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# Reviving Doha

2.8.9

## Developing World Can Gain From WTO

28/10

By Lakshmi Puri

The World Trade Organisation (WTO) framework offers immense scope for developing countries, who make up most of its membership. Trade negotiations are not an end in themselves for developing countries. They see these as a means to assuring development gains and achieving Millennium Development Goals. To achieve these gains, developing countries would aim to transcend asymmetries in capacity, economic size, scale of production, capital stock, technological sophistication, infrastructure and global outreach of their producers and enterprises vis-a-vis developed countries.

The July framework is a positive development, as it signals bringing the Doha negotiations back on track. To the developing countries, it offers opportunities and challenges in many areas. In agriculture, these countries can obtain improved market access for their agricultural exports, through reduction of high tariffs and tariff peaks. They should seek the removal of domestic support and export subsidies within a credible time frame. At the same time, a comprehensive development box that includes sensitive products, special safeguard measures, special products and food security is integral to the economic security of the poorer nations. Net food importing developing countries, likely to be affected by agricultural reform and trade liberalisation, will require mechanisms in place to address their needs. UNCTAD supports these countries in keeping with the Marrakesh Declaration.

Market access is an issue in manufacturing as well, as these products account for 70% of the exports of developing countries. The issues here involve removing tariff bias, tariff peaks and escalation, all of which would lead to higher value added. An important challenge is to arrive at a formula that is effective, simple, transparent, inexpensive, equitable, and yet accommodative of 'differentials' specific to the less prosperous world. Negotiations should fully reflect concerns related to loss in tariff revenues, sensitivity of certain sectors and adjustment costs. The package should help developing countries adjust to the new trade environment, with direct inputs from the developed world in this regard. Another challenge is to translate the credit that developing countries have accumulated on account of their significant liberalisation over the last 15 years into payoffs in the Doha negotiations. In addition, the numerous market entry barriers affecting exports of developing countries have to be addressed.

On services, the developing world should use the G-8 request on General Agreement on Trade in Services (GATS) to pursue an agenda of export promotion, among other things. In responding to requests from other

trading partners, developing countries should formulate offers based on a clear understanding of both their development and trade implications in sectors reflecting their interests. Crucial to the success of Doha negotiations in services are breakthroughs in movement of natural persons and supplies. The developing world must make a concerted thrust in this area. Restrictions on cross-border supplies of services would also come under consideration, with the e-commerce model coming up for discussion.

On trade facilitation, developing countries should use negotiations to secure the necessary financial and technical support for improved capacities, such as the modernisation of customs procedures. It is also essential to ensure that the welcome pledge in the July framework — that any future agreement will not impinge on developing countries implementation requirements beyond their means and capacity — is retained. The linkage of trade facilitation with WTO disputes settlement would have to be clarified.

On December 31, 2004, 40 years of discriminatory protectionism against developing countries' exports of textiles and clothing will come to an end, marking a landmark in the multilateral trading system. There should, however, be no attempt to replace quotas with other trade protection instruments.

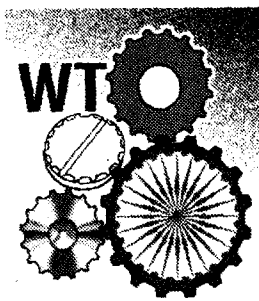
January 1, 2005, will also signal the end of the transition period for product patent protection in some areas of technology such as pharmaceuticals. A stronger intellectual property rights regime may have implications for pharmaceutical sectors in these countries and their exports, as well as on prices and access to medicines for their people. At the same time, this may give incentives for innovation and patenting.

In the context of negotiations, clarifying and improving WTO disciplines on rules is important, particularly as tariffs have been reduced. While instruments such as anti-dumping and countervailing measures can serve as legitimate trade instruments against unfair trade practices, they should not be used as disguised trade harassment instruments, especially against competitive exports from developing countries.

The past year has seen significant dispute settlement panel rulings on steel, cotton and sugar. Developing countries have both a challenge and an opportunity to defend their rights and enforce the rule of law, using this mechanism.

In conclusion, there are times when the pendulum swings from excessive expectation of development gains from trade, to pronouncements that the scene for development is dismal. We, however, believe the international trading system can deliver substantial development gains.

(The author is with UNCTAD.)



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## REVIVAL OF DOHA ROUND

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FOR THE FIRST time since its launch in 2001, the Doha Round of negotiations of the World Trade Organisation has yielded a reasonably balanced agreement that should satisfy both rich and poor countries. Yet to describe the deal as a victory for India and the developing countries would be premature. The July 31 pact only lays down the framework for a final set of agreements on a large and complex agenda. Difficult negotiations will have to be conducted over the next two years to flesh out the details on agriculture, industrial products, services, and a number of other trade issues. There is, however, no doubt that the WTO round has been resuscitated from the collapse in Cancun in September 2003. It is clear that developing country unity has, by and large, continued to hold and this has forced the developed countries, mainly the United States and the members of the European Union, to climb down from their intransigent positions. The surest sign of change from the past is that the 2004 Geneva accord is far more accommodating of developing country interests than the proposals placed on the table at Cancun.

The gains are most obvious in agriculture, the most contentious subject. The developed nations, which hand out an estimated \$350 billion of farm subsidies every year, have agreed to eliminate export subsidies (which hold down global prices), reduce a variety of domestic subsidies (which give their farmers an unfair advantage), and make disproportionate cuts in high import tariffs (which keep out exports from poor countries). The developing nations, on the other hand, can make less than proportionate reductions in import duties on farm products, take emergency measures to control imports, and, if they can afford to, continue to provide financial support to domestic agriculture. The flexibility on customs duties is something India

fought hard for and can justly be satisfied with. There are, of course, caveats, ambiguities, and uncertainties. The rich countries will have the freedom to control imports of so-called 'sensitive products', an escape clause that can neutralise the impact of tariff cuts. The commitments to reduce subsidies are sufficiently vague for Washington and Brussels to be able to continue with their massive support programmes. And neither timeframe nor numbers have been inscribed in the agreement, leaving the crucial details to be settled in future talks. A positive outcome is that the European Union has agreed formally to the deletion from the Doha agenda of three extremely controversial 'Singapore' or new issues — foreign investment, competition policies, and transparency in government procurement. Only trade facilitation — harmonisation of customs procedures — remains out of the original four new issues that just a year ago threatened to wreck the Doha agenda.

With the focus on agriculture and the Singapore issues, the WTO has had little time to tackle the important area of industrial tariffs. This could turn out to be the new 'deal breaker' of the round, for the Cancun proposals — which call for huge reductions in customs duties in the developing countries — will be the basis for further negotiations. Services, another important item on the agenda, is a silent controversy waiting to erupt. The developed countries have not given up on demands that the developing countries should open their health, education, and many other social services to foreign suppliers. There is much work to be done before the Doha round lives up to the claim of being a 'Development Round'. But for now, the developing country majority can take credit for demonstrating — for the second time in a year — that the WTO cannot always function as a rich country club.

THE HINDU

1 AUG 2004

# New trade policy to cover WTO rules

By Sushma Ramchandran

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**NEW DELHI, AUG. 2.** The Government will shortly unveil a comprehensive foreign trade policy covering all issues relating to this sector such as free trade agreements (FTAs), World Trade Organisation (WTO) matters, making special economic zones more effective and simplifying procedures. The new policy will subsume the previous Export-Import policy which has become largely redundant as a result of deregulation and liberalisation in the trade sector.

One of the key aspects of the new policy, official sources say will be to make procedures and export incentives compatible with WTO rules and regulations. In the case of the crucial Duty Entitlement Passbook Scheme

(DEPB), a decision has been taken to continue the scheme for the current fiscal, a major relief for exporters who have been worried about the issue.

The question has been raised about the scheme not being compatible with WTO guidelines, but the official stance of the government is that not only the DEPB but all India's export incentives are WTO compatible. Even so, indications are the scheme will be phased out.

## Easy procedures

Another critical area of the policy will be streamlining and simplifying of procedures relating to exports.

