KEY POINTS AND ACTION DEMANDS IN RELATION TO TRADE ISSUES

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General

Global trade rules and to a large extent unfair, and the current talks at the WTO remain unfavourable against developing country members. From the proposals submitted by the rich industralised countries, developing countries are being pressurized to undertake further liberalization and provide greater market access opening in the areas of agricultural and industrial products and services. At the same time, developed country members appear intent on maintaining their protectionism, especially in agriculture.

There is deep concern that this enforced liberalization on developing countries will lead to the kind of negative experiences in countries that have undergone rapid trade liberalization due to IMF and World Bank conditionalities. Equally important, developing country governments would have their policy space and flexibility further curtailed. And if the negotiations continue on this path, the multilateral trading system that is evolving will take away permanently the kind of policies used by successful economies of the developed countries today in pursuing their respective development plans and agendas.

All these issues are at stake in the upcoming months, as member countries of the WTO attempt to put together a draft text for the 6th Ministerial Conference to be held in Hong Kong at the end of this year. WTO Members are hoping that this “first approximation” text as it is called by the negotiators in Geneva will be ready by the end of July 2005.

If adopted by all members, this first approximation of how the rules in agriculture, services, industrial goods, and other trade areas will look like will become the premise for further negotiations until the WTO Ministerial in Hong Kong in December.

It is therefore of utmost importance that the developmental concerns articulated by both governments and civil society are adequately and appropriately captured in this “first approximation.”

Agriculture

In the area of agriculture trade negotiations, several developed country members, such as the US, Australia and Canada have indicated their clear intention to have agriculture tariffs of all countries to be reduced as much as possible. They want access to the agriculture markets of all WTO members, including those of the developing countries. They don’t seem to want to recognize that agriculture in many developing countries is of a very different nature. The agriculture sector is not commercial as in the industrial countries and has a large number of people dependent on the agricultural sectors, absorbing as much as 30-40% of the labour force in developing countries, for their food security and livelihoods.

The present proposals (centred on the July 2004 Package agreed to at WTO) would most likely the developing countries to cut their agriculture tariffs by more than the average 24% in the Uruguay Roiund. Further liberalization through an aggressive approach to reduce agricultural tariffs in developing countries would have a profound and adverse impact on the lives of millions of people. Already we have witnessed the negative consequences of forced liberalization on small farmers in many Asian and African countries that have under gone IMF and World Bank trade conditionalities as well as the Uruguay Round rules..

While there has been much talk about having mechanisms such as “special products” and “special safeguard mechanism” for developing countries for reasons of food security and rural development in the negotiations, developed country members have not been amenable to the proposals for the developing country members to operationalise these concepts in an effective way. The developed country members want to restrict the number of special products and the scope of the special safeguard measures demanded by the developing countries.

At the same time, the developed countries want for themselves concessions to protect their own “sensitive” agriculture products, through a host of measures such as a new “blue box” domestic subsidy, the concept of “sensitive products” (to be subjected to lenient tariff cuts) and postponing the end of their export subsidies as long as possible. The current proposals would very likely allow the developed countries to continue with their high domestic subsidies because one important category of subsidies (known as the Green Box subsidies) will not be subjected to any reduction, and these subsidies could be increased without control.

If the negotiations continue in this direction, developing countries will be forced to open up their markets while developed countries continue to protect theirs. Worse, the developing countries will be exposed to the unfair subsidies of the developed countries, leading to artificially cheapened agricultural products being dumped in their countries, with developing country farmers being displaced and dislocated from their own domestic markets.

We therefore call for the following:

- Developing countries should not be forced to undertake further commitments to reduce their tariffs on food products and products of their small farmers. This is essential for reasons of food sedcurity, protection of small farmers’ livelihoods and incomes, the need to alleviate poverty, and rural development needs. There should be no enforced liberalization especially when the agricultural subsidies in the North continue.
- We support the proposal of the developing countries that their “special products” (i.e. those needed for food security and small farmers’ livelihoods and rural development) should not be subjected to tariff cuts, and that the countries can

designate what these products are in their own national context. There should not be any restrictions on the number of special products that developing countries can designate.

- We also support the proposal of developing countries that a "special safeguard mechanism" be created in the WTO Agriculture Agreement, so that developing countries can in a simple and effective manner increase the tariffs of agricultural imports whose prices may fall so low as to threaten the livelihoods of the small farmers.
- Developed countries should put an immediate end to export subsidies. There should also be a rapid phasing out of all domestic subsidies that contribute to the dumping of agricultural products to other countries, especially the poor countries. This will require also that disciplines be put on Green Box subsidies so that there will not be an "escape route" of subsidies merely shifting from one type to another type, causing a continuation of protection via subsidies.

Industrial tariffs and industrial development under threat

Negotiations are underway in the WTO to liberalise trade in manufactured goods. The outcome of these negotiations on "non-agriculture market access" (NAMA) will have a crucial bearing on developing countries' prospects for industralisation, economic and human development.

