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DOHA ROUND BLUES 969

THERE CAN BE no illusions about the fact that the Doha round of trade talks of the World Trade Organisation is in a limbo. The message from the recent meetings of the WTO General Council is that differences among countries on the major issues are as wide today as they were three months ago when the Cancun ministerial conference suffered a spectacular failure. Since trade has become a major issue in American domestic politics and since presidential elections are less than a year away, there is little likelihood of the most powerful member of the WTO giving the negotiations the political attention needed to break the deadlock. This means that discussions on the Doha round during 2004 will remain where they are.

Yet the WTO continues to express confidence that the talks will be completed on schedule in January 2005. This is clearly impossible. Indeed, given the current state of play in the negotiations, a more likely possibility is a total collapse of the round. If a collapse is to be averted, the WTO must work on developing a menu of realistic solutions that governments can consider for serious negotiation. There are more than two dozen items on the Doha agenda but two are most contentious: agriculture and the so-called Singapore issues — investment, competition policies, transparency in government procurement, and trade facilitation. In agriculture, only one question matters. Are the European Union and the United States willing to consider a substantial reduction in subsidies and import duties on farm products? Considering that the E.U. and the U.S. are used to having their way in agriculture, espe-

cially by negotiating agreements that allow each other to maintain subsidies and high tariffs, this is a new scenario confronting the two trade majors. But confront it they must because it is now plain that the refusal of the Group of 20 developing countries — led by Brazil, China, India and South Africa — to sign on to a fudged deal in Cancun was not a one-off phenomenon. Since the two trade majors account for a majority of the global farm subsidies, the round can move forward only if they are serious about reducing their extraordinarily high barriers.

As for the Singapore issues, there is only one question of relevance. Can the E.U. drop its demand for WTO treaties on all four of the issues? At Cancun, the E.U., in a desperate bid to avert a collapse, expressed its willingness to consider removing investment and competition policies from the negotiating agenda. However, three months later it has returned to the WTO with its demand that governments consider an approach in which those willing to participate in talks will do so while the rest will stay out. With only the E.U. keen on the Singapore issues, this compromise offer will not go far. Developing countries remain vehemently opposed to the WTO taking up these new issues in any form. Now, 45 countries, including India, have made it clear that they are willing, at most, to explore discussions on trade facilitation. The crucial issue for the Doha round is that the E.U. and the U.S. are yet to realise that they cannot steam-roller the least developed, developing and middle-income countries into an agreement. Until that realisation sets in, there is no hope for the ninth round of trade talks in the GATT/WTO system.

THE HINDU 30 DEC 2003

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SALVAGING THE DOHA ROUND

IN LESS THAN a week from now, the member-countries of the World Trade Organisation will signal from Geneva if they are ready to revive the Doha round of trade negotiations that suffered a spectacular collapse at the Cancun ministerial conference last September. The General Council of the WTO is to meet on December 15 (as decided by the trade and commerce Ministers at Cancun) to explore how to take the negotiations forward. The signs are that the WTO will report that gaps in negotiating positions have not narrowed. The breathing space of three months that countries gave themselves after the Cancun collapse has seen a number of formal and informal consultations on the major issues on the Doha trade agenda. While all countries have expressed their desire to see a revival of the WTO talks, the major players, the United States and the European Union in particular, have not shown a willingness to move closer to the position of the majority of the WTO membership. A stalemate at the December 15 meeting will take the WTO a step closer towards abandoning the Doha round altogether, or at best to put the round in cold storage until after the U.S. Presidential elections in November 2004.

The sticking points at Cancun were agriculture, the four new or Singapore issues, and the demand by a group of West African countries for an end to cotton subsidies in the E.U. and the U.S. In none of these areas is the WTO closer to an agreement today than at Cancun. India has demonstrated at the WTO that the U.S.-E.U. proposal for a cut in import duties in agriculture will result in a lower reduction by the E.U. and the U.S. and a larger cut by the developing countries. Such analysis has not persuaded the world's two biggest trading powers to show a

more honest commitment to deal with the issues of import tariffs and subsidies. The biggest disappointment is in the four Singapore issues of investment, competition policies, government procurement and trade facilitation; on these, developing countries continue to insist that they are not ready for negotiations. At Cancun, the E.U., for years the main demander of WTO agreements in these areas, went so far as to state that it was willing to see the first two issues removed altogether from the Doha agenda. Yet the E.U. now speaks of talks going ahead on all four Singapore issues, with investment and competition covered by plurilateral negotiations. India has rightly argued that plurilateral talks involving a select group of countries have no place in the multilateral body that is the WTO.

It has not however been only negative news from Geneva. The U.S. and the E.U. have both abandoned the positions of pique that they took immediately after Cancun. The U.S. no longer speaks of pursuing its trade interests in bilateral and regional fora because the Doha round lies abandoned. The inability of the likely members of the proposed Free Trade Agreement of the Americas to agree to anything more than a weak framework agreement has demonstrated to the U.S., if it was indeed necessary, that for all countries the WTO is the best bet. The E.U., on its part, has dropped its initial insistence that the WTO decision-making structure should first be overhauled before serious WTO negotiations can begin. These are significant developments, even if they deal only with the underlying issues. But the real breakthrough will come when the major trading powers demonstrate that calling the on-going trade round of talks the Doha Development Agenda was more than a gimmick.

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India wins dispute with EC

By Our Special Correspondent

NEW DELHI, DEC. 2. In a major relief to exporters, India has won a case at the World Trade Organisation (WTO) against the European Communities (EC) providing special tariff preferences to Pakistan and 11 other developing countries. The EC had given this facility by making Pakistan a beneficiary country under a special tariff arrangement for combating drug production and trafficking under its Generalised System of Preferences (GSP) from 2002 to 2004.

The WTO dispute settlement panel has ruled that the EC has violated its multilateral obligations under the Most Favoured Nation (MFN) treatment clause by granting such preferences to 12 countries under this 'drug arrangements' window without extending these to other developing countries. The panel has also ruled that the EC failed to show that the drug arrangements are justified under the Enabling Clause of GATT/WTO which otherwise allows developed countries to grant tariff preferences to developing countries without giving the same advantage to other countries. According to the Union Commerce Ministry, India will seek adoption of the panel report as early as possible though disputing parties have a right to appeal a decision to the Appellate body. The dispute has been

resolved 11 months after the panel was set up at India's request in January this year.

The dispute, the Ministry has explained in a statement, had arisen because the EC included Pakistan as a beneficiary country under the special tariff arrangement for combating drug production and trafficking from 2002 to 2004. The scheme was operational even earlier but the beneficiaries were restricted to Andean and Central America countries, which did not affect Indian exports to the European Union (EU). But with the inclusion of Pakistan as a beneficiary country from January 1 2002, Indian exports were directly affected as the two countries are competitors in the EU markets in several sectors such as clothing.

The significant advantage given to Pakistan products thus affected substantial trade flowing from India to the EU.

The WTO ruling is likely to provide some relief to Indian exporters to the EC, especially those in the apparel sector, the Ministry says.

It says India invoked dispute settlement proceedings after having exhausted all avenues for a negotiated settlement with the EC. The dispute settlement panel has, it notes, vindicated India's stand that the tariff preferences under the drug arrangements are not given unconditionally to all developing countries.

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WTO delays sanctions against US

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Elizabeth Becker
Washington, November 29

THE WORLD Trade Organization has agreed to a 10-day delay before Europe can impose \$2.2 billion in sanctions against the United States in response to steel tariffs imposed by President Bush last year, an administration official said on Friday.

The decision was reached in Geneva on Thursday after the European Union and other nations that had complained about the tariffs joined with the Bush administration in seeking a delay, the official said. The earliest date that Europe can impose sanctions will now be December 15. This gives Bush

breathing room to make a decision about lifting the tariffs that will be important both economically and politically.

Two weeks ago, the WTO rejected an appeal of the decision made last July in a case brought by Brazil, China, the European Union, Japan, Korea, New Zealand, Norway and Switzerland.

Pascal Lamy, Europe's top trade official, has warned the Bush administration and Congress that if the steel tariffs are not lifted, Europe will proceed with more than \$2 billion in sanctions on imports of steel, clothing, citrus fruits and other agriculture products from the United States. Adding to the



George W. Bush

pressure, Japan said on Wednesday that it, too, would place tariffs on American imports if the Bush administration maintains the steel tariffs.

The loss of jobs, especial-

ly manufacturing jobs, is proving to be a powerful issue in the coming elections. The 20-month-old steel tariffs, which the government calls safeguards, have been credited with helping the American steel industry consolidate and save jobs in industrial states.

But the tariffs, which raised the price of imported steel by 30 per cent, have also been blamed for loss of jobs by American manufacturing companies that use steel. With the election nearing, President Bush must choose between continuing to help the steel industry and the unions that support the tariffs or respecting international trade laws that would

help him advance regional and global trade agreements.

For his part, Bush said after losing the appeal that because he had imposed the tariffs to help the steel industry get back on its feet, he would make his decision after "reviewing the extent to which the industry has been restructured."

Several leading steel companies have suggested a compromise to Bush that would reduce the tariffs and their duration in hope of appeasing the Europeans. Terrence D. Straub of the United States Steel Corporation, said it was "hard to tell if this delay means anything."

The New York Times

What is WTO's dispute body?

THE WTO's Dispute Settlement Body (DSB) is no different from the organisation's General Council. It consists of all member governments, usually represented by their ambassadors or persons of equivalent rank. The current chairperson the DSB is Shotaro Oshima of Japan.

What kind of disputes does the DSB settle?

A typical "dispute" at the WTO involves any complaint by one or more member countries that another country is violating WTO agreements or failing to honour its commitments made to the trade body. The purpose of the DSB and the dispute settlement mechanism of the WTO is to resolve disputes by a rule-based system, rather than through a unilateral retaliatory action by those complaining.

How does the DSB settle disputes?

The DSB has a laid down a procedure for dealing with disputes. It alone has the authority to establish panels of experts to consider the complaint and to accept or reject the panels' findings, or the results of any appeals. It is responsible for monitoring the implementation of its



rulings and recommendations on disputes brought before it and has the power to authorise retaliation when a country does not comply with a ruling.

The DSB's procedures involve at least two significant departures from the GATT framework. The first of these is that unlike the Uruguay Round, there is now a time-table laid down for dispute settlement. The amount of time each stage of the process should take has been indicated, though there is some flexibility in the time frames laid down.

The other important change is that the DSB can reject the findings of a panel, or of an appeals report, only by consensus. It is no longer possible for the country against whom the complaint is made to block the decision of the DSB, unless of course, it is able to persuade all

others, including the complainants, of its case.

What is the procedure?

There are several stages to the dispute settlement process. In the first stage, referred to as consultation, which can last up to 60 days, the countries involved in the dispute talk to each other to see if they can settle their differences among themselves. They can also ask the WTO director general to mediate or help them reach an understanding. If this yields no results, the next stage is the appointment of a panel, which can take up to 45 days. From the third stage, the panel takes over. It should normally conclude its job within six months. However, in cases of urgency, this can be shortened to three months.

The panel's job begins with each side in the dispute presenting its case in writing to the panel. This is followed by a hearing in which the two sides and any third parties who have declared that they have an interest in the dispute — present their case before the panel. At the next hearing, each of the parties submit rebuttals of the others' case. The panel can also consult experts or appoint an expert review group

to prepare an advisory report, where the issues involved are of a technical or scientific nature.

The panel then prepares a draft report, consisting of only the facts and arguments made and not of the panel's own findings and conclusions. This draft is given to the two sides and they are given two weeks to comment on it. Then comes the panel's interim report, which includes its findings and conclusions. Again, the two sides are given one week to ask for a review if they wish to. In case a review is demanded, it has to be completed within two weeks. Finally, the panel submits its final report to the two sides and three weeks later to all WTO members. With this, the panel's job is done.

Once the panel has reported, what comes next?

The panel's report becomes the DSB's ruling or recommendation within 60 days, unless it is rejected by a consensus or is appealed by either or both sides to the dispute. Appeals, however, have to be based on points of law such as legal interpretation. They cannot re-examine existing evidence or examine new issues.

MONDAY, NOVEMBER 10, 2003

UNCERTAIN TIMES FOR TRADE

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THE PROSPECTS FOR global trade in the short term are not very bright, raising questions about the viability of an aggressive export strategy that almost all developing countries have embarked on. New estimates of world trade in 2002 and the projections for 2003, which have been prepared by the World Trade Organisation, suggest ominously that the growth in the volume of world trade that began to slow down in 2001 may not recover very soon. The WTO now confirms that the volume of global trade of both merchandise and services grew by only 3 per cent in 2002 and that it will at best expand at the same rate in 2003. This is less than half the 6.7 per cent annual rate of growth that global exports clocked during the 1990s. The current slowdown in global export growth may also suggest that the halcyon days of trade outstripping GDP growth now belong to the past. Between 1985 and 2000, world trade consistently grew faster than global GDP, giving credence to the idea that exports could drive a country's GDP. But a change in the pattern may call for a more cautious appraisal of the role of external trade in powering domestic economies.

When the WTO made its first projection of the growth of world trade in 2003 last March it did so in the shadow of the U.S.-led war on Iraq and the outbreak of the Severe Acute Respiratory Syndrome (SARS), both of which threatened to pull down the global economy and world trade. Yet more than six months after the U.S. occupied Iraq and SARS was quickly contained, the WTO has had to stick to its first estimate of world trade growing in 2003 by no more than 3 per cent. There are a couple of unusual features of the current phase of global trade growth.

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First, according to the WTO, trade in value terms when measured in U.S. dollars has actually increased by over 15 per cent in the first six months of 2003. But as the dollar has rapidly depreciated during much of 2003, the real growth of exports, in volume terms, by the OECD members has been negligible. The second unusual feature is that the rate of growth of exports has not been the same across all countries. China has recorded spectacular rates of expansion of exports since the second half of the 1990s even as world trade has expanded slowly. At the other end there is the European Union where the volume of exports and imports has barely grown. India was able to buck the global trend in 2002, and even if export growth has slowed down in 2003 it remains high by current global rates of expansion. In general, the developing countries are doing better than the advanced economies.

It would be, however, erroneous to assume that the developing countries can continue registering rapid rates of export growth even if the developed countries grow slowly. Export growth in the South is ultimately linked to the economic performance of the OECD countries. As the United Nations Conference on Trade and Development recently pointed out, the autonomous impact of trade on economic growth is limited. It requires faster economic growth to bring about a revival in world trade growth, rather than the other way round. In recent months, the economic outlook of the U.S. and Japan has been looking up. This is true to a lesser extent of the E.U. as well. The developing countries will be hoping that this marks a return to more rapid GDP growth in the advanced economies.

THE HINDU

10 NOV 2003

Brazil foreign minister backs US idea for WTO talks

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9/11

Washington, November 8

BRAZILIAN FOREIGN minister Celso Amorim signalled his country's support on Friday for a US suggestion to revive world trade talks.

After a meeting with U.S. Trade Representative Robert Zoellick, Amorim told reporters Brazil backed moving ahead with the negotiations using a text developed at the recent World Trade Organisation meeting in Cancun, Mexico.

That gathering abruptly ended in failure over a clash between rich and poor countries over whether to launch negotiations on investment, competition policy, government procurement and customs-clearing procedures.

The sudden end left unclear whether deep differences over the goals of farm trade negotiations could have been resolved.

In the aftermath, U.S. trade officials criticised Brazil for encouraging poor countries to think they could get the United States and European Union to slash their farm subsidies without offering anything in return.

Zoellick has said the United States was prepared to resume negotiations based on a text developed at the Cancun meeting by Mexican Foreign Minister Luis Ernesto Derbez.

Leaders of the Asia Pacific Economic Cooperation forum also backed that idea at their recent summit in Thailand.

"What was said in APEC is very much what we think," Amorim told reporters. "That is, if you get from the Derbez text on, we can work further at least in agriculture."

Richard Mills, a spokesman for the US Trade Representative's office, said Zoellick and Amorim spent a good part of their two-hour meeting discussing farm trade issues.

"We'll continue to compare notes and have a dialogue in advance the meetings in Geneva," Mills said.

Senior trade officials from the nearly 150 members of the WTO are scheduled to meet in Geneva on December 15 to discuss how to move the talks forward after the setback in Cancun.

Reuters

CANCUN COLLAPSE

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Rich Cannot Get Away With Bulldozing If The Poor Stand Together

By PK VASUDEVA

The fifth ministerial conference at Cancun in Mexico in September collapsed because developing and developed countries could not firm up the modalities for negotiations to launch the Doha Development Agenda in 2003 on issues ranging from agricultural reforms in rich countries to investment rules, competition policy, transparency in government procurement and ways to make global trade free and fair. Other issues like the TRIPS public health, special and differential treatment to the least developed countries and the General Agreement on Trade in Services may have been clinched but were not discussed.

Improper homework

A fiasco in 1999 at Seattle and now a collapse at Cancun in 2003 speak poorly of the WTO. After two major failures at ministerial conferences in the past four years, WTO now faces a crisis of confidence and legitimacy. It does not seem to have done its homework properly before the Cancun ministerial.

The G-21 group led by Brazil, India and China and the Cairn group had put forward proposals pertaining to the most controversial issues of agriculture, Trade Related Aspects of Intellectual Property Rights and public health. Chairman of the WTO ministerial team, Mexican foreign minister Luis Ernesto Derbez, had agreed to look into proposals on agriculture, including that of the G-21 countries, before formulating the final draft. He gave an instruction to this effect to the Singapore trade minister George Yeu Yong-Bon, who was appointed a facilitator for agriculture.

When the draft agenda was circulated among the member countries at Cancun, most of the developing and the least developed countries from Africa and Caribbean countries felt cheated as there was very little mention of the agriculture issue which they saw as being formulated to accommodate the interests of the EU and the US and failing to address the concerns of the developing countries.

The G-21 proposals on agriculture were based on three pillars — domestic support or subsidies, export support in terms of credit and market access, which referred mainly to the reduction in tariffs. The reason was that large sections of the developing countries depend on the farm produce for their living, hence their interests have to be looked after. The main imperatives are production of adequate food for domestic consumption and sustenance of

the rural agricultural economy.

These objectives are hit by the high non-reducible domestic subsidies of the US and EU to the tune of \$300 billion. This category of subsidies has complete immunity against reduction. This immunity is indefensible as these subsidies give financial strength to the farmers of the US and the EU to continue with non-viable agricultural production. They, therefore, distort production

investment, trade and competition policy, trade facilitation and transparency in government procurement in relation to the WTO. These four issues have collectively come to be known as the Singapore issues in the context of WTO because it was the first ministerial conference of the WTO at Singapore in 1996 where these issues were brought up by the developed countries for negotiations. However, these were dropped



and trade. Farmers in India and other developing countries are constrained to run the greatest risk of severe unfair competition from imports. There was no discussion on the reduction of export subsidies as laid down in the agreement on agriculture.

Hence the G-21 countries demanded that these non-reducible subsidies, that is, the green box subsidies, of the major developed countries should be brought under discipline of reduction and eliminated within a specific time-frame. Unfortunately, the draft proposals at the Cancun left this issue untouched and insisted on resolving the Singapore issues.

Impingement

Reacting to the developments, the commerce and industry minister Arun Jaitley, said: "Perhaps after the draft text was circulated, the consensus kept on eluding the conference. I would have been happier if a declaration reflecting the viewpoints and concerns expressed by us was the outcome of this conference. Trade negotiations are an ongoing process and there is never a last day as far as the negotiations are concerned. Notwithstanding the fact that a proper declaration has eluded the ministerial conference, the negotiations would continue and we would essentially put across India's concerns".

The term "Singapore issues" refers to areas of trade and in-

vestment, trade and competition policy, trade facilitation and transparency in government procurement in relation to the WTO. These four issues have collectively come to be known as the Singapore issues in the context of WTO because it was the first ministerial conference of the WTO at Singapore in 1996 where these issues were brought up by the developed countries for negotiations. However, these were dropped

for future rounds on the insistence of the developing countries, including India, as these issues were not clear in understanding and interpretation. The developed countries felt that for international trade to be genuinely free and fair, these issues would need to be incorporated. They pointed out, for instance, that of the total global trade in goods and services of \$6.1 trillion in 1995, as much as one-third was trade within companies — between the subsidiaries of the same MNC or between a subsidiary and its headquarters. Clearly, there is a considerable link between trade and investment.

As things stand, there are as many as 2100 bilateral investment treaties; there is no multilateral agreement on "how to deal with foreign direct investment". Similarly, competition policy would also have an impact on the volume of the trade. One of the things an international agreement on competition policy would need to look at is cartels in various industries, which are estimated to cost developing countries billions of dollars a year due to overpricing.

Trade facilitation refers essentially to simplifying procedural hassles in international trade in terms of the documentation required by customs department and so on. Obviously, this too has an impact on trade. On issues like investment and competition policy,

India feels that having a multi-lateral agreement would be a serious impingement on the sovereign rights of countries. Investment is seen as an area in which ceding sovereign rights would leave governments, particularly developing countries, with too little room for manoeuvre in directing investments into areas of national priority.

On the issue of transparency in government procurement, the Indian position is that while the principle is entirely acceptable, there cannot be a universal determination of what constitutes transparent procedures because they differ from country to country. On trade facilitation, India has argued that while the idea is unexceptionable, developing countries may not have the resources — by way of technology or otherwise — to bring their procedures in line with those in the developed world over the short to medium term.

Bulldozing stalled

These are the concerns which upset the least developed countries like Africa and Caribbean countries that left in a huff on the last day. The LDC felt neglected and left out while drafting the agenda for Cancun. India has many reasons to cheer about the developments at Cancun despite WTO failure in balancing the interests of the poor. The bulldozing tactics of the big two — the US and the EU — has been successfully stalled while the coalition of the developing countries that India was banking on withstood the pressure till the end of the ministerial meet. In the past, the big two had managed to split such groupings during crucial meetings to scuttle resistance to key agreements.

With developing countries having withstood awesome pressure for the second time in a row, a repeat of Doha, a clear trend is being established now. The rich cannot get away with "sideshows" and bulldozing if the poor stand together. That is the message that emerges if the Seattle ministerial — which also ended in a failure — is taken into account. The invincibility of the big two is beginning to fade though they have given nothing away.

Arun Jaitley attributed the effectiveness of the Indian delegation's performance at the Cancun summit to the unanimity of political opinion back home on the mandate he came with.

The official Indian delegation extensively networked with other delegations. The government also showed good sense by ensuring that the delegation had at its disposal the legal expertise needed to convert fast-changing negotiating positions into coherent legal language.

The author is Senior Research Fellow, Strategic Research Centre, Chandigarh.

Brazil, China, SA keen to revive WTO farm talks

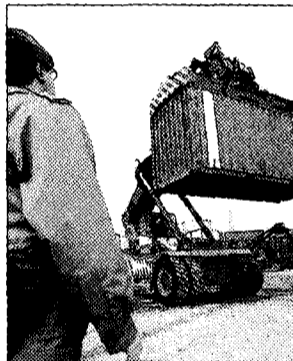
Our Delhi Bureau

20 OCTOBER 2003

BRAZIL, China and South Africa have expressed support for early resumption of World Trade Organization (WTO) negotiations on agriculture subsidies. According to commerce department sources, representatives of the Brazilian, South African and Chinese governments have reiterated their support for resumption of negotiations even as the WTO general council is slated to meet on Tuesday at Geneva.

According to a statement issued by the commerce department, Mr Celso Amorim, Brazil's minister of external relations, met Mr Arun Jaitley, minister of commerce & industry, on Monday. They exchanged views on both bilateral and multilateral trade matters, specially in the context of the post-Cancun scenario. Both the ministers underlined the need for multilateral trade negotiations to resume at an early date in Geneva so that the process could move forward, the statement added.

Last week, the South African trade minister Alec Erwin, ac-



HIGH POINT

companied by an official delegation, met commerce secretary Dipak Chatterjee to discuss multilateral and bilateral trade issues. At the same time, Mr Jaitley met Chinese ministers and officials in Beijing to discuss trade-related issues. During discussions, representatives of both countries underlined their support to early resumption of WTO talks.

During his discussions with Brazil's external affairs minister, Mr Jaitley also discussed bilateral trade issues including the two-way flow of foreign direct investment and participation of enterprises from both the sides in the economic development of the two countries. He highlighted the scope for Brazilian construction companies to invest in the infrastructure sector in India while Mr Amorim responded by pointing to the tremendous investment opportunities for Indian companies in the pharmaceutical sector in Brazil.

At the Cancun ministerial meeting, Brazil, China and South Africa played a key role in the group of countries, which included India, pushing for steep cut in agriculture subsidies provided by the US and European Union members. The core members of the grouping are planning to work together in the post-Cancun scenario too.

The Economic Times

6 OCT 2003

Cancun: a mystery story

THERE have been several post-mortems of what happened in Cancun. Flowing from that, there have also been some ante-mortems of the Doha Development Agenda (DDA). There is near consensus that unless things change dramatically, the January 2005 deadline for DDA is dead. Interpreted thus, Cancun was not a comma. It was a full stop. Things may indeed change dramatically in Geneva or elsewhere. But what do we mean by things changing dramatically?

There are five contentious issues — TRIPs and public health, agriculture, Singapore issues, non-agricultural market access (NAMA) and special and differential (S&D) treatment for developing countries. Of these, the TRIPs problem was “solved” before Cancun. S&D is critically linked to agriculture. NAMA is not that serious a problem. Everything therefore boils down to Singapore and agriculture. Given the polarisation, people are understandably sceptical about positions on these changing dramatically. If that was going to happen, it should have happened on 13th September.

On 13th September, a Draft Ministerial Text surfaced in Cancun and effectively killed the Cancun Ministerial, although negotiations went on also on 14th September. Thanks to negotiations on 14th September, there was some convergence on Singapore and on agriculture. If there is an attempt to revive DDA, will it be based on this convergence or something else? Where does the 13th September draft stand now? No doubt the commerce ministry knows. But what intrigues me is that this draft has completely disappeared from WTO's website. Instead, the WTO website has its precursor, the 24th August Draft Ministerial Text. Nor will you find this 13th September draft archived on any media website, including Indian ones. There were reactions to the 13th September draft but primarily because of the time difference between India and Mexico, no Indian media reported on the 13th September draft.



Whatever happened to the 13th September draft?

BIBEK DEBROY

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Let me therefore quote a little from the 13th September draft to illustrate the kind of damage it did. Consider first, the matter of cotton subsidies, of concern to Burkina Faso, Benin, Chad and Mali. On 24th August, the proposal made by these four African countries was noted. The 13th September draft stated: “The Director General is instructed to consult with the relevant international organizations including the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre to effectively direct existing programmes and resources towards diversification of the economies where cotton accounts for the major

the commencement of negotiations in this area”. 13th September changed that. On investment, “we agree modalities that will allow negotiations on a multilateral investment framework to start shall be adopted by the General Council no later than...” The date was unspecified, but a footnote stated, “The date will coincide with the date for agreeing on modalities on agriculture and NAMA.” So there would be a link between investment, agriculture and NAMA. Because the US didn't want a competition policy, the language used there was slightly different. “We decide that further clarification of the issues be undertaken in the Working Group, includ-

On 13th September, a Draft Ministerial Text surfaced and effectively killed the Cancun Ministerial, although negotiations went on. Will it be resurrected?

share of their GDP. Members pledge to refrain from utilizing their discretion within Annex A, paragraph 1 to avoid making reductions in domestic support for cotton.” Annex A, paragraph 1 is a reference to reducing domestic support in agriculture. In plain English, what does this quote tell you? Developed countries, like the USA, won't have concrete commitments to reduce domestic support in cotton. If you have a problem with that, diversify and move away from cotton. So wouldn't you have revolted?

On all four Singapore issues (trade facilitation, transparency in government procurement, competition policy, investment), 24th August gave us two options. “We decide to commence negotiations” or the situation “does not provide a basis for

ing consideration of possible modalities for negotiations.” No ambiguity on government procurement and trade facilitation. “We decide to commence negotiations.” Doha did say something about negotiations on Singapore issues “on the basis of a decision to be taken, by explicit consensus, at (Cancun) on modalities of negotiations.” But junk that.