The new policy will also cover strategies on major WTO issues such as the Doha round of negotiations which have just reached an agreement on a draft

framework in the agriculture sector.

## Bilateral trade

Issues relating to bilateral free trade agreements will be included in the proposed foreign trade policy including the need to enter into more regional FTAs. Though the South Asian Preferential Trading Arrangement (SAPTA) has not made much headway due to the volatility of Indo-Pak political relations, an FTA with Sri Lanka has not only been concluded but has proved successful.

The contentious issues related to the FTA with Thailand have been ironed out in the latest visit of Prime Minister Manmohan Singh to that country and this may prove a model for other FTAs with regional neighbours.

THE HINDU

3 AUG 2004

# কৃষি ভর্তুকি কমাতে রাজি উন্নত দুনিয়া

জেনিভা, লন্ডন ও নয়াদিল্লি, ১ অগস্ট: বিশ্ব বাণিজ্য আলোচনাকে এ যাত্রা আর ব্যর্থ হতে দেননি ডব্লিউ টি ও-র ১৪৭টি সদস্য রাষ্ট্র। বরং গত বছর কানকুন বৈঠকের ব্যর্থতা থেকে শিক্ষা নিয়ে দোহা রাউন্ডের আলোচনাকে এগিয়ে নিয়ে যেতে একমত হয়েছেন সদস্যরা। শনিবার সারারাত্রিব্যাপী আলোচনার পরে একটি নির্দিষ্ট সময়সীমা বেঁধে নিয়ে তার মধ্যেই কৃষি পণ্য রফতানিতে সমস্ত রকম ভর্তুকি বাতিল করতে রাজি হয়েছে উন্নত দুনিয়া। পাশাপাশি, উন্নয়নশীল দেশগুলি তাদের কৃষির বাজার সুরক্ষিত রাখার ব্যাপারে আগের মতোই কিছুটা বাড়তি সুবিধা নিতে পারবে। এবং, দোহা রাউন্ড চূড়ান্ত হয়ে গেলেও এই সুবিধায় ছেদ পড়বে না বলে ডব্লিউ টি ও-র সংশোধিত খসড়ায় প্রতিশ্রুতি হয়েছে। একইসঙ্গে উন্নত দুনিয়ার দাবি মেনে সিঙ্গাপুর বৈঠকে উত্থাপিত তিনটি বিষয় লগ্নি নীতি, প্রতিযোগিতার নিয়ম-কানুন এবং সরকারি ক্রয় নীতিকে দোহা পর্যায়ের আলোচনা থেকে বাদ দেওয়া হয়েছে নতুন কাঠামোয়।

অন্যান্য ভর্তুকি কমিয়ে আনা এবং শুষ্ক সংক্রান্ত বিধিনিষেধ তোলার প্রতিশ্রুতিও দিয়েছে মার্কিন যুক্তরাষ্ট্র, ইউরোপীয় ইউনিয়ন, ব্রাজিল ও জাপানের মতো দেশ। দোহা রাউন্ডের এই সব প্রতিশ্রুতি চূড়ান্ত করে সমস্ত আলোচনা গুটিয়ে আনার জন্য অবশ্য ২০০৫ সালের ডিসেম্বরেই চূড়ান্ত সময়সীমা হিসাবে ধরা হয়েছে। আগে তা ছিল ২০০৫ সালেরই ১ জানুয়ারি। ওই ডিসেম্বর মাসে হংকংয়ে ডব্লিউ টি ও-র মন্ত্রী পর্যায়ের পরবর্তী বৈঠকেই তা আলোচনা শেষ হবে। শুক্রবারের মতানৈক্যের পর রবিবার ধনী ও দরিদ্র দেশগুলির মধ্যে এই চুক্তিকে বড় ধরনের সাফল্য বলে মনে করছে ভারত। তবে চীন, জাপান, কানাডার মতো কয়েকটি রাষ্ট্রের মতে বিশ্ব বাণিজ্য আলোচনার এই সংশোধিত কাঠামো পুরোপুরি তাঁদের প্রত্যাশা মেটাতে পারেনি। সেই কারণে তাঁরা খুব সতর্কতার সঙ্গে পরবর্তী পর্যায়ে পা ফেলতে চান।

ভারতের বাণিজ্যমন্ত্রী কমল নাথ উন্নয়নশীল দুনিয়ার দাবি তুলে ধরায় গত পাঁচ দিনের বৈঠকে অগ্রণী ভূমিকা নেওয়ার পর আজ

বলেছেন, “এটি আমাদের সাফল্যের একটি বড় নজির হয়ে থাকবে। কারণ উন্নয়নশীল রাষ্ট্রের জোট জি-৩৩-এর সঙ্গে ভারত এই সমস্ত দেশের কিছু পণ্যকে স্পর্শকাতর হিসাবে চিহ্নিত করার যে দাবি তুলেছিল, তা নতুন খসড়ায় মেনে নেওয়া হয়েছে। পাশাপাশি অগণিত কৃষকের জীবন ধারণের প্রশ্ন জড়িত বলে এই সব দেশের কিছু কৃষি পণ্যকে প্রতিযোগিতা থেকে আড়াল করার অনুমতিও মিলেছে। আজ না-হলেও ভবিষ্যতে উন্নয়নশীল দুনিয়াকেও যে তাদের কৃষি বাজার উন্মুক্ত করতে হবে, বাণিজ্য বিশেষজ্ঞরা সেই সতর্কবাণীও ইতিমধ্যেই উচ্চারণ করেছেন।

কৃষি ছাড়া শিল্প পণ্যের বাজারের ক্ষেত্রেও শুষ্ক কমিয়ে আনার কিছুটা ছাড় উন্নয়নশীল দেশগুলি পাবে বলে কমল নাথ তাঁর বিবৃতিতে উল্লেখ করেছেন। অন্য দিকে কৃষি ভর্তুকি কমাতে উন্নত দুনিয়া রাজি হওয়ার পরিপ্রেক্ষিতে শিল্প পণ্যেও অবশ্য বাণিজ্য চালু করার পথ এ বার প্রশস্ত হবে বলেই ভারতের আশা।

আন্তর্জাতিক অ-সরকারি সংস্থা অক্সফ্যাম অবশ্য জানিয়েছে, “একেবারে শেষ মুহূর্তে দোহা রাউন্ডকে কোনও মতে বাঁচানো গেলেও দরিদ্রতম দেশগুলির এতে লাভ হল সামান্যই। বিশেষ করে শিল্প পণ্যের যে বাণিজ্য ব্যবস্থার সুপারিশ করা হয়েছে, তাতে উন্নয়নশীল দুনিয়ার বাজার শেষ হয়ে যেতে পারে।”

দোহা রাউন্ড চূড়ান্ত করা নিয়ে গত সেপ্টেম্বরের কানকুন বৈঠকের পর প্রায় এক বছরের অচলাবস্থা কেটে যাওয়ায় এ বার দরিদ্র দেশগুলিই বেশি উপকৃত হবে বলে এ দিন দাবি জানিয়েছেন ইউরোপীয় ইউনিয়নের বাণিজ্য কমিশনার পাসক্যাল ল্যামি। তিনি বলেন, “কানকুনে দোহা আলোচনাকে পাঠাতে হয়েছিল ইনটেলিভ কেয়ার ইউনিটে। আজ অবশ্য তা যে শুধু হাসপাতাল থেকে ছাড়া পেয়েছে তাই নয়, সুস্থ অবস্থায় হাঁটাচলা করতে শুরু করেছে।” মার্কিন বাণিজ্য প্রতিনিধি রবার্ট জোয়েলিক বলেছেন, “আজকের সিদ্ধান্ত বিশ্ব বাণিজ্যের পক্ষে অত্যন্ত গুরুত্বপূর্ণ। আন্তর্জাতিক কৃষি বাণিজ্যের আমূল সংস্কারে আমরা অবশেষে রাজি হয়ে গেলাম।”

— রয়টার্স, পি টি আই

# BUSINESS REVIEW

WORLD TRADE ORGANISATION / *New Framework Accords*

## Doha Round: revival or intensive-care?

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**T**HE WORLD Trade Organization agreed in Geneva on Saturday night on a framework for trade negotiations in agriculture that perhaps could help India, and other developing countries, to continue the fight for development of their agriculture sectors and tackle rural poverty (if they have the domestic political will) while continuing the struggle for some level playing fields in international trade.

