD), which followed the biosafety meeting, governments agreed to a 2010 deadline for concluding an agreement on access and benefit-sharing (ABS) arising from the commercialisation of genetic resources. Access and benefit-sharing have also been under discussion at the WTO Council for Trade-related Aspects of Intellectual Property Rights, where biodiversity-rich countries have called for amending the TRIPS Agreement so it would require patent applicants to disclose the origin of genetic resources/traditional knowledge involved in inventions (see page 11).

One of the key issues in the debate is whether to develop an 'internationally recognised certificate of origin/source/legal provenance' that could be used by patent applicants and others. As foreseen at the February meeting of the Ad Hoc Working Group on Access and Benefit-sharing (Bridges Year 10 No.1, page 26), countries agreed to establish an expert group to explore and elaborate possible options for the form, intent and functioning of such a certificate and analyse its practicality, feasibility, costs and benefits. The group, comprising 25 experts nominated by parties and seven observers, is expected to touch on many of the most contentious issues in the ABS negotiations, including how a certificate of origin could be used in patent applications.

CBD parties also established a preparatory process for a future decision on mitigating perverse incentives that contribute to biodiversity loss and encouraging positive incentives, such as economic, legal or institutional measures designed to encourage beneficial activities. Major agricultural exporters have repeatedly raised concerns about the CBD's work on incentives overlapping with negotiations underway at the WTO, and in particular about allowing measures to mitigate perverse incentives in the CBD context that could provide an opening for countries, such as EU member states, to provide agricultural subsidies 'under the disguise' of biodiversity conservation.

Regulating Fisheries Subsidies – A Role for RFMOs?

Rashid Sumaila and Heather Keith

In the fisheries subsidies negotiations at the WTO, countries continue to struggle with how to enable developing countries to continue building their fisheries sectors while ensuring that the fishing capacities do not exceed sustainable limits. Regional fisheries management organisations have been proposed as a possible partner in addressing this question, raising questions about their ability and willingness to fulfil such a role.

It has been estimated that the probability of a fish stock being depleted increases by 16 percent if shared by two countries, 67 percent if shared by five countries and 149 percent if shared by 10 countries. Since nearly half of all shared fish stocks worldwide are shared by more than five countries, over half of them are at a more than 50 percent risk of being overexploited simply because they are shared. To stop this source of overexploitation, we seriously need regimes and institutions for co-operative international fisheries management (see also table on page 22 on the state of the world's marine fisheries).

The international community has delegated this responsibility to regional fisheries management organisations (RFMOs), which have been given the task of conserving all species associated with or affected by their fisheries, including seabirds, turtles, dolphins, sharks and non-target fish. These organisations play a particularly crucial role in the conservation of wide-ranging marine species, where effective mitigation depends on collaboration between states.

How do RFMOs work?

RFMOs are composed of member countries with an interest in fishing the same stocks. They consist of a mix of large and small developing and developed states, some coastal and others distant water fishing nations. These organisations provide a platform for co-operation between states, which may have different goals and interests but share the same resource. The members vote on regulations and management strategies to be implemented in their respective waters and in the high seas. RFMOs also have non-member states that fish the stocks under management and comply with the regulations, but do not take part in the decision-making process. A state may decide to be a non-member because it does not have a coastline close to the area of coverage of the relevant RFMO, or because it is only a minor player in the fisheries managed by a given RFMO. Non-members may also choose to comply with RFMO rules because they would otherwise face a number of penalties increasingly applied by RFMOs. These may, for instance, deny access to their member ports for vessels of non-members that do not comply with their rules.

The regulations that are usually set by RFMOs include: (i) total allowable catch (TAC) limits; (ii) gear regulations, such as minimum mesh size limits; and (iii) declaring closed areas. These regulations are set on the basis of stock assessments and suggestions put forth by scientists to help maintain the sustainability of the stocks being managed.

RFMO Coverage of Fish Stocks

An analysis of the Sea Around Us Project and FAO databases¹ shows that coastal and distant water fishing nations share 204 fish stocks around the world. Each stock is shared between two and 28 countries, with almost half shared by five or more countries and a quarter shared by 16 or more countries. Approximately 66 species are covered under regional fisheries management organisations, resulting in only 32 percent coverage of the total number of shared fish stocks, with a heavy emphasis on the most commercially valuable and/or heavily traded species. These include several species of tuna, swordfish, cod, hake and halibut, as well as Atlantic salmon and bonito. The price per tonne of these species varies from US\$942 for silver hake to US\$4905 for swordfish.