The Draft Ministerial Declarations don't make sense without bringing in some annexes. As I have said earlier, Annex A is on agriculture. Let me again give a few quotes to illustrate how life changed between 24th August and 13th September. The 24th August said the final bound total AMS would be changed, 13th September added, “Product-specific AMS shall be capped at their respective average

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levels during the period.” Meaning that non-product specific AMS was fine and shouldn't be capped? 24th August said, “Green Box criteria remain under negotiation.” 13th September changed this to, “Green Box criteria shall be reviewed with a view to ensuring that Green Box measures have no, or at most minimal, trade-distorting effects or effects on production.” The change in nuance is inescapable. Green Box measures don't distort trade and should be accepted. On market access, 24th August offered, “For the tariff lines that exceed a maximum of...developed-country participants shall either reduce them to that maximum, or ensure effective additional market access in these or other areas through a request-offer process that could include TRQs (tariff rate quotas).”

Fine. But 13th September added the rider, “Within this category, participants shall have additional flexibility under conditions to be determined for a very limited number of products to be designated on the basis of non-trade concerns that would only be subject to the provisions of paragraph 2.1 (general tariff reduction) above.” Who has this flexibility? Make no mistake. Developed countries do. Because, “The applicability and/or extent of the provisions of paragraph 2.2 above to developing countries remain under negotiation, taking into account their developmental needs.” There is a Peace Clause. To state it simply, under this, you don't take action against subsidised agro exports and this clause was supposed to end in December 2003. 13th September slipped in, “The Peace Clause will be extended by...months.”

There is more in similar vein. The message is simple. As a Draft Ministerial Declaration that seeks to bring about a compromise, the 24th August version was better than the 13th September one. Hence my question, what happened to the 13th September draft? Has the devil in the detail been buried and are we back to 24th August? Or will there be a resurrection? I wish I knew.

OCCUPATION / 'FOREIGN TROOPS SHOULD LEAVE'

Neighbours must keep off Iraq, says Jordan King

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By P. S. Suryanarayana

SINGAPORE, OCT. 13. King Abdullah II of Jordan today suggested the "quickest way to get (the) foreign troops out" of Iraq on a 'realistic' basis. He was speaking on the sidelines of the East Asia Economic Summit of the World Economic Forum here.

Addressing the same concerns, the Malaysian Foreign Minister, Syed Hamid Albar, called for a "time table" for establishment of a "democratically elected government" in Baghdad so that the "foreign occupation" could be "brought to an end as soon as possible".

Mr. Hamid raised the issue in his opening remarks at the meeting of the Foreign Ministers of the member-states of the Organisation of Islamic Conference (OIC) at Putrajaya in Malaysia.

To a question from *The Hindu* on the OIC Secretary-General's call for the 'eviction' of foreign troops and the concerns about Turkey's plans to send troops to Iraq, King Abdullah, said: "It is very nice to say we want (the) troops out. But let us think realistically about how we can strengthen the Iraqi society. I think that's the quickest

ish move. He said: "I don't think that any country that borders Iraq should play an active role inside of Iraq. We all (among Iraq's neighbours) have our agendas, I guess. So, we can't realistically be transparent (in action)".

He said sending troops by Iraq's neighbours, even perhaps as peace-keepers under the U.N. auspices, would not be in the "best interests of Iraq itself". "We can't be honest contributors simply because we all have certain bias on what we would like (to do) on the bilateral (aspects) with Iraq."

At the OIC Foreign Ministers meet, Hamid Albar, who chaired their summit-preparatory meeting, called upon the "occupying powers" in Iraq to accord the United Nations "the central role in assisting the Iraqi people to determine their future and in (the) reconstruction of their country".

The OIC Secretary-General, Abdelouahed Belkeziz, called on the leaders to address the "weak and fragile" state of the economic situation of the Islamic states, besides dealing with the political and other issues concerning Iraq and Palestine.



The Iraqi Foreign Minister, Hoshiyar Zebari (left), and his Malaysian counterpart, Syed Hamid Albar, at the OIC summit in Putrajaya near Kuala Lumpur on Monday. — Reuters

way to get (the) foreign troops out". Taking "the realistic situation on the ground" into account, the international community should be able to play a "proactive role" so that

Iraqis would be able to determine their own lives "sooner rather than later". The King, who will attend the OIC summit on Thursday, indirectly disapproved of the Turk-

There's a road from Cancun

THE 5th Ministerial Conference of the World Trade Organisation (WTO) concluded in Cancun on September 14, 2003 without reaching a consensus on various issues. Basically, a WTO ministerial can have three possible outcomes: one, a fair declaration accommodating the interests of both the developed and the developing countries; two, a bad declaration; and three, no declaration at all. Cancun, like Seattle earlier, did not produce a declaration. As I have said before, we would have liked a fair declaration. But given the circumstances, no deal is better than a bad deal.

Ministerial conferences of the WTO are not one-off events where crucial decisions are taken by trade ministers of member countries over four or five days. This is because a ministerial is only a link in a chain preceded by months of negotiations, in the course of which the contours of an outcome are worked out by negotiators and technical experts in Geneva. Cancun was a link in the chain that goes back to Doha and beyond, to the Marrakesh Agreement which marked the formal conclusion of the Uruguay Round.

The most important thing about the Doha Ministerial Declaration was that it affirmed the importance of trade as an instrument for economic development, particularly in the developing and least developed countries. To quote from the Doha Declaration: "The majority of WTO Members are developing countries. We (therefore) seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration". What the Doha Declaration of 2001 stated was also what the Uruguay Round negotiators had intended. Thus, the Marrakesh Agreement of 1994 establishing the WTO had, like the Doha Declaration, emphasised the "need for positive effort designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of



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Move the process forward to a fair outcome that benefits all

■ ARUN JAITLEY

their economic development".

Unfortunately, there was little progress after Doha and hardly any genuine effort to address the problems of the developing countries. The Doha Declaration laid down clear deadlines for achieving development-related results within a given time framework. For instance, problems faced by developing countries in implementing Uruguay Round Agreements (known as Implementation Issues); Special and Differential treatment provisions; the issue of creating an effective mechanism to address the problems of developing and least developed countries having no or insufficient manufacturing capacity in the pharmaceutical sector and deadlines in respect of the key market access areas like agriculture, non-agriculture and services. Dead-

tions on issues that have social, economic and political repercussions which could affect millions of people back home.

Cancun is now behind us. We have to pick up the pieces and try to move the process forward. The general council of the WTO is scheduled to meet in December 2003. There has to be active engagement at Geneva so that the divergences, specially on agriculture, can be narrowed. There is no point in indulging in the blame game. We all have our concerns in different areas of the negotiations. We need to listen to one another, appreciate the concerns of all and find solutions that are multilaterally acceptable and are in keeping with the Doha mandate.

The Cancun Ministerial Conference had many positives even

What was heartening was the desire of developing countries to reach out to each other and to forge common positions wherever possible. We built coalitions

line after deadline was missed.

Then, there were the Singapore issues relating to trade and investment, trade and competition policy, trade facilitation and transparency in government procurement and India had time and again expressed itself clearly against expansion of the WTO agenda in these areas in view of lack of clarity and other concerns. The abrupt termination of the Cancun Conference came in the wake of the reactions to the revised chairman's text of September 13, 2003 in which our concerns on agriculture and Singapore issues were not taken on board. Developing countries came forward to express their resentment against the revised text, underlining the intensity of reac-

though it ended in a stalemate.

One, we actively engaged in the negotiations and brought the concerns of developing countries to the centre stage of the WTO trade talks. An important aspect of this was the strong demand for an end to subsidies that rich countries provide to their farmers which, in turn, hurt our farmers and the general consensus amongst many of the developing country members that new issues which are not trade related should not be a part of the negotiating agenda of the WTO. Second, what we saw at Cancun was a high degree of unity and commonality of interests among developing countries even though not all countries shared the same position on all issues.

For instance, not all developing countries had the same position as ours on the Singapore issues. Similarly, in agriculture, the emphasis varied from country to country on the three pillars of the WTO Agreement on Agriculture namely, domestic support, export competition and market access. But, what was heartening was the desire of developing countries to reach out to each other and to forge common positions wherever possible. We built coalitions — the G-22 on agriculture and G-16 on Singapore issues and these alliances remained intact till the end. Third, we proactively engaged in the negotiations and we did not always say no. It is important that we continue to build on the positives of Cancun. An honest appraisal of the areas of convergence and divergence among members would ensure productive work in the future and achievement of the goals we set for ourselves at Doha.

Cancun is not the end of the road. These talks will go on. If anything, Cancun has decisively underlined the point that it is important to revive and revitalise the Geneva process as the bulk of the negotiations have to be done in Geneva at the technical level. It is important to infuse new life into the Doha Work Programme and move forward in a manner that inspires the confidence of all member countries of WTO, especially developing countries. We, in India, have always believed that an equitable, rule-based multilateral trading system is vital to ensure global economic development.

The ultimate goal of all rounds — whether the Uruguay Round or the current Doha Round — is to raise the standards of living of millions living in poverty and expanding the production and trade in goods and services across the globe. The process must move forward because trade is the way forward for development and removal of poverty. We have to ensure an outcome that is fair and benefits all.

The writer is Union minister of commerce and industry

13 OCT 2003

INDIAN EXPRESS

Keep promises, Wolfensohn tells rich states

Press trust of India

DUBAI, Sept. 23. — Stressing that actions have not matched commitments, the World Bank president, Mr James D Wolfensohn, today asked the developed world to live up to their word to meet the millennium development goals including cutting global poverty in half by 2015.

Addressing the World Bank-IMF annual meetings here, Mr Wolfensohn called on both rich and poor governments to fulfil their responsibilities and help bring an equitable global economic system.

"We need a new global equilibrium, a new balance in the relationship between rich and poor nations," he said in his opening speech to the delegates from 184 countries who are attending the 2003 World Bank - IMF meetings.

"This is essential not just for poverty reduction and prosperity but for security and peace".

He said this month's World Trade Organisation meeting in Cancun had been a wakeup call because poor nations representing some 3 billion people had refused to accept the trade proposals from the rich countries.

"They signaled that there must be greater balance between the rich and powerful and the poor and the numerous.

They signaled that for there to be global development and peace on our planet there must be a different set of priorities." In his speech Wolfensohn described the "forces of imbalance" in the world: where one billion people own 80 per cent of the GDP and where another billion by contrast struggle to survive on

one dollar a day; As two billion people will be added to global population over the next 25 years, 95 per cent of them in the poor countries living a dismal life, he noted, adding aid levels are the lowest in 40 years at \$56 billion but rich countries spend \$300 billion on agriculture subsidies and \$600 billion on defence. "This is a world out of balance." He urged developed countries to convince their electorate about the importance of trade and aid and the developing countries to move aggressively to fight corruption, improve governance and spur reform.

Taking a cue from the World Bank President, the governor of the fund for Germany, Mr Ernst Welteke, said he found it "inappropriate" that industrial countries spend hundreds of billions of dollars each year to protect their own products, spending an amount that far exceeded development aid.

"It would be extremely unfortunate if the failure of the Cancun negotiations would lead to trade conflicts... well targeted financial aid to developing countries can only be successful if combined with good governance and sound institutions" he said.

He opposed the demand by some countries for higher voting shares saying the proper functioning of the World Bank and IMF required that a strong link is maintained between member countries quota shares and their economic weight as reflected in their financial contribution to the world bodies.

"However I believe there is certainly some justification for an increase in basic votes," he said.



CALL FOR NEW BALANCE: World Bank president, Mr James Wolfensohn, attends the opening session of the joint International Monetary Fund-World Bank annual meeting in Dubai on Tuesday. In his opening speech, Mr Wolfensohn voiced understanding for the stand of developing nations in international trade talks and called for a "new balance" between rich and poor. — AFP

IFCI move to rope in IFC

DUBAI, Sept. 23. —IFCI Ltd is pushing hard for a deal with International Financial Corporation, by roping in the World Bank arm as a strategic investor in the financial institution with adequate representation on the board. The institution also proposes to take over a small bank in due course.

While the proposal is being discussed with IFC executives, VP Singh, the institution's chairman and managing director has also held informal talks with World Bank officials.

World Bank officials confirmed the move and said IFCI wanted to portray itself as a private sector Indian FI. However, they said, IFCI had a quasi-public sector character and IFCI would generally desist from investing in such FIs. Some international institutions, with whom IFCI had held parleys earlier, had cited the same reason for not investing in the Delhi-headquartered institution. — BS

Breakdown at Cancun

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THE Indian delegation has returned in good fettle from the abortive Cancun ministerial meeting of the World Trade Organisation. Together with other developing countries, India preferred to abandon the talks rather than accept the unfair decisions that were being thrust upon it. This show of spirit has been widely appreciated at home. India presented its case effectively, pursued an active conference strategy and retrieved a bit of credit from the failure of the meeting. One is reminded of another occasion, the conference on the Comprehensive Test Ban Treaty, when an even more lonely and defiant India held out against the concerted pressure of powerful countries, to great domestic acclaim.

But beyond the excitement of the conference room battle, a clear-headed assessment is required of where the result can lead. The choice made at the CTBT, fully vindicated by subsequent developments, had an awkward immediate fallout in that it influenced a damaging vote against us and in favour of Japan in the election to a non-permanent UN Security Council seat. It seemed that other UN members did not share our belief that we did well to hold out on our own on CTBT. The failure of the Cancun meeting throws up another acute challenge, for it seems to lead to a dead end and there is no alternative route in sight. Our conference performance, appreciated at home, has been criticised abroad for this reason. After the failure at Cancun, the major trading nations may quite readily be able to make compensatory arrangements among themselves. By contrast, India and other smaller trading nations may be left to rue the lack of any forum where they can continue to argue their case and pursue their legitimate interests. This is an important concern that should be adequately clarified.

A notable feature of Cancun was the manner in which a useful alliance of major developing countries was established on the basis of the shared interests. There are



of different international forums where economic issues had to be pursued. At the UN, collective bargaining through G-77 became the established mode, with an aggressive and insistent style of presentation. This was not so elsewhere. Indeed, there was a time when developing countries, including India, sent representatives to New York to claim substantial financial aid from industrialised countries as a matter of right, and demand

wide angle

SALMAN HAIDAR

equitable shaping of the world economy, while their compatriots were in Washington, beseeching the World Bank and the IMF for assistance. There was no such gap among our interlocutors from the developed world. With the weakening of the group coherence of bodies like G-77 and NAM, the collective bargaining that was the norm a few years ago has lost whatever validity it once enjoyed. Instead, it has become necessary to engage in the more complicated task of building short-

term coalitions around specific issues. On environmental matters, India and China have been able to make common cause at successive international conferences. Their success in obtaining exemptions for themselves and other developing countries, at Rio in the early 1990s and more recently at Kyoto, earned special disapprobation from the Bush administration that made an active effort to undo what Kyoto had awarded. But once these two enormous countries get together, they are difficult to dislodge. Now we have seen in the run-up to Cancun how they and others like Brazil have been able to press home the demand that third world manufacturers should be enabled to market cheap generic versions of life saving anti-AIDS drugs - a hard won victory in the teeth of opposition from the powerful US lobby of drug producers.

The WTO agenda is extensive and raises intense passions across the globe. Yet all the demonstrations and denunciations have not blunted the relentless drive of the rich countries to have their way and reshape trading arrangements to conform to their interests. The issues of Cancun will continue to rumble on; the most divisive, agriculture, did not even come up for serious negotiation, and there are many others on the list. The solidarity seen at Cancun will not be easy to maintain - already it is argued by some that there is no common ground between India and China on agriculture and we would have done better to look elsewhere for allies. Moreover, one must anticipate a diplomatic effort from other major countries, perhaps from WTO itself, that will test and maybe strain the cohesion of the developing countries. It is a fluid situation where one has to be quick on one's feet and be prepared for a more difficult diplomatic challenge ahead.

(The author is former Foreign Secretary, Government of India.)

Tidings from Cancun

969 CUTTING CORNERS

ASHOK MITRA

In the wake of the stalemate in Cancun, the Indian commerce minister, always confident and suave-looking, offered a judgment: the major lesson from Cancun, he observed, was that economic issues, whether at the national or the international level, need to be considered in isolation of political issues.

How naïve one can be, or seem to be? What, after all, are the positive achievements of the World Trade Organization ministerial meeting in the Mexican resort city? For the developing countries, the principal outcome is not just the rejection of the proposal to continue the inordinately high farm subsidies now prevalent in the advanced industrial countries. The latter group of countries have been told in no uncertain terms that reciprocity is the heart of the matter: if Europeans and North Americans are reluctant to cut down drastically their farm subsidies, as far as the poor countries are concerned, no further progress with trade liberalization is possible on their part either.

The second success story, which has not received the prominence it deserved in media reporting, is the virtual stalling of the agenda set up half a dozen years ago at Singapore. Governments of the developing countries had then abjectly caved in and accepted, as prime subsequent tasks of the WTO, the initiation of measures towards liberalization of investment policy, commercialization of investment policy, and the services sector. Were this agenda insisted upon, their macro-economic management would in effect be handed over by the poorer to the richer nations; with the Washington Consensus determining the contours of domestic as well as international economic policy. The passionate brawl in Cancun over agricultural subsidies, which blanked out all other themes, put paid to Western ambitions in this respect.

Consider the factors which helped the poorer countries to record these triumphs. At the core of the success was the presence of the solid phalanx of anti-globalization demonstrators, laying a siege at the conference venue for days on end, thousands and thousands of protesters from the different continents. It was political drama of the most intense type, ringing out the clarion call: "injustice shall not pass". Lee Kyung Hae's martyrdom signified a noble, heroic climax to the proceedings.

The breadth of the protest movement, and its organizational vigour, unnerved as much the representatives

of the rich countries as the intending Judases amongst governments of the poorer nations. The global protest has ceased to be an occasional international nuisance, it has evolved into a great ethical phenomenon, before which both the greedy crowd and the feeble-minded stragglers could only cower. Without question, this is the most significant global development over the past decade; politics is in command, and has taken charge of economic issues.

The second political factor at work is of equal import. For the first time, China functioned as a strategic member of the WTO. It made its weight felt. This meant a qualitative difference to the in-house parleys: China's has been in recent times the fastest growing national economy, with an increasingly major share in global exports. Yet another factor helped to tilt the scales at Cancun: Brazil has now a national government presided over by an incorrigible left ideologue, and is no longer a pushover. China, Asia's biggest nation, and Brazil, Latin America's biggest, became the prime movers of resistance to Western blandishments; the respect they drew facilitated the cementing of the concordat of the poor. This too is a development of immense significance. India could not dare to break ranks; even the ordinarily prim Indian mandarins, befuddled by the turn of events, is unable to predict how the international balance of power is going to shift in the immediate and not so immediate future.

For there is a further exogenous explanation of why the American administration and its friends failed to shatter the unity of the poorer countries. Post-Iraq, the United States of America, while still the world's mightiest political and economic power, is in real danger of being reduced to the status of almost a paper tiger. The number one crony, Tony Blair, is fighting for his political life; the report of the Hutton commission might well prove to be his swansong.

What is more daunting, American public opinion has suddenly begun to swing wildly against George W. Bush. The number of body bags shipped from Iraq is regularly increasing, leading to widespread public disaffection at home. Even the portals of Washington's stogy National Press Club, the *sanctum sanctorum* of the US estab-

lishment, is no longer a safe haven for the US defence secretary, or, for the matter, the president himself; doubts are being freely expressed over the re-electability of the president in the elections next year. Even the frog feels superior when the elephant gets bogged down in a marsh. Not surprisingly, faintheartedness have come to gather courage, the US government has been change ever so swiftly every now and



unable to persuade the majority of the 148 member-nations of the WTO into rubberstamping the draft resolution it sponsored.

What does all this add up to? Quite obviously, success in economic causes is a basic product of political pulls and counter-pulls. And it is only a beginning, a very mild beginning. Within the Indian delegation too, political considerations emerged to the fore. The Federation of Indian Chambers of Commerce and Industry-Confederation of Indian Industry lobby must have dearly loved to strike a deal with the Americans, since that might have helped to push up India's exports to the US from the current level of around four billion dollars to something double of that over the next few years, and thereby countered the ongoing industrial recession in the country. Poor

farmers, who will be at the receiving end of any such side deal with the US, however, make up a much larger slice of Indian electorate. Crucial elections are in the offing; the Bharatiya Janata Party-led regime had therefore little choice but to join the China-Brazil *entente*.

Political calculations nonetheless, change ever so swiftly every now and

American-Israeli-Indian armed conglomerate. There could be other developments worldwide, and the solidarity of the poor nations might turn out to be a transitory episode.

But, then, prognosis on such issues is awfully difficult. Habits do not dissolve overnight. American citizens, having got used to relatively cheap consumer goods from China, India and Brazil, could be unwilling to give up merchandise coming from these countries; their votes too count in US elections. This possibility may still not calm the nervousness of the New Delhi regime. It may start worrying over the consequences of an adverse impact of retributive measures launched by the American administration. It may also decide not to take seriously the point of view that clamping restrictions on importables from the poorer countries through tariffs and quotas could make the US itself a major defaulter of WTO rules.

Those determined to surrender national sovereignty to external forces may choose not to be detained for long by the realpolitik of global trade. The danger remains of an Indian capitulation, if not within the next few months, may be after the Lok Sabha elections next year. The necessity of vigilance — on the political front — therefore cannot be wished away.

A couple of concluding thoughts. First, for close to forty years, India has refused to have any meaningful conversation with China. In retrospect, this has been a major blunder. China's annual exports to the US stand at close to 125 billion dollars. These comprise an impressive array of mostly consumer goods which the Americans would hate not to be continuously supplied with at the present reasonable prices. China also holds exchange reserves exceeding 700 billion dollars that are swelling at the annual rate of 100 billion dollars.

It will be wise on our part to forget past animosities, and attempt to arrive at an arrangement with the northern neighbours so that some of the more abrasive moves of the Washington Consensus can be effectively resisted through joint action. This will also enable us to stay on the right side of the Arab world. Secondly, the Western discomfiture at Cancun can certainly be availed of to propose a reappraisal of the existing staffing structure of the WTO secretariat. It currently acts as an articulator of the interests of the highly rich, industrialized Western countries. It must be changed so as to be in accord with emerging global realities.

Lee Kyung Hae's martyrdom provided a noble, heroic climax to the proceedings at Cancun

QUESTIONS AT CANCUN-II

Imbalance Between Rights And Responsibilities

By DIPAK BASU

The implications for a regime of free flow of investment are many. It would allow foreign investors to control eventually all natural resources, including agricultural land. That would take away the sovereignty of the government making the country a dependent economy. It would not allow the home government to direct investment to the socially desirable sectors or to the economically backward regions. It would also create extreme inequality between regions and between social classes, which can undermine the stability of the country.

Removing restrictions

The experience of the East Asian countries in the 1998 financial crisis showed that an absence of controls over capital flows can make the country suddenly bankrupt if foreign investors lose confidence in the country's prospects. There was no Asian crisis in India, Malaysia or China in 1998 as these countries had controls over monetary flows. During the last 10 years, the poor countries have received a number of setbacks regarding the promises made by the World Trade Organisation and the developed countries.

The developing countries have accepted a new international investment regime already in the form of Trade Related Investment Measures (TRIMS), Trade Related Aspects of Intellectual Property Rights (TRIPS) and General Agreement on Trade in Services (GATS). These three new systems already give the multinational companies and the rich nations considerable advantages and freedom to operate in the developing countries. The TRIPS agreement prevents much needed technology transfer to the developing world by ensuring control of knowledge and technology in the hands of the corporations of the rich countries.

The TRIMS agreement curtailed the freedom of the governments to demand that foreign investors use a minimum percentage of local content as inputs, export a minimum percentage of their domestic production, or restrict the level of repatriation of profit. GATS requires member states to treat foreign service providers no less favourably than domestic providers.

In 1997 OECD countries, the club of the rich nations, have demanded a new regime of investment, MAI or Multilateral Agreement on Investment, to remove any existing restrictions for the multinational companies and multinational financial investors. Due to the strong protests of the poor countries, WTO could not adopt it then, but it will try again in Morocco.

However, in order to attract foreign investments, poor countries are trying to reduce labour rights by setting up special economic zones, where domestic trade union laws will not be

operative. Another effect is the competition among the poor countries to attract foreign investments by reducing tax on corporate income, thereby reducing tax revenue of the country. The consequences are reduction of public expenditure and increasing debt of the government. India is the perfect example of this problem, when



public debt has gone beyond any limit with reductions in tax rate and tax revenues.

Systematic imbalance

Patent rights, by granting temporary monopolies to drug manufacturers, keep drug prices and company profits up. As a result, the pharmaceutical industry has higher profit rates than any other major industrial sector. In 1994, the WHO agreement on "trade-related aspects of intellectual property rights" mandated that member countries bring their laws into accord with restrictive standards that maximise the rights of patent holders. Both the Nobel Prize winner Joseph Stiglitz and Muchkund Dubey, India's chief negotiator to the 1994 Treaty in Uruguay, have remarked, the 1994 agreement was "unequal" and "driven by commercial interests". The agreement does include the option for countries to use generic alternatives to patented drugs in emergencies, as the US threatened to do recently to bring down the price of the patented antibiotic Capra. In practice, however, using this option requires strong political will, economic influence, and high-powered lawyers to face up to pressure from drug companies and their home governments.

Developing countries have proposed a clear declaration from the WHO meeting that "nothing in the TRIPS agreement shall prevent members from taking measures to protect public health". While not changing the text of the existing agreement, such an explicit statement would make it much easier

for developing countries to take advantage of the loopholes in TRIPS. The USA, Switzerland and other rich countries have opposed this statement, and have proposed weaker language that sounds similar but would mean little chance in the status quo. However, the poor countries accepted it in Geneva on 30 August this year, as they have

realised nothing else can be gained.

Although the developed countries at the Doha conference wanted to include "labour standards" as a trade-related issue in future agreements, they have dropped it due to the objections raised by China, India and some other developing countries without much argument. The reason is that inclusion of labour standard in trade negotiations will affect the developed countries badly as well. As multinational corporations of the developed countries are deeply involved with the Chinese export drives, developed countries are not interested to include "labour standards" in the future talks of the WHO as that would harm their companies too.

The developing countries want a comprehensive re-evaluation of existing agreements before starting a new series of complex negotiations on additional sectors. They want WHO to consider the empirical evidence on benefits and damages. They also want to remedy the difficulties they have faced in setting up legal and administrative systems for implementation of trade rules. In short, they want to address the systematic imbalance that ensures that rich countries benefit disproportionately, while the poor countries' "development deficit" only grows.

Developing countries have identified at least 104 specific "implementation" issues they wanted to address. A few examples include US use of "anti-dumping" barriers to restrict exports of steel from developing countries, including India, the

impact of lower industrial tariffs in devastating domestic industries in many developing countries, and the failure of the rich countries to provide adequate technical assistance to enable developing countries to comply with trade regulations and compete effectively.

Benefit of protection

Developing countries have also led a fight to oppose the use of intellectual property rights to patent life forms, a trend which threatens developing country control over genetic stock vital for agricultural production. The bottom line is that while developing countries have been forced into opening their markets, allowing cheaper imports to undermine domestic agriculture and industry, rich countries have failed to lower their own trade barriers, which cost developing countries some \$100 billion in lost opportunities. Instead of addressing these concerns, the rich countries and the WHO secretariat have pressed for a new round while offering practically nothing to address these implementation issues.

Protectionism was used at the early stages of development for all developed countries. The USA, the UK, Japan, Korea, Taiwan and China had all used discriminatory policies against foreign products and investors. All of them have used limits on foreign ownership; export requirements, local employment and insistence on joint ventures with local firms and general import restrictions to develop their own national economy. Only when the domestic industries have reached a certain level of maturity, the benefits of non-discrimination and liberalisation could outweigh the costs of protectionist policies. Liberalisation for those economies is the result of their development, but not the cause. Acceptance of the proposed trade and investment regimes of the WTO means not doing what the developed countries did to develop their economies.