The Doha negotiations as a whole will now continue beyond end-2004, with no new end date set. The package of framework accords that have been agreed upon perhaps put the Doha trade negotiations and their promises to the poor under intensive care, with negotiations continuing. For India,

ket access (NAMA), and the formulation and language in the text could be used by India too in ensuring better modalities — which in WTO jargon really sets the parameters for countries to schedule and put their commitments on the table.

Whether or not the hype sought to be given is merited, Mr. Kamal Nath does deserve some credit for his political instincts and decision to stand firm and fight on agriculture, show willingness to walk away if needed and maintain the alliance with Brazil and others in the G-20. He also deserves some credit for showing solidarity, even at a late stage, with Africa and its fight over NAMA issues.

The WTO has now agreed, under explicit consensus, to negotiate on Trade Facilitation, but with an important footnote

None of Indian essential interests have been given away while some perhaps have been even augmented. These include

— The ability to provide up to 10 per cent of agricultural output without any cuts if “almost all” is on support for marginalised and resource-poor farmers. This gives New Delhi the leeway to add or redirect payments to such farmers in India.

— Ability to designate Special Products (subject to less or minimal imports) and with a new Special Safeguard Mechanism for developing countries, and

overall for Special and Differential Treatment of developing countries.

— On the high level of subsidies in developed countries, perhaps a course is set for their reduction.

### Harmonised reduction of support

There is to be a tiered formula for harmonised reduction by the rich countries of their “overall trade distorting support” in agriculture, but with some parameters that could really enable them to increase their

notional levels and begin cuts from there — thus defeating the aims.

The ‘trade-distorting’ subsidies by the U.S., illegally classified as in the ‘green box’, are to be capped and cut, but in a process that could in fact increase them. A new blue box has been created so to say for the U.S., but it is also usable by the EC and other rich countries for farm support.

However, the three criteria mentioned, and others are to be “negotiated” and ensured that it is at least less trade-distorting

than the existing Aggregate Measure of Support. And if this involves “a wholly disproportionate cut”, there is additional relief — and assured special and differential treatment for the rich farmers and the farm corporations in the advanced economies.

The existing ‘green box’ measures criteria are to be reviewed and clarified, and subjected to monitoring and surveillance — but in fact nothing more than this. On export competition — export subsidies of the EC, and disguised subsidies of the U.S.

in export credits — an end date is to be set for elimination, with some special provisions in respect of food aid.

### Tariff cuts

Under market access, the tariff reductions for developed countries will be under a tiered formula, with deeper cuts on those with higher tariffs, but with “flexibilities for sensitive products”. The number of tariff bands, thresholds for defining the bands and type of tariff reduction in each band are under negotiation.

The role of tariff caps in a tiered formula with distinct treatment for sensitive products will be further evaluated. There is provision for selection of an appropriate number, yet to be negotiated, of sensitive products. This is a provision intended for developed countries.

Developing countries are to have flexibility to designate an appropriate number (to be negotiated) of products as Special Products — based on criteria of food security, livelihood security and rural development needs. These products will be eligible for more flexible treatment. The criteria and treatment for them are to be further specified during negotiations. A Special Safeguard Mechanism is also to be established for developing countries. At present, only the rich countries are entitled to SSMs. The SSMs for developing countries, if achieved, would be a distinct gain.

### Indian support to Africa

In giving some support to Africans battling the NAMA modalities, India may get some leverage to prevent pell-mell liberalisation. The first paragraph of the NAMA annex stipulates that the elements in the annex need further negotiations as a priority for settling modalities — and these include issues of tariff-reduction formula. How, why and when the Udyog Bhavan view on NAMA modalities changed (reversing Cabinet decisions of the past), before Mr. Kamal Nath intervened, need to be looked at afresh, or it may become like the 1989 mid-term accord in Geneva during the Uruguay Round where India agreed to negotiate TRIPS.

The Doha negotiations will now continue beyond end-2004 with no new deadline but another road-marker set for political inputs at the sixth ministerial conference at Hong Kong in December 2005. The decision includes some new dates: recommendations on special and differential treatment by July 2005; revised market opening offers in services by May 2005; and on implementation issues a report to the Trade Negotiations Committee and General Council by May 2005 with any appropriate action taken by the council by July 2005.

*The stalled WTO talks on trade have been given a new lease of life. However, India and the developing countries will have to fight hard to ensure that future negotiations will not roll back the gains inscribed in the framework deals drawn up last week, argues Chakravarthi Raghavan from Geneva.*

several equally important issues on the Doha agenda, apart from agriculture, have been given hortatory and declaratory comfort in the decision — on Development, Special and Differential Treatment, Implementation issues and so on — but on which the U.S. and the European Union may not in the end easily allow some concrete steps to be taken. The outcome on the services talks could also benefit India, but not if merely used to expand outsourcing opportunities.

### Access for industrial products

A not so positive feature is that on the modalities for trade liberalisation in the industrial sector. Some last-minute political intervention by the Indian Commerce Minister Kamal Nath appears to have given solidarity support to Africa in its fight on non-agricultural mar-

stipulation not to be allowed to be forgotten, namely, “without prejudice to the possible format of the final result of the negotiations” and allow “consideration of various forms of outcomes.” Perhaps hopefully, this will allow for it to be broad guidelines rather than a binding set of rights and obligations and with recourse to the WTO Star Chamber DSU. The other three Singapore issues — investment, competition and government procurement — are dropped from the Doha Work Programmes. These too are distinct gains.

### Key interests safeguarded

Without any underestimation of the successful hard fight to thwart the U.S.-EC alliance against the developing world, to view this as a great victory or triumph for India will be premature. But some essential interests have been safeguarded.



The Director-General of World Trade Organisation, Supachai Panitchpakdi, addressing a news conference in Geneva early on Sunday. — Reuters

# WTO breaks new ground

## End of farm subsidies

Geneva, August 1

IN A major victory for developing nations, World Trade Organisation members today approved a plan to end export subsidies on farm products and cut import duties across the world, a key step that is expected to revive the deadlocked trade talks and lead to a comprehensive global accord.

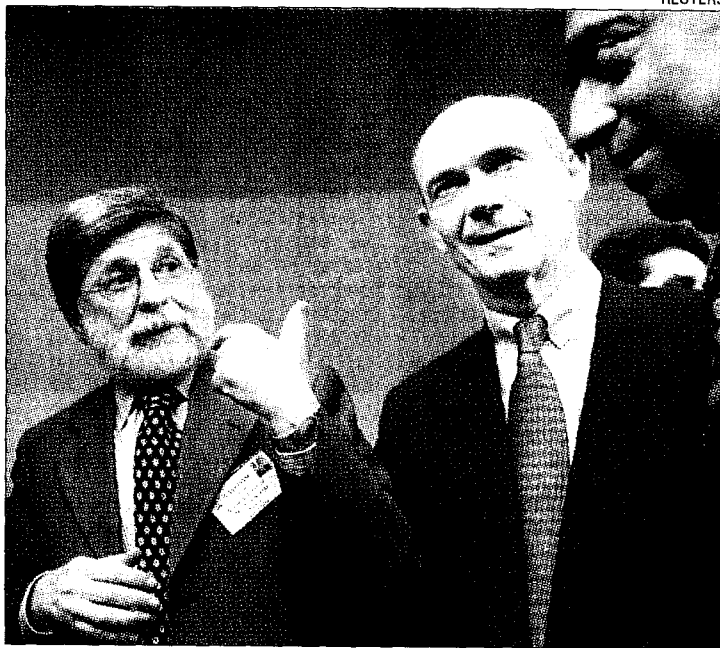
The deal was approved by a consensus of the 147-nation body shortly after midnight, opening the way for full negotiations to start in September.