Developed country members such as the EU, US and Japan have been pushing for a very draconian reduction in the level of tariffs through the use of a so-called "non-linear formula" (where higher tariffs will have to be cut by a larger percentage) on a line-by-line basis (meaning that the formula cut will be applied to all product categories). In particular, the US has stated that they want tariffs brought down to zero by 2020. In line with this, the US has submitted its aggressive proposal of cutting tariffs to no more than 8% by 2010 and then subsequently to zero by 2015.

Under such a non-linear formula, higher tariffs will be subjected to deeper cuts. Given the tariff profiles of most developing countries this would lead to a situation where developing countries would be making more dramatic cuts and thereby provide a much greater increase in market access than the developed countries.

More importantly as pointed out in the UNDP report, Making Global Trade Work for People, "From a human development viewpoint, higher industrial tariffs in developing countries are justified for two main reasons: the first is to avoid de-industralisation and build competitiveness…Industrial tariffs at low levels in developing countries – where industries do not have the capacity to withstand competition from cheaper imports – creates difficulties for their manufacturing sectors. The rapid reduction in tariffs in sub-Sahara Africa since 1980s has resulted in de-industralisation in some countries…The second justification for higher industrial tariffs in developing countries is to support human development expenditures. To generate much needed tariff revenue, some developing countries…must have a certain threshold of tariff protection."

Developing countries' concerns and needs however have not been adequately reflected in the negotiations. The current text (Annex B of the July 2004 Pacakge) upon which the WTO consultations are being held have failed completely to take on board the proposals repeatedly put forward by the developing country members. Hence, it is a highly unfair and lopsided document in favour of the developed countries commercial interests.

Therefore we demand in relation to the trade talks on NAMA:

- Developing countries should be given the flexibility to determine for themselves their level and nature of their tariff commitments. As in the past (until now), developing countries should be allowed to choose which tariffs they want to bind and at what rates; and to choose the rates at which tariffs of certain products they would like to reduce. This flexibility and policy space should continue and should not be taken away by the current negotiations.
- In particular, developing countries should not be required to be subjected to a "formula approach" to tariff reduction. After all, during the Uruguay Round, countries were not required to cut their tariffs according to any formula. During the Round, developing countries were required to cut tariffs by an overall average of 27%, and countries could choose different rates with which to reduce tariffs in different products. At the least, this kind of flexibility should be allowed in the current Round.
- It is imperative that in particular, developing country members should not be forced to adopt an ambitious non-linear formula to reduced their industrial tariffs on a line-by-line basis as this will drastically hinder their industrial development prospects, as local firms will not be able to withstand the import competition.
- Developing country members should not be compelled bind all their tariffs and the rate at which they should be bound
- Developing country members should be given flexibility to determine for themselves their binding coverage and the rate at which they should be bound, as in previous rounds of tariff negotiations.

Services

Developing country members including the least developed countries are coming under intense pressure from developed countries and their corporate lobbies to open up their services sectors under this current round of WTO negotiations.

These services sectors covers essential and public services, finance and banking, telecommunications, electricity, distribution, professional services, transport, tourism, etc.

Should the developing countries be pressurized to open their services to foreign ownership, it is likely that their smaller services firms (such as local banks and distribution firms) and their public services (such as provision of water, energy, electricity, etc) will be take over by giant foreign firms.

The WTO's services agreement allow countries to "liberalise" at their own choosing (ie as to which sectors to be opened) and at their own pace (i.e. to what degree to open at at what time). This flexibility is especially granted to developing countries. However the developing countries are coming under tremendous bilateral and multilateral pressures to provide "offers" in response to the "requests" made on them. This is against the spirit of the WTO's services agreement.

We therefore demand the following:

1. Developed countries and their services firms should not put any pressures on developing countries to open up their services sectors to foreign ownership and participation. Instead, developing countries should be given the flexibility to choose, on their own volition, whether or not to liberalise their various services sectors, or at what rate to do so.

2. In particular, the developed countries should NOT request that developing countries open up services sectors that are sensitive (especially from a human development point of view), such as water, health, education and other public services. Moreover, other sensitive sectors that are crucial to the economic well-being of developing countries, such as financial services, energy and utilities, should not be subjected to any pressures for liberalization.

BILATERAL AND REGIONAL TRADE AGREEMENTS

Developing countries are also facing threats from bilateral and regional trade agreements, which place additional pressures on them to open their markets to developed countries, and which require them to take on "WTO-plus" commitments, for example in agreeing to higher standards of intellectual property rights, which entail very high costs to the developing countries.

Our demand is that the developed countries should not make use of bilateral and regional trade agreements to impose liberalization onto developing countries, or to impose TRIPS-plus intellectual property obligations on them, or to introduce agreements on investment (that provide rights to foreign companies to invest in developing countries with no or minimal regulation) or government procurement (that prevent developing countries from giving preferences to their local companies).