How Successful Are RFMOs?

The table below presents the key findings of a recent assessment of the performance of the major RFMOs in terms of achieving sustainability and proper management goals (Small, 2005). As it clearly shows, apart from the Commission for the Conservation of Antarctic Marine Living Resources, the scores are quite low, signifying that RFMOs have not been very successful in performing their basic function of ensuring the sustainability of the fish stocks under their watch. Trends in other indicators, such as a rising global long-line fishing effort and declining catch per unit effort of billfish and tuna species – both stocks with heavy RFMO involvement – support these results.

The reasons for the poor performance are many and varied:

- First, RFMOs are not supra-national bodies and therefore have limited power to enforce their rules.
- Global coverage of RFMOs is a mosaic, with some organisations managing a multitude of fisheries while others focus on just a few specialised fisheries.²

Continued on page 22

Table 1: RFMO Performance in Relation to Key International Criteria¹

Measure	CCSBT ²	WCPFC ³	IOTC ⁴	ICCAT ⁵	CCAMLR ⁶
Participation and transparency	58%	82%	78%	82%	70%
Target fish data and assessment	55%	64%	36%	57%	100%
Target fish management and status	41%	–	14%	39%	82%
Combatting IUU fishing	31%	62%	58%	62%	90%
Commitment to reducing bycatch	60%	53%	33%	55%	88%
Bycatch data collection	26%	–	8%	31%	97%
Bycatch mitigation	4%	–	0%	13%	90%
Total Score (%)	35%	–	27%	44%	89%

¹ Criteria developed from the UN Fishstock Agreement and the FAO Code of Conduct of Responsible Fisheries

² CCSBT: Commission for the Conservation of Southern Bluefin Tuna

³ WCPFC: Western and Central Pacific Fisheries Commission. The WCPFC could not be fully assessed since it only came into force in 2004.

⁴ IOTC: Indian Ocean Tuna Commission

⁵ ICCAT: International Commission for the Conservation of Atlantic Tuna

⁶ CCAMLR: Commission for the Conservation of Antarctic Marine Living Resources

- ‘Free riders’, i.e. states that choose not to join RFMOs, continue to fish unrestricted by RFMO rules, and thus undermine the conservation measures. This happens even though RFMOs have developed rules to penalise such violators.
- Fishers register (or re-flag) their vessels in states that are not members of the relevant RFMO and continue to exercise their (claimed) freedom to fish on the high seas unrestricted by the conservation measures set by regional management organisations. Illegal, unreported and unregulated (IUU) fishing is rampant.
- The huge subsidies being paid to the fishing sector in many countries fuel violations of RFMO regulations because most subsidies help to artificially inflate the profits from engaging in fishing.
- To perform accurate stock assessments to establish the appropriate catch level for sustainable exploitation, accurate data records are required. These have proven difficult to obtain partly due to IUU fishing.
- Finally, the management of multispecies fisheries has been difficult for RFMOs because it is a challenge to set regulations for only a few of the species in such fisheries.

A Role for RFMOs in the Fisheries Subsidies Talks?

Some countries have suggested that RFMOs could be given a role in the fisheries subsidies disciplines under negotiation in the WTO Negotiating Group on Rules. Brazil, for instance, has proposed that under special and differential treatment, developing countries should be allowed to increase their fishing effort using subsidies if they are part of an RFMO and they do not enhance their capacity beyond the sustainability limits set by the RFMO. To address subsidies that could contribute to illegal, unreported and unregulated fishing, Japan has suggested that subsidies for overseas transfers of fishing vessels to non-CPCs (contracting or co-operating non-contracting Parties) of RFMOs should be prohibited.

In general, fisheries literature does not support any action that will increase fishing capacity given that current capacity in most fisheries of the world is at a level vastly superior to what is needed to ensure sustainable harvesting (Pauly et al., 2002). Even though Brazil clearly states that such subsidies should be given only when existing capacity is below the sustainable level, it is well known that management does not have a good record of maintaining the fishing effort within sustainable levels. As we outlined above, many RFMOs are currently unable to enforce even their basic obligations of setting TACs to ensure the sustainable use of shared fish stocks. We would therefore to ask for caution in piling them up with more responsibilities before they are provided with the legal framework for enforcing their rules.