Brazilian Foreign Minister Celso Amorim, a leading voice for the developing nations, said the framework is "a good deal for everybody ... the elimination of subsidies is also a good deal for social justice".

The document commits nations to lowering import duties and reducing government support in the three major areas of international trade — industrial goods, agriculture and service industries such as telecommunications and banking. The deal will set back in motion the long-stalled "round" of trade liberalisation treaty talks launched by WTO members in Doha in 2001, but delayed by the collapse of the meeting in Cancun last year.

WTO Director-General Supachai Panitchpakdi, who mediated the negotiations since that collapse, was ecstatic. "It is a historic moment," he said.

The document agrees to eliminate export subsidies and other



Brazil's foreign minister Celso Amorim, EU trade commissioner Pascal Lamy and commerce minister Kamal Nath at the WTO headquarters.

■ \$440 billion annual domestic and export subsidies of the US and EU to be phased out. This will end agriculture trade distortions globally

■ Reduction in subsidies will make Indian agricultural products competitive in the international market

■ Developing countries will be provided better market access in Western countries

forms of support for exports, while making big cuts to other subsidies. Developing nations blame export subsidies for artificially driving down prices, making their produce uncompetitive or diminishing the value of one of their few potential export earners.

Tariffs on industrial products also will be cut according to a for-

mula, but the exact details have yet to be established. Developing countries will have more time to make the changes. As for providing market access to farm exports from developing countries, a small beginning has been made. For instance, out of 300 items, India has been allowed access to 100 products.

Agencies

## Major victory for third world

K. A. Badarinath  
New Delhi, August 1

INDIA AND the Brazil-led group of 20 developing countries are on a high after having pulled off a favourable farm deal at the WTO negotiations in Geneva. The US and European Union's reconciliation to G-20 demands on contentious agriculture issues seems to have paved the way for the next round of trade talks during the weekend.

Speaking to *HT*, Union commerce and industry minister Kamal Nath, who is heading the Indian delegation there, said: "It is a good deal. We got what we wanted. We've been able to protect our defensive as well as offensive interests in agriculture."

So what have the developing countries achieved vis-à-vis agriculture? For one, the \$440 billion annual domestic and export subsidies of the US and EU will have to be phased out in a time-bound manner. This is expected to end agriculture trade distortions globally.

The consensus among the 147 members is that domestic subsidies will have to be capped at 10 per cent of the total value of agricultural production by developed countries. Similarly, developing countries will have to bring it down to 5 per cent. But India needn't worry, as its fertiliser subsidies aren't even 1.5 per cent of the total value of its agricultural production.

# Trade talks out of Cancun jam

## Bridge from Doha repaired

Geneva, Aug. 1 (Reuters): Rich and poor nations struck a crucial deal on Sunday to relaunch global trade talks and slash billions of dollars in farm subsidies, open industrial markets and boost global growth.

The accord, which restores the World Trade Organisation's (WTO) credibility by putting its troubled Doha Round back on track, was hailed as "historic" by exhausted negotiators. But commentators and analysts said the deal was only a small first step and that many of the toughest decisions on lowering barriers to international commerce were still to be taken.

After five days of wrangling, the WTO's 147 member-states drew up a framework laying down the guidelines for the round, which has been in trouble since the collapse of talks almost a year ago in Cancun, Mexico, when no deal on subsidies was found.

"This is a historic moment for this organisation," WTO chief Supachai Panitchpakdi said. The hard-won deal on a series of contentious trade issues, from farm reform to the launch of negotiations on a new customs code, puts the Doha Round firmly back on track, officials said. Failure could have delayed further trade liberalisation for years.

Rich nations welcomed the deal, which would commit them once the round is completed to

rein in the huge subsidies they lavish on farmers and give developed nations better access to their farm markets.

"The Doha Round is back on track. The results are good for the EU and good for developing countries," EU Trade Commissioner Pascal Lamy told reporters. He added that the round might be completed by the end of next year.

### Milestone

The Doha Round was launched in late 2001 and was supposed to have been completed by the end of 2004, but trade officials long ago abandoned that deadline.

US trade representative Robert Zoellick said the accord was "crucial step for global trade". "There's a lot of work yet to be done. But today's framework is a milestone," he said.

After an all-night negotiating marathon, key WTO members, including the US, EU, Brazil and Japan, agreed to the elimination of export subsidies at a date yet to be set.

Agreement in the sensitive field of agriculture opened the way to outline accords in industrial goods trade, services and measures to boost the stake of poorer developing countries in the world trade.

The World Bank says the round could help lift more than half a billion people out of poverty and trigger growth by injecting billions of dollars into the world economy.

African countries, who won some concessions from the United States on cotton, long seen as a prime example of the pain rich nation subsidies can inflict on poor producers, said they could live with the accord.

But the pact was fiercely attacked by some activist groups, with the Focus on the Global South calling it a "catastrophe for the poor."

## WHAT THEY THRASHED OUT

The deal aims at slashing rich nations' farm subsidies, opening industrial markets and putting the Doha Round of free trade talks back on track. Following are some key elements of the plan approved by the WTO:

### • Agriculture

The pact says export subsidies will be eliminated. Export credit programmes and state-trading enterprises will be subject to disciplines to eradicate any element of subsidy. After fierce pressure from developing countries, the text drops language which would have given rich farm importers, such as Switzerland, Japan and the EU a virtual free hand in identifying which products they could continue to protect with high barriers.

### • Cotton

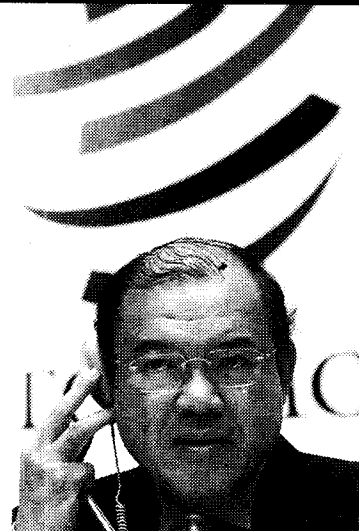
West African states dropped a demand that cotton be treated as a separate issue. The text says it will be given "appropriate prioritisation" and a special WTO panel will be set up to check progress in cutting rich nation subsidies.

### • Industrial goods

The agreement aimed at finding ways to reduce import barriers to goods as varied as cement, shoes, chemicals and calculators. This will be done by a formula under which the highest tariffs get cut the most.

### • Trade facilitation

This is jargon for making customs procedures easier and less expensive for business. It was one of the four so-called Singapore Issues, which were seen as making too great demands on poor nations and which finally caused the collapse in Cancun.



WTO director-general Supachai Panitchpakdi addresses a news conference at the World Trade Organisation headquarters in Geneva on Sunday. (Reuters)

## Big leap on farm issues, says govt

New Delhi, Aug. 1 (PTI): India termed the WTO framework agreement as a major victory, saying it had secured significant gains and succeeded in fully protecting its interests in agriculture and other key areas.

Commenting on the agreement, commerce and industry minister Kamal Nath said revival of the Doha process benefited India. The minister, who spearheaded developing nations' crusade against developed countries' attempts to bulldoze their agenda, said the framework that was adopted met India's main demands.

The charter aims to preserve domestic policy space by providing for special products, safeguard mechanisms and differential treatment in respect of market access. The framework drops the three Singapore issues of investment, competition policy and government procurement from the agenda. These had led to the stalemate at the Cancun ministerial meeting.

### Chambers happy

Industry chambers hailed the agreement. "It is satisfying to see that a number of our concerns have been addressed and reflected in the deal," Ficci said in a statement.

CII president S. K. Munjal said the non-agriculture market access in the package provided a good basis for further negotiations.

Both chambers praised the commerce minister and his team at the Geneva talks.

## Next stop, Hong Kong

New Delhi, Aug. 1 (PTI): Deferring the deadline for completion of Doha round of trade talks, the World Trade Organisation has decided to hold the next ministerial meeting in December 2005 in Hong Kong to seal the final deal.

