



# WTO NEWS UPDATE

December 15<sup>th</sup> 2005

## Poor nations step up pressure at WTO

Developing nations went on the offensive on Thursday as trade talks limped into their third day, with Washington and Tokyo under pressure to accept a duty-free, quota-free exports deal for the world's poorest countries.

The World Bank added its voice to the indignation expressed by the least developed countries over their treatment at the World Trade Organisation meeting in Hong Kong, saying there has been much talk about development but too little action.

Danny Leipziger, vice-president of the World Bank, said in a statement: "The major trading economies of the developed world are keeping the big issues off the table, and as long as that happens, the poor will suffer."

South Korean anti-globalization protesters, who clashed with police during the first two days of the conference, were expected to try again on Thursday to reach the venue of the convention centre on the waterfront of Hong Kong's harbour.

A group of about 200 fishermen from Thailand, the Philippines, Cambodia, Vietnam and Malaysia marched from a local park aiming to hand in a petition letter to the WTO urging it to suspend talks on fishing issues, but they were halted by police.

## Clashes

Riot police have used pepper spray and batons to beat Korean protesters back but they expect more intense confrontations before the meeting closes on Sunday.

So far there has been no repeat of the violence that marred a 2003 WTO meeting in Cancun, Mexico, where talks on a deal to reform world trade and lift millions out of poverty almost collapsed.

The Hong Kong meeting was initially intended to approve a draft trade treaty freeing up business in farm and industrial goods and services, known in the jargon as the Doha round.

That plan was abandoned because of differences between rich and poor nations - particularly the European Union's refusal to make further cuts in import tariffs for farm goods without

offers of greater export access for its goods and services - though the 149 WTO nations still hope to reach a deal by the end of 2006.

Saddled with that impasse, the WTO had hoped to come away from Hong Kong with at least a duty-free and quota-free deal for the world's 49 poorest nations and their 700 million people.

But the US has balked at allowing poor exporters free access to sensitive areas such as textiles, sugar and cotton, and Japan does not want to open up its rice market.

They also want to be able to revoke preferential access for least developed countries' imports that exceed a certain share in their markets, and Washington wants to delay implementation of the deal until the overall Doha round package comes into effect.

### **Action wanted**

Altaf Chowdhury, the Bangladeshi commerce minister, told the meeting: "It is now time to put ... promises into action. We expect the developed countries that have not already done so to announce in Hong Kong a timetable for the introduction of such market access."

Dipak Patel, the Zambian trade minister who is also co-ordinator of the WTO's poorest member states, condemned the US and Japan for seeking exemptions to protect their own industries.

"Developing countries, forced to liberalise by developed countries, have always been told that liberalisation will deliver gains ... It is not too late for developed countries to swallow their own medicine," he said in a statement.

Another source of friction in Hong Kong was the EU's refusal to endorse 2010 as a date to end agricultural export subsidies.

The 25-nation EU says Washington must first indicate how it plans to reform its food aid, which - because it is in kind rather than cash - the bloc says amounts to as great a subsidy for US farmers as European export subsidies.

Rob Portman, the US trade representative, said on Thursday that America is prepared to allow West African nations duty-free access to its cotton market. "The United States is willing under the duty-free, quota-free commitments we will make to provide duty-free access to cotton for West African countries".

### **Iran says first presence at WTO really important**

Massoud Mir-Kazemi, Iranian Commerce Minister who arrived in Hong Kong to take part in ministerial meeting of the World Trade Organization (WTO) evaluated Iran's first presence at a WTO meeting as "observer" of "special importance".

He added, "Iran's dynamic presence at Sixth Ministerial Conference of WTO

and establishment of ties with other participating ministers would help Iran to improve its image while evaluating that organization better before joining it."

Iran's Commerce Minister added, "We need to pay attention to the fact that an ever increasing number of countries are joining the WTO today, and Saudi Arabia, for instance, after a twelve-year presence at WTO as an observer member is now attending its sessions as an official member."

Mir-Kazemi reiterated, "If Iran wishes to count on boosting its exports as a means for solving the unemployment problem, taking optimum advantage of investments and facilitating the unused potentials, including the educated man power and rich resorts seriously, we need to join the WTO."

Iran's Commerce Minister evaluated broadening the range of the country's foreign relations of great importance in export promotion, arguing, "We need to consider the foreign demands for our products as an incentive for our economy and to manufacture goods that can compete in terms of quality at reasonable prices with after-sale services." He reiterated, "Iran has to change its introvert approach toward production that has so far been aimed at replacing imported goods with local products, and to manufacture based on international standards aimed at capturing foreign markets."

Mir-kazemi said, "Iran can conquer international markets through

improving the quality of its products and to ensure its long lasting presence there, although it requires adopting a complicated strategy."

The Commerce Minister meanwhile reiterated, "While improving the quality of our products we need to design and establish appropriate export networks, since the present ones are mainly traditional and rarely rely on scientific studies."

Mir-Kazemi meanwhile pointed out that joining the WTO, too, would create certain problems for us, but emphasized that its positive aspects are far beyond them.

The Sixth Ministerial Conference of WTO began its activities in Hong Kong on Tuesday evening in the presence of delegations from 149 countries.

Iran's proposal for WTO participation was finally approved in June 2005, after being rejected eighteen times due to US objection, but only as an "observer".

Iran has actively participated at the conference by dispatching a delegation comprised of experts and managers from the country's ministries of commerce and agriculture, as well as the Management and Planning Organization, and a number of parliament members, led by the country's commerce minister.

## **Tonga's terms of accession to WTO, the worst ever**

When Tonga joins the WTO this week, it will be on the worst terms ever offered to any country.