The WTO proposals create an imbalance between the rights of the foreign investors and their responsibilities. This imbalance undermines national sovereignty and international efforts to put constraints on the unlimited power of the multinational companies, annual profit of some of whom are more than the national income of most of the poor countries. WTO has no jurisdiction over the multinational companies. The UN has tried to create a set of rules to control the multinational companies. However, these were all rejected by the developed countries. Given the attitude of the developed countries, Cancun conference was only intended to increase the imbalances between the sacrifice of the poor countries and their achievements from the WTO.

(Concluded)

QUESTIONS AT CANCUN-I

Rich Countries Still Protected By Tariff Walls

By DIPAK BASU

The meeting of the World Trade Organisation in Cancun in Mexico was in disarray before it started. Developing countries were not satisfied with the fact that the richer countries were again trying to set the agenda with the exclusive interests of their own economies and were asking the developing world to accept a new set of agendas with the slogan for development. Most of the developing countries are no longer willing to accept the rhetoric of the developed world that what is good for them is also good for the poor nations.

Unkept promises

In theory the WTO with 142 members including 47 African countries, operates by consensus. All countries have the right to participate in negotiations affecting them. In practice, however, key decisions, including formulation of documents presented as "consensus" positions, take place in smaller informal meetings that are closed or unannounced. Even when there is vocal dissent, the positions of developing countries are often totally excluded from the emerging statements.

The developing countries are concerned that during the last 10 years they have not gained much from the markets of the richer nations, which are still closed. At the same time, rich countries want to abolish all forms of trade protections in the developing world, which will undermine whatever manufacturing industries the poor countries have. Although in the Doha declaration in 2001 stated that "the modalities for further commitments, including provisions for special and differential treatment to be established no later than 31 March 2003", no progress in this matter was made. At the same time, due to the falling price of the natural resources, the poor countries are getting less and less from their exports of natural resources.

Abolitions of all tariffs and trade protections will mean more imports which, in view of the falling export revenues, will create more acute balance of payments problem for the poor countries.

Trade liberalisation, its proponents promise, will bring benefits to all countries. The World Bank, for example, calculated that full trade liberalisation could bring between \$200 billion and \$500 billion in additional income to the developing countries.

Now the developing countries are asking for the results, which are not forthcoming. In practice the rich countries take full advantage of the meets, they press on developing countries to open their markets, while

failing to open their own markets. This is particularly clear in agriculture, where agricultural subsidies to farmers in the US, Europe, and Japan have risen to almost \$1 billion a day, more than six times the amount these countries provide in development assistance. Together with other measures, such as tariffs and quotas, these subsidies

want to raise tariffs on some crops and to exclude some crops from any further liberalisation. India has proposed a "food security box" so as to increase flexibility for providing domestic support to the agricultural sector.

High tariff against the exports of industrial goods from the poor countries cover 63 per cent



make it difficult for the developing countries to compete in markets of rich countries.

Even more damaging, agricultural exports from the rich countries drive small farmers out of business even in their home countries. This threatens domestic food security and undermines export potentials of the poor nations. The previous Uruguay Round of trade negotiations, which ended in 1994, promised greater market access in the rich countries for developing countries' exports. This has not happened.

Closing out the poor

Both the European community and Japan are against any real changes in the agricultural support system they have. USA may go along with the European and Japanese, leaving the developing world in despair. The total amount of agricultural subsidy in the OECD countries has risen from \$298 billion in 1988 to \$326 billion in 2000, which is 31 per cent of the value of agricultural product in the OECD countries.

Subsidy in agriculture in the European Union is about 35 per cent of the total value of her agriculture production. In Japan, subsidies in agriculture constitute 59 per cent of the value of agricultural production.

The USA is going to increase its agricultural subsidy by \$83 billion over the next 10 years from 2002. Yet, at the same time these countries are asking the poor countries not to give any subsidy to their agricultural or industrial sectors.

The developing countries

of all export items of the poor countries. High tariff rates against the exports of agricultural products from the poor countries constitute 97.7 per cent of all agricultural export items of the poor countries. That is not all. Tariff rates escalate along with the amount of processing of a natural product.

Thus, the idea that the developed countries have already reduced their tariff rates is a myth; they did it only for those products which are not going to cause unemployment. If there is a little tendency for any export item from the poor countries to cause unemployment in the rich countries, anti-dumping measures are followed vigorously by the developed countries.

Nearly 50 per cent of all anti-dumping measures approved by the WTO are by industrialised countries. Thus, the developing countries do not have much market access but they are forced to open their markets for the rich countries.

The rich countries have developed their economies under tariff walls and are still protecting their economies with various measures of tariffs and non-tariff restrictions. Thus, their advice that the growth prospects of the poor countries will be magnified if they remove all trade restriction cannot cut much ice.

Developed countries have initiated a strong campaign to include free flow of investments as a condition for the members of the World Trade Organisation. Free flow of investments has several dimensions.

It demands all countries must allow complete freedom for the

multinational companies to invest in any sector they like with complete freedom to withdraw investment and to remit profits across the border. It implies, the member countries cannot have any form of exchange control and any control on money or capital flows.

It also means foreign companies would be treated at par with the domestic companies and subsidies for the socially needed industries or sectors in the home economy would not be allowed as these subsidies are against competition. National governments will be unable to discriminate against foreign companies regarding government purchase or contracts.

Free flow of capital

Developing countries are against these measures to be included in any future agenda, but slowly but steadily they are being persuaded to accept at least some aspects of these measures to start with. The arguments of the developed countries are that free flow of capital would ensure uninterrupted flows of foreign investments, which will enhance economic growth of the poor countries. Removal of restrictive practices against foreign firms and favouritism for the domestic companies will create an intense competitive atmosphere so as to make the enterprises increasingly efficient.

There are many problems in these arguments. Foreign investments are neither necessary nor sufficient for economic development. Japan, Korea and the former Soviet Union have rapid industrialisation without foreign investments.

Brazil, Argentina, Thailand, Indonesia have received significant amounts of foreign investment, but they are still poor. In 1999, the UN Economic Commission for Latin America has reported that foreign investment in the region rose by 13 times in the 1990s compared with the 1970s, but the growth rate of the gross national product was 50 per cent lower than that during 1970s.

If foreign investments are concentrated on purchasing assets rather than creating new source of production, there may not be any improvement in the growth rate of the economy.

In the period 1995-98, transfers of property accounted for nearly two thirds of all foreign investments in Latin America. China's rapid development during the 1990's is accompanied by massive inflows of foreign investments, but China has maintained all kinds of controls over its economy and particularly on foreign investments. China's experience shows that controls on the economy and on the external sector do not deter foreign investments.

(To be concluded)

Biggest lender to US grabs attention of media and NGOs

China steals the show

K. P. NAYAR



Cancun, Sept. 15: There is a side show in Cancun: a side show which is potentially more significant than the main show of the World Trade Organisation's (WTO) fifth ministerial conference.

The side show is China. The Chinese delegation here has all the swagger of a country, which is now the biggest lender to the US — yes, to the US, which is the world's biggest economy.

Did you know that China now holds \$290 billion in American government debt in US treasury bonds? That is in addition to China's annual trade surplus with the US which has crossed \$100 billion! This alone should be some food for thought for those in India who question New Delhi's wisdom in seeking an accommodation with Beijing.

Cancun represents China's maiden participation in an international economic event of this scale since it became People's Republic of China more than half a century ago.

China was kept out of the WTO until December 11, 2001. So this is the first time China is taking part in a WTO ministerial meeting as a member. The Chinese delegation here is one of the most sought after delegations among the media, the non-government organisations (NGOs) and even by other delegations. It is also one of the most opaque.

But commerce minister

Arun Jaitley used his persuasive powers — and the goodwill created by the Sino-Indian co-operation in the Group of 22 nations here — to convince Lu Fuyuan, his Chinese counterpart, to be the virtual spokesperson at Cancun for developing countries on export subsidies.

Once Lu launched himself on the subject, there was no turning back. China was forced by the US and the 'big boys' in the WTO to eliminate export subsidies as the price of joining the global trade body.

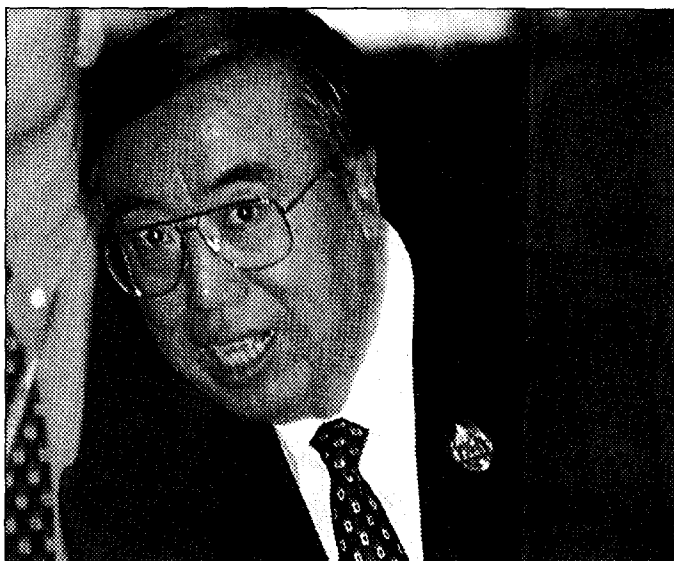
The Chinese don't turn the other cheek when they are slapped on one. So, now with all the traditional passion of an offended Chinese nationalist, Lu wants the rich nations to do what China was forced into about two years ago.

Lu's only problem is that he is not articulate like Jaitley. Not even in Chinese. So, his ambassador to the WTO, Sun Zhenyu, steps in with equal missionary zeal.

The best way to get to the Chinese delegation is through the Chinese media, which has an army of reporters here. Unlike the Indian newsmen from the "free press", the Chinese media here is an extension of their delegation to Cancun.

For the present, Indian reporters are a good flavour with Chinese newsmen. If they like you, they will take you to the Chinese delegation.

The Chinese delegation's statistics, their public documents and what you read — between the lines — in their howsoever cryptic comments all point to one thing. In the second half cen-



Lu Fuyuan: Making his presence felt. (AFP)

tury of the People's Republic's existence, China intends to catch up, if not overtake, the US as the world dominant economic power.

It may come as a surprise to many Indians that China is now keeping helping the US economy to stay afloat. Consumption is at the core of the American economy and the Chinese are feeding America's penchant for more debt by lending to the US.

Economists predict that by next year, America's debt will be six per cent of its gross domestic product (GDP).

The biggest emerging global trade dilemma is not being discussed at the WTO here. It is that huge Chinese savings are being pumped into the US economy so that Americans can keep buying Chinese goods.

A day after the WTO meeting opened here, the US department of commerce released July trade figures in Washington. It showed that America's trade gap with China widened to a record \$11.34 billion in July compared with \$9.9 billion in June.

The respect that China's delegation is getting in Cancun is a reflection of Beijing's win-win

situation with regard to the US. That China is now America's biggest creditor. And the Chinese even profit from it by selling more and more to the US.

Where will it end? Either the US will become insolvent when some of its creditors finally decide that it is no longer viable to lend money to Americans.

The other likelihood is that China may go into political turmoil or its economy may run into trouble and the nature of its ties with the US may change altogether.

Which is why, hinting at a conspiracy, Chinese reporters here say they have serious doubts about how the SARS disease began in China. After all, they point out, it put a brake, altogether brief, on China's economic activity.

Not everyone here, though, is in awe of the Chinese. The Mexicans, hosts to WTO in Cancun, are bitter. They continue to lose jobs and factories to China. "Mexico has nearly lost the battle on low-skilled, labour-intensive industries where it cannot compete with China..." investment company Merrill Lynch said in a recent report.

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THE TELEGRAPH

Cancun fails, developing nations' unity does not

Rich-poor split sinks trade talks

SAUMITRA DASGUPTA

Cancun, Sept. 15: The world trade talks collapsed here last night with the rich and poor nations unable to agree on the modalities for framing new rules covering a range of issues from agriculture to industrial tariffs, and services to investment.

The breakdown (briefly reported in Monday's edition) signalled the growing power of the developing nations, which refused to be browbeaten into submission as they had been in the past.

"I would have been happy to reach a trade agreement," said commerce minister Arun Jaitley. "But in the end we were only able to focus attention on the issues of importance to developing nations."

European Union trade commissioner Pascal Lamy said the round of talks wasn't dead, "but it certainly needs intensive care". "We could have gained — all of us. We lost — all of us."

All through the week, the discussion had focused on agriculture. But in the end, the talks foundered when the developing nations refused to cave in to pressure to widen the ambit of the WTO's agenda by including the so-called Singapore issues of investment, competition policy, trade facilitation and transparency in government procurement.

There was an air of triumph among the developing nations, which comprise over three-quarters of the WTO's membership, at being able to stall attempts by rich nations to change the rules of the game and frustration and anger on the other side.

"The developing countries have come into their own," said Malaysia's trade minister Rafidah Aziz. "This has made it clear that developing countries cannot be dictated to by anybody."

"We are going to open up markets one way or the other," US trade representative Robert Zoellick said ominously.

He hinted that the US would step up efforts to sew up regional free trade agreements and work on bilateral pa-

cts with more nations.

Zoellick said it would now be very difficult for the WTO to meet its deadline of concluding a new trade deal by the end of 2004.

"The WTO remains a medieval organisation.... The rules of the organisation cannot support the weight of its task. Given the way it functions now, there is no way to get 148 members to agree on contentious issues," Lamy said.

"We need to see how we can change the way that WTO functions to make it work," said Lamy, raising the spectre of a voting system that will give the rich more control as in the UN.

Although both the EU and the US refused to indulge in a blame game, others did.

Canadian trade negotiator Pierre Pettigrew said India and Malaysia had scuppered the talks by refusing to budge even after the EU suggested that it was ready to drop the two most contentious issues: investment and competition policy.

The British and some other European negotiators blamed Luis Ernesto Debrez, the Mexican foreign minister who was the chairman of the Cancun conference, for his "hasty and rash" decision to end the talks because there was no explicit consensus.

Lamy, however, refused to blame Debrez for calling an end to the talks but did appear to question why he took up the Singapore issues first when the talks had centred on agriculture all through. The talks will now have to be carried forward by the ambassadors of various countries and the WTO general council in Geneva.

"I am disappointed that we have to conclude this ministerial conference in this way, but not discouraged. We need to make sure that everyone remains engaged in the process," WTO director-general Supachai Panitchpakdi said.

Anti-globalisation activists who had criticised the proposed trade deal sang the Beatles song

Money can't buy the world after the talks collapsed and held up banners reading "We won". (See Business Telegraph)

QUOTE

We could have gained — all of us. We lost — all of us

EU TRADE COMMISSIONER

A new voice makes itself heard at Cancun

ST. Paul
9/15/03
Lea Paterson/The Times, London

LONDON, Sept. 15. — Progress is not a word often associated with the World Trade Organisation (WTO) and it is unlikely to be one that springs immediately to mind after the shambles that passed for the ministerial meeting in Cancun.

Deadlock and stalemate may initially seem like more apt characterisations of the Cancun discussions, with ministers yet again bogged down by rifts over agriculture. But although the meetings may have failed to make meaningful headway on farming reform for now, they may have sown seeds of real change.

Ironically, the very group of countries being blamed for the apparent lack of progress at Cancun are the ones that hold out the most hope for substantive, longer-term, reform. The so-called G 21 group of developing countries — led by heavyweights such as India and Brazil — have been roundly criticised by the USA and the EU for their aggressive, confrontational negotiating tactics.

Mr Peter Allgeier, deputy US trade representative, declared himself “perplexed” by the group’s hardline demands for deep cuts in Western agricultural subsidies and tariffs. The EU delegation was similarly dismayed by the G 21’s approach.

Yet the emergence of a distinct, and substantive, counterweight to the USA and Europe at Cancun could eventually prove to be the making of the WTO. The trade organisation’s biggest flaw to date has been that developing countries have been unable to coordinate their demands, handing the industrialised world free rein to dominate WTO discussions.

There may be no guarantee that the unlikely alliance of Brazil, one of the world’s

largest food exporters, and India, with its protectionist regime and impoverished farming community, will last the distance. But if it does, the G 21, representing almost two-thirds of the world’s farmers, will have real clout.

That there is a desperate need for farming reform in the industrialised world is beyond doubt. The world’s richest countries spend some \$300 billion a year supporting their farmers, leading to artificially high prices for consumers and causing real hardship for developing economies. There are much better ways to provide financial assistance for developed-world farmers without causing the enormous, and costly, distortions to trade that result from the status quo.

Statistics provided by the Organisation for Economic Cooperation and Development (OECD), whose members include all the world’s major industrialised economies, show just how much the consumer is losing because of farm support.

On average in the OECD countries, the prices farmers receive are 31 per cent above the equivalent in international trade. This figure rises to 80 per cent for milk, almost 100 per cent for sugar and 360 per cent for rice.

These hugely inflated agriculture prices can be maintained only because of punitively high tariff walls. A key reason farm products in industrialised countries are so expensive is that the average agricultural tariff among the OECD countries is 60 per cent.

That is about ten times greater than the tariffs on typical industrial products and, in most OECD countries, the peak agricultural tariff rate is as much as 200 per cent. At the moment developing countries hand over an estimated \$16 billion each year to the industrialised world in agricultural tariffs, a situation that is little short of crazy.

Cancun comes a cropper

Press Trust of India

CANCUN, Sept. 15. — The WTO's five-day ministerial conference here collapsed with India and other developing countries opposing the attempt of rich nations to take up the contentious issues of trade and investment ignoring their concerns on agriculture.

A bitter stand-off between the developed and the developing nations over the rich nations' attempt to launch immediate negotiations on what are called the Singapore issues of investment, competition, trade and government procurement led to the deadlock at the meeting of trade ministers of 148 countries.

The talks ended late last night without any declaration as more work was needed to be done in some key areas, a ministerial statement said. Commerce minister Mr Arun Jaitley said the draft declaration that came out after three-and-half-days of negotiations did not reflect the aspirations of a large number of countries, particularly on Singapore and agricultural negotiations.

However, he said Cancun's failure would not



Koreans celebrate in Cancun after the failure of the WTO talks on Monday. — AFP

hit the future of multi-lateral trading system and that India would continue to play a proactive role. "The fact that we brought the concerns of developing countries to the centre stage reflects the success of Cancun," he said adding the developed countries were not able to understand the mood and sentiment of poor nations.

More reports on page 11

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THE STATESMAN

Tariffs too high, cries a businessman but has no idea of WTO talks

Cancun investors chafe at rules

SAUMITRA DASGUPTA

Cancun, Sept. 14: "I export stuff out of central Mexico to the US with no fuss and the benefit of low tariffs there. But I pay outta my *** when I import anything into Cancun," says R.J. Thoman.

Thoman is a 50-something Texan who moved to Mexico 13 years ago: he has a ranch in Central Mexico where he makes inflatable advertising products for companies at Games R Us (no relation to the famous Toys R Us).

Business has been bleak and he has more or less retired after retrenching half his staff. He has since moved to Cancun where he works part-time as a real estate broker selling space at a beach-front condominium on the road across the Convention Centre where the Fifth Ministerial Conference of the World Trade Organisation is drawing to a nerve-racking close.

When Thoman first came here it was tough to get a work permit — the FM3 visa — though he was an investor ready to stump up cash for a venture out here. "It took me close to two years," he says.

Import tariffs, foreign investment and work permits are all the hot issues that are being debated fiercely at the four-day conference, though agriculture has hogged all the attention.

Thoman can make no sense of all that is going on across the street from his small glass-fronted office where he sits and gloomily looks out hoping that someone will stop by to pick up a brochure on the condo that he says will be ready by February.

"I have been trying to sell the three-bedroom units for the past three months and things have been slow. August to October is the slack season at Cancun when we get the poor guys coming in for a holiday. I hope things will improve between December and March when the rich Americans come holidaying here," says Thoman, who also owns a small stake in Fresno, a California-based Internet service provider.

When Thoman talks about the poor traveller he isn't talking of the average backpacker you see slumming about the back streets off Calcutta's Sudder Street. Average room tariffs in Cancun's hotel zone — a 12-km stretch that has 86 hotels cheek by jowl along a narrow sandbar strip that look out on a brilliant aquamarine blue oceanfront and an almost sugar-white beach on one side and a lagoon on the other — is about \$120 a night. Further away, you can get rooms for about \$60 but without a great oceanfront view or a private beach.

CONTINUED ON PAGE 6 ►

Trouble with rules at Cancun

► FROM PAGE 1

"There are 20,000 rooms in Cancun and real estate development in the area is quick. We will be up to 500,000 in next to no time," says Thoman, with most of the investment here flowing in from the US.

Slack season or not, the occupancy rate in Cancun hotels is over 80 per cent and Thoman reckons that after the trade negotiators, the NGOs and the large tribe of journalists disappear after the four-day conference, there will be others to fill up the place.

But that's no use for Thoman — they are still the poor guys who can't afford to plonk down the \$400,000 that Punta Cancun, the real estate company developing the beachfront property, is asking for the condos.

Thoman isn't the only investor here who is chafing at the bit over tariffs and regulations in Mexico. Narendra Singh

Kang, who is originally from Chandigarh, runs an Indian restaurant called the Taj Mahal in the downtown area. It isn't an upscale restaurant that can match the haute cuisine joints in the hotel zone, but it is about the only place where you can get some dodgy Indian food.

Kang, who came here from Austin, Texas, 20 years ago to manage a hotel before branching out on his own, says the place has grown phenomenally since the area was first developed in the mid-70s by cutting a swathe through the deep tropical forest and the mangrove swamps where the iguanas prowl.

Both Thoman and Kang are investors — one big and one small — but both have only a dim idea of the process that the trade negotiators use to reach consensus on creating a world that is free from regulation and import

barriers. They only suffer the consequences of a badly laid-out set of trade regulations.

Investment in the three-room condos here makes good economic sense. "You can give out the rooms on rent — that's what the US investors will do — for around \$400 a day. Factor in a conservative occupancy rate of 100 days a year and you earn \$40,000 a year, which is a 10 per cent return on investment," says Thoman.

Interest rates are down all over the world, including India, and a 10 per cent return looks like a good business proposition. There's only one catch: investors from abroad will have to vest the title to property with a bank trust. Those are the Mexican rules.

Investment is one of the biggest no-no subjects for the Group of 22 — a club of developing nations that has been stalling progress on the so-called Singapore

issues, which include investment, competition policy, trade facilitation and transparency on government procurement.

"Here," says Thoman showing a Punta Cancun brochure towards me, "you go and sell my condos to investors in India and you can keep a part of the commission."

This week I have bumped into far too many people who've been sporting twin hats — sombreros if you are Mexican: journalists concealing NGO affiliations, NGO officials masquerading as journalists, academics of various stripes consorting with various pressure groups.

I am tempted to take up Thoman's offer — but don't rat on me to my editor. The terms of my employment do not allow it.

Meanwhile, let me head across the road to the convention centre and file my story for the day.

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THE TELEGRAPH

Cancun draft a disaster: chambers

Business Standard

Development Agenda.

NEW DELHI, Sept. 14. — India's business and industry chambers termed the draft Cancun Ministerial resolution released yesterday by the World Trade Organisation (WTO) as a "disaster" and said that it failed to reflect the views of a number of developing and least developed countries.

The Confederation of Indian Industry (CII) said that the draft resolution is completely in favour of developed countries and ignored the needs and interests of the developing ones.

The Federation of Indian Chambers of Commerce and Industry (FICCI) said that the draft was flawed on agriculture, since it did not address most of the concerns and viewpoints of India and other developing nations as articulated in the G-21 proposals.

In a statement, CII said agriculture, which is the main issue at Cancun and which deeply concerns developing economies with their dependence on agriculture, has seen a draft text which is "totally unacceptable, insensitive and unbelievable".

Ignoring all past discussions on the Singapore issues of investment, competition, policy, trade facilitation and transparency in government procedure, the draft negotiates only on the last two, CII noted.

"The draft resolution in the present format is not acceptable. It is a disaster," said Anand Mahindra, president CII. Similarly, on implementation issues, cotton, special and differential issues, etc., CII expressed disappointment with the draft text, as there was a clear deviation from past understandings and the spirit of the Doha

"The latest draft has failed to correctly reflect the views and positions of a large number of developing and least developed countries, and requires a fundamental change in several areas," secretary general of Ficci Amit Mitra said.

"The draft is extremely weak when it comes to domestic support where it completely ignores developing countries' demand for elimination of article 6.5 of the agreement of agriculture," Mitra said.

While the Indian government and business have been demanding the green box subsidies to be brought under a discipline, the draft's treatment of green box was ambiguous, Mitra said.

According to Ficci, on the issue of export subsidies too the draft was not in line with the Doha mandate since it would not allow continuation of export subsidies, particularly by developed countries for an unspecified period.

"Developed nations have managed to get inserted an additional flexibility in terms of exceptions while reducing tariffs exceeding the negotiated maximum figure," Mitra said.

Pointing out that the draft had ridiculously backtracked not only from the Doha declaration but also from the first revised draft of Cancun, Ficci said: "This latest draft has altogether brushed aside views and opinions of India and several other countries". On market access for farm products, the draft is particularly harsh on developing countries, said Mitra.

"The three-step tariff reduction package (including the Swiss formula) applicable for developing countries would imply a steep reduction in our agricultural tariffs, which is not acceptable," FICCI added.

US leaders concerned over pace of WTO

INDO-ASIAN NEWS SERVICE

WASHINGTON, Sept. 13. —Expressing concern over the tardy progress of negotiations at the ministerial meet in Cancun, Congressional leaders say US farm subsidy cuts are unlikely without foreign concessions.

The Senate Finance Committee chairman, Mr Charles Grassley, said on Friday that he was disappointed by a counterproposal on agriculture submitted by the Group of 21 (G-21) developing countries, which includes India.

Mr Grassley, who is not attending the WTO meet that ends Sunday, said he could not support the position these countries were taking to seek additional cuts in domestic subsidies without opening their own markets to agricultural

imports.

Congressman Jim Kolbe, the chairman of a House of Representatives appropriations subcommittee, expressed the same concern over the lack of progress in talks on a framework for continuing negotiations on reduction of agricultural subsidies and improved market access.

Praising a joint US-European Union (EU) proposal on agriculture, he said the US was unlikely to make "massive and permanent" reductions in agricultural subsidies without reciprocity by developing nations in the market access area.

Mr Grassley said: "Since the start of these negotiations, the US has indicated a willingness to eliminate domestic subsidies for agriculture. But success at Cancun is a shared respon-

sibility. It can't be a one-way street whereby the US agrees to eliminate subsidies but the rest of the world does nothing."

"What I find most disturbing is that some of the nations that have aligned themselves with the G-21 position, such as Colombia, El Salvador, Costa Rica, Morocco, Thailand, Egypt, Guatemala and South Africa, are seeking to deepen their relationship with the US through the negotiation of free trade agreements, but are resisting opening their own markets in agricultural trade.

"This makes me question their commitment to free trade and their interest in pursuing the strong market access commitments required to conclude free trade agreements with the U.S.," a statement by Mr Grassley said.

US PRESSURE FAILS TO DIVIDE G22 AT WTO

Developing states stick to demands

PRESS TRUST OF INDIA

CANCUN, (Mexico), Sept. 13. — Mounting political pressure did not deter developing countries like India, Brazil and China to budge from their demand for a commitment from EU and US for phased elimination of domestic support and export subsidies in agriculture which delayed the formulation of revised draft on this crucial issue until tomorrow.

Facilitator on the key agriculture negotiations, the Singapore trade minister, Mr George Yeo, will finalise the draft only by tomorrow as the attempts of EU and US to break the formidable group of 22 developing countries led by India, Brazil and China failed today.

The commerce minister, Mr Arun Jaitley, said the alliance building by to protect the interests of millions of farmers in our countries" has forced the facilitator to consider addressing developing countries trade concerns.

"One of our objective is development, which is to improve the lot of farmers. Our agriculture produce cannot be sold in world market because it can't compete with subsidised agriculture in the developed countries threatening the livelihood of 650 million people depended on agriculture in India," Mr Jaitley said giving the rationale behind why developing countries were demanding elimination of domestic support and export subsidies in industrialised nations.