The original deadline for the completion of the round, which was launched at the Qatari capital in 2001, was January 1, 2005. The WTO general council will meet in May and July next year to take stock of the negotiations on the framework.

Hong Kong's secretary for commerce, industry and technology, John Tsang welcomed the decision, saying, "Hong Kong's bid to host the meeting, already accepted by the general council in October 2003, underlines our active and constructive participation in the WTO. With the timing of the event now decided, we shall be able to press ahead with our preparatory work in full steam."

According to him, the preparations for the ministerial meeting are being overseen by a co-ordina-

tion office set up under the trade and industry department.

These involve the economic and trade office in Geneva as well as other key departments in the Hong Kong special administrative region government.

"We shall also work very closely with the WTO membership and the organisation's secretariat to stage a conference which is successful in both substantive and logistical terms," Tsang was quoted as saying by Xinhua news agency today.

The general council of WTO has been meeting in Geneva in the past week to take stock of the ongoing negotiations on the Doha development agenda and to decide on the next steps to take the negotiations forward.

The meeting will be a key milestone in these talks, which will be conducive to the broad and balanced development of the multilateral trade regime, Tsang said.



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## ONCE MORE TO THE WTO TABLE

MEMBER-COUNTRIES OF the World Trade Organisation have 10 days to reach a compromise deal that would resuscitate the Doha round of talks aimed at further liberalising world trade. The WTO has put forward a new draft agreement that it hopes governments will approve this month before international trade diplomacy lapses into a state of hibernation ahead of the United States' presidential elections. The Geneva-based trade body has warned that the very idea of multilateralism will be imperilled if members let yet another opportunity pass by. No government has vehemently criticised the latest set of proposals — India has said it is unhappy but has stopped short of rejecting the formulations — and no country will want to be accused of sabotaging the negotiations. It is therefore possible that a measure of compromise will be evolved just to keep the Doha round afloat. This will not, however, rescue the stalled multilateral negotiations, which were launched in 2001, since deep-rooted problems remain unaddressed and new ones have been created.

There has been a series of bilateral, regional and even multilateral talks ever since the Cancun collapse in September 2003 pushed the round to the edge of a precipice. Governments have indeed shown a willingness to climb down from indefensible positions, but the advanced economies — essentially the U.S., the European Union and Japan — have not shown a sufficient measure of compromise in the crucial area of agriculture. A month ago, during the UNCTAD conference in Sao Paulo, there was a ray of hope that the major players of the WTO had moved close enough to strike a modest but genuine deal to revive the Doha round. But the package produced at Geneva belied that hope. On the contentious issue of agriculture, there is a movement forward on export subsidies. The

U.S. and the E.U. have both agreed to an eventual elimination of these handouts, but there is no progress on the other two issues of domestic support and market access. Unfortunately, the latest proposals suggest the creation of a new kind of farm subsidies (under the "Blue Box"), which will make a mockery of the promise of Washington and Brussels to reduce domestic support. As for market access, while there is a measure of accommodation of developing country interests, far greater attention has been given to protecting 'sensitive products' in advanced countries from inexpensive imports.

It is *status quo* on another important element of the Doha agenda — tariffs on industrial products. The focus since the Cancun ministerial meet has been on narrowing the differences in agriculture, leaving little time to deal with the rest of the agenda. The result is that the WTO has now merely reproduced a text on industrial tariffs that was rejected in Cancun by the developing countries. This is unacceptable. There are other areas that will cause discomfort to many governments. Cotton, a vital interest of West Africa, has been subsumed within agriculture and not addressed separately as a priority area. The subject of defects in existing WTO agreements, an issue first flagged by India, has also been given short shrift. In spite of all these problems, governments of rich and poor countries may well conclude that a bare-bones pact that gives the appearance of putting the Doha talks back on the rails is, for now, the best decision to take. However, this merely postpones the resolution of differences and will not facilitate an eventual conclusion of the round. Until the fundamental problem of a lopsided agenda that pays only lip service to the development dimension is addressed, there will be no meaningful progress in the WTO talks.



# WTO draft must resolve more issues, says Ficci

Our Delhi Bureau  
19 JULY

**T**HE Federation of Indian Chambers of Commerce and Industry (Ficci) has criticised the July 16 WTO draft, saying that it lacks details. The latest draft, according to the chamber, has left several issues "unresolved" and failed to provide significant leads on substantive progress in farm negotiations.

On the positive side, it has welcomed proposals on investment, competition policy and transparency in government procurement. Ficci felt the text needed to be revised substantially to suit the interests of developing countries. The draft does not provide for the elimination of Blue Box support measures (direct payments to farmers under production limiting programmes), which are responsible for distortions in production and trade. On the contrary, it suggests modification of Article 6.5 of the Agreement on Agriculture (AoA) by introducing an alternative criterion for doling out direct payments to farmers.

The continued existence of Blue Box in the draft will allow the rich, subsidising countries to reclassify payments to their farmers and large agri-business corporations under the guise of not distorting trade. While Indian businesses have been demanding the Green Box subsidies to be brought under tighter discipline, the draft's treatment of Green Box is rather ambiguous.

While the proposal for phasing

out all forms of export subsidies on agriculture is in line with the Doha mandate, the end-date has to be worked out in the forthcoming WTO general council meeting, to avoid further delay in implementation of the Doha ministerial declaration. Speaking about market access to farm products, Ficci said the basis for selection of sensitive products in developing countries will be established in the post-framework stage. However, the draft seems to be generous to developed countries in terms of the special safeguard that remains under negotiations, which, in turn, means that special safeguard may continue in sharp contrast to the legitimate demand by developing countries for its abolition.

Ficci added that the latest draft was weak in addressing the development dimension of the Doha agenda. The draft could not come up with a definite roadmap for the resolution of outstanding implementation issues and special & differential treatment. This lack of progress on two vital issues even 30 months after the adoption of Doha work programme, reflects the non-accommodating attitude of the dominant trading nations regarding concerns and interests of developing countries. Ficci is of the opinion that unless these issues are clearly and effectively reflected in the draft and the subsequent negotiations make quick and significant advance in these areas, revival and completion of the Doha development agenda will be impossible to achieve.

# India discards WTO draft on farm trade

OUR SPECIAL CORRESPONDENT

**New Delhi, July 19:** India today virtually rejected the draft framework for negotiations circulated by the WTO to the 148 member countries as it was biased against the farm sector of the developing countries.

"We believe that much work will have to be done in making the draft text acceptable," the commerce ministry said in a statement issued here today.

Intense negotiations are expected to take place on the issue during the next two weeks. From India's standpoint, the draft on agriculture does not provide the required balance, fairness or equity between the provisions for the developed countries and those of developing countries.

"We find that there is a greater level of specificity on matters of interest to the developed countries and a greater level of generality in respect of

the special and differential treatment components of the developing countries. What is disappointing is the lack of appreciation of developing countries sensitivities in agriculture. This is particularly true of those developing countries where subsistence agriculture prevails and where the rural population is dependent on agriculture for their food and livelihood security. We expect that these would be suitably addressed in the next few days during the negotiations if there is to be a consensus on the agriculture framework. We shall be working with the G-20 on agriculture and jointly put forward our concerns in the discussions at Geneva," the statement says.

In the other areas of Non-Agricultural Market Access (NAMA), Singapore issues and on implementation issues as well as special and differential treatment (S&DT), India is ready to work with other members of WTO in order to

arrive at a consensus.

The draft framework is a first text and underlines the explicit recognition that this would be only a basis for further negotiations in view of the fact that serious divergences in positions of the WTO member countries have emerged as reflected in the current status of the negotiations.

The draft is being negotiated in Geneva starting from July 19 and an amended version of the draft, which will be produced after incorporating the responses of WTO members, will be considered by the General Council of the WTO next week.

The draft focuses on negotiations in areas of market access in agricultural products, non-agricultural products and services, Singapore issues and developmental and implementation issues, without implying that the other areas of the Doha work programme are relegated to a lower priority.