Nevertheless, RFMOs could have a role to play in the fisheries subsidies negotiations and disciplines. For instance, they could stimulate discussions among their members on the scope and impact of subsidies on the species under their jurisdiction. They could also serve as platforms for assessing regional commonalities and differences to prepare for WTO fisheries subsidies negotiations, taking advantage of the fact that their membership usually includes a range of both developed and developing countries.

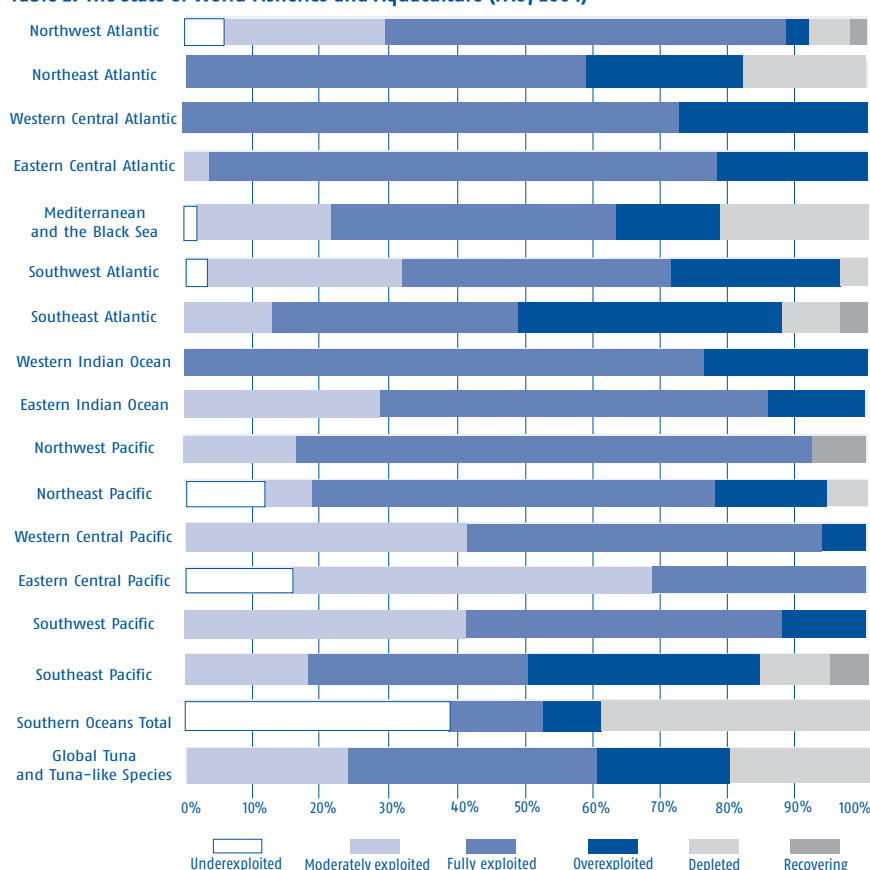
Moreover, since RFMOs have extensive data sets for the fish stocks within their scope, as well as the status of each member in the fishery, they could assist with the collection and analysis of subsidies data. Another way in which RFMOs could support the WTO discussions is by

sharing the data and knowledge on the fisheries under their management with the WTO Negotiating Group on Rules. A line of communication would need to be developed between RFMOs and the WTO for this happen.

Some of the push for new RFMO roles (in the case of subsidies, for example) comes from developing countries. They form a large proportion of the memberships of RFMOs, which must take into account both developing and developed country perspectives when setting regulations. In other words, they could provide a voice for developing countries in the management process, which could promote, for instance, subsidies that assist their efforts to enhance their fishing effort on a sustainable basis.

Rashid Sumaila and Heather Keith are with the Fisheries Centre of the University of British Columbia in Vancouver, Canada.

Table 2: The State of World Fisheries and Aquaculture (FAO, 2004)



ENDNOTES

¹ See www.seaaroundus.org and www.fao.org, respectively.

² For spatial and species coverage of RFMOs, see www.fao.org/fi/body/rfb/index.htm.

A Reality Check on the 'Development' Round

Trineesh Biswas

By all accounts, the 'Doha Development Agenda' is in trouble. This is not just because every core issue in the trade talks remains deadlocked: a wide spectrum of developing countries believe that their most pressing concerns are being systematically marginalised in the very negotiations that were launched to redress them.