Therefore, the entire approach of G-22 is to protect the interest of 50 per cent of the world population and 65 per cent of world farmers who were living in our countries, he said adding "we have the rationale of fair trade on our side and the question is not whether our stance is right or wrong."

SIA OC

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Yet another important question was transparency and inclusiveness of the entire process, Mr Jaitley said adding the draft text circulated reflected little of this aspect and hoped Cancun would be an important turning point by providing opportunity to developing countries.

On the new issues called Singapore issues comprising investment, competition policy, trade facilitation and transparency, Mr Jaitley said the word "explicit consensus" in the Doha declaration has not been used in futility and negotiations for formulating rules on these issues could not start at Cancun unless all countries agreed and nearly half of 146 member countries opposed it.

The 70-odd developing countries did not want to start negotiations as several clarifications were still needed on the parameters of the negotiations on these issues, he said.

The Group of 16 developing countries led by India and Malaysia today sent in a letter to the facilitator on Singapore issues, Canadian Trade Minister Pierre S Pettigrew saying there can be no negotiations on these issues without explicit consensus on the modalities for negotiations as per the Doha Mandate.

Many developing countries do not have the capacity to implement obligations arising out of commitments that such multilateral rules would entail, besides which there are also doubts on the benefits of a multilateral framework on such issues.

The G-16 which also included several African, Latin American and Asian countries have concerns about the process through which these issues have been brought to the Cancun Ministerial without any prior discussion on the modalities for negotiations and stressed on continuation of the clarification process.

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THE STATESMAN

On his knees, for Cancun

K.P. NAYAR

Cancun, Sept. 13: It was a phone call unlike any other since the Indo-US lovefest began in March 2000 when President Bill Clinton visited India.

The call last Monday lasted just over five minutes, but for the first time, President George W. Bush was a supplicant before Prime Minister Atal Bihari Vajpayee during the conversation, details of which are now available from US sources.

Scott McClellan, the White House spokesman who replaced Ari Fleischer, would only say that "the President noted that an ambitious, successful outcome in Cancun, especially in agriculture, would benefit all countries".

The truth is that Bush has to neutralise the so-called Group of 21 countries which India and Brazil are leading in what is becoming a global fight against US and European efforts to hijack the institutions of international commerce.

If there is a WTO compromise here this weekend which requires the US to end or significantly reduce farm subsidies, it will mean that Bush will not be President in 2005.

Missouri and Arkansas are Republican states which voted for Bush in 2000. These states are also synonymous with soybean cultivation. Beef is identified with livelihood in Kansas, North and South Dakota and several states in the south, which are all solidly Republican.

Texas has cotton. Not only the President, but also his brother, governor Jeb, has a stake in Florida's orange cultivation.

Thus it was, as a matter of political survival that Bush phoned Vajpayee as it became clear that the so-called Group of 21 ministers were on their way here, more determined than at the WTO meeting in Doha in 2001 to confront the US and Europe.

Vajpayee was not alone in receiving this SOS from the White House. Bush called President Luis Inacio Lula da Silva of Brazil, whose country is acting as the spokesperson for the 21 developing countries here.

Yesterday, he called President Nestor Kirchner of Argentina after US trade officials here reported to the White House that Argentina's secretary of international trade, Martin Redrado, an expert on farm issues, has been making out a sound case on behalf of the

Group of 21 at WTO meetings.

McClellan made it a point to mention that Bush had referred in his conversation to an agreement concluded this week between Argentina and the International Monetary Fund (IMF) to tide over that country's financial catastrophe.

The implication was that even after US treasury secretary John Snow had offered explicit support for the IMF deal, Argentina was being ungrateful.

If the developing countries do not back off and if cajoling does not work, Washington will clearly look for ways of punishing these countries.

Already, Senator Charles Grassley, the Republican chairman of the Senate Finance Committee, has circulated a memorandum among reporters covering the WTO expressing disappointment with eight members of the Group of 21 that are seeking free trade agreements with the US.

"This makes me question their... interest in pursuing the strong market access commitments required to conclude the trade agreements with the US," Grassley said.

CONTINUED ON PAGE 6 ►

Cancun

► FROM PAGE 1

The underlying message is that these countries had better abandon the partnership with India, China and the like or they will have to pay for not supporting the US. It is a more subtle version of the "if you are not with us, you are against us" message on terrorism which emanated from the White House after September 11.

For India, which has already turned down a US request for troops in Iraq, this poses a dilemma.

There will be many people in Washington who will see the Indian position on both the UN and on the WTO as a relapse to policies during the Cold War era.

For now, India has pushed the public persona of Brazil into speaking on behalf of the Group of 21, Argentina on agricultural issues, China on export subsidies and Malaysia on the so-called Singapore issues such as investment and transparency in government procurement.

As the Americans and the Europeans offer private deals to wean away countries from the Group of 21, India has the backroom responsibility of holding the group together.

14 SEP 2003

THE TELEGRAPH

Agreement eludes WTO talks in Cancun

Cancun: The deadlock at the World Trade Organisation (WTO) showed no signs of resolution on Saturday as the poor and developing countries stepped up their attack on the rich nations, rejecting their attempts to bring on agenda contentious issues like trade and investment and competition without sorting out agriculture.

With just a day remaining for close of the conference, trade ministers were worried about a lack of agreement on the final draft for the Cancun meet which they feared may go the Seattle way.

Facilitator on the key agriculture negotiations, Singapore trade minister George Yeo will finalise the draft only by Sunday as the attempts of European Union (EU) and the US to break the

formidable group of 22 developing countries led by India, Brazil and China failed on Saturday.

Mounting political pressure did not deter India, Brazil and China to budge from their demand for a commitment from the EU and the US for phased elimination of domestic support and export subsidies in agriculture, delaying the formulation of the revised draft of the conference.

India and 29 countries made it clear that there will be no negotiations on the Singapore issues of trade and investment, competition, transparency in government procurement and trade without "explicit consensus" on the modalities for negotiations as per the Doha mandate. PTI

সংস্কার ও সংহতি

১৩/১২/০৩

মে

মেক্সিকোর কানকুনে বিশ্ব বাণিজ্য সংস্থার (ডব্লিউ টি ও) পঞ্চম মন্ত্রী পর্যায়ের সম্মেলনের প্রথম দিনেই কোরিয়ার কৃষকের প্রতিবাদী আত্মহননের ঘটনাটি কেবল মর্মান্তিক নয়, প্রতীক হিসাবে তাৎপর্যপূর্ণ। ওই কৃষকের বক্তব্য ছিল, উন্নত দুনিয়ার অন্যান্য কৃষি নীতির ফলে উন্নয়নশীল দেশের দরিদ্র কৃষকের সর্বনাশ হইতেছে, এই অন্যান্যের প্রতিবাদেই তিনি আত্মঘাতী হইতেছেন। ডব্লিউ টি ও'র ঘোষিত আদর্শ: মুক্ত বাণিজ্য। প্রথম পর্বে ভারত সহ উন্নয়নশীল দুনিয়ার একটি বড় অংশ বাণিজ্য তথা আমদানি মুক্ত করিবার বিরুদ্ধে লড়াই করিয়াছিল। এক দশক পরে এখন পট অনেকখানি ঘুরিয়া গিয়াছে। এ বারের সম্মেলনে উন্নত এবং উন্নয়নশীল দেশগোষ্ঠীর মধ্যে যে দ্বন্দ্ব জন্মিয়াছে, তাহার কেন্দ্রবিন্দুতে রহিয়াছে কৃষি। এবং, এই ক্ষেত্রে উন্নয়নশীল দুনিয়া সংরক্ষণের জন্য লড়াই করিতেছে না, লড়াই করিতেছে মুক্ত বাণিজ্যের জন্য। বিপরীতে, উন্নত দেশগুলি সংরক্ষণ বজায় রাখিতে তৎপর। অর্থাৎ, উল্টোরথের যাত্রা চলিতেছে। কানকুনে সেই উল্টোরথ শেষ অবধি কোথায় পৌঁছাইবে, কৃষি-বাণিজ্য সত্য সত্যই মুক্ত হইবে কি না, হইলে কতখানি হইবে, তাহাই প্রশ্ন। কোরিয়ার ওই কৃষক সেই প্রশ্নের উত্তর জানিবার জন্য অপেক্ষা করেন নাই। তিনি আপন প্রাণের বিনিময়ে উন্নত দুনিয়ার উপর চাপ সৃষ্টি করিতে চাহিয়াছেন।

কৃষির ক্ষেত্রে দুই গোলাধারের দ্বন্দ্বের কারণগুলি স্পষ্ট। এক দিকে উন্নত দেশগুলিতে কৃষিতে বিপুল ভর্তুকি দেওয়া হইতেছে। তাহার ফলে ওই সব দেশে কৃষিপণ্যের দাম অস্বাভাবিক কম, উন্নয়নশীল দেশের পক্ষে সেই দামে পণ্য বিক্রয় করা দুঃসাধ্য। সুতরাং ভারতের মতো দেশের কৃষক উন্নত দুনিয়ায় কৃষিপণ্য রফতানির সুযোগ হইতে বঞ্চিত হইতেছেন। পাশাপাশি, বিবিধ উন্নত দেশের সরকার উন্নয়নশীল দেশ হইতে কৃষিপণ্য আমদানির উপর নানাবিধ নিয়ন্ত্রণ জারি রাখিয়াছে, তাহার ফলে দরিদ্র দুনিয়ার রফতানি আরও ব্যাহত হইতেছে। উভয়তই মুক্ত বাণিজ্যের শর্ত লঙ্ঘন করিতেছে উন্নত দুনিয়া। অন্য দিকে, উন্নয়নশীল দেশগুলিতে এখনও কৃষিপণ্যের আমদানির উপর শুল্কের হার আপেক্ষিক ভাবে বেশি, মুক্ত বাণিজ্যের পথে অগ্রসর হইতে গেলে এই শুল্কের হারও ক্রমশ কমাইতে হইবে। এই পরিপ্রেক্ষিতে মার্কিন যুক্তরাষ্ট্র এবং ইউরোপীয় গোষ্ঠী গত মাসে নিজেদের মধ্যে একটি বোঝাপড়া করিয়াছে এবং সেই অনুসারে ডব্লিউ টি ও'র দরবারে কৃষি সম্পর্কিত একটি

খসড়া প্রস্তাব পেশ করিয়াছে। সেই প্রস্তাবে তাহারা 'মুক্ত বাণিজ্যের স্বার্থে' কৃষিপণ্যের উপর আমদানি শুল্ক কিছুটা কমানোর প্রতিশ্রুতি দিয়াছে, কিন্তু আপন আপন দেশে কৃষিতে প্রদত্ত ভর্তুকির মাত্রা বিশেষ কমাইতে রাজি হয় নাই। অন্য দিকে, উন্নয়নশীল দেশগুলিকে তাহাদের আমদানি শুল্ক অনেকখানি কমাইতে চাপ দিয়াছে। ইউরোপ-আমেরিকার এই প্রস্তাবের জবাবে একটি পাল্টা প্রস্তাব পেশ করিয়াছে একুশটি উন্নয়নশীল দেশের গোষ্ঠী, ভারত এবং চিন যে গোষ্ঠীর সদস্য। এই দেশগুলির দাবি, উন্নত দেশে কৃষির উপর ভর্তুকির মাত্রা কমাইতে হইবে, সেই সব দেশে উন্নয়নশীল দেশ হইতে কৃষিপণ্যের আমদানির উপর নিয়ন্ত্রণ রদ করিতে হইবে। দুনিয়ার কৃষিপণ্যের দুই-তৃতীয়াংশ উৎপন্ন হয় এই দেশগুলিতে, সুতরাং জি-২১-এর গুরুত্ব অনস্বীকার্য।

ডব্লিউ টি ও'র পরিচালকরা সেই গুরুত্ব স্বীকার করিয়াছেন। তাহারা এই পাল্টা প্রস্তাবটিকেও বিবেচনার জন্য গ্রহণ করিয়াছেন। ইহার পাশাপাশি ইন্দোনেশিয়া সহ পনেরোটি দেশের এক গোষ্ঠী কিছু কিছু নির্দিষ্ট এবং গুরুত্বপূর্ণ পণ্যের বাণিজ্য দরিদ্র দেশগুলিকে বিশেষ সুবিধা দেওয়ার দাবি জানাইয়াছে। সেই দাবিও বিবেচনা করা হইবে। স্পষ্টতই, ডব্লিউ টি ও'র মধ্যে ভারত, চিন, ব্রাজিল, ইন্দোনেশিয়ার মতো দেশের ওজন বাড়িয়াছে। এই ওজন বৃদ্ধির দুইটি কারণ আছে। এক, এই দেশগুলি অভ্যন্তরীণ সংস্কার এবং উন্নয়নের জোরে অনেকখানি পথ অগ্রসর হইয়াছে। মনে রাখিতে হইবে, গত এক দশকে আয়বৃদ্ধির গতির মাপকাঠিতে দুনিয়ায় প্রথম দুইটি স্থানে রহিয়াছে যথাক্রমে চিন এবং ভারত। সুতরাং আন্তর্জাতিক বাণিজ্যের মধ্যে ইহাদের তুচ্ছ করিবার কোনও উপায় আর নাই। দ্বিতীয়ত, ডব্লিউ টি ও তাহার পূর্ববর্তী 'গ্যাট'-এর আলোচনাপর্বের অভিজ্ঞতা হইতে ভারতের মতো দেশগুলি একটি সার সত্য বুঝিয়া লইয়াছে। তাহা এই যে, বাণিজ্য (বা অন্য বিষয়ে) সম্পর্কিত আন্তর্জাতিক বিবাদের মধ্যে একক প্রতিবাদ করিয়া কোনও লাভ নাই, আবার নিছক 'তৃতীয় বিশ্ব' বা 'উন্নয়নশীল দুনিয়া'র মতো পাইকারি ও অন্তঃসারশূন্য গোষ্ঠীও অচল। নির্দিষ্ট বিষয়ে বাস্তব স্বার্থ-সমন্বেষণে ভিত্তিতে যদি বিভিন্ন দেশ একত্র হইতে পারে, তাহা হইলে সেই গোষ্ঠী উন্নত দুনিয়ার মহড়া লইতে পারিবে। কৃষির ক্ষেত্রে ঠিক তাহাই ঘটিয়াছে। স্বভাবতই ইউরোপ-আমেরিকাকেও কান পাতিয়া সেই গোষ্ঠীর কথা শুনিতে হইতেছে। ইহা দুর্বলের ভিক্ষাপ্রার্থনা নয়, সবলের দাবি। আপাতত সেটুকুই ভরসা।

মোহাম্মদ বাজার পরিদর্শন - ৪

1 3 SEP 2003

Rich-poor clash at Cancun remains unabated

Mr. Afroz
Mr. Bhanu
Janardhan

9/69
1819

Sidhartha Srivastava/Business Standard

CANCUN, Sept. 12. — There were little signs of rapprochement between the United States-European Union combine and G-22 alliance even as the coalition of 22 developing countries tried to break new ground through alliances with the poor countries of the African Union and the least developed countries group while the US tried to create a rift in the formation.

During consultations on the contentious WTO talks on agriculture, which lasted till late in the night, the US promised to “wash away its sin” through substantial subsidy cuts if the G-22, which had Turkey as the latest member, agreed to steep tariff cuts.

Trade negotiators, who attended consultations facilitated by Singapore trade minister, Mr George Yeo Yong-Bon on the second day of the Cancun ministerial, said that the US Trade Representative, Mr Robert Zoellick conceded that developed countries had “committed a sin” by offering high levels of support to farmers but bluntly asked the G-22 members what they would offer in return for cut in domestic support and export subsidies.

They added that Mr Franz Fischler, EU commissioner for agriculture and rural development, who attended the consultations put up a weak argument on export subsidies, was willing to negotiate market access but cutting down of domestic subsidies was unacceptable and he was unwilling to even talk on the subject.

CII denial

CANCUN, Sept. 12. — The European Union today tried to embarrass the Confederation of Indian Industry by releasing a joint statement issued by the Indian, German and Netherlands chambers, prior to the Cancun ministerial, to support its claim that the Indian industry has supported the EU stand on launching negotiations for a multi-lateral framework on investment. In a press release issued soon after the EU released the joint statement, CII said that it did not agree to the launch of negotiations on the subject. — BS

But the G-22 members have decided to fight it out till the end and started parley with the African Union and the LDC group to elicit their support to their proposal seeking elimination of export subsidies, reduction in domestic support and lower tariff cuts by developing countries in addition to safeguard mechanisms to protect their interests.

G-22 coordinators were confident that at least half-a-dozen members including India, China, Brazil, Argentina and South Africa will remain united in opposing the US-EU proposal.

Even away from Cancun, heads of states are making efforts to ensure that the coalition stayed intact. South African President Thabo Mbeki has written to Prime Minister Atal Behari Vajpayee and Chinese Premier Hu Jintao to seek their support, top government officials said.

1 SEP 2003

THE STATESMAN

G-21 nations score a point at WTO

11-1-1999
1219

Cancun (Mexico): As trade representatives from 146 countries got down to tough negotiations in key problem areas, the developing countries, including India, scored a major point on Thursday when their draft proposals on the contentious agricultural issues were agreed to be taken up for discussion by the WTO conference.

After a violent beginning to the conference in which a South Korean farmer stabbed himself to death, ministers and officials settled down to discussions on how to bridge the gap between the rich and the developing nations on agriculture and trade issues. Chairman of the WTO ministerial meeting, Mexican foreign minister Loius Ernesto Derbez, agreed to look into all the proposals on agriculture, including those of the G-21 countries, before formulating the final draft.

The G-21 has been clamouring for drastic cuts in agriculture subsidies by the rich nations which they say has depressed farm prices in the poor countries. Singapore trade minister George Yeu Yong-Bon has been appointed as a facilitator for agriculture, who will head a committee that will formulate a revised draft to be tabled at the conference.

Spearheading the developing nations' charge, commerce minister Arun Jaitley made a forceful plea for correcting distortions in agriculture in the rich nations, saying the plight of poor farmers was directly linked to subsidies given to farmers in industrialised nations. In an apparent attack on the EU and the US trying to thrust their agenda, Mr Jaitley favoured a development dimension to take the centre stage in the negotiations. He demanded that the conference move towards a more "inclusive and transparent" decision-making process.

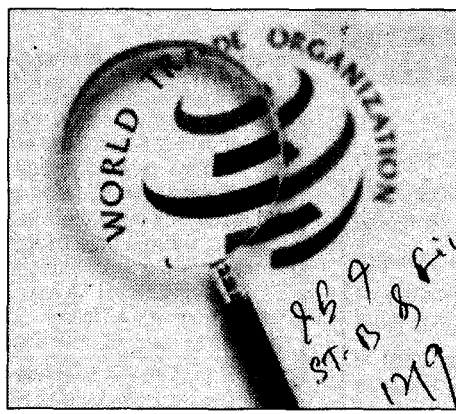
The EU and the US had come together before the start of the conference to provide a pro-developed framework into the conference draft which was strongly opposed by the developing countries. PTI

1 SEP 2000

THE TIMES OF INDIA

12 SEP 2000

Major victory for poor nations



Sidhartha Srivastava/Business Standard

CANCUN, Sept. 11. — The opening day of the Cancun ministerial meeting saw a major victory for the coalition of 21 developing countries. The chairman of the WTO ministerial meeting, Mexican foreign minister, Mr Luis Ernesto Derbez Bautista, accepted the group's demands to consider its framework in finalizing the modalities for agricultural negotiations.

Mr Derbez said at a Press conference that the facilitators for preparing the ministerial text have been asked to consider all the proposals submitted by the members and factor in the mandate given in Doha while launching negotiations in 2001. Developed countries such as the USA and the European Union had voiced their opinion against the alliance, with the latter saying that no proposal could override the WTO-circulated draft text and all proposals should not be considered.

In another positive development for the G-21, a coalition of 22 developing countries, called the Strategic Products and Special Safeguard Mechanism (SP & SSM) Alliance, including countries such as Indonesia, Kenya and Philippines have submitted proposals to the WTO seeking that developing countries be given the flexibility to self-designate a certain proportion of products as special products which would not be subject to tariff reduction and will not be obliged to commit on tariff rate quotas (products beyond a certain quota level are subjected to higher duties).

Mr Arun Jaitley, Indian commerce minister, said that the demands of the group were similar to the ones proposed by the G-21 countries. The commerce minister is scheduled to hold bilateral discussions with the Indonesian industry and trade minister Mr Rini S Soewandi later today and is expected to seek the SP & SSM Alliance's support in pushing the G-21 proposal.

The Indian minister is also meeting the Japanese minister for economy, Mr Takeo Hiranuma with non-agricultural market access negotiations and Singapore issues expected to be discussed. India and Japan have opposed mandatory tariff elimination in certain sectors.

Developing nations such as India, China and Brazil are using the large population to their advantage by saying that a deal pushed by developed countries would affect a significant chunk of mankind on the planet.

At a news conference Mr Jaitley repeatedly pointed out that the 21 country coalition of the developing nations was home to nearly 51 per cent of the world population. The G-21 said that 63 per cent of the farmers resided in these countries which accounted for more than 23 per cent of the agricultural production.

He also said that the members of the 16-country core group on Singapore issues, which is seeking continuation of the study group process instead of launching negotiations on investment competition policy, trade facilitation and transparency in government procurement, were home to large population.

Apart from India and China, the two most populated countries in the world, other members of the core group included Bangladesh (representing the least developed countries group), Botswana, Cuba, Egypt, India, Indonesia, Kenya, Malaysia, Nigeria, Philippines, Tanzania, Uganda, Venezuela, Zambia and Zimbabwe.

The core group is scheduled to hold a news conference later today in a move that is being seen as a show of strength and stall any attempt by developed members of the WTO such as the EU, Japan and Korea which are pushing the Singapore issues from trying to create differences.

WTO meet opens amid protests

Press Trust of India

CANCUN, Sept. 10. — A conference of WTO ministers opened here today amid protests from hundreds of slogan shouting anti-globalisation activists storming into the venue and a strong plea for evolving a trade policy that does not aggravate poverty.

Seen as a slap on the face of the European Union and the USA which are pushing an agenda of protecting their farm and investment interests, the UNCTAD secretary-general, Mr Rubens Ricupero, told ministers from 146 countries "here in Cancun, I implore you to say: 'NO' to trade policies that aggravate poverty, and no to trade practices that undermine aid. And I urge you to say yes to bold but sensible steps that will revive the global economy and set a new course for development." The ministerial meeting opened by the Mexican President, Mr Vicente Fox, amid slogan-shouting by activists inside the conference hall.

"You must, at long last,

G-21 communique

CANCUN, Sept. 10. — The USA and EU were forced to be on the back-foot today as ministers of G-21 developing countries including India, Brazil and China issued a draft ministerial communique on agriculture, shortly before the start of the five-day WTO Ministerial here. The hard-hitting communique said export subsidies must be eliminated. — PTI

match deeds to the fine words that are in danger of losing their meaning. Let Cancun send the world a message of hope — hope that trade will make good on its promise for all," he said. The two have been pursuing an agenda on agriculture and investment rules that could be detrimental to the billions of farmers in developing countries.

The commerce minister, Mr Arun Jaitley who is heading a 70 member Indian delegation, has spear-headed developing countries' concerns.

THE STATESMAN

1 SEP 2003

India pulls up USA, EU ahead of WTO

Press Trust of India

CANCUN (Mexico), Sept. 9. — The five-day ministerial meeting of the World Trade Organisation begins here tomorrow to find a common ground on contentious issues like farm subsidies as India stepped up attack on the USA and European Union accusing them of being responsible for depressing farm prices in developing countries.

A 60-member Indian delegation led by the commerce minister, Mr Arun Jaitley, arrived here today for participation in the meeting with a mandate from Prime Minister, Mr Atal Behari Vajpayee, to safeguard national interests.

India is expected to oppose any move to bring in investment and competition rules into the work programme of the WTO besides attempts by the US and EU to bulldoze their way in the tough agriculture negotiations.

Shortly after landing here, Mr Jaitley did some plain-speaking saying high domestic support and export subsidies in industrialised nations depressed farm prices and hurt poor farmers in the developing countries.

Strong domestic support and export subsidies in developed nations have placed tremendous curbs on the export of farm goods by developing nations which had been blocking progress on other fronts in the WTO.

A large number of anti-globalisation

activists have descended on this beach resort to protest against free trade and growing trade and corporate domination. Mr Jaitley met the US trade representative, Mr Robert Zoellick, the EU trade commissioner, Mr Pascal Lamy, and ministers from like-minded group of developing countries and Brazilian authorities ahead of the meeting.

"We made it amply clear the fact that depressed farm prices due to heavy domestic support and export subsidies in US and EU was hurting farmers in countries like India most as they were not getting remunerative prices for their produce," Jaitley is believed to have told Mr Zoellick and Mr Lamy.

India, Brazil and China and 17 other developing countries have already joined hands to counter the pro-developed stance of EU and US on agriculture, which has irked Mr Lamy, who has indicated that agriculture would be a hot issue at the ministerial.

Armed with a broad political consensus and support from industrial and trade chambers, Jaitley is expected to fight any attempts to bring in the so-called Singapore issues comprising investment, competition policy, trade facilitation and transparency in government procurement into the work programme of WTO.

WTO members have missed practically all the deadlines they had set for themselves when they launched the Doha Development Round in November, 2001.

THE STATESMAN

10 SEP 2003

Poor, sore and pretty peeved

THE meeting of the World Trade Organisation in Cancun in Mexico that begins today is in disarray. Developing countries are not satisfied with the fact that the richer countries are again trying to set the agenda with the exclusive interests of their own economies and are asking the developing world to accept a new set of agenda with the slogan for "development". The question, thus, is: whose "development" will the WTO cater to? Most developing countries are no longer willing to accept the rhetoric of the developed world that what is good for them is also good for the poor nations.

In theory, the WTO operates by consensus; all countries have the right to participate in the negotiations. But in practice, key decisions, including formulation of documents presented as "consensus" positions, take place in smaller informal meetings that are closed or unannounced. Even when there is vocal dissent, the positions of developing countries are often totally excluded from the emerging statements.

Special treatment for poor countries

Developing countries are concerned about the fact that in the last 10 years, they have not gained much from the markets of richer nations which are still closed. At the same time, rich countries want to abolish all forms of trade protections in the developing world that will undermine whatever manufacturing industries the poor countries have. Although the 2001 Doha Declaration stated that "the modalities for further commitments, including provisions for special and different treatment, (were) to be established no later than 31 March 2003", no progress made in this regard. At the same time, due to the falling price of the natural resources, the poor countries are getting less and less from their exports of natural resources. Abolition of all tariffs and trade protections will mean more imports, which in view of the falling export revenues will create more acute balance of payments problems for the poor countries.

Issues on agriculture

Trade liberalisation, its proponents promise, will bring benefits to all countries. The World Bank, for example, calculated that "full" trade liberalisation could bring \$200 billion and \$500 billion as additional income to the developing countries. Now the developing countries are asking for the results, which, of course, are not forthcoming. In practice, the rich countries take full advantage of the openings; they pressurise developing countries to open their markets, while failing to open their own. This is particularly clear in agriculture, where agricultural subsidies to farmers in the USA, Europe and Japan have risen to almost \$1 billion a day, more than six times the amount these countries provide in development assistance. Together with other measures, such as tariffs (Japan has 900 per cent tariffs on imports of rice) and quotas, these subsidies make it difficult for the developing countries to compete in markets of rich countries. Even more damaging is the fact that agricultural exports from the rich countries drive small farmers out of business in their own countries. This threatens domestic food security and undermines the export potentials of the poor nations. The previous Uruguay Round of trade negotiations, that ended in 1994, promised greater market access in the rich countries for developing countries' exports. But this has not happened. Developing

countries wanted this failure to be addressed before they accepted another round of negotiations. However, their request fell upon deaf ears.