20 JUN 2004

# WTO rules against cotton subsidies in the US

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The New York Times  
Sao Paulo, Brazil, June 19

IN A landmark decision, the World Trade Organization has ruled against American cotton subsidies in a case brought by Brazil, officials from the two countries said on Friday.

The decision could eventually lead the United States to reduce subsidies for its entire farm sector and encourage other countries to challenge such aid in wealthy nations, sources said.

The WTO report, which was not made public, upheld a preliminary ruling in April that supported Brazil's claim that the \$3 billion subsidy that the US pays to its cotton farmers, distorts global prices and violates international trade rules.

"We are very satisfied with the panel's decision," Roberto Azevedo, who heads the trade disputes department at Brazil's foreign ministry, said in a phone interview from Brasilia. "Once

this is all over with, we expect the United States to comply with the ruling."

In Washington, Bush administration officials criticized the decision, arguing that the best way to address distortions in world agriculture trade was through negotiations, not litigation. The officials also said the United States would appeal, a process that could drag on for months, and possibly more than a year.

"We believe that the US farm programs were designed to be, and are, fully consistent with our WTO obligations," Richard Mills, a spokesman for the United States trade representative, Robert B. Zoellick said in a telephone interview.

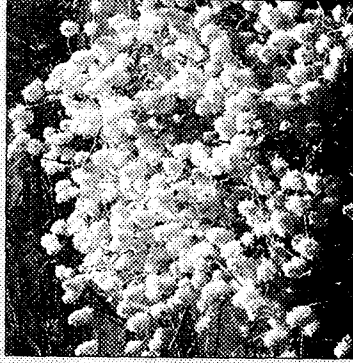
"We will defend the US's agricultural interests in every form we need to, and we have no intention of unilaterally disarming," he added, referring to the \$19 billion in annual subsidies paid out to American farmers.

## Cropping problem

▲ Brazil had claimed that the \$3 billion subsidy that the US pays to its cotton farmers, distorts global prices and violates international trade rules

▲ The WTO ruling, which hasn't been made public yet, is likely to be announced in August

▲ An arbitration panel will then decide on further course of action if the US doesn't comply with the ruling



In another recent case involving steel, President Bush chose to lift subsidies rather than face penalties.

In its complaint, Brazil, the world's fifth-largest cotton producer, used data from the United States Department of

Agriculture to argue that the subsidies led to increased American cotton output, robbing Brazil of potential export markets and undermining the livelihoods of its farmers.

If Washington scrapped the subsidies, Brazil estimated, American cotton exports would fall 41 percent and production would drop 29 percent. That, in turn, would lead to a 12.6 percent increase in world cotton prices, helping struggling cotton farmers from Brazil to West Africa.

Brazil also claimed that the United States was providing illegal export subsidies to American agribusiness companies, who were given \$1.7 billion to buy American cotton from 1999 to 2001, the period covered in the WTO challenge. The combined aid has helped make the United States the world's top cotton exporter, with more than 40 percent of the world market.

As the first successful challenge of a wealthy nation's agricultural subsidi-

dies, the cotton case could help energise global trade talks, which have been stalled for more than a year over agriculture. The decision also sets a precedent that could encourage more WTO complaints from other developing countries that feel unfairly punished by the \$300 billion in annual farm subsidies and supports paid to farmers in the world's richest nations.

"This has a value as a precedent that goes very far and broad," said Gary Hufbauer, a trade specialist at the Institute for International Economics in Washington. "It opens the doors for countries who are affected by agricultural subsidies to challenge a lot of other subsidies: sugar, corn, almost any product."

Brazil was joined in the case by Argentina, Australia, Benin, Canada, Chad, China, the European Community, India, New Zealand, Pakistan, Paraguay, Taiwan and Venezuela, all of which were third parties.

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## MOVEMENT IN DOHA ROUND

A MEASURE OF scepticism may be warranted about yet another claim of a breakthrough in the deadlocked Doha round of the World Trade Organisation. However, there does seem a new political resolve among the most important players to agree by the end of next month on the framework for liberalisation of trade in agriculture. After meeting in Sao Paulo on the occasion of the United Nations Conference on Trade and Development, Ministers from India, Brazil, Australia, the United States and the European Commission (who in WTO-speak constitute the non-group of five or NG5) feel they now share a broad enough understanding for government officials to be able to fill in the details ahead of a make-or-break meeting in July. Of course, the new achievement has to be seen in perspective. First, the so-called breakthrough is only in agriculture and there are at least half a dozen other issues on the WTO agenda where the gaps are as wide as before. Secondly, nobody expects a treaty on agriculture to be finalised next month; the modest goal is to draw up a framework for a future agreement. But considering that divisions over agriculture brought all the problems in the Doha round out into the open, the indication of contours of an eventual pact in this sector will remove the biggest obstacle to revival of the larger WTO negotiations.

The NG5 Ministers claim that they have agreed that export subsidies should be gradually eliminated and domestic support significantly reduced, and that there must be a meeting of minds on market access. In all areas, the special concerns of the developing countries would be borne in mind. Bold as the new understanding looks, it represents a definite departure from the pre-2004 positions of both the rich and poor countries. The abolition of export subsidies is a

major concession the E.C. and, to a lesser extent, the U.S., has had to make. Likewise, both trading powers have been extremely reluctant until now to make deep cuts in domestic farm support. Clearly, the two most powerful members of the WTO have realised that they cannot hope for any progress in the Doha round without making commitments on these two sets of farm issues. The last stumbling block was market access, or import duties: A consensus now seems to be emerging that a recent proposal of the group of 20 (G-20) developing countries is more likely to find widespread acceptance than a E.C.-U.S. package that would have made the poor countries cut tariffs far more than the developed nations.

India's foremost interest in the WTO talks has been to protect agriculture from a flood of imports. This appears to be reflected in the G-20 proposal, which simultaneously makes a modest provision for larger market access. It is based on three important criteria. One is that all countries will reduce import duties but the burden will not fall disproportionately on the developing economies. The second is that the poor countries will be entitled to exemptions and a longer time frame for implementation. Finally, additional market access will be provided in the form of tariff rate quotas (TRQs) under which a limited amount of imports will be allowed at lower duties. This would apply to both developed and developing countries. It is a small concession intended for the U.S., which has made market access a central demand in the negotiations. The tariff reduction formula that countries will follow, the spread and size of the TRQs, and the implementation period will together decide whether the framework will satisfy all countries to a reasonable degree or go the way of most other global trade agreements in benefiting only the developed economies.

19 JUN 2004

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FRIDAY, APRIL 30, 2004

## WTO STRIKE AGAINST FARM SUBSIDIES

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THE PROVISIONAL RULING by a World Trade Organisation judicial panel that the current volume of U.S. subsidies to cotton farmers is illegal in international trade law has implications that go far beyond the interests of Brazil, the complainant in the case. The ruling threatens to cut the ground under the mountain of agricultural subsidies the U.S. provides to its farmers. It will also bring into question the large amount of farm support provided by the European Union, Japan and Switzerland, the three other economic powers that hand out substantial subsidies. The judgment will, in short, force all the advanced economies to rethink the \$300 billion of agricultural subsidies they provide every year. A legal weapon has now been added to the economic and political arguments heard over the years against the extraordinary levels of farm aid in the rich countries. When these subsidies will be reduced is another matter. The WTO ruling is likely to complicate revival of the stalled negotiations of the Doha round, where farm subsidies have been a bitterly contested issue. But what is clear is that no longer will it be possible for the advanced economies to hide behind WTO regulations to justify the indefensible levels of aid they provide to a dwindling farm population.