Developing countries are finding their interests thwarted, whether offensive or defensive. The EU refuses to make deeper cuts to its agricultural tariffs; the US stonewalls any requests for deeper reductions to its farm subsidies. Yet both are asking developing countries to slash tariffs on industrial goods by percentages far higher than they are willing to implement themselves. The principle of 'less than full reciprocity' is being turned on its head in these negotiations.

These were among the concerns voiced by a group of developing country trade experts during a recent series of meetings in Washington, Brussels and London. ICTSD and the German Marshall Fund arranged the high-level delegation's visit to these key centres of decision-making from 6-10 March in an attempt to inject development concerns into the thinking of people who influence trade policy in the US and the EU. The delegation, which included a trade minister and WTO ambassadors, offered public panel discussions and met informally with senior representatives of governments, parliaments, think tanks and the press.

It is implausible that the poor ranking of development concerns in the ongoing trade talks results from malice – it is more likely the product of domestic pressure groups and short-term commercial interest. Furthermore, the developed world's two giants, the US and the EU, are preoccupied with concerns of their own. Both are increasingly anxious about intense competition from Chinese manufactured goods and the outsourcing of white-collar jobs to India. The fact that many of the gains from these processes accrue to American and European multinationals has done little to assuage the fears of voters on either side of the Atlantic.

The current political class in the US and much of Europe has been unable to convince large sections of society that these changes offer new opportunities and wealth. In fact, election-year politics has often driven them to argue the opposite. Thus, EU member states like France are in a profound malaise about globalisation, while the US Congress becomes increasingly protectionist. And as they cast their eyes inward, the development agenda has faded even further from their view of the Doha Round.

The development agenda does not face an easy path. A senior Bush administration official told the delegation in plain terms that the multilateral trade talks were not high on their priority list, falling far behind a large number of security-related concerns. Neither the US nor the EU see great gains from the modest liberalisation package on the table in this round, and both believe that developing countries stand to lose far more if it were to fail.

Governmental apathy springs from the fact that the talks are addressing farm subsidies and industrial tariff peaks – areas that have been left largely untouched in a half-century of trade rounds. Reforms arouse vocal protest from the relatively small groups that feel threatened, but no comparably motivated support elsewhere. Business groups, such a force in favour of the Uruguay Round, are also unenthusiastic: the Doha Round offers no prizes like intellectual property rights and services – this time, developing countries would simply refuse.

So what is necessary to break the impasse? The delegation's members called for leadership from the US and the EU. The silence of the business lobbies has been filled by complaints from anti-reform special interest groups whose interests are not consonant with the majority of their own fellow citizens, let alone those of developing countries. Leadership will demand reaching beyond these energetic minorities to serve the interest of majorities both at home and abroad.

Trineesh Biswas is the Editor of BRIDGES Weekly Trade News Digest.

The International Centre for Trade and Sustainable Development (ICTSD) is an independent non-profit organisation that 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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WTO Meetings

- Apr. 18-21 Agriculture Week*
- Apr. 18-21 NAMA Week*
- Apr. 21 Dispute Settlement Body
- Apr. 24 Negotiating Group on Rules*
to 8 May
- Apr. 24-25 Dispute Settlement Body – Special Session*
- Apr. 24 Sub-committee on Cotton
- Apr. 26 Committee on Trade and Development – session on small and vulnerable economies
- May 2 Council for Trade in Goods
- May 5 Trade Negotiations Committee
- May 11-12 Committee on Trade and Development
- May 12 Committee on Agriculture
- May 15-16 General Council
- May 16-19 Negotiating Group on NAMA*
- May 17 Dispute Settlement Body
- May 22-23 Dispute Settlement Body - Special Session*

* Negotiating session under the Doha Round

Other Meetings

- Apr. 10-12 Informal Session of the WIPO Standing
Geneva Committee on Patents
<http://www.wipo.int/meetings>
- Apr. 21-25 Workshop on Policy Coherence for Development
Paris in Fisheries
<http://www.oecd.org/>
- Apr. 24-28 Intergovernmental Committee on Intellectual
Geneva Property, Genetic Resources, Traditional knowledge and Folklore
<http://www.wipo.int/meetings>
- May 1-2 Fourteenth Session of the UN Commission on
New York Sustainable Development
<http://www.un.org/esa/sustdev/csd/>
- May 22-23 OECD Forum 2006: Balancing Globalisation
<http://www.oecd.org/>

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