Market access for industrial goods

The developed countries want complete market access in the developing countries by abolishing all tariffs and non-tariffs restrictions. However, the tariffs and non-tariffs barriers against the manufactured products from the developing countries are still very high. Processed agricultural products and textiles are prime examples. The average tariff rates in the developed countries may be low, but the variations around the average tariff are very high. Thus, the idea that the developed countries have already reduced their tariff rates is a myth; they did so only for those products which are not going to cause unemployment. If there is a little tendency for any export item from the poor countries to cause unemployment in the rich countries, anti-dumping measures are followed vigorously by the developed countries. Nearly 50 per cent of all anti-dumping measures approved by the WTO are by industrialised countries. Thus, the developing countries do not have much market access, but are forced to open their markets for the rich countries.

The rich countries have developed their economies under tariff-walls and are still protecting their economies with various tariffs and non-tariffs restrictions. Thus, their advice that the growth prospects of the poor countries will be magnified if they remove all trade restriction cannot cut much ice.

New issue on investment

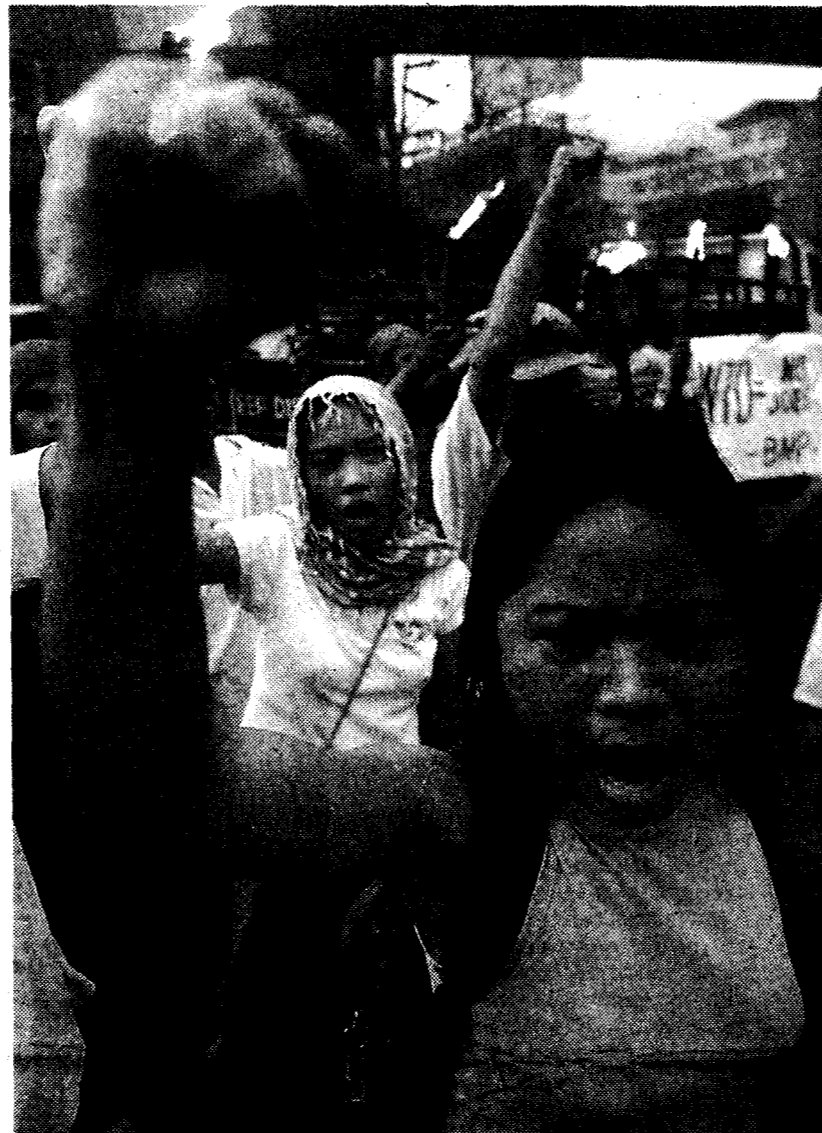
Developed countries have initiated a strong campaign to include free flow of investments as a condition for the member of the WTO. Free flow of investments has several dimensions. It demands all countries must allow complete freedom for the multinational companies to invest in any sector they like with complete freedom to withdraw investment and to remit

Free flow of investments... would allow foreign investors to eventually control all natural resources... That would take away the sovereignty of the government to direct investments to socially desirable sectors or to the economically backward regions. It would also create extreme inequality between regions and between social classes

profits across the border. It implies that the member countries can't have any form of exchange control and control on money or capital flows. It also means foreign companies would be treated at par with the domestic companies and subsidies, for the socially important industries or sectors in the home economy would not be allowed as these subsidies are against competition. National governments will be unable to discriminate against foreign companies regarding government purchase or contracts.

Developing countries are against these measures being included in any future agenda. But, slowly and steadily, they are being persuaded to accept at least some aspects of these measures. The arguments of the de-

The 142-member WTO meets today. But what does it mean for the developing countries? DIPAK R BASU finds out



Filipino anti-globalisation demonstrators rally in Manila ahead of the WTO meet. — AFP

veloped countries are that free flow of capital would ensure uninterrupted flows of foreign investments, which will enhance economic growth of the poor countries. Removal of restrictive practices against foreign firms and favouritism for the domestic companies will create an intense competitive atmosphere so as to make the enterprises increasingly efficient.

The implications for a regime of free flow of investments are many. It would allow foreign investors to eventually control all natural resources including agricultural land. That would take away the sovereignty of the government to direct investments to socially desirable sectors or to the economically backward regions. It would also create extreme inequality between regions and between social classes, that can undermine the stability of the country. The experience of the East Asian countries in the 1998 financial crisis showed that an absence of control over capital flows can make the country suddenly bankrupt if foreign investors lose confidence in the country's prospects. There was no "Asian Crisis" in India, Malaysia or China in 1998, as these countries had controls over monetary flows.

During the last 10 years, the poor countries have had a number of setbacks vis-a-vis the promise made by the WTO and the developed countries. The developing countries have accepted a new international investment regime already in the form of Trade Related Investment Measures, Trade Related Aspects of Intellectual Property Rights and General Agreement on Trade in Services. These three new systems already give the multinational companies and the rich nations considerable advantage

and freedom to operate in the developing countries. The TRIPS agreement prevents the much needed technology transfer to the developing world by ensuring control of knowledge and technology in the hands of the corporations of the rich countries. TRIMS curtailed the freedom of the governments to demand that foreign investors use a minimum percentage of local content as inputs, export a minimum percentage of their domestic production, or restrict the level of repatriation of profit. GATS requires member states to treat foreign service providers no less favourably than domestic providers.

In 1997, Organisation for Economic Cooperation and Development countries, that is, the club of the rich nations, had demanded a new regime of investment — Multilateral Agreement on Investment, to remove any existing restriction for the multinational companies and multinational financial investors. Due to strong protests from the poor countries, WTO could not adopt it then, but will try again in Mexico.

However, in order to attract foreign investment, poor countries are trying to reduce labour rights by setting up special economic zones, where domestic trade union laws will not be operative. Another effect is the competition among the poor countries to attract foreign investment by reducing tax on corporate income, thereby reducing tax revenue of the country. The consequences are reductions of public expenditures and increasing debt of the government. India is the perfect example of this problem, when public debt has gone beyond any limit along with reduction in tax rate and tax revenues.

Issues on public health
Patent rights, by granting temporary monopolies to drug manufacturers, keep drug prices and company profits up. As a result, the pharmaceutical industry has higher profit rates than any other major industrial sector. In 1994, the WHO agreement on TRIPS mandated that member countries bring their laws into accord with restrictive standards that maximise the rights of patent holders. Nobel Prize winner Joseph Stiglitz and Muchkund Dubey, India Chief Negotiator to the 1994 Treaty in Uruguay, both have remarked that the 1994 agreement was "unequal" and that it was "driven by commercial interests". The agreement does include the option for countries to use generic alternatives to patented drugs in emergencies, as the USA threatened to do recently to bring down the price of the patented antibiotic, Capra. In practice, however, using this option requires strong political will, economic influence and powerful lawyers to face up to pressure from drug companies and their home governments. Even though South Africa forced the drug companies to back down on a court case on the issue of HIV/AIDS drugs in April 2001, the intimidation factor is still extremely powerful. While Brazil, India and Thailand have aggressively used generic drugs to push down costs, despite US pressure, only a few African and other developing countries have taken hesitant steps to do so.

Developing countries have proposed a clear declaration from the WHO meeting that "Nothing in the TRIPS agreement shall prevent Members from taking measures to protect public health". While not changing the text of the existing agreement, such an explicit statement would make it much easier for developing countries to take advantage of the loopholes in TRIPS. The USA, Switzerland and other rich countries have opposed this statement, and have proposed weaker language that sounds similar but would mean little change in the status quo. However,

Given the attitude of the developed countries, the Cancun conference is only intended to increase the imbalances between the sacrifices of the poor countries and their achievements from the WTO... It will be better for them to leave the WTO collectively and press for bilateral trade negotiations with individual developed countries

the poor countries accepted it in Geneva on 30 August, as they have realised nothing else can be gained.

The issue of labour standards
Although the developed countries in the Doha conference wanted to include "labour standard" as a trade-related issue in future agreements, they have dropped it due to objections raised by China, India and some other developing countries. The reason: inclusion of "labour standard" in trade negotiations will affect the developed countries badly as well. As MNCs of the developed countries are deeply involved with the Chinese export drives, developed countries are not interested to include "labour standards" in the future talks of the

WHO as that would harm their companies too.

It is not difficult to see that there is a collusion of business interests of Chinese labour standards and the Western corporations, who are making profits from it. That was the reason why, despite the rhetoric of former President Clinton in the Seattle conference of the WTO in 1999 supporting workers of the world, representatives of the developed countries made no efforts to include it in the future agreements of the WTO.

Conclusion

The developing countries want a comprehensive reevaluation of existing agreements before starting up a new series of complex negotiations on additional sectors. They want the WHO to consider the empirical evidence on benefits and damages. They also want to remedy the difficulties they have faced in setting up legal and administrative systems for implementation of trade rules. In short, they want to address the systematic imbalance that ensures that rich countries benefit disproportionately, while the poor countries' "development deficit" only grows.

Developing countries have identified at least 104 specific "implementation" issues. A few examples include US use of "anti-dumping" barriers to restrict exports of steel from developing countries, including India, the impact of lower industrial tariffs in devastating domestic industries in many developing countries, and the failure of the rich countries to provide adequate technical assistance to enable developing countries to comply with trade regulations and compete effectively. Developing countries have also led a fight to oppose the use of intellectual property rights to patent life forms, a trend that threatens the developing countries' control over genetic stock vital for agricultural production. The bottomline is that while developing countries have been forced into opening their markets, allowing cheaper imports to undermine domestic agriculture and industry, rich countries have failed to lower their own trade barriers, which cost developing countries some \$100 billion in lost opportunities. Instead of addressing these concerns, the rich countries and the WHO secretariat have pressed for a new round while offering practically nothing to address these implementation issues.

The WTO proposals create an imbalance between the rights of the foreign investors and their responsibility. This imbalance undermines national sovereignty and international efforts to put constraints on the unlimited power of the multinational companies, annual profit of some of them are more than the national income of most of the poor countries. WTO has no jurisdiction over the MNCs. The UN has tried to create a set of rules to control the MNCs. However, these were all rejected by the developed countries.

Given the attitude of the developed countries, the Cancun conference is only intended to increase the imbalances between the sacrifices of the poor countries and their achievements from the WTO. If the poor countries are forced to accept the WTO proposals, they are going to lose their national sovereignty and economic future. Given this hopeless situation it will be better for them to leave the WTO collectively and press for bilateral trade negotiations with individual developed countries.

(The author is Professor of International Economics, Nagasaki University, Japan.)

518 Bitter pill 109

Poor shortchanged in WTO drug deal

Big pharmaceutical companies would like everyone to believe that the pre-Cancun WTO agreement on life-saving drugs is a sign of how caring they are. Mildly put, this is difficult to swallow. The idea was to allow the world's poorest and most epidemic-prone countries, mainly in Africa, access to cheap medicines. Big pharmaceutical companies, typically from the US, sell pricey patented drugs. Pharma companies from developing countries like India and Brazil sell generic drugs and can mass produce them for an emergency. The agreement sought ways to allow the second group of pharma producers the right to sell cheap, generic drugs to poor countries. For the sake of greater good, patent rights were to be sacrificed to patient rights. Except that it hasn't happened. The agreement requires poor countries to prove that a national health emergency exists before they are allowed to import cheap generic drugs. The adjudicating body will be the WTO's Trade-Related Intellectual Property Rights (TRIPS) Council. When a poor African country needing bulk supplies of a certain drug moves the TRIPS Council, the US could well challenge the application if the generic product has a patented equivalent held by an American pharmaceutical company. That will be a pathetically unequal fight given the legal and institutional resources of the US and those of the African applicant.

All these riders make sense in an out and out commercial agreement. But the WTO pharma deal was supposed to allow some of the poorest and the sickest people in the world a chance to receive affordable medical care. Provisions should have erred on the side of humanitarianism. There should have been acceptance that some amount of abuse is inevitable, especially given the poor institutional structures of the intended beneficiaries. America, having ensured that this was not accepted, has also more or less ensured that generic drug producers will be extremely reluctant to commit resources to exports under the public health emergency category. An export order can be challenged under far too many clauses and pharma companies in countries like India or Brazil will see the deal as a source of trouble, not a door to new markets. US pharma companies are among the richest corporate entities in the world. The world's poorest deserved a little better from them.

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THE STATESMAN

Bruised egos after Cancun sendoff

JAYANTA ROY CHOWDHURY

New Delhi, Sept. 8: The bargain chip that Arun Jaitley carries to the Cancun talks table is cracking under the strains of discord within the government that sent him to hold out in the tug-of-war over trade.

Agriculture minister Rajnath Singh is seething at the commerce minister for having ignored an August 23 cabinet order that asked Jaitley to consult him on issues affecting farmers before he left for the WTO conclave.

"Jaitley never bothered to even call up Singh on these issues," a top aide to the agriculture minister told **The Tele-**

graph. Singh waited for Jaitley to meet him on Saturday, when the last meeting on WTO issues was held.

Why the commerce minister could not get in touch with Singh until he took off for Cancun early Sunday is not known. But what is more evident at this point is that the agriculture minister, who presides over affairs that lie at the heart of many global trade tiffs, hasn't taken it lying down. Agriculture secretary R. C. Jain is not on the plane to Mexico. Instead, Rajiv Mehta, a junior officer with little say in policy-making, has been asked to accompany Jaitley's entourage.

Singh has had his reservations over several trade issues

costlier at home than abroad.

Jaitley, at Singh's insistence, was asked to ensure that India is not brow-beaten into accepting steep tariff cuts on the three make-or-buy products for farmers.

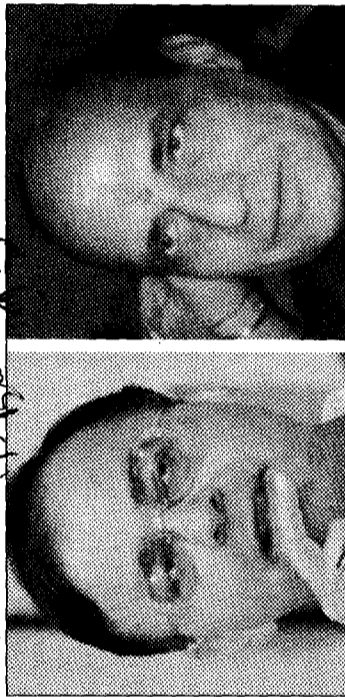
The cabinet papers, called Mandate For The Official Delegation, say, "attempts should be made to secure as many agricultural commodities as special products to cover sensitive lines (farm goods which are essential to India)".

The agriculture ministry told the commerce minister it would like rice and wheat protected, since their domestic prices are either higher or tend to be higher than world prices.

India is to insist that it will retain high tariffs barriers and agree to modest duty cuts.

"We have told Jaitley that if he agrees to a 10 per cent duty cut on other farm products, it should be 5 per cent on these goods," an agriculture ministry official said.

The commerce minister has also been told to put as many items as possible under the "special safeguard mechanism". Doing so allows countries to hike tariff rates if global prices for a commodity fall sharply, or if import volumes go up dramatically. The crops that are likely to be protected by this move are mostly seasonal products, such as coffee and rubber.



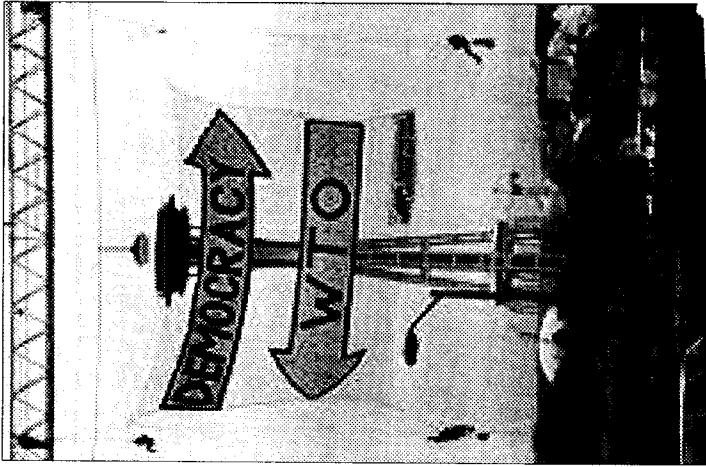
Jaitley & Singh: No time to build bridges

on which the cabinet took a stand late last month and on September 6. One of the points agreed in these meetings — items usually

Ministry firm on seeking subsidy reduction at Cancun

969. S. D. Srinivasan

Surinder Sud/Business Standard



NEW DELHI, Sept. 1. — Though the commerce ministry may not be averse to the display of some tactical flexibility on the issue of tariffs at the World Trade Organisation (WTO) negotiations, the agriculture ministry is firm that the focus should be on seeking subsidy reductions by the developing countries.

"There is no question of entering into any discussion on tariff reduction at the forthcoming WTO ministerial meet at Cancun unless the developed countries agree to simultaneously discuss subsidy reduction issues", agriculture minister Rajnath Singh maintains.

The developed countries, including the world's biggest subsidisers, the US and the European Union, are giving annual subsidy of around \$ 360 billion to their farm sectors. This came to about \$ 1 billion a day.

Unless these countries meaningfully discipline all kinds of trade distorting

support, including export subsidy and export credits, India could not consider any tariff reduction, Singh feels.

A note prepared by the agriculture ministry on the stand on the negotiations on the WTO's agreement also calls for reforms in the "green box" which contain the subsidies that are exempted from reductions by the Uruguay agreement. This has been misused by the developed countries to circumvent subsidy reduction commitments. They have shifted many subsidies from the "amber box" (where cuts are mandatory) to the green box.

For instance, of about \$ 50 billion US farm subsidies during the Uruguay round base period of 1986-88, the amber box accounted for \$ 25 billion. But by 1995, the amber box subsidies were reduced to mere \$ 7 billion though the total US farm subsidies had risen further to about \$ 61 billion.

The green box got swollen to \$ 50 billion. Thus, instead of reducing the subsidies, as stipulated by the WTO agreement on agreement, the US actually

found way to increase them further, the note points out.

The agriculture ministry also feels that the export subsidies and export credits are the most trade distorting measures and, thus, needed to be done away with. The ministry is, therefore, seeking elimination of export subsidies, especially on the products of interest to the developing countries.

On the issue of market access, the ministry wants the developed countries to provide greater market access for the products of the developing countries and not the other way round. For this, those countries should discontinue practices like selective high tariffs, sanitary and phytosanitary measures and technical barriers to trade.

Asserting that the issue of food and livelihood security is of paramount importance to India, the ministry's note argues that protection against undue imports through the tariff route was necessary under the present highly distorted trade regime.

Destination Cancun

Alok Ray charts out the issues which are likely to engage the attention of developing countries like India at the next round of WTO talks in Cancun

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Cancun is the name of a place in Mexico where the next ministerial meeting of the World Trade Organization is going to take place from September 10. The current round of WTO talks which started in Doha is still far from over. The process of negotiations among the 146 WTO member countries is a continuous one carried out by officials and experts at the Geneva headquarters. The ministers meet at periodic intervals to discuss and ratify, where possible, the draft proposals prepared through intense backroom negotiations and lobbying. The Cancun ministerial is of particular significance since a lot of doubt has arisen about the Doha round of talks. It is still not clear whether it will succeed in taking care of the development concerns of less developed countries.

The most important objective of the WTO is to gradually remove the restrictions on global trade in a non-discriminatory manner through successive rounds of talks among the member countries. The biggest advantage of being a member of the WTO is to enjoy the most favoured nation status. This implies that if, say, the United States of America reduces import duties on Italian shoes, then the same reduced duties will also apply to Indian shoes going into the US market. India will get this advantage as a matter of right. It is for this reason that China was desperately trying to be a member of the WTO and the US and its allies were keeping China out as long as possible. Before China became a full-fledged member of the WTO (which was only recently), the MFN status was given to China but it could be withdrawn by the US on any pretext such as human rights violation. That is no longer possible as China is a full member now.

If India comes out of the WTO, as some trade unions and social activists sometimes advocate, India will lose the MFN status and would have to negotiate bilateral trade agreements with all its trading partners. Strong and powerful nations like the US will enjoy a big advantage in one-on-one bargaining with an economically weaker country like India.

Another major gain from a WTO membership is that if a trade dispute with, say, the US cannot be amicably settled, then India can take the dispute to the WTO court, whose ruling will be binding. In recent years, the US has lost a number of such cases involving disputes with developing countries. In other words, the power of the US to take unilateral actions against its trading partners has been significantly curtailed after the formation of the WTO with enhanced statutory powers. So, countries like India have a lot to lose by coming out of the WTO.

This does not mean that all the provisions of WTO agreements are to the benefit of India. The biggest loss is in the area of intellectual property rights provisions which India had to accept as part of the earlier Uruguay Agreement. Now, from January 1, 2005, India will have to recognize product patents in addition to



Developing an interest

process patents. For example, a medicine can be produced by a number of alternative processes, each slightly different from others. So, even when a drug and some processes were patented by a US multinational company, an Indian company was able to manufacture the same drug in India by a slightly different process (which was virtually "copying") and sell the drug at a substantially lower price, without violating patent rights. That would no longer be possible. As a result, the prices of patented drugs would go up. Further, the patent period has been increased from 7 to 20 years which would extend the monopoly right to the inventor company several folds. However, many Indian companies have already worked out strategic collaboration arrangements with multinational drug companies — such as producing bulk drugs at a low cost for them which are then being sold under MNC brand names all over the world. This way several major Indian drug companies like Ranbaxy, Dr Reddy's Laboratories and so on are thriving. Nonetheless, the con-

sumers of essential drugs in India may well suffer due to price hikes of new patented drugs.

What are some of the major issues at Cancun? Many developing countries raised the point at Doha that some exceptions will have to be made to the new patent regime so that people in such countries can have access to life-saving drugs at affordable prices. The developed countries, the US in particular, have so far agreed to make an exception in the case of epidemics like AIDS, malaria and tuberculosis but not for any other disease. The position is also not clear whether countries (like Botswana, which do not have drug manufacturing capabilities, can import cheaper generic drugs from countries like India in the case of nationally declared epidemics. US drug manufacturing companies want some safeguards to protect them against diversion of drugs meant for Botswana finding way into other markets. More negotiations and some give and take may take place on these issues at Cancun.

Many developing countries raised the point at Doha that some exceptions will have to be made to the new patent regime so that people in such countries can have access to life-saving drugs. The developed countries have agreed to make an exception in the case of AIDS, malaria and tuberculosis but not for any other disease

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In agriculture, the major bone of contention continues to be the elimination of huge production and export subsidies given by the developed countries like the European Union, the US and Japan. These subsidies give their farmers an undue advantage and adversely affect the relative competitiveness and income of farmers in many poor developing countries. Though both the US and EU blame each other for unfair agricultural policies, so far no significant concessions have been made by either of them. India also wants to protect its farmers by not agreeing to any further reduction in agricultural import duties, now that all import quotas have been abolished.

Then there are the "Singapore issues", so called because those were first brought into the agenda at the talks in Singapore. The most contentious issue here from the developing country perspective is the attempt (spearheaded by the EU) to negotiate a multilateral agreement on investment through the WTO. Countries like India argue that there cannot be a uniform set of rules governing foreign investment for all countries. Historically, countries at different stages of development have practised different kinds of restrictions on foreign investment to promote economic development. In future, too, they should have the freedom to decide what kinds of foreign investment are to be allowed or encouraged.

Moreover, the ambit of the WTO should not be extended to more new areas like foreign investment. In fact, even free trade economists feel that bringing issues like royalties from patents or foreign investment dilutes the original focus of the WTO, and makes it more difficult to negotiate further trade liberalization. The developing countries further argue that developed countries are only interested in liberalizing international capital movements. There is no corresponding interest in relaxation of work-related temporary labour movements from developing countries. On the contrary, in recent times getting work permits is becoming increasingly difficult in the US and EU.

In India, for many industrial products, our actual (or applied) import duties are less than the WTO-bound rates which are the maximum permissible rates. So, even if India has to accept some reduction in bound rates as part of the negotiations, most Indian industries will not feel the pinch. Thus, India has some bargaining leverage here, without adversely impacting its producers.

Finally, a word on the slippery concept of national gains. For example, if Indian farmers are able to export more foodgrains, the farmers gain but Indian consumers lose as a result of domestic prices catching up with higher international prices. This makes the calculation of national gains all the more difficult, never mind what the lobbyists say. Which means that it may be still some time before the impact of the likes of Doha and Cancun can be precisely gauged.

Flight to Cancun under shadow of Singapore

S. P. S. PANNU

New Delhi, Aug. 31: The government seems to have hammered together "plan B" for Cancun in case the advanced countries succeed in melting the resistance of the vast chunk of developing countries on the controversial Singapore issues.

Sources disclosed that the issue was discussed at the meeting of the Cabinet committee on WTO on August 23. Since several underdeveloped countries in Africa, Latin America and Asia are heavily dependent on the western nations for their economic survival the possibility that India's strong stand on key issues may leave it isolated cannot be ruled out.

Indian negotiators are expected to strongly argue for treating each Singapore issue separately. India plans to stay firm on its stand that foreign di-

rect investment which has been included in the Singapore package is not trade-related and, therefore, should not be included in the WTO negotiations.

However, in case the resistance of the other developing countries melts down, India is likely to allow for some flexibility in its position on trade facilitation, transparency in government procurement and competition policy which constitute the remaining three Singapore issues.

The change in strategy has also been necessitated by the fact that the wide rift between the US and the EU on agricultural issues has narrowed down. The rift had worked in favour of the developing countries insofar as it helped to slow down the pace of the negotiations. However, with the patch-up in place the developing countries now face a formidable opposition.

At the outset, India is expected to stick to its stand that the clarification process on Singapore issues should continue as there are differences even within the proponents of the package as to what they exactly want. Given the wide differences and prevailing confusion on the issues, the time is not right for the modalities to be discussed at Cancun.

India, however, will continue to retain the moral high ground in arguing for a development perspective to the agenda at Cancun around which the developing countries can rally.

The US and EU trade envoys are expected to be put on the defensive over the multi-billion dollar domestic support and export subsidies that they are doling out to their farmers.

India has already opposed the revised draft ministerial text proposed for the Cancun meet-

ing on the ground that it does not provide the developing countries with the necessary levels of comfort to make major contributions in market access expected by the developed nations.

India has reasoned that WTO members should realise that there are two categories of countries. One with deep pockets who subsidise their agriculture heavily, leading to distortions and the other who have no financial resources to provide support to their farmers even when it is required.

It has pointed out that the framework for tariff reduction worked out by the European Commission and the US was tailor made to suit their tariff structure and enable them to make minimal contribution to market access, while on the other hand it placed an excessively high burden on many developing countries.

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THE TELEGRAPH

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WTO deal on cheaper drugs for poor nations

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GENEVA, AUG. 30. Following an impassioned appeal from Africa, the World Trade Organisation on Saturday sealed a deal to allow poor countries to import cheap copies of the patented drugs to fight killer-diseases such as AIDS, malaria and tuberculosis.

"All people of goodwill and good conscience will be very happy today with the decision that the WTO members have made," the Kenyan Ambassador, Amina Chawahir Mohamed, said. "It is especially good news for the people of Africa who desperately need access to affordable medicine."