American support for cotton farmers has been the most egregious example of rich country subsidies affecting agriculture in the developing countries. In 2001-02, some 25,000 cotton farmers received \$4 billion of aid to produce a crop valued at only \$3 billion. The aid politically powerful cotton farmers of the American South have received has enabled the country to become the biggest exporter in the world. It has, in the proc-

ess, shut out exports by the numerically larger farming population of central and west Africa, who can produce cotton at lower cost but cannot dream of receiving the handouts their counterparts in the U.S. get. While this attracted considerable attention at the failed WTO meeting in Cancun in 2003, the legal complaint by Brazil was a more narrow one — that the U.S. violated WTO ceilings on support. The disputes panel has confirmed this transgression, which means that a substantial amount of subsidy that Washington had argued was permissible ('green box' in WTO parlance) will now be categorised as prohibited ('amber box') subsidies. These will have to be reduced since the total will cross WTO limits. This will have an impact on support levels for all other crops, a possibility U.S. farm groups and their political representatives have been quick to see. Washington can be expected to use every legal instrument to fight the interim judgment; it will need to be confirmed in June and then the appeal process can go on for a couple of years.

Brazil has recently filed a similar case on sugar subsidies against the European Union. The WTO could also end up striking down European aid for sugarbeet farmers. The regime of farm subsidies is now under siege. An early dismantling cannot perhaps be expected but it is now clear the system will have to go sooner or later. All developing countries will benefit as a result. Exporting countries should have improved access to world markets at better prices. Even countries such as India that are more concerned about the freedom to maintain high customs duties on agricultural products will gain, in terms of an easing of pressure in global talks to lower import barriers.

THE HINDU 30 APR 2004

WEDNESDAY, APRIL 28, 2004

## STATUS QUO AT THE IMF AND WORLD BANK

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THIS YEAR MARKS the 60th anniversary of the founding of the International Monetary Fund and the World Bank. While this is as good an occasion as any for a rethink on how the two institutions have been functioning, there was no evidence of such a review at their annual Spring Meetings in Washington last week. If anything the signs were of the Bretton Woods institutions continuing to function on the direction of the Group of Seven advanced economies and not the 184 countries that are the shareholders. Once more, the search for a new Managing Director of the IMF has been taking place not in an open and transparent manner but according to a tradition decided upon by the United States and west Europe: the chief of the World Bank would be from the former and of the IMF from the latter. The numerous calls from the governments of developing countries, academics and independent experts to make the selection process more transparent have fallen on deaf ears. Europe has gone ahead and nominated Rodrigo Rato, the former Finance Minister of Spain, for the job of IMF chief and this has naturally been endorsed by the U.S. and Japan. As the Group of 24 developing countries justly pointed out in a communiqué issued during the course of last week's meetings, the IMF preaches good governance, transparency, and inclusiveness to the developing countries but is not following the same standards in the selection of its chief.

The IMF projects the global economy to grow by as much as 4.6 per cent this year, a substantial acceleration from the 4 per cent it forecast last October. However, the larger picture at Washington was not the current pace of world economic growth but was provided by a World

Bank overview of progress in achieving the U.N. millennium development goals (MDGs) in poverty, nutrition, education and health. There has been a substantial reduction in the global incidence of poverty over the past two decades, but, as the Bank's progress report presented in Washington points out, there is every chance of the world not achieving the U.N. targets for 2015 — universalising primary education, gender equality in schooling, and making significant reductions in maternal and child mortality. The World Bank's request for more aid to deal with these challenges was once again greeted with silence. There has been an upturn in aid flows in recent years but these funds have not been evenly distributed. The larger increase in aid flows has been to countries that Washington sees as being in the front lines in the battle against U.S.-identified terrorism.

Indeed, the U.S. concern with terrorism has thrust yet another responsibility on the IMF. The organisation has been looking to augment lendable resources and has had to close one lending facility, yet a decision has been taken to entrust it with the job of tracking money laundering and the financing of terrorism. Both challenges are no doubt important but this is a job more for the U.N. than for the IMF. A frequent criticism the U.S. makes of the IMF is that the organisation has diluted its mandate by taking on responsibilities far beyond its original charter of ensuring an adequacy of international liquidity. However, this is precisely what the U.S. is now obliging the IMF to do. Developing countries have been less than enthusiastic about the new tasks handed over to the IMF but, as in other matters, their reservations have been over-ruled.

THE HINDU

28 APR 2004

# World Bank warns development promises may be broken

Agency France-Press  
Washington, April 26

THE WORLD is poised to break a series of lofty promises to ease the plight of the poor. IMF and World Bank policymakers warned Monday in a final communique after weekend meetings in Washington.

At the UN Headquarters in 2000, 189 countries including India had adopted the so-called Millennium Development Goals, including halving poverty rates by 2015, cutting child mortality, turning the tide of AIDS and educat-

ing all children.

A statement by the policy-making Development Committee of the World Bank and International Monetary Fund said: "We are very concerned that, based on current trends, most of Millennium Development Goals will not be met by most developing countries, particularly in sub-Saharan Africa... All parties, developing and developed countries and the international institutions, must urgently enhance concerted action to accelerate progress towards these goals."

A World Bank study found the proportion of people living in dire poverty was nearly halved in the two decades to 2001. But surprisingly the same study contradicted itself by saying that the number of people making do on less than a dollar a day shot up from 161 million, 12 per cent of the population, to 214 million, or 17 per cent of sub-Saharan population. The study conceded that progress was strikingly uneven, with millions in Africa and Latin America left out of dramatic gains seen in Asia.

Thanks to spectacular

strides made by China and India against extreme poverty, defined as existence on less than a dollar a day, the world is on track to securing a reduction by half in the 1990 global poverty rate — 28 per cent — by 2015. But in a contrast to East and South Asia, poverty in the 20-year period under study deepened in sub-Saharan Africa.

In Latin America and the Caribbean, the World Bank said, there was only marginal progress against poverty. The proportion of the poor in the region in 2001 was about the same as in 1981, 40

per cent. The meeting of the Development Committee gave a grim to conclusion to a generally self-congratulatory weekend of discussions among the Group of Seven industrialised nations, and the 184-member World Bank and IMF.

"The global economic recovery continued to strengthen since we met in February," said finance ministers and central bank governors from the G-7 industrialised countries — Britain, Canada, France, Germany, Italy, Japan and the US — after a meeting on Sunday.



AP  
Nigeria's Finance Minister Ngozi N. Okonjo-Iweala at the IMF-World Bank meeting.

## India shines, but...

INDIA ASKED the IMF-World Bank for more development aid to eliminate poverty and strengthen its literacy and health programmes under the Millennium Development Goals. The Indian team to the IMF-WB meeting appealed for increased concessional aid flows, saying the country should not be punished for its good economic performance.

"Yes, India has done reasonably well. But then, good performance should not be punished," Ashok Lahiri, chief economic adviser, told a press meet. RBI governor Y.V. Reddy said that while India was doing its best to raise resources from within, the stiff MDGs would need large infusion of resources.

HTC, Washington

27 APR 2004

THE HINDUSTAN TIMES



140-10  
9/17

## SPARRING OVER TRADE

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A NEW TRADE war has erupted between the United States and the European Union, but this is one dispute that will not go out of control. The E.U.'s decision to impose punitive tariffs on 1,700 products exported by the U.S. is bound to be a short-lived affair as the world's two most important trading powers are both aware of what needs to be done to settle the underlying dispute over U.S. export subsidies that the World Trade Organisation has decreed as illegal. Since Washington has stated that it will comply with the ruling, the question is how quickly it will bring its laws into conformity with WTO regulations. The Europeans have been speaking a language of restraint and the sanctions they have announced will be imposed in a phased manner. The action is altogether in the nature of signalling to the Bush administration and the U.S. Congress that the subsidy issue needs to be removed as soon as possible from the list of trans-Atlantic disputes.

The friction over the Foreign Sales Corporation (FSC) rules in the U.S. tax code, which for years have provided substantial export subsidies to domestic companies, goes back to the 1980s. Yet it was only after the formation of the WTO in 1995 that the issue went to a trade disputes panel. Although the U.S. lost the case in 2002, it has been dragging its feet about the abolition of the offending tax shelters. Since the amount involved is \$4 billion a year and some of the biggest U.S. companies such as Boeing and Microsoft have been beneficiaries of the subsidy, it has always been known to both sides that an acceptable settlement would involve replacing the WTO-incompatible subsidies with WTO-compatible tax cuts. However, with Congress unable to legislate the

necessary changes soon enough, the E.U. has finally decided to retaliate with sanctions authorised by the Geneva-based multilateral trade body nearly a year ago. The authorisation is for cross-retaliation worth up to \$4 billion a year. Yet the E.U. has chosen to impose additional customs duties that, to begin with, will cost U.S. exporters no more than \$16 million a month. A wide range of products from toys to jewellery has been targeted, but the punitive value will increase very slowly and reach \$666 million at the end of 2005. The intention clearly is to prod the U.S. into coming up with an acceptable solution and not to provoke an angry reaction.