The United States has been trying to protect the interests of the drug companies, which fear they could lose control of their patent rights. However, U.S. concessions this week broke an eight-month deadlock on the issue. The final breakthrough followed a meeting on Friday,

during which representatives of many African countries pleaded with other diplomats to stop trying to win last-minute advantages for their nations.

The WTO's General Council reconvened today and formally approved an agreement, reached by a lower body late on Thursday.

"This is a historic agreement for the WTO," said the Director-General, Supachai Panitchpakdi. "The final piece of the jigsaw has fallen into place, allowing poorer countries to make full use of the flexibilities in the WTO's intellectual property rules in order to deal with the diseases that ravage their people." But groups campaigning to give poor people better access to lifesaving drugs criticised the agreement.

"Today's deal was designed to offer comfort to the U.S. and the Western pharmaceutical industry," said Ellen 't Hoen of

the medical aid group, Doctors Without Borders. "Unfortunately it offers little comfort for poor patients. Global patent rules will continue to drive up the price of medicines." Diplomats in the 146-nation body had spent six days trying to reach a compromise on the issue.

Some developing countries said they would accept the pact on the understanding that measures to prevent smuggling would not add to the drug price or make it difficult for the needy countries to get them. — AP

THE HINDU
Our office will remain closed today on account of Vinayaka Chaturthi and there will be no issue of THE HINDU dated 1st September 2003.
JOINT MANAGING DIRECTOR

THE HINDU

31 AUG 2003

969 Short-lived euphoria WTO Deal On Drugs Still Some Way Off

REPORTS of a breakthrough in one of the most contentious issues before the WTO meet at Cancun — dilution of intellectual property rights of pharma companies during public health emergencies — have been swiftly followed by reports of the deal falling through due to a last minute hitch. Given the complexity of the negotiations and the resistance of pharma multinationals to any dilution of the patent regime, this is no surprise. However, the very fact that WTO ministers representing such disparate interests came so near to an agreement gives us reason to hope that these last-minute glitches will be ironed out before talks begin in Cancun, mid-September. At the heart of the problem is the kind of mechanism that should be set up to provide access to critically needed drugs at affordable prices to poor countries. Progress had been stalled since December last year with the US alone holding out against any relaxation of patent rules that would hurt the bottom lines of pharma MNCs. MNCs fear that any deal that allowed countries to import cheap generics by invoking the compulsory licensing clause in national health emergencies could prove the thin end of the wedge. Markets would be flooded with cheap clones of patented drugs that could well find their way into developed markets adversely affecting their profits. Their fears are not entirely unwarranted.

Any agreement would, therefore, have to tread a fine line between protecting IPRs so that innovation does not suffer and ensuring that critical medicines are not priced out of the reach of the needy in poor countries. Indeed, the entire purpose of such an agreement is lost if the conditions under which compulsory licensing can be invoked and drugs imported are made so onerous as to defeat the very purpose of the agreement. It is entirely reasonable, for instance, to demand that drugs so imported are packaged differently so that they can be clearly distinguished and cannot find their way into other countries. Or to incorporate a clause that the accord should be implemented 'only in good faith' and not for 'commercial policy objectives.' It is not reasonable, however, to hobble the agreement with other conditions that make it difficult, if not impossible, to benefit from the dilution of IPRs. Unfortunately, striking that golden mean is easier said than done.

30 AUG 2003

The Economic Times

WTO fails to agree on drugs deal

Press Trust of India

29/8/99



A pharmacist in New Delhi, yet to know what's cooking in Geneva, prepares a bill for his customer on Friday. — AFP

GENEVA, Aug. 29. — Disappointed World Trade Organisation diplomats adjourned a meeting early today after failing to reach a final agreement on a deal to allow poor countries to import cheap copies of patented drugs for killer diseases like HIV/AIDS, malaria and tuberculosis.

The failure came as a surprise since the same officials meeting in the same room had earlier accepted the agreement after the United States ended an eight-month hold-out and agreed to the deal.

“Following many hours of intensive consultation, there is a problem with respect to the interpretation,” said WTO spokesman, Mr Keith Rockwell following the adjournment of the meeting at 1 am.

Although another meeting is still possible later during the day, Mr Rockwell said it was now “very

drugs deal

unlikely” that a decision could be taken before a meeting of trade ministers from the WTO’s 146 member countries in Cancun, Mexico, opening 10 September.

The WTO’s intellectual property panel earlier adopted a document first proposed last December that will let developing countries ignore some patent rules in importing drugs from cheaper generic manufacturers, along with a statement that aimed to calm the fears of US drug companies.

However, when the WTO then immediately called a meeting of the body’s general council, which has to give the final approval, differences began to emerge. Despite hours of closed-door negotiations, agreement proved impossible.

“This is a serious humanitarian issue which cannot be done in a way which is not entirely clear,” the meeting’s chairman, Uruguayan Ambassador, Mr Carlos Perez del Castillo, said.

30 AUG 2003

2003 AUG 30

Let's do the Cancun

Indian negotiators are on the right track so far
in the run up to the Cancun WTO meeting

TRADE diplomacy is an art, not a science. Hence, it cannot remain a purview of economists alone. The political leadership must lead the way. More so in a democracy. When members of the World Trade Organisation (WTO) initiated the Doha Round of negotiations in 2002, India correctly raised important questions about the pace of trade liberalisation in the developed countries and the non-implementation of the Uruguay Round agreement. India's tough talking here helped focus attention on development issues and forced developed nations to pay greater attention to the question of "special and differential treatment" to developing, especially least developed, nations. Doha also showed that WTO could not work inside a cocoon of secrecy and greater transparency was called for.

Many of the issues raised by India and the developing world have been internalised in the thinking within the WTO. However, there is a momentum to trade liberalisation that the developed nations have maintained and it is time India took a pragmatic view of what benefits us and what does not. It is wrong to imagine that trade liberalisation is something India opposes and the developed countries propose. As in the case of trade in services and agriculture, India is today seeking greater liberalisation and reduction of trade-distorting subsidies that the EU wants in place. Similarly, on non-tariff barriers like linking trade to non-trade

policies, it is India that is ahead of the US. However, there are still areas where India must move forward. It must further reduce tariffs and promote a more trade-friendly policy regime at home. Thus, agreeing to trade liberalisation in services, including accountancy, legal and financial services and to improved trade facilitation, greater transparency in government procurement, and so on, should not worry India. We can also benefit from these measures. However, if multilateral commitments have to be made then there have to be some return gifts on offer. Improved market access in various modes of services will help India. A dilution of the US position on pharmaceutical patents in the interests of public health will also be welcomed. Trade negotiations involve such give and take and political leaders here should be prepared for it. India can afford to ease up on some issues like trade facilitation and competition policy. But accepting an investment agreement is not yet in India's interest.

Finally, there is no reason to be cowed down by the spectre of regional free trade agreements and there is no reason to presume that a proliferation of such agreements will hurt multilateralism. Our political class continues to be misled into thinking the WTO is an unhelpful institution. Far from it, India more than most developing economies needs such a multilateral institution to best protect its national interests.

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DOHA ROUND IN TROUBLE

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WHEN MINISTERS FROM the 146 member-countries of the World Trade Organisation assemble in a fortnight's time in Cancun, Mexico, they will have the difficult task of ending the impasse in the Doha round of negotiations. The Ministerial declaration that has been drafted for adoption in Cancun reveals that sharp divisions persist on all the important trade issues of the Doha agenda. In spite of intense official level talks, there has been no significant movement towards a meaningful agreement in any area. The best that the WTO can now hope for at Cancun is for Ministers to cobble together a declaration that professes a commitment to complete the Doha round by early 2005. It will certainly not be a decision that gives teeth to the "Doha Development Agenda," which was the original objective of the ninth round of talks of the WTO-GATT multilateral trade system.

The most striking evidence of the Doha round being in deep trouble is to be found in what has been suggested in the contentious area of agriculture. Governments were originally expected to agree by May 2003 on the modalities, or specific methodology, for reducing domestic and export subsidies, and lowering import tariffs in agriculture. Negotiators could not meet that deadline; they are not going to reach an agreement in Cancun either. The divisions among the rich countries and between the developed and developing countries are so deep that the draft declaration only hopes that a "framework" for negotiations will be decided at the Ministerial meeting. In other words, the difficult job of negotiating an agreed set of modalities will be taken up only later. A similar framework has been suggested for industrial products, another area where modalities were due to be settled earlier this year. To be sure, the proposed declaration recognises that the advanced economies cannot have their say entirely

at the WTO. In agriculture, the suggested framework takes a very small step towards rejecting a joint proposal by the European Union and the United States to maintain the existing regime of high subsidies. It correspondingly recognises that there is merit in a developing country proposal crafted by India, China and Brazil, that the rich countries have a special obligation to dismantle their farm subsidies. Similarly, the framework formulated for industry makes some allowance for the special needs of the developing countries. However, these proposals are insignificant compared with what should have been accomplished in other areas in the Doha round. Implementation issues, the specific problems faced by the developing countries at the WTO, have been on the table for five years but have been given short shrift once again. In what could be the final nail in the coffin, the WTO draft suggests a different structure for negotiations on implementation issues, one that will further downgrade their importance in the Doha round of talks. This is true as well of special and differential treatment for developing countries, another subject on which the Doha Development Agenda promised much but where the WTO has not delivered.

The draft declaration for Cancun puts forward two alternative proposals on the four 'Singapore issues' of investment, competition, government procurement, and trade facilitation. That the WTO has had to suggest either continuing with a study process or beginning talks on new global treaties recognises that countries are far from ready to formulate WTO agreements on these issues. This is what India has been arguing at the WTO. However, in the face of pressures, especially from the E.U. to start negotiations on an investment treaty, it will be a challenge for India and other like-minded developing countries to hold on to this position at Cancun.

Debate on medicines set to be settled at WTO

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GENEVA, AUG. 28. The most emotionally charged problem in the World Trade Organisation appeared near solution after key countries agreed on the wording of a deal that would allow poor nations to seek alternatives to expensive patented drugs for diseases such as HIV/AIDS and malaria.

Negotiators who have struggled with the issue for almost two years were expected to adopt an agreement on Thursday that was drawn up last December but rejected by the U.S. They were also expected to issue an accompanying statement designed to calm the fears of the big pharmaceutical companies.

"I hope we will seize the moment," said Canadian WTO Ambassador Sergio Marchi, who last December, as chairman of the WTO's general council, reluctantly admitted temporary defeat because of unflinching U.S. refusal.

Under WTO rules, countries facing public health crises can override patents on vital drugs and order copies from cheaper, generic suppliers from domestic producers. But the concession has

been useless for developing countries that have no domestic pharmaceutical industry.

U.S. pharmaceutical research companies were concerned that a deal to allow countries to import generic drugs would be abused by generics manufacturers and could also lead to drugs being smuggled back into rich countries.

However, all sides have accepted that the problem has to be settled for humanitarian reasons and because of the damage it has done to the public perception of the WTO, the 146-nation body that sets rules on international trade.

Failure to reach agreement this week also would throw a huge cloud over a crucial meeting of WTO ministers in Cancun, Mexico, in less than two weeks' time, and would jeopardise the chance of agreement there on other issues as part of the current round of trade liberalisation negotiations.

On Wednesday, a core group of negotiators from the U.S., Brazil, India, Kenya and South Africa finally agreed on the wording of the statement.

— AP

Pakistan joins WTO coalition with India

Business Standard

NEW DELHI, Aug. 28. — Three countries, including Pakistan, have joined the coalition of developing countries comprising India, China and Brazil which have made a framework on agriculture negotiations at WTO to counter joint framework put forward by the European Union and the United States.

Besides Pakistan, Cuba and El Salvador are the new members of the coalition, which now has 20 countries, commerce ministry officials said.

Pakistan had been a close ally of India and other developing countries and an active member of the like minded group of countries before the Doha ministerial meeting in November 2001 but was now perceived to be close to the United States following the financial assistance extended to Islamabad by Washington in the wake of the US attack on Afghanistan. The like minded group is slated to meet before the Cancun ministerial to work out a joint strategy to tackle any pressure from developed countries.

Getting combative on WTO

Win Some, Lose Some Must Be Our Motto

INDIA'S reaction to the revised draft ministerial text to be discussed at Cancun is understandably combative. The reactions to the text provide an opportunity for countries to aggressively highlight their main concerns. The text and India's response are therefore best seen as a preview of the kind of debate and results we can expect from Cancun. And the picture that emerges is not without a bright side. The tone of the text is consistent with reports that an agreement is likely on easing intellectual property norms when public health is threatened. This would be a positive culmination of the efforts of India, Brazil and other developing countries in Doha. India should also be pleased with the focus on implementation issues. Apart from the commitment to set a deadline by which these concerns will be addressed, there is a specific mention of extending geographical indications to products other than wines and spirits, which should benefit basmati. And on agriculture the text suggests a definite step forward in the efforts to reduce subsidies in developed countries, and says that these reductions must be significantly larger than those promised in the Uruguay Round.

WTO negotiations, however, function on the principle that nothing is agreed until everything is agreed. These gains would thus be subject to concessions that India has to offer. Mr Jaitley and other Indian negotiators will be hoping they can restrict these concessions to a limited market access in agriculture. But it is the Singapore issues that could cause Mr Jaitley to pause. India has in the past treated its intransigence on these issues as a matter of prestige. And Mr Jaitley has done little so far to suggest that he will move beyond past rhetoric. But the annexes to the text on the modalities for negotiating each Singapore issue offer considerable room for national sovereignty. This could be used to break the ranks of those opposing negotiations on these issues. India would then face a choice between treating each of these issues on merit or sacrificing gains in other areas in order to remain intransigent on the Singapore issues. It is to be hoped that the lawyer in Mr Jaitley will keep him away from crippling intransigence.

Gung ho

11/16/08

Cancun divide

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A DRAFT declaration for the Cancun ministerial meeting of the WTO contains elements of the EU and US plan on agriculture which was opposed by 17 developing countries, including India, Brazil and China. They wanted a larger cut in the farm subsidies which rich countries are giving to their farmers and an elimination of all export subsidies. The draft declaration remains ambiguous as it calls for the elimination of export subsidies in agriculture by the industrial countries for a range of products that are of interest to the developing countries. But the names of those products as well as the time frame for the phasing out have not been spelt out.

State aid to farmers in developing countries has been allowed, but only specific types of support can be given. Measures for protecting certain sensitive items have also been allowed. But all these proposals are exacting a greater sacrifice from developing countries which are exporters of agricultural products. Countries like India still

have millions of impoverished farmers to care for. The food-importing countries, however, may welcome the proposal as long as they can continue to import cheap food. A big division among the developing countries is thus likely to be created at Cancun.

In manufactured products, too, the anomaly remains as the draft favours a blended formula seeking compliance from poor countries in bringing down tariffs on some products. In any case, why should developing countries guarantee easier market access when the rich countries are committing themselves to duty free access to only an unspecified percentage of imports? Perhaps, they would have been more generous if the rich among them were experiencing a boom. Unfortunately, Germany is in recession and the US is still not sure of recovery. The deadlock can be avoided if the final declaration guarantees protection of farmers' interests in poor countries and grants greater market access to their industrial products.

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Cancun can't

The next round of hypocrisy, aka, trade talks

The departing American ambassador, Robert Blackwill, who is a frequent speaker at Delhi's talking shops, often lamented the low volume of US-India trade, and pointed to India's trade barriers as one of the villains. There's no arguing with that. Except that the ambassador's own country fosters a far bigger villain — the billions in farm subsidy that distort world trade. That the USA is given company in this by the European Union — American farm subsidies amount annually to \$ 52 billion, the European Union's, \$ 88 billion — makes the world's two largest economic entities, who are practitioners of arguably the most shameful anti-free trade policy in the world. The two recently claimed to have reached an agreement to limit farm subsidies. This is a noble effort, they said, which is meant to ensure that the Doha round of trade talks, the next instalment of which is to be held in Cancun, Mexico, does not fail.

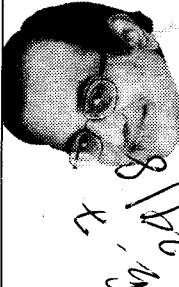
This is, of course, another example of the hypocrisy that has been the garnish for food policy for the United States and the European Union. Washington and Brussels have decided to limit trade-distorting subsidies to five per cent of the value of farm production. This looks good till one realises that the definition of trade distortion has been distorted enough to leave most kinds of farm subsidies out of the ambit of this new-found generosity. Otherwise, and if the cut in subsidies were seriously large, there would have been howls of protest from privileged American and European farmers that would have been heard across Africa, which is the continent that will be most affected by rich country agriculture subsidies. African farmers fail to sell what they can in world markets simply because subsidy-enabled US and European farmers outprice them.

Indian agricultural exports are affected in the same manner, even though the urgency, compared to Africa, where it can sometimes be literally a life and death issue, is much less. But it appears that advice on free trade from rich countries is increasing in urgency just when the Cancun round comes nearer and nearer. Note, for example, that the European Union wants India to liberalise trade in alcoholic spirits. At the same time, the European Union pretends that its own farm subsidies are no issue.

India, however, has in the normal course always managed to hold its own in trade negotiations that have taken place, to an extent that is often to the detriment of its own interests. Unilateral, generalised tariff cuts by India are necessary for its own economic competitiveness. But beyond that point — East Asian levels of tariffs are what Indian customs duties should be — trade negotiations are mostly a matter of looking for strategic alliances. The West is not a monolithic bloc on trade issues. Countries in the CAIRNS group, for example, are rich but are opposed to farm subsidies. All of Arun Jaitley's — the Union minister of commerce is India's chief negotiator — lawyerly acumen will most certainly be put to use at Cancun.

Waking up to WTO

**POLITICALLY
CORRECT**
P CHIDAMBARAM



ONE of the persistent myths in developing countries is that developing countries do not need the World Trade Organisation (WTO). And that the WTO is more pain than gain. On the eve of every Ministerial meeting convened by the WTO, there is a bout of WTO-bashing. The present situation is not different, in a few days the Ministers will meet in Cancun, Mexico.

Trade is the driver of the world economy as well as a nation's economy. Imagine a situation where everyone or at least every village community is nearly self-sufficient and he or it does not buy or sell anything. Whatever the other consequences may be, one thing is certain: everyone will remain poor. Let's suppose India turned swadeshi with a vengeance, and we stopped all imports. We must then prepare our people to travel by bullock

or horse-drawn carriages or, at best, bicycles. (Two-thirds of India's crude oil requirements are imported). We must also brace ourselves for denuding our forests to find the wood for cooking. (All of our LPG is imported).

It is obvious that swadeshi is not the way forward. "No nation was ever ruined by trade," said Benjamin Franklin. There is ample empirical evidence that the more a country trades, the more prosperous it is likely to be. An open, competitive economy, where the trade intensity nearly equals (or exceeds) 100 per cent of the GDP is the best guarantor of development and prosperity.

The WTO is, currently, the only legal multilateral institution. That is an important fact. All other multilateral institutions, including the United Nations, function not on the basis of rules, but on the basis of consensus (wherever possible) or on the

basis of balance of power. The United States, for example, can ignore a resolution of the UN Security Council, but it cannot disobey a ruling by the dispute settlement body of the WTO. That 146 countries of the world have voluntarily agreed to abide by a set of rules is an awesome milestone in the political progress of the human race. Let us not, by silly or uninformed diatribe, undermine the enormous significance of this achievement.

Trade policy is not static. Trade policy will evolve over the years. The evolution will not be easy or along a pre-determined path. Member-countries will defend their interests. They will seek to "give" less and "take" more, but even while they do so, they implicitly recognise that trade negotiations among member countries is a matter of "give and take". Naturally, alliances will be formed. Regional Trading Arrangements (RTAs) will be forged so that countries belonging to a RTA can negotiate as a bloc. The member-countries will also strike alliances across regions or continents on the basis of being "developed" or "developing" or "least developed". All

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Arun Jaitley, Commerce Secy Deepak Chatterjee at a briefing on a WTO joint proposal by India, China, Argentina, Brazil, South Africa

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this should be taken in stride as natural features of any multilateral process — and not regarded as a conspiracy by the rich nations against the poor.

I have often emphasised the fact that India's clout in Ministerial meetings will be proportionate to its ability to forge alliances. Murali Maran unfortunately failed to grasp the point, and often behaved like a lone ranger. His intentions were entirely honourable, he was driven by the best

will be a formidable combination against the US-EU alliance while re-negotiating the Agreement on Agriculture (AOA).

In my view, Agriculture must remain India's priority item in the forthcoming negotiations. It is also on the top of the wish list of the US-E, but for entirely different reasons. The US and the EU are, for political reasons, defending a dwindling number of farmers in their countries; at the same time, they are defending the powerful commercial interests (backed by the industrial and service sectors) that are involved in agricultural exports. According to Prof. Biswajit Dhar (*The Economic Times*, August 23, 2003), the share of the US in the total global trade of corn and soybeans exceeded 50 per cent. In wheat, the US is the second-largest producer with a 25 per cent share of global trade. The EU has vital commercial interests in the trade in beef, sugar, butter and wheat. The high and increasing levels of "domestic support" provided by the US and EU for these commodities is directly linked to their share of global trade in these commodities. It will not be easy for the India-China led alliance to force the US-EU to scale down their domestic support.

India's concerns on Agriculture are more 'livelihood' than commercial concerns, although it is trite that growing commerce (i.e. exports) in agricultural prod-

ucts will bring tremendous improvement in the lives of the farmers. Sixty million out of a total of 90 million agricultural holdings in India have less than 1 hectare of land. Fully 65 percent of India's population is dependent on farm or farm-related activities. Domestic market prices for agricultural products are generally lower than world prices. Dr Ashok Gulati has estimated that, on an average, domestic prices were lower by 20 percent during the 1980s, and early 1990s. Indian farmers, therefore, need market access and a more competitive world market where prices are not distorted by the 'domestic support' extended by the US, EU and other countries. The opposing positions are driven by self-interest.

At Cancun, the battle will be intense and, sometimes, bitter. Jaitley has rightly listed the three pillars of agricultural negotiations as domestic support; export subsidy; and market access. I wish him and his team and his alliance well, but he must guard against the temptation to see negotiations as an end in itself. Negotiations are only the means to an end, which is winning more favourable terms for trade in agricultural products than what is available now. As long as the member countries are seen to be moving forward on this path, Cancun will be only one (albeit important) stop.

(Write to pc@expressindia.com)

FRIDAY, AUGUST 22, 2003

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A UNIQUE ALLIANCE AT WTO

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22/8

IN A REMARKABLE display of unity at the World Trade Organisation, a group of 14 developing countries, which includes large economies like India, China, Argentina, Brazil, South Africa and Thailand, has formulated a cogent proposal on trade in agriculture. The new formulation on domestic support, import duties and export subsidies effectively counters another package on agriculture unveiled last week by the two most powerful members of the WTO — the European Union and the United States. What is significant about the new platform is that perhaps for the first time a developing country coalition at the WTO has been able to marry the interests of exporting economies with those more concerned about protection of domestic production. It is now virtually certain that the developing country proposal is going to have a major say in the outcome of next month's ministerial meeting of the WTO in Cancun, Mexico, which will review the ongoing Doha round of trade negotiations.

The most important issue in the Doha round of talks is agriculture. It has also turned out to be the most difficult to negotiate an agreement on. The main issues at stake are the \$300 billion of annual subsidies that the rich countries provide to their agriculture and the high import duties they impose on specific farm products. A failure to show even a modicum of progress on agriculture before, or at, Cancun would have spelt disaster for the meeting and perhaps for the larger Doha round itself. The E.U.-U.S. initiative was meant to break the logjam, but it was instead viewed with suspicion as nothing more than an attempt at mutual accommodation. The E.U.-U.S. proposal allows the two trading powers to continue with their large subsidies, to maintain high import duties on the products they want to protect, to cut customs duties on products of

export interest to them, and to only promise a gradual reduction of export subsidies. At the same time, it does not offer incentives to the farm exporters among the developing countries or concessions to those anxious to protect their large rural populations from import competition. The developing country proposals, however, call on the rich countries to cut all the subsidies they provide in different forms to agriculture. They also ask that tariffs on products of export interest to the developing countries be lowered. And they give the poor countries of the world the freedom to protect an identified set of crops from import competition. In this manner, the developing country proposals comply with the Doha mandate for a balanced reform of world trade in agriculture. The E.U.-U.S. package fails in comparison.

The innovation in the developing country alliance is that it brings together under one umbrella many of the members of the Cairns group of agricultural exporters along with countries like India and China, whose first concern is protecting the livelihood of their large agricultural communities. The coalition has been built around a package that gives the farm exporters from the South (like Argentina, Brazil, South Africa and Thailand) an opportunity to increase exports to the developed country markets. At the same time it offers countries like India and China sufficient manoeuvrability to maintain their largely defensive positions in world trade in agriculture. It will therefore not be possible for the E.U. and the U.S. to push aside the developing country package at the WTO. The challenge now for the new alliance is to stand firm and prevent the E.U. and the U.S. from successfully using the old strategy of dividing the developing countries by offering specific concessions.

THE HINDU

22 AUG 2003

India forges alliance for negotiations on agriculture at WTO

Business Standard

NEW DELHI, Aug. 20. — India today forged an alliance with 14 developing countries, including members of the Cairns Group, for agriculture negotiations at the World Trade Organisation to counter the joint proposal by the United States and the European Union.

Though the three-page framework joint proposal put out by the developing countries, including Argentina, Brazil, China, South Africa and Thailand, does not provide any timeframe or the extent of subsidy and tariff cuts, it has proposed that developing countries should reduce tariffs in line with the Uruguay Round formula.

While seeking removal of special safeguard mechanism for developed countries, the framework, hammered out in Geneva last night, has proposed that the facility be made available to developing countries to protect the import of sensitive items. They have also sought identification of special products, of interest to developing countries, for lower tariff reduction.

For the developed countries, the proposal, released in Geneva this afternoon, suggested a hybrid tariff reduction approach marrying the Uruguay Round mechanism for some products and a formula-based approach for the others. The proposal also seeks zero import duty in developed markets for tropical products and those of export interest to developing countries. It has also proposed that for products, on which tariff exceeds a certain level, duties will be cut at the maximum rate.

On subsidies, the joint framework has asked for elimination of export subsidies budgetary and quantity allowances over a specified period of time. Developed countries have also been asked to eliminate officially supported export credits, guarantee and insurance schemes.

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Today's framework also seeks reduction of domestic support measures on a product specific basis and has said that the difference between the upper and lower levels of subsidies should not exceed an agreed level.

For products which have benefited from domestic support and account for a certain share in world trade countries will have to eliminate all subsidies in the long run while subjecting them to the upper levels of reduction once the agreement is implemented.

The joint paper also recommended that non-trade concerns like animal welfare payments and peace clause which prevents members from raising disputes against subsidies which are provided not in conformity with the rules would be left open to future negotiations.

Officials said that more countries are expected to support the alliance. The joint proposal has also split the 18-member Cairns Group, though some countries like New Zealand and Australia did not sign today's framework. Officials said some Cairns Group members, who did not sign the framework, would, however, support the proposal at a later date as they feared backlash from the EU and the US if they came out openly in support of the proposal.

"The thrust of our proposal contemplates a drastic reduction in domestic support, reduction in subsidies and their eventual elimination and sharp disciplining of export credits," Commerce and Industry Minister Arun Jaitley told reporters at a press conference.

Jaitley said that the 14 countries, who submitted the proposal together accounted for 60 per cent of the world's population dependent on agriculture and contributed 60 per cent of the global rice production, 35 per cent of the wheat production and 57 per cent of the sugarcane crop.

Cancun & Doha Round prospects

By Muchkund Dubey

10/19/98 969

WE ARE less than a month away from the next Ministerial Conference of the World Trade Organisation in Cancun, Mexico. The main task of the Conference will be to review the progress in the Doha Round of Multilateral Trade Negotiations launched two years ago and scheduled to be concluded by January 1, 2005, and to take decisions to impart impetus to them. Until now, the negotiations have been moving at a snail's pace. All deadlines set at Doha have been missed. The skeletal draft declaration for the Conference made available only a few days ago lists mainly subject headings under which details are to be filled later. Thus, everything seems to have been deferred until the Cancun meeting itself.

The Doha Round was called the Development Round. In reality, it was a misnomer intended to placate the developing countries in order to get their approval for pursuing the Singapore issues, namely investment, competition policy, transparency in government procurement, and trade facilitation. The idea was to begin negotiations on these issues at Cancun. All that was done for deluding the developing countries into believing that it was a Development Round to put upfront some of the ongoing issues of special interest to them, such as Special and Differential Treatment (S&DT), and the Implementation issues. To this was added the Doha Declaration on the TRIPS Agreement and Public Health and liberalisation of trade in agriculture.

There is no evidence of progress on any of these issues. Soon after Doha, major developed countries started deliberately to underplay their importance. By now they have succeeded in relegating these issues to the background. On the other hand, they are pressing hard for progress in areas where they are demanders, that is, the Singapore issues, liberalisation of trade in services, and market access for agricultural and industrial products. The mandate given in the Doha Round on S&DT was to review about 80 such measures with the objective of making them more precise, effective and operational and consider making mandatory those that were non-binding. No progress has been made in implementing this mandate. On the other hand, developed countries have raised issues deliberately designed to dilute and distort the understanding reached in Doha.

The Implementation issues were designed to redress the imbalances and inequalities implicit in, and

The main negotiating challenge will be defensive — to prevent further loss of policy options in several areas.

those that emerged during the course of, the implementation of the Uruguay Round agreements. They represented a comprehensive effort by the developing countries to seek a revision of the unequal WTO Treaty. They constituted a major agenda item at the abortive Seattle Ministerial Conference and occupied a central place in the discussions in WTO forums between the Seattle and Doha Ministerial Conferences. But the developed countries have succeeded in pushing these issues to the sidelines of the ongoing negotiations.

The main issue pending under the item "TRIPS Agreement and Public Health" was enabling WTO members with insufficient or no manufacturing capacity in the pharmaceutical sector to make effective use of compulsory licensing for producing drugs to deal with public health emergency situations. This problem remains unresolved. In the meantime, the developed countries have opened up issues settled in Doha and raised new issues, thus making an agreement virtually impossible.

The developing countries attach great importance to the liberalisation of trade in agricultural products. They, therefore, put forward very ambitious proposals for curbing domestic support in developed countries. However, developments since Doha have foreclosed the possibility of any significant progress in this area. The emphasis has now shifted from reducing domestic support to enlarging the access for the agricultural products of developed countries in the markets of the developing countries, mainly by seeking far-reaching reductions in agricultural tariffs. This has put developing countries like India on the defensive.

The latest draft of the Chairperson of the Agricultural Committee proposes the creation of a category of Strategic Products (SPs) of special importance to food security, rural development, and livelihood concerns. This would be subjected to lower tariff cuts and special safeguard measures against a sudden import surge. This is almost the last defence that India can fall back on. But even this is problematic because the United States has not accepted the case for SPs. Besides, there is pressure on developing countries to confine SPs to a few selected sectors. Finally, there is

no certainty regarding the extent to which these products will be exempted from tariff cuts.

A major objective of the developed countries is to seek comprehensive market access in the areas of services. Because of the incipient stage of their service industries, the developing countries are hardly in a position to take advantage of services market openings. On the other hand, an indiscriminate liberalisation of their service sector can create a lot of problems for them, such as disappearance of local small scale service suppliers, net job loss, and subjecting of the financial markets to the vagaries of capital flow.

India is in a somewhat different position from other developing countries in that it has an interest in seeking access in Mode IV of service supply, that is, through the movement of skilled persons. That is the main reason why the Government of India has decided in principle to offer liberalisation essentially under Mode III, in a wide range of services. For, it is believed that this will be the necessary *quid pro quo* for seeking liberalisation under Mode IV, essentially in the same sectors.

Prospects for enhancing access under Mode IV supply of services are not at all promising. Access offered by developed countries during the last stage of the Uruguay Round was highly limited and tied to all kinds of conditionalities. Besides, the offers made by them in the current negotiations do not provide for any further opening up under Mode IV. The developing countries' demand for a special GATS visa has been summarily rejected. In the U.S., there is a move to confine the number of H-1 visas to 65,000, the number for which U.S. took a binding in the Uruguay Round. Besides, after 9/11, there is an unprecedented tightening of travel restriction for all categories of persons. It will, therefore, be perilous for India to offer concessions under Mode III without making sure that there will be a substantial improvement in access under Mode IV.

Non-agricultural market access is one area in which India has a positive interest because of the competitiveness of several of its industrial sectors. On the other hand, after the removal of quantitative restrictions, India is left with its existing tariffs as

the only means of protecting its industries, particularly in the small-scale sector. The Chairman's latest draft on the modalities for negotiations opens up some prospect for improving access for India's industrial products to the markets of developed countries. Most of the seven sectors identified in the draft for eventual tariff elimination are of interest to India.

On Singapore issues, particularly investment, India has very rightly taken the firm position of not allowing them to be brought into the Doha Round negotiations. However, India is under tremendous pressure, particularly from the European Union, to resile from this position. There is also some domestic pressure to accept compromise solutions in order not to get isolated at Cancun. The compromise solutions are only traps ultimately to force developing countries into joining regimes of a binding character. There is no reason for India to mortgage its independence of economic policy-making for fear of being isolated. Besides, today India is in a much stronger position than it was at Doha. It has the full backing of China and Malaysia and of the entire African group.

On the whole, India's gains are likely to be very limited. They will be largely in market access for industrial goods and some opening up in Mode IV supply of services. Developed countries are unlikely to get away without yielding ground on the TRIPS Agreement and Public Health. This might provide greater scope to Indian pharmaceutical industries to produce patented medicines under compulsory licences to meet domestic demands and also a part of the demand in foreign countries. India will have to negotiate very hard to reap these limited gains. The main negotiating challenge, however, will be defensive — to prevent further loss of policy options in several areas.

Given such a situation, the Government will be well advised to take the nation fully into confidence by holding intensive consultations with political parties, trade unions, business, State Governments, civil society organisations, and independent specialists and researchers. This will serve the purpose of warning the Government against striking deals, as was done during the Uruguay Round, which the nation subsequently came to regret. Finally, it is extremely important for India to continue and accelerate the process of active coalition building at all levels before and during the Cancun Conference.

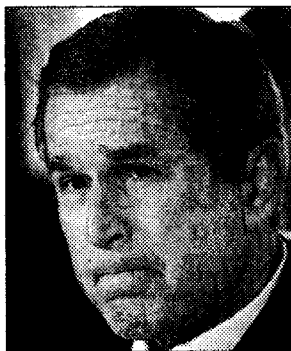
India, Brazil oppose US move on patented drugs

K.A. Badarinath
New Delhi, August 4

INDIA AND Brazil have rejected the demand by USA to provide a written undertaking against possible misuse of the TRIPS — Public Health Agreement. Under this agreement WTO member countries can mandate production of patented drugs to tackle public health issues, endemic and pan-endemic diseases.

The two countries, viewed by the US Pharma lobby as a direct threat to their sales in third world countries, have also rejected a possible statement from the chairman of fifth ministerial of WTO in Mexico asking the two countries with "excess capacities" to refrain from any possible misuse. While the US Administration reportedly showed signs of a climbdown, both India and Brazil have refused to budge in terms of giving any written undertaking. Their argument is that several provisions in the TRIPS agreement has been time and

TRIPS AGREEMENT



George push
Face-saving formula

again abused by the US pharma lobby to muscle out the smaller companies based in third world.

The Bush Administration, after having become party to the Doha declaration on allowing third country compulsory licenses to produce patented drugs, has been looking for a face-saving formula. The US Government

has been under tremendous pressure from the pharma industry not to allow India and Brazil to use excess capacities to supply patented drugs to third world countries to tackle public health problems. Meanwhile, an amalgamated formula on agriculture — combining both Harbinson's draft and Uruguay round formula — seem to be pushed by the US-led allies at WTO. India is yet to respond officially to the first draft declaration circulated by WTO for adoption at Cancun next month. Indian negotiators have felt that this draft is "too sketchy".

In a related development, Union Commerce Minister Arun Jaitley will initiate a dialogue with all political parties during August 7 - 22 to evolve a national consensus on the WTO issues. He will hold parleys with a Congress delegation led by the former Finance Minister Dr Manmohan Singh on August 11 preceded by a meeting with all labour unions on this Thursday.

Decision time on Singapore issues at WTO

By C. Rammanohar Reddy 2/6/03

GENEVA, JULY 27. Longstanding proposals to widen the remit of the World Trade Organisation by drawing up global agreements on the rules for foreign investment, domestic competition, transparency in government procurement and trade facilitation, are coming up for a possible final decision at the fifth WTO ministerial conference that will take place in Cancun, Mexico, in September. India and some developing countries are, however, hoping to buy more time in these four controversial areas by interpreting the WTO agenda in a manner that would call for more preparatory talks on what exactly is to be negotiated.

These "new" or "Singapore" issues, so called because they first entered the WTO agenda at the 1996 Singapore ministerial conference, were included in 2001 in the agenda of the Doha round of trade talks only after tense negotiations between the European Union, which for years has been demanding a WTO treaty on foreign investment, and India, which has been leading the resistance to an expansion of the role of the WTO. A compromise then pushed a final decision to the Cancun WTO conference. According to the Doha ministerial declaration, which has now become the subject of differing legal interpretation,

"negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that Session on modalities of negotiations".

For the E.U., there is no ambiguity — a decision has been taken to start negotiations on all four issues, and only the formality of a decision by "explicit consensus" is required at Cancun. For the developing countries opposed to the new issues, it is not so simple. Although until 2001 they were completely against bringing the "Singapore" subjects into the WTO — the opposition was and is strongest to foreign investment — they now realise that in one form or the other these issues have been brought into the WTO, but not yet for negotiating new agreements. An argument that is now being made in Geneva by the developing countries is that though the text of the Doha mandate calls for a decision on the modalities (framework) of negotiations, the members of the WTO have not so far addressed the substantive issues in the modalities.

These modalities will include, in the area of foreign investment, what kind of investment is to be covered in the WTO talks; how disputes between countries should be dealt with and what kind of preferences domestic investment can continue to enjoy. Since the

WTO members have not examined such modalities, it is not possible — according to the developing countries — to take a decision at Cancun on the commencement of formal negotiations. In other words, WTO talks on possible treaties in these areas will have to wait.

Behind what appears like hair-splitting on the language of the 2001 agenda are strong positions by most WTO members. The exception is the U.S., which has gingerly been suggesting an "unbundling" of the Singapore issues. The WTO could begin negotiations on transparency in government procurement and trade facilitation (the standardisation of customs procedures), leaving the final decision in the more contentious subjects of foreign investment and competition policies for later. The U.S. has always been only lukewarm in its support for WTO treaties on the latter two issues and more keen on the first two — hence its current proposal.

But this will not be easy for the E.U. to accept as it has always set its sights high on foreign investment and competition policies.

Whether or not the E.U. will push other countries to the edge on all four "Singapore" issues, and whether or not the developing countries can stand up to the pressure will be known only at Cancun.

110-17-267

WTO options to contain BPO backlash in U.S.

By C. Rammanohar Reddy

GENEVA, JULY 26. The World Trade Organisation (WTO) could be a forum where India persuades the U.S. to legally commit itself to not allowing any domestic restrictions, in the private or government sectors, on business process outsourcing (BPO) contracts with Indian companies. The price of such an agreement will, of course, be that India in return agrees at the WTO to demands that the U.S. may make in government procurement, services or other areas of interest to that country.

At the WTO, India has been informally discussing the BPO issue with the U.S., but U.S. officials say that it is possible to build institutional safeguards to contain the domestic backlash against the shifting of business in information technology enabled services to India.

At present, any restrictions on BPO contracts, whether as a result of bills passed in the U.S. State Government legislatures or because of pressures from groups campaigning against job losses, cannot be taken to the WTO for redressal because there are no agreements specifically covering this area.

But they can be negotiated in the ongoing Doha round of talks and similar agreements can be drawn up with the European Union as well.

A senior U.S. trade official based in Geneva said two kinds of institutional agreements at the WTO could be explored to enable the unrestricted flow of BPO contracts to India. One would be in the area of government procurement that would cover outsourcing by the U.S. States, where the backlash has already expressed itself in legislative moves to prevent local governments from contracting services to Indian companies. However, government procurement is a sector where India has for years taken a tough position resisting the U.S. moves to bring the sector to the WTO. What is now on the table is a demand for a multilateral agreement to ensure transparency in government procurement procedures (one of four "new issues" which are still being studied in the Doha round of talks), although it is common knowledge that for the U.S. this is the first step to opening up the huge government procurement business in developing and developed countries to foreign suppliers. So if India wants the U.S. to agree to WTO safeguards on BPO contracts from the state and federal governments it will simultaneously have to agree to first give up its opposition to WTO rules on transparency in government procurement and then permit foreign businesses to freely bid for government procurement

contracts in the country.

The second route, to deal with the nascent backlash from unions opposed to private BPO contracts between U.S. and Indian firms, is to explicitly include the BPO sector in the WTO's General Agreement on Trade and Services (GATS), another area now being negotiated in the Doha round. GATS already broadly covers such business as part of what are called Mode 1 services — cross-border supply of services. The BPO contracts between U.S. firms and Indian companies fall very much under Mode 1 services of GATS. The U.S. official said the U.S. did, during the Uruguay round of GATT, make commitments in a number of sectors to keep its Mode 1 services open. BPO services can, however, be explicitly negotiated in the ongoing Doha round, where there are a number of proposals to expand the scope of GATS in other services. But here again, while India has been active in persuading the U.S. and the E.U. to expand Mode 4 services (on the "movement of natural persons" or Indian skilled and unskilled labour working in short-term contracts abroad), showing a keen interest on GATS covering BPO under Mode 1 services will mean giving the U.S. more of what it wants from India's service market.

Poor nations call for trade concessions

By Haroon Habib

DHAKA, MAY 31. Expressing utter disappointment at the non-implementation of commitments by developed countries, trade representatives of Least Developed Countries (LDCs) have begun talks aimed at drafting a common strategy for gaining concessions in the upcoming meet on the global trade regime.

Representatives of 49 members, including 20 Trade Ministers, have gathered in the Bangladesh capital for the three-day conference. Its main objective is to prepare collective bargaining points, dubbed the Dhaka Declaration, for the ministerial meeting of the World Trade Organisation (WTO) in Cancun, Mexico, in September. The other issue is the inclusion of countries such as Cambodia, Nepal and Bhutan in the WTO. This is the second LDC ministerial meeting after the first one in Zanzibar, Tanzania, that was convened to give inputs to the WTO ministerial conference in Doha, Qatar, that acknowledged the LDCs' demands, but only to see the provisions of the agreement remain "pious wishes".

"We need to send a strong, clear message to the international community emphasising our interest... We represent the weakest link in the thread that binds the international community," the Bangladesh Commerce Minister, Amir Khosru Mahmud Chowdhury, said while inaugurating conference here. Setting the tone for the discussion by the delegates, the Minister, as leader of the 49-member group, raised a five-point demand, insisting on unrestricted market access for all LDC products to the developed countries' markets.

Agriculture, pharmaceuticals and intellectual property rights remain key areas in which the LDCs are facing troubles in coping with various obligations imposed by the developed members of the WTO. Juma A Ngasonwa, Trade and Industry Minister of Tanzania, regretted that the commitments made in the Doha ministerial meeting of the WTO were not implemented whereas new obligations for the LDCs have come into force. Mr. Ngasonwa mentioned a supply side constraint, which, he stressed, must be addressed jointly taking assistance from the stronger partners in world trade.

The Bangladesh Commerce Secretary, Suhel Ahmed, said most of the LDCs signed the WTO agreement without a clear understanding. The chairman of the LDCs' consultative group, Taufic Ali, termed this a blunder caused by their lack of preparedness. Nine LDC members have no mission in Geneva.

The director of the WTO's Development Division, Alberto Campa, said his organisation had taken some programmes for improvement of the capacity of weaker partners and the acknowledgements made earlier were under process.

The inaugural ceremony was also addressed, among others, by Habib Ouane, head of special programmes for LDCs, UNCTAD, which along with the Governments of Denmark, Norway and the U.K., sponsored the meet. The Bangladesh Prime Minister, Begum Khaleda Zia, will address the conference on the closing day when it will issue a "Dhaka Declaration."

Meanwhile, a two-day international civil society forum ended in Dhaka with the adoption of a declaration for the LDC Trade Ministers to make all-out efforts in the upcoming WTO ministerial meeting to consolidate the gains on all trade and non-trade issues. The Dhaka civil society declaration, a 12-point document worked out in the backdrop of the second LDC meeting, is highly critical of the WTO's performance. The declaration will be handed over to the Trade Ministers to voice public concerns of the least developed and developing countries at the WTO Cancun conference.

• 1 JUN 2003

Chasms in WTO talks on import tariffs

Y. C. Rammanohar Reddy Although the Doha Round trade negotiations of the World Trade Organisation has started with no success whatsoever since its launch in November 2001, the stage is now set for another battle on an important subject on its agenda. These are the negotiations on a bread and butter subject of the WTO — reduction of import duties on industrial products or what is technically called market access for non-agricultural products.

According to the schedule of negotiations, the member-countries of the WTO were expected to decide on the "modalities" of tariff negotiations by the end of May. Modalities are the formulae and methodology to be used for a reduction of customs duties by a country. Since it is important for countries to negotiate import duties, product by product, for thousands of manufactured products, the approach is suggest a formula, which would constitute the modalities for tariff reduction. Once the modalities are decided, an agreement has to be reached. The only job then is to fine-tune the modalities. This is what makes these talks so controversial. The modalities negotiations on market access for agricultural products would not be wrapped up by

May 31 deadline for the WTO talks on industrial products.

There is a huge chasm dividing countries engaged in

the developed countries as a rule have bound duties on over 90 per cent of the products they import. The pressure

Implications of WTO Proposals on Industrial Tariffs

Country	Average of Bound Duties, % (Before Doha Round)	After Doha Round (By Proposal)		
		China-India	European Communities	U.S. India
Brazil	30.8	16.2	10.8	20.6
China	9.1	5.3	4.6	6.0
India	34.3	17.5	11.4	22.9
E.C.	3.9	2.6	2.2	1.9
U.S.	3.2	2.0	1.7	1.4

Source: Compiled from Country Submissions to WTO, and WTO Analysis

the talks on industrial tariffs. At one end there is the U.S. which late last year suggested a time-table for reduction of import duties to zero — yes, zero — by the year 2015. Then there is India, which suggested a 50 per cent reduction of import duties by the developed countries and 33 per cent by the developing countries.

The negotiations on market access cover a number of factors — of which the average import duty is only one. There is the question of the number of products whose tariffs are "bound" at the WTO — that is, a country commits itself not to raise duties on these products above a certain level.

flood of imports. The U.S., on the other hand, has been pressing for countries to negotiate on the basis of applied rates.

Negotiations at the WTO on all these issues have seen chasms between countries. The best illustration of this is, of course, in the divergent proposals on tariff reductions suggested by the members of the WTO.

The accompanying Table presents a simple average of import duties on non-agricultural products before and on the conclusion of the Doha Round, according to proposals made by four countries, taking the European Community (which is how the F.T.T. is ren-

One of two versions of the Chinese proposal is listed in the Table.

The Indian proposal had one package for developing countries and another for the developed world; the Table presents data assuming that Brazil, China and India will see themselves as developing countries.

The Table shows that while the U.S. proposal is an extreme one, calling for more or less an elimination of import duties on non-agricultural products; the E.C. which likes to project itself as sensitive to developing country concerns has proposed a broadly similar set of tariff reductions.

China's package falls somewhere in between. Thus, in India's case, the simple average of bound duties would come down by roughly 33 per cent (if the Indian proposal is accepted), by 50 per cent (China's proposal), by 66 per cent (E.C. proposal) and by nearly 80 per cent if the U.S. proposal is accepted.

Many of these proposals constitute posturing in the first skirmish of negotiations at the WTO. But the gaps are so wide and the trade-offs that countries can get in other areas (in agriculture and TRIPS, for example) are so few that not many are optimistic that when a consensus package is presented at the middle of this month for approval, it will go anywhere at all at the WTO

TO to hold public seminar in June

APRIL 14

World Trade Organisation (WTO) will hold a two-day public symposium in June 2003 to give opportunity to government officials, representatives of non-government organisations and members of the academic media to "interact and deliberate on issues concerning the Development Agenda (DDA) and the current negotiations. According to a note circulated by WTO director Supachai Panitchpakdi, the symposium has been planned given the growing amount of public interest in the WTO and the DDA. The symposium—Challenges ahead to Cancun—will be held on May 29 and will focus on some key areas of WTO's work. It will have WTO sessions on topics including environment, agriculture, services and development. Governments and NGOs would also

Chief sticks by end-2004 deadline for world trade talks

WASHINGTON: WTO director general Panitchpakdi warned economic leaders that missing an end-2004 deadline for freeing world trade would be "damaging" for the global economy. "Trade negotiators missed a deadline in March to strike a deal on the critical area of agricultural trade, raising some questions about the timing of an overall agreement. "There is no reason to begin doubting the possibility of meeting the target date of end-2004 for finishing the negotiations," he said. —AFP

be allowed to organise parallel roundtables on topics of their choice. Panitchpakdi pointed out in his note that such roundtables would add to the overall value of the symposium.

Several governments and NGO representatives have already made initial requests to have topics of interest to them

included in the programme.

The symposium is being funded by Norway which has provided a special contribution to organise this event. Organised just three months prior to the fifth WTO ministerial meet in Cancun in September 2003, the symposium will play a significant role in opinion building.

The mini-ministerial in Cairo is also being planned around the same time as the symposium. However, while the mini ministerial would only give government representatives a chance to interact, the symposium would allow all stakeholders to take part in WTO discussions.

One issue expected to feature prominently in the symposium is that of Trips & Public Health. A number of NGOs, including Oxfam, have taken keen interest in the issue and have criticised the US for holding up an agreement.

They claim that a dilution of the proposed agreement would severely affect poor countries with no capacity to manufacture medicines and other pharmaceutical products.

WTO should be turned to opportunity: Joshi

KOLKATA: INDIA needs strong will to turn the WTO from a threat into an opportunity to expand its global market manifold, HRD Minister Murlidhar Joshi said on Monday. "There is no second opinion that the WTO is a threat to the Indian economy. But we can also turn this into opportunity by making Indian brands acceptable in international markets. This, of course, calls for strong will and hard work," he said, at a seminar on Fifth Ministerial Conference of WTO-Swadeshi agenda, organised by the Swadeshi Research Institute. Citing an example of how India could turn a threat into an opportunity, he said the country's space programme was utilising 100 per cent swadeshi technology which was of the 'highest' quality. "The US initially decided not to give us the supercomputer. So we created one on our own. We also exported two supercomputers to Russia. When the US finally allowed IBM to sell us supercomputers, we told them that we already have those in possession," the minister said. Describing 'swadeshi' as 'economy of the people, for the people and by the people', he said it was aimed at providing a reasonable standard of living without inviting consumerism. "It is aimed at making the country economically and politically powerful so that its voice is heard by the international world." —PTI

Fog of dispute settlement at WTO

✓ H.D. 15 10/9

A THREE-MEMBER bench of the Appellate Body handed down a ruling last week, partially upholding India's appeal on a compliance panel ruling against India over its findings of dumped exports of cotton-type bed linen from India, and levy of anti-dumping duties on all the imports. But Indian exporters (and others like them) should hold their breaths: it does not mean that the EC cannot re-investigate, re-determine and re-assess the anti-dumping duties. It means another round in the long saga that began in 1994.

At one level the AB report and its reasoning in partially accepting the Indian appeal, and turning down others, forces on the EC a reassessment on the basis of facts it has gathered to find that Indian exports from the examined and non-examined cases were either not dumped or were all dumped, and on that basis decide to levy or remove the countervailing duties or undertake another investigation etc.

At another level, the AB ruling shows the extremes of legal interpretations and evidentiary arguments involved in such anti-dumping investigations and imposition of duties etc, followed by disputes panels and appeal processes, compliance and challenges, under the very loosely worded WTO agreements in general, and the anti-dumping one in particular, and the length of time and costs to be incurred by a developing country to establish its 'rights' — a time period during which the trade from the exporting country would have lost the market and would have difficulties in regaining it.

In relation to the Dispute Settlement Understanding, panel and appellate processes, the AB in effect is now seen as merely 'tinkering' through its interpretations and not going to the root of the problems of vague rules, the bad faith implementation of the WTO agreements by the majors, and the manipulative processes they use.

Eurocotton's vendetta

According to Mr. Munir Ahmad, Executive Director of the International Textiles and Clothing Bureau

The public perception in India has been that the EC was punishing India for the strong stand it took against the Singapore issues in Doha, says Chakravarthi Raghavan

(ITCB), the case is part of what he calls "the vendetta" launched as early as 1994 by Eurocotton, the Association representing the EU textiles and clothing industry, which enjoys the patronage and support of the EU Executive Commission trade directorate. At one stage or the other a range of developing countries engaged in spinning and weaving activities — and exports of cotton and synthetic fabrics, and of bed-linen, the simplest next stage of clothing exports — have been targeted by Eurocotton. India had been particularly singled out for its role in the Uruguay Round in bringing about the end of the MFA-regime.

In respect of cotton-type bed linen investigations against India, this is the fourth complaint, investigation and finding.

As a result, says Mr. Ahmad, the exporting countries have cumulatively lost some 15 per cent of their market shares — for which the EC does not have to pay any compensation, and even the most radical of the proposed changes to the AD rules, under implementation measures, is only that there should be no back-to-back investigations against developing countries and at least one year should elapse after end of one investigation and conclusion before another is accepted.

Other observers note that while the AB in this case iterates the principles of *res judicata* in that India should not be allowed to re-agitate its original complaints (the same argument was used against Brazil in its aircraft subsidy case), and the AB tinkers with this by making 'distinctions' with earlier rulings, there is no *res judicata* applied by the investigating authorities of importing countries in the start, end and restart of complaints of dumping.

Given the history of the EC and textiles and clothing AD investiga-

tions, trade observers say, it is time for developing countries to insist that the EC should not be allowed to start any investigations for the rest of the ATC (Agreements on Textiles and Clothing), and Eurocotton should be placed on the same footing as 'vexatious litigants' in domestic courts — prevented from starting complaints and litigations without specific permission.

The processes were launched in 1994 by Eurocotton, even before the entry into force of the WTO and its ATC, as soon as it became clear that the managed and protected trade in textiles and clothing would end at the end of ten years.

On cotton fabrics, synthetic fabrics and cotton-type bed linen the countries targeted were: China, Egypt, India, Indonesia, Pakistan, Thailand and Turkey.

While one by one the EC had to give way, India has remained a major focus — with some remarks of EC officials and others in India and elsewhere suggesting that the attitude might depend on how accommodative India is to the EC views and demands on a range of issues in the Doha round.

The European Commission's original findings and decision to impose countervailing duties on cotton-type bed linen imports (involved in this particular case) were taken and issued on November 28, 1997. The EC at that time had also imposed such duties on imports from Pakistan and Egypt.

All the textiles and clothing products and their imports and quotas on them were governed by the Multifibre Agreement, which expired when the WTO came into force, but with old quotas and other arrangements continuing under the ATC, with a phasing out of quota arrangements (at a pace more or less determined by the importers) and all

quotas phased out by December 2004. This put into some perspective the long period of protection imports that the textiles and clothing industry had enjoyed under sanctioned derogations, and year lengthy period for renunciation of protection after the WTO, and simultaneous use of the anti-dumping investigations and duties.

By the time the disputes were given up, panel rulings were given, some of its erroneous findings set aside by the appellate body, DSB (Disputes Settlement Body) adopted the recommendation was March 12, 2001, and the EC to implement it by August 14, 2001, date set by mutual agreement of all the parties). A principal issue involved in the findings of dumping and the margin of dumping to what in technical jargon 'zeroing' for establishing the margin of dumping.