The search for a compromise between competing legislative packages that are in Congress will now be catalysed and this particular dispute will then be out of the way. But this will not be the end of the story. The U.S. has been at the receiving end in one high-profile WTO case after another. Before the FSC dispute there was the steel tariff issue in which Washington had to roll back countervailing duties that had been imposed to protect domestic industry. The country has also recently lost two important cases on anti-dumping duties. The string of adverse rulings has fuelled resentment in Congress about the multilateral trading system. This has made it much more difficult for the Bush administration to build legislative support for a give-and-take package that the U.S. must eventually agree to if it wants to salvage the Doha round of trade talks. The irony about the WTO's dispute settlement process is that a system designed to make the smaller economies fall in line does affect, even if only occasionally, the most powerful of economies.

4 MAR 2004

**THE HINDU**

# WTO chief tells US about pitfalls of anti-BPO move

S. Rajagopalan  
Washington, February 27

## OUTSOURCING BACKLASH

IN AN implicit recognition of Indian concerns, the World Trade Organisation has cautioned the United States on the pitfalls of blocking outsourcing of service sector jobs to low-cost countries like India.

WTO director-general Supachai Panitchpakdi, now on a visit here, made it clear on Thursday that any protectionism on the jobs front would only hurt the US, not help it. In his view, American interests would be better served with a policy of openness to service sector trade.

He drummed home the point that the 200,000-odd service sector jobs sent overseas would only be a fraction of the more than two million new jobs that the US was expected to

generate annually over the next decade.

The WTO chief's remarks at the National Press Club came in the wake of the growing backlash against outsourcing with Democrats making it a key election plank and a number of states introducing bills to block the outflow of jobs.

"We especially need to inject some clarity — and facts - into the current debate over the outsourcing of services jobs...Closing the door to service trade is a strategy for killing jobs, not saving them," he commented.

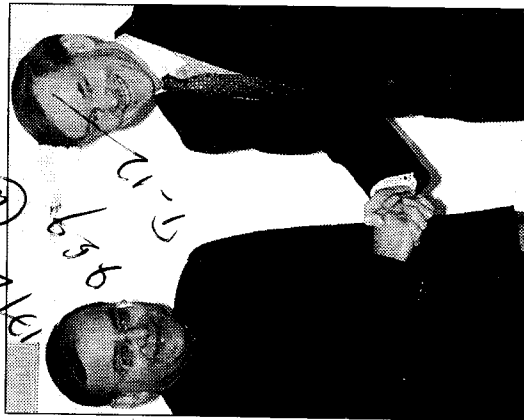
Mooting a policy of openness that would spur

growth and a shift towards higher value-added jobs, Supachai said: "Americans have never run from a challenge and have never been defeatist in the face of strong competition. Part of this challenge is to create the conditions for global growth and job creation here and around the world."

He made the point that the US has by far the biggest stake in the current trade liberalisation since its economy is now more integrated into the global economy than ever before.

Supachai is holding meetings here with US Trade Representative Robert Zoellick and members of the US Congress as part of the ongoing exercise to get the derailed Doha Round trade talks back on track.

# US plays hardball on back-office deals



Zoellick and Jaitley in New Delhi on Monday. (AFP)

## OUR SPECIAL CORRESPONDENT

**New Delhi, Feb. 16:** The Bush administration, seeking a second term in office, will press ahead with the ban on business process outsourcing (BPO) to allay job-loss fears.

"You have sensitive politics, so do we," US trade representative Robert Zoellick said today after meetings with commerce minister Arun Jaitley and national security adviser Brajesh Mishra.

Adopting a tough posture, Zoellick linked any softening of the stand on BPO with India opening its doors to US farm goods. An upset Jaitley hit back by saying:

"It is strange that, on the one hand, people are talking about opening of markets, and on the other, banning business process outsourcing. Our agriculture is fragile since it is not subsidised, like in the US."

Asked whether he had given any assurance to the commerce minister in the past that the US government would not

support anti-BPO law, Zoellick said: "Trade is a two-way street...it should be a win-win deal. We have to see how we can create additional jobs on both sides."

Zoellick said anxiety over job losses in the US underpinned legislation banning outsourcing in some states — something that has unsettled many in India. He pointed to US' trade deficit of \$500 billion. India sells goods and services worth \$13 billion to the US while its imports are \$4 billion, leaving a \$9-billion deficit.

The imbalance can be corrected if India opens up services and agriculture. This will strengthen US' hands in lifting the ban, Zoellick said, adding the planned bar on outsourcing in government was within multilateral trading rules. "It is India which did not agree to a WTO agreement on government procurement."

Zoellick, on a whirlwind world tour to narrow differences on the Doha development agenda after the collapse of the Cancun talks, left no doubt that US' own inter-

ests were paramount, and that there was little scope for accommodating developing countries ahead of polls.

On a more diplomatic note, he said there were commonality of views on some of the contentious WTO issues between India and the US. "There are some similarities on issues like elimination of export subsidies on agriculture and cutting domestic support." India will have to open up by bringing down its tariff wall, which was as high as 112 per cent, he said.

Zoellick said though reforms have reduced tariffs in India, they are still high with a bound rate of 34 per cent and a peak of 20 per cent against 3 per cent in the US.

On pushing the Doha development agenda forward, he said the recovery in the US economy bolstered Washington's belief in broadening and deepening trade. The success of the Doha round will help countries like India and China emerge even stronger, Zoellick added.

# US bid to revive stalled WTO talks

12/11/04

**MARK FELSENFHAL**  
Washington, Jan. 12 (Reuters): US trade representative Robert Zoellick on Sunday urged members of the World Trade Organisation to restart stalled international trade talks, a US official said.

Zoellick, in letters sent to the almost 150 countries that belong to the trade organisation, said the United States was prepared to make a serious effort to get talks going, the official said.

The US trade ambassador believes no trade deal can be sealed without complete elimination of agricultural export subsidies, the official added, a position that would put it at odds with the European Union.

"The letter suggests that WTO members should focus on the basics, especially the core



**Zoellick: Starting afresh**

\$520 billion to world incomes by 2015, or about \$65 for every person now living.

The US official said Zoellick asked trade ministers to agree by the middle of the year to terms for a fresh start to talks that broke down in September in Cancun, Mexico, over agricultural issues.

"The period after Cancun was a necessary collective catching of breath, and now we must all recommit to pushing forward. We have a chance to surprise the naysayers," the official said.

Many developing nations are hindered in exporting farm products to industrialised nations by trade obstacles aimed at shielding farmers and ranchers in those countries from being driven out of business by cheap imports.

The talks, launched in Doha, Qatar in late 2001, were to have wrapped up by the end of 2004. Zoellick asked trade ministers to be ready to meet in Hong Kong before the end of the year, the official said.

Zoellick told Monday's *Financial Times* in an interview he wanted to "reach out to developing countries" by addressing their concerns on agriculture, competition and investment. He added that he would support a developing country candidate to chair the WTO's general council.

The US trade ambassador's letter suggests discussing agriculture before trying to agree on cutting tariffs on industrial goods, the *Financial Times* said. He said he would travel to a number of countries next month to discuss his ideas for restarting talks, the newspaper said.

market access topics of agriculture, goods, and services," said the official, who did not want to be named.

The global talks are aimed at lowering or eliminating tariffs charged by countries around the world on imported goods and services, thereby lowering the costs of those products to consumers.

The World Bank has estimated that a trade pact resulting from the talks could add up to

12 JAN 2004

13 JAN 2004