In the subsequent actions against the EU to implement the ruling on January 28 and April 22, 2002, 20 months after the agreed period of implementation — the EU continued the anti-dumping duties against Pakistan and decided to extend those against Egypt as the previous order expired on January 28, 2002.

The 'investigations' against India on the basis of original findings continued, and findings of dumping in April 2002 for continuing the duties whereupon India got a compliance panel set, which ruled against India and on at least one part of the findings the AB has set aside the panel ruling.

In terms of the Indian case against the EC over the cotton-type bed linen case, and the AB ruling on legal issues raised, the EC used an investigation of comparison of dumping by exporters from India and examined, not all the cases but those from five enterprises found to be dumping and 2 (with 10 per cent of the exports) as not dumped and concluded all exports found to be 'dumped', and applied 'margin of dumping' in some cases to all the imports, and levied anti-dumping duties on those investigated and found dumped and the others also

'WTO should focus on development issues'

By Our Special Correspondent

ND-12 8/4
NEW DELHI, APRIL 7. India has said that the focus of the World Trade Organisation negotiations now under way should be on development issues as reflected in the Doha Work Programme. At the same time, it underlined its commitment to progress in the current negotiations.

Expressing concern over the lack of meaningful progress on any of the development-related issues such as implementation, special and differential (S and D) treatment, TRIPS and public health, India said it looked forward to substantial results in these areas before the Cancun meeting, including the unresolved issue of low or insufficient manufacturing capacity in the pharmaceuticals sector.

A multilaterally-agreed solution would have to be found to this problem, affecting millions of people in the poorest parts of the world.

This view was expressed in statements made by the Additional Commerce Secretary, S.N. Menon, at the WTO's Trade Negotiations Committee last

week. "For many developing countries, success of the Cancun meet is predicated upon successful resolution of these key developmental issues," he said.

On negotiations on agriculture, India had taken the stance that it attached the highest priority to S and D provisions and looked forward to early discussions on crucial concepts such as sanitary and phyto sanitary and special safeguard measures.

On non-agricultural market access, Mr. Menon said India was looking forward to engaging constructively in further discussions in the negotiating group on market access in the light of the proposal which had already been put forward in line with the Doha mandate.

He pointed out that India and many other developing countries expected an outcome that fully factored in the financial and developmental needs of developing countries, the concept of less than full reciprocity and emphasis on market access for products of export interest to developing and least developed countries.

8 APR 2003

THE HINDU

Consensus on dispute settlement far away in WTO

AMITI SEN

NEW DELHI, APRIL 6

NEGOTIATIONS on dispute settlement rules seems to be going the agriculture way with no consensus emerging yet on the possible contents of a text for clarifications and improvements to the Dispute Settlement Undertaking (DSU).

Due to the "significant divergences" remaining among participants on the issue, Chairman of the Dispute Settlement Body (DSB) has proposed a two-stage approach for carrying out further work until the mandated May 31 deadline.

In his report to the Trade Negotiations Committee (TNC) of the World Trade Organisation, the Chairman proposed to first issue a framework document which would also contain guidance for further work. On the basis of that document, the further discussions and consultations are to be conducted over the

course of the coming month including the next meeting of the Special Session on April 10-11 2003.

Following this, if necessary, the chairman might prepare a text as a possible basis for an agreement. The chairman also urged again proponents of like-minded text to put forward common proposed language in order to facilitate further progress on these issues.

The chairman admitted in his report that the diversity of participants' priorities and interests was the key challenge in these negotiations. Further work in this critical final phase will, therefore, focus on intensifying discussions, with the objective of defining further the elements which could constitute the "highest common denominator" for an agreed text on clarifications and improvements to the Dispute Settlement Understanding, the note said.

India has joined hands with Cuba, Egypt, Malaysia,

Dominican Republic, Honduras and Jamaica to demand special provisions for addressing developing country needs in the Dispute Settlement Understanding (DSU) of the World Trade Organisation.

In a joint communication submitted to the special session of the Dispute Settlement Body (DSB), the seven countries had stated that while it was important that the Special and Differential Treatment (S&DT) provisions contained in the Dispute Settlement Understanding should be implemented, particular attention should also be paid to matters affecting the interests of developing-country members with respect to measures which have been subject to dispute settlement.

Given the substantial amount of work which remains to be done, the chairman stated that informal consultations between participants should be intensified.

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INDIAN EXPRESS

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DYING DOHA AGENDA

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WITH A CRUCIAL negotiating deadline having passed at the World Trade Organisation without any success, a complete collapse of the Doha round of trade negotiations is threatening to become a real possibility. The scheduled date of completion of the Doha round — January 2005 — is more than 18 months away and a mid-term ministerial meeting will be held later this year. It may therefore seem premature to write off the Doha round. But a complete lack of movement forward, at the end of a year and a half of intensive negotiations (ever since the round was launched in the Qatari capital in November 2001) on almost all items on the agenda, is a pointer to the possible demise of the so-called Doha Development Agenda.

The problems that afflict the WTO trade negotiations are three-fold. The first is that the agenda of the Doha round is a huge and complex one, surpassing the size and scope of the Uruguay round which lasted eight years (1986-1993) before a patchwork of an agreement could be cobbled together. The Doha agenda is not only larger; the member-countries of the WTO have given themselves less time (only three years) to reach an agreement. And while in the past the multilateral trade agreements could be decided by just the powerful trading blocs (the U.S., the E.U., Japan and Canada) and a few of the larger developing countries (Brazil, India and the like), exclusion of the rest of the world is no longer possible. The far-reaching and lopsided nature of the trade agreements reached at the Uruguay round have convinced all countries (large and small, developed and developing) that their active participation in negotiations is necessary to protect their interests. The second reason for the lengthening list of failures is that while a unique set of circumstances facilitated the launch of negotiations in 2001, those conditions have disappeared. The launch of the round required the support of the developing countries. This was made possible in late 2001 by packaging the negotiations as a "development round" (hence the fanciful formal name) and by making

specific promises on patents and prices of medicines, defects in past WTO treaties and special treatment for developing countries. However, the subsequent negotiations have seen the advanced economies renege on one commitment after another, the most glaring one being the refusal to tie up the 2001 agreement to permit poor countries to relax the rules on patents for supply of essential medicines at inexpensive prices. Naturally, the Governments of the developing countries are no longer enthusiastic about the Doha round. The third reason for the stalling of the talks is that the advanced economies have shown no interest in making compromises. The differences among them on crucial areas such as farm subsidies have, if anything, widened. This was the main reason for the WTO failure to meet the end-March deadline to draw up a framework agreement on agriculture. Besides, the loss of one trade dispute after another by the U.S. at the WTO has provoked growing hostility at home, thereby lowering U.S. Government interest in any compromise in the current round of trade negotiations.

What future then for the Doha round? More failures are round the corner. The deadline for a framework agreement on import tariffs on industrial products is the end of May. So far, there has been no indication of much progress on this item on the agenda. With the developing countries — which will have to make the main concessions in industrial tariffs — having gained nothing in agriculture, they are unlikely to give up on industry. That, therefore, will be one more deadline that will pass without success. All told, the Doha round is showing signs of collapsing under the weight of its agenda. But a year and a half at the WTO (before the scheduled deadline for wrapping up the Doha round) is longer than a week in politics. A weak compromise may be reached at the end by the major powers and then thrust on to the rest of the WTO members. This has happened before at the WTO. But if it does happen again the end result will not be a meaningful or a fair global agreement.

APR 2003
5 APR 2003

Fog of dispute settlement at WTO

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14/4

A THREE-MEMBER bench of the Appellate Body handed down a ruling last week, partially upholding India's appeal on a compliance panel ruling against India over its findings of dumped exports of cotton-type bed linen from India, and levy of anti-dumping duties on all the imports. But Indian exporters (and others like them) should hold their breaths: it does not mean that the EC cannot re-investigate, re-determine and re-assert the anti-dumping duties. It only means another round in the long saga that began in 1994.

At one level the AB report and its reasoning in partially accepting the Indian appeal, and turning down others, forces on the EC a reassessment on the basis of facts it has gathered to find that Indian exports from the examined and non-examined cases were either not dumped or were all dumped, and on that basis decide to levy or remove the countervailing duties or undertake another investigation etc.

At another level, the AB ruling shows the extremes of legal interpretations and evidentiary arguments involved in such anti-dumping investigations and imposition of duties etc, followed by disputes panels and appeal processes, compliance and challenges, under the very loosely worded WTO agreements in general, and the anti-dumping one in particular, and the length of time and costs to be incurred by a developing country to establish its 'rights' — a time period during which the trade from the exporting country would have lost the market and would have difficulties in regaining it.

In relation to the Dispute Settlement Understanding, panel and appellate processes, the AB in effect is now seen as merely 'tinkering' through its interpretations and not going to the root of the problems of vague rules, the bad faith implementation of the WTO agreements by the majors, and the manipulative processes they use.

Eurocotton's vendetta

According to Mr. Munir Ahmad, Executive Director of the International Textiles and Clothing Bureau

The public perception in India has been that the EC was punishing India for the strong stand it took against the Singapore issues in Doha, says Chakravarthi Raghavan

(ITCB), the case is part of what he calls "the vendetta" launched as early as 1994 by Eurocotton, the Association representing the EU textiles and clothing industry, which enjoys the patronage and support of the EU Executive Commission trade directorate. At one stage or the other a range of developing countries engaged in spinning and weaving activities — and exports of cotton and synthetic fabrics, and of bed-linen, the simplest next stage of clothing exports — have been targeted by Eurocotton. India had been particularly singled out for its role in the Uruguay Round in bringing about the end of the MFA-regime.

In respect of cotton-type bed linen investigations against India, this is the fourth complaint, investigation and finding.

As a result, says Mr. Ahmad, the exporting countries have cumulatively lost some 15 per cent of their market shares — for which the EC does not have to pay any compensation, and even the most radical of the proposed changes to the AD rules, under implementation measures, is only that there should be no back-to-back investigations against developing countries and at least one year should elapse after end of one investigation and conclusion before another is accepted.

Other observers note that while the AB in this case iterates the principles of *res judicata* in that India should not be allowed to re-agitate its original complaints (the same argument was used against Brazil in its aircraft subsidy case), and the AB tinkers with this by making 'distinctions' with earlier rulings, there is no *res judicata* applied by the investigating authorities of importing countries in the start, end and restart of complaints of dumping.

Given the history of the EC and textiles and clothing AD investiga-

tions, trade observers say, it is time for developing countries to insist that the EC should not be allowed to start any investigations for the rest of the ATC (Agreements on Textiles and Clothing), and Eurocotton should be placed on the same footing as 'vexatious litigants' in domestic courts — prevented from starting complaints and litigations without specific permission.

The processes were launched in 1994 by Eurocotton, even before the entry into force of the WTO and its ATC, as soon as it became clear that the managed and protected trade in textiles and clothing would end at the end of ten years.

On cotton fabrics, synthetic fabrics and cotton-type bed linen the countries targeted were: China, Egypt, India, Indonesia, Pakistan, Thailand and Turkey.

While one by one the EC had to give way, India has remained a major focus — with some remarks of EC officials and others in India and elsewhere suggesting that the attitude might depend on how accommodative India is to the EC views and demands on a range of issues in the Doha round.

The European Commission's original findings and decision to impose countervailing duties on cotton-type bed linen imports (involved in this particular case) were taken and issued on November 28, 1997. The EC at that time had also imposed such duties on imports from Pakistan and Egypt.

All the textiles and clothing products and their imports and quotas on them were governed by the Multi-fibre Agreement, which expired when the WTO came into force, but with old quotas and other arrangements continuing under the ATC, with a phasing out of quota arrangements (at a pace more or less determined by the importers) and all

quotas phased out by December 31, 2004. This put into some perspective the long period of protection from imports that the textiles and clothing industry had enjoyed under GATT-sanctioned derogations, and the ten-year lengthy period for removal of protection after the WTO, and the simultaneous use of the anti-dumping investigations and duties.

By the time the disputes were taken up, panel rulings were given, and some of its erroneous findings set aside by the appellate body, and the DSB (Disputes Settlement Body) adopted the recommendations, it was March 12, 2001, and the EC was to implement it by August 14, 2001 (a date set by mutual agreement among all the parties). A principal issue involved in the findings of dumping, and the margin of dumping related to what in technical jargon is called 'zeroing' for establishing the margins of dumping.

In the subsequent actions taken by the EU to implement the ruling on January 28 and April 22, 2002 — 5-9 months after the agreed period for implementation — the EU terminated the anti-dumping measures against Pakistan and decided not to extend those against Egypt when the previous order expired on January 28, 2002.

The 'investigations' against India on the basis of original facts were continued, and findings given in April 2002 for continuing the duties, whereupon India got a compliance panel set, which ruled against India and on at least one part of the ruling, the AB has set aside the panel ruling.

In terms of the Indian case against the EC over the cotton-type bed linen case, and the AB ruling, and the legal issues raised, the EC undertook an investigation of complaints of dumping by exporters from India and examined, not all the imports but those from five enterprises, found 3 to be dumping and 2 (with 53 per cent of the exports) as not dumping, and concluded all exports from India were 'dumped', and applied the 'margin of dumping' in the three cases to all the imports, and then levied anti-dumping duties on those investigated and found to be dumped and the others also.

WTO: Dust on the road to Cancun

By Sushma Ramachandran

HD-10
THE RECENT mini-ministerial conference of the World Trade Organisation in Tokyo not only failed to clear the air but probably raised more dust than expected in the run-up to the full fledged WTO ministerial conference at Cancun in September. For the official delegation led by the new Commerce Minister, Arun Jaitley, it was a chance to test the waters on critical issues such as agriculture, TRIPs and public health and the controversial "Singapore" issues. Though the conference was reported to be deadlocked, it would have been unrealistic to expect any consensus at this early stage. It was more an opportunity for developed and developing countries to come to grips with differing stances on the key issues and try to present their own positions as forcefully as possible. As the WTO is all about negotiations, various blocs and groups were able to identify which of the key players could support or oppose them in what has been described as the Doha Development agenda.

Any discussion on the Doha agenda would be incomplete without a mention of the key role played by former Commerce Minister, Murali Maran, at the last ministerial conference. Despite the dismissive approach of many here who felt his aggressive posturing was not required and did not yield dividends for India, the reaction has been far different abroad. Even the seasoned European Commission negotiator, Pascal Lamy, reportedly told journalists in confidence that he would have taken the same approach as Mr. Maran had he been in the same position.

Ultimately, the question has often been asked as to what Mr. Maran's contribution was to the negotiating process for this country. It hinges largely on the insistence that "explicit" consensus is needed to discuss the Singapore issues of transparency in procurement, trade facilitation, investment and competition policy. The inclusion of the significant word "explicit" led to the entire WTO conference being stalled till the developed countries agreed on this draft. In international draft agreements,

the fate of nations hangs on such apparently trivial changes. It must be recalled that it was the failure of developing countries to stall the inclusion of the so-called trade related intellectual property rights (TRIPs) that has led to a paradoxical situation now when a multilateral trade body debates the issue of patents which should actually have nothing to do with the WTO. It was the failure on this front that made the South react far more vociferously when the North sought to introduce the "so-

infrastructure. This is not, however, an issue that needs to be discussed at a multilateral trade forum. As for investment, the issue has been discussed at length at various multilateral fora and even the rich man's club, the OECD, has not been able to reach any consensus or conclusion on a multilateral investment agreement (MIA). Even if such consensus had emerged, the South is clear that investment is not an issue for a trade related organisation though the issue of an MIA is recurrently raised by

structure for the complex WTO negotiations still rely for support on India. Realistically, it must be recognised that when the crunch comes, they can be won over by sops offered by developed countries. But they have realised the importance of negotiating jointly and African and Caribbean countries have become a bloc to be reckoned with ever since the Seattle conference.

Though like all countries, they all look for their own advantages, India's reputation for taking a principled stand and sticking to it has given it an enhanced status at the last two ministerial conferences. It was no wonder then that the Indian delegation had many requests for bilateral talks from other developing countries to finetune the negotiating approach in the run-up to Cancun. While the media may be insisting that the Tokyo conference has failed, for developing countries it proved a good opportunity to gauge the extent to which the U.S. and the E.U. will push forward for acceptance of their respective proposals. India, like others, has to take the approach that will yield it most benefits. It may find it more fruitful to ally with the U.S. on the agriculture issue as the E.U. is reluctant to bring down subsidies, but may find the E.U. more amenable on the TRIPs issue. As for developing countries, India has found it is clearly aligned with Brazil, a large pharmaceuticals producer on TRIPs while many others would be allies on the tricky issue of industrial tariffs.

In regard to India's own initiatives, it will have to push hard for opening up of services and the critical issue of movement of natural persons, an area of tremendous advantage for this country. Just as the developed world has sought to open up markets of the South, the movement of natural persons will also have to be opened up for India and other countries with a large pool of technically qualified manpower. Many other issues have to be taken up but what is of utmost importance is that India becomes even more vigorous than at Doha in protecting its own economic interests at the coming Cancun ministerial conference.

For developing countries, the Tokyo conference proved a good opportunity to gauge the extent to which the U.S. and the E.U. will push forward for acceptance of their respective proposals.

cial" clause, bringing labour into the WTO fold. India has been in the forefront of countries opposing this attempt and insisting that labour issues rightly lie in the purview of the International Labour Organisation (ILO).

The WTO is thus sought to be made into an omnibus body tackling virtually all aspects of economic activity in the garb of globalisation. While the original aim of having a rule-based organisation to resolve international trade issues was laudable, it has metamorphosed into a giant amoeba-like creature covering all aspects of the economy. The Singapore issues, for instance, have nothing to do with trade. Transparency in government procurement is, simply put, purchases by sovereign Governments for their own use. While transparency is a desirable aim in purchasing, ensuring that all government procurement is put up for global bidding does not promote the cause of globalisation or liberalisation. It has more to do with every country's own corruption index and the entry of foreign players is not likely to improve the level of transparency.

Similarly trade facilitation is a laudable aim and a country like India seeking to raise the volume of trade undoubtedly needs to improve

developed countries. Equally, competition policies have little to do with trade agendas.

In other words, the so-called Singapore issues are yet another attempt by developed countries to hijack the agenda of the WTO and expand it beyond all proportions. It was to subvert this process that Mr. Maran insisted on "explicit consensus" which meant that all countries must agree to include Singapore issues on the WTO agenda before any discussion can take place.

It was this apparently small textual alteration that enabled the present Commerce Minister to use the term "explicit consensus" as a crowbar to open up the controversy over these issues at Tokyo. Initially, Mr. Jaitley was able to push the unpalatable Singapore issues to the tail end of the agenda and then succeeded in highlighting their unsuitability for inclusion in a multilateral forum. Immediate support was forthcoming from the rest of the developing world.

In this context, it must be pointed out India still seems to retain its aura as a natural leader of the developing world at fora like the WTO negotiations. Despite the fact that the country's economy does not have the impact of China, smaller nations especially in Africa lacking in infras-

WTO members divided over farm trade

16/2
By P. S. Suryanarayana 119-9

SINGAPORE, FEB. 15. India today called for the implementation of the "development agenda" in the ongoing world trade negotiations within the given time-frame". With this agenda, already set out at the relevant Doha ministerial conference of the World Trade Organisation, serving as the compass for weathering the turbulence of the negotiations on global commerce, New Delhi pressed for greater market access in the non-agricultural arena and expressed reservations about the proposed contours of market access for countries like India in the farm sector.

India's position was outlined by the Commerce and Industry Minister, Arun Jaitley, at the three-day "mini ministerial conference" of the WTO that began in Tokyo last night. The Union Agriculture Minister, Ajit Singh, also participated in the discussions. Trade Ministers from 22 select countries of the WTO, besides the WTO Director-General, Supachai Panitchpakdi, are attending the Tokyo meeting. The members were sharply divided over the farm trade and other issues but agreed to keep the dialogue going. In a broad sense, the general consensus was that the draft proposals on farm issues, circulated on the eve of the latest meeting, could serve as a catalyst for negotiations as distinct from the only definitive basis for talks. This substantive development is understood to have been facilitated by the interventions of the Japanese Foreign Minister, Yoriko Kawaguchi.

Mr. Jaitley told the WTO's internal caucus that India cannot accept the view that issues of concern to developing countries are less important than other issues or that there is a hierarchy of issues in the WTO". The WTO agreements, according to him, constitute a set of rules for facilitating trade" and,

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in this context, implementation issues relate to perceived imbalances and asymmetries in the rules". He sought to refute the criticism of some developed countries that the developed bloc was raising tactical questions rather than matters of substance in regard to issues of Special and Differential (S&D) Treatment and certain other aspects.

In his interventions on non-agricultural market access, Mr. Jaitley drew attention that no progress had been made, on account of resistance from the developed countries", as regards a check-list of critical interest to the developing states. He mentioned in particular the operationalisation of Article 15 of the WTO Anti-Dumping Agreement as also the Agreement on Customs Valuation.

The modalities of negotiations on market access in the non-farm sectors should provide for a more flexible tariff protection" that could, among other purposes, help the developing countries maintain tariffs for revenue purposes on a special-need basis as already recognised in the relevant Doha Ministerial Declaration. For India, now on a trajectory of autonomously liberalising its tariff structures, the "development aspect" would be vital in formulating the modalities of non-farm market access. Asserting that India is not prepared for any dilution of the (overall) Doha Development Agenda", Mr. Jaitley said New Delhi was willing to be proactive" in talks on market access in certain areas of the services sector.

On the farm trade parleys, the Minister noted that the latest draft in focus had addressed some of the problems articulated by the developing countries. However, other concerns too would need attention, and India would look forward to "further constructive negotiations" with a view to "safeguarding the interests of farmers".

Crucial WTO meet to discuss TRIPs

AMITI SEN
NEW DELHI, FEBRUARY 7

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THE General Council meeting of the World Trade Organisation (WTO), scheduled for next week in Geneva, will be of special significance to New Delhi as two important reports related to implementation of trade-related intellectual property rights (TRIPs) and public health and special & differential treatment (S&DT) will be submitted and discussed at the meet.

Other issues to be taken up at the meeting on February 10-11 include the report of the chairman of the trade negotiations committee, work programme on small economies, attendance of NGOs in discussions and the requests for accession of Iran and Ethiopia.

According to experts, there are chances of the long pending TRIPs and public health issues being resolved this month. While New Delhi had accepted the draft agreement framed by the TRIPs Council, Washington had opposed it saying the agreement should be limited to

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contagious and life-threatening diseases. The Doha Declaration had fixed December 31, 2002, as deadline for sorting out the agreement.

The Committee on Trade and Development would present its report on S&DT in pursuance of paragraph 12.1 of the Doha ministerial on implementation issues. The panel had been instructed to identify those S&DT provisions that are already mandatory in nature and those that are non-binding, and to consider the legal and practical implications for the developed and the developing countries of converting these measures into mandatory provisions.

It has also been asked to consider in the context of the work programme adopted at Doha, how S&DT may be incorporated into the WTO rules. Unfortunately, for the Third World, not much progress has been made on this. The discussion on attendance of NGOs will be important given the fact that pressure from such groups especially the US, has been growing.

8 FEB 2003

INDIAN EXPRESS

Leaders sound optimistic at WEF meet

DAVOS (SWITZERLAND), JAN. 25. Business and political leaders at the World Economic Forum expressed optimism on Saturday that major sectors of the global economy would pick up — but not just yet.

"We are now on the right track to restore a strong Japan," said Heizo Takenaka, Japan's Minister for Economic and Fiscal Policy and Financial Services. "Of course, it will take two more years or so to see a visible result of that."

The French Finance Minister, Francis Mer, said he was "not so pessimistic" as some, but conceded "that the slow evolution of our reforms is not a positive

signal." He said France and other countries in Europe recognise "the changes we need to implement" for future growth.

A panel of business and executives and economists agreed that increased productivity could drive up growth considerably in the years to come.

However, there were concerns that the United States depends on other major economies, which are doing less well, and that the U.S. consumer confidence had become more fragile in recent months.

"We have to stay focused on growth, because it is growth that really lifts all the boats up," said the U.S. Commerce Secre-

tary, Don Evans.

No oil shortage: Riyadh

Saudia Arabia said on Saturday there was no lack of oil in world markets despite fears of war in Iraq, signalling the world's top oil producer has no intention to raise production further for the moment.

"There is no shortage in the market and there should be no reason for prices (to be) where they are today," the Saudi Oil Minister, Ali al-Naimi, told a panel discussion. "We checked. We called. I checked with individual customers, refineries and others. I ask them one question: Do you feel you need more oil?"

And the answer is no," he said.

Oil prices have surged — topping the \$22-\$28 range per barrel that OPEC is targeting — amid fears of a U.S.-led war in Iraq and because of a seven-week-old general strike that has cut exports from OPEC member Venezuela.

"There are all these drums of war going around," Mr. Naimi said. "It has nothing to do with supply. We know there is a balance of demand and supply." Still, Mr. Naimi pledged that Saudia Arabia and the rest of the Organisation of Petroleum Exporting Countries, which it dominates, would work together, should a war in Iraq and con-

tinued troubles in Venezuela continue to keep a lid on world oil supplies. "We have always said that regardless of the cause of the shortage, OPEC and Saudia Arabia will do their utmost to make up for the shortage," he said.

His comments echoed those of the OPEC Secretary-General, Alvaro Silva, who told the high-powered gathering on Friday there was nothing more OPEC could do to rein in runaway world oil prices. "What can we do more? I do not agree there is a lack of oil," he said. "The problem of the price is the threat of war."

The OPEC President, Abdul-

lah al-Atiyah, warned there might in fact be a glut of oil in world markets soon as the onset of warm weather in the northern hemisphere cuts demand just as the group has raised supply. "We calculated that we will have a three million barrel (per day) surplus by March," he told Reuters. OPEC will next meet on March 11 to review its output levels.

The northern springtime normally cuts demand for crude by around two million barrels per day (bpd), and another two to 2.5 million bpd could be flowing onstream if the strike in Venezuela is resolved by then. —

AP/Reuters

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'Make Doha Development Agenda a success'

HD-12
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9.5.9

By P. Vikram Reddy

HYDERABAD, JAN 8. In a fervent appeal to make the Doha Development Agenda (DDA) a success, the Director-General of the World Trade Organisation (WTO), Supachai Panitchpakdi, has said the process of multi-lateralism must be kept alive for the good of all nations.

Speaking at the plenary session on "Build Up: The Road to Mexico" at the partnership summit and at a press conference later, he emphasised that the 'Doha Work Programme' could only be completed if Cancun (Mexico) meet in September was successful. "If this round fails, we all fail, and all lose in terms of multi-lateralism, globalisation and liberalisation".

Though the Doha meet agreed that current negotiations should be concluded by January 1, 2005, he felt inclined to wrap-up the negotiations soon and suggested that the summer and autumn of 2004 should be treat-

ed as the 'closure period', as many nations would be having elections after that.

The 2003 spring would have deadlines in negotiations on agriculture, services and market access, for non-agricultural products. By May 2003, agreements on improvements and clarifications to the Dispute Settlement Undertaking (DSU) would be required, he pointed out.

"The DDA is unlike other rounds and we have to come to a final agreement, otherwise it will mean failure and missed opportunities and will impair multi-lateralism, he warned. Asked what would be the situation if negotiations fail, he replied that it would create a strong negative impact against the credibility of the WTO, though he did not anticipate it happening.

India must stay in the rounds (negotiations) and contribute to the process and search for resolving issues. 'It should not underestimate itself', he said.

Terming the outcome of the year-long DDA negotiations as "mixed", he said there was a certain unevenness in the progress. Issues left unattended at Singapore and Doha needed to be discussed, and progress on all fronts was needed to fulfill the agenda.

Dr. Supachai said the three issues of TRIPS, Subsidies and Duties, and Implementation related issues, will get his priority over the next few months.

On TRIPS, he said the only area of difference remaining was interpretation of the Doha Agenda. He was confident every country would agree on a humanitarian aspect.

Members must give a push to the negotiations and ensure all areas move forward in a balanced way, and India stood to gain by engaging positively in trade negotiations, India was not selling out, but becoming a major player by which it had opportunity to reap considerable benefits.

THE HINDU

9 JAN 2003