It is one of the world's smallest and most vulnerable economies, and the extortionist demands being made on it should have no place in a 'development round' such as this.

Tonga will be forced to slash the tariffs on which it depends to pay for vital public services such as health and education for its 10,000 citizens, to no more than 20 per cent on any product. Thus it will have to fix its tariffs at levels lower than any other country in the history of the WTO, with the sole exception of Armenia.

## **If You Can't Reach An Agreement, Buy It**

In a last ditch effort to salvage the WTO meeting in Hong Kong, rich countries are trying to buy their way to a face-saving deal.

This round of trade negotiations is called the Doha Development Round for a reason – because **it is supposed to be about alleviating poverty in the developing world.** But instead of trying to create a real agreement that would be true to this name – **rich countries have failed to bring anything meaningful to the table.**

So now, with the meeting on the verge of collapse, trade negotiators are spending most of the day madly scrambling to cobble together what they are calling a “development package.”

In the proposed “development package” ministers from rich countries pledged to increase the so-called “aid for trade” grants. **While these commitments are welcome, they are simply an effort by rich countries – the U.S., EU, Japan – to prevent the round from completely falling apart.** Speaker after speaker from developing countries warned the conference (and expressed their frustration in private conversations) that aid-for-trade was a supplement, and not a substitute, for meaningful reform of the dysfunctional global trading system.

They are also a stalling tactic. Because any progress in the negotiations would require rich countries to reform their domestic farm policies, and that would demand political leadership on the home fronts, especially in the United States.

## **WTO Development Package Full of Empty Rhetoric**

Hidden behind the development package being offered at the WTO are plans to open essential services and threaten jobs globally.

The Development Package is empty promises. If accepted, it will prove to be money to build developing country coffins. Short term gains will be traded

off for essential policy flexibilities in key sectors.

We do hope that developing countries stand their ground and do not accept this poisoned package.

## **WTO wants to reel in fishing subsidies**

While the noisy dispute over agriculture has hogged the limelight at the WTO talks here, trade negotiators have been quietly trying to hammer out a deal to stop the world's oceans being emptied of fish.

Environmentalists say subsidies, which have been on the WTO's agenda since the current round of talks began in Doha in 2001, contribute to the overfishing seen in 75 percent of the world's stocks and endanger fragile marine ecosystems.

"There is a growing consensus that some types of subsidies do deplete fish stocks," said Monique Barbut director of the Technology, Industry and Economics at the United Nations Environment Programme (UNEP).

"Those (subsidies) for infrastructure, capital costs, access to foreign countries' stocks and price support are among the most damaging," said Barbut.

Global subsidies are conservatively estimated at 15 billion dollars a year, equal to 20 percent of the world's commercial fish catch.

The issue is critical because more than one billion people depend on fish for livelihood and in developing countries, some 100 to 200 million people work in the fish processing industry alone.

To push ahead with the elimination of tariffs but at the same time protect themselves Brazil, Mexico, the Philippines and others are calling for special and differential treatment, which means poorer countries would be permitted to impose higher import tariffs and subsidies.

That would be hugely important for a country like the Philippines, for example, where fishing is estimated to account for about 4.0 percent of economic output, employs some two million people and plays a crucial role in the country's food security.

Although there is an increasing consensus, which includes previous opponents such as the European Union and Japan, there are wide disagreements over the modalities of any accord.

Spain, home to one of the world's largest fishing fleets, has put up stiff resistance, claiming that tariff reductions will increase illegal fishing and further exhaust fish populations.

"It is not that we're not in agreement with sustainable fishing; we need fish for tomorrow if not how will we survive," said Juan Vietes Babtista, secretary general of the National Association of Producers and Processors of Fish and Shellfish in Vigo, Spain.

"We don't want subsidies; we want the development of an industry that is simply on the same playing field as everyone else," said Babtista.

The current WTO meeting, which is aimed at opening up markets and lifting underdeveloped countries out of poverty, is currently hung up on the controversial issue of agricultural subsidies and so an agreement on fishing is unlikely.

Nevertheless, negotiators want to make sure the issue at least remains near centre stage in Hong Kong, despite heavy opposition from fishing powers Spain, South Korea and Portugal.

"Coming into this meeting we feel like we're making progress; on the other hand the toughest negotiations are ahead of us," said WWF senior fellow David Schorr.

The WWF and the United Nations Development Programme argue that the majority of distorting subsidies come from developed countries, with South Korea, Japan and Spain considered among the worst of offenders.

One of the major difficulties facing negotiators is that WTO rules focus on protecting exporting countries, which means to challenge a subsidy countries must present near incontrovertible proof that their own export ability has been hampered by another nation.

"But the main impact of fishing of subsidies is not in the export markets but at the production level because what

you really doing is subsidizing the race for a resource," Schorr said.

## **Dhaka threatens to use 'veto' power at WTO Ministerial**

Bangladesh has threatened to apply its veto power in the ongoing WTO Hong Kong ministerial conference if its demand for granting the duty and quota free entry of its products to the markets of the developed nations is not met, an aide to Commerce Minister Altaf Hossain Chowdhury said.

Bangladesh has been maintaining close liaison with the official coordinator for the Least Developed Countries, Zambia, at the conference. Besides, Bangladesh and other LDCs of Africa, Asia and South America have formed an informal union, where countries have taken a clear position on market access issue.

Commerce Minister met delegates from Japan, the Netherlands, and other EU member countries and sought their support to the market access and free movement of labour issues.

Bangladesh had said it prefers trade to aid and that there should be a clear resolution on the matter, rather than mere commitments.

The caucus of the LDC believes no agreement is better than a bad agreement, and it is time for the developed nations to implement the

decisions made in the earlier meetings.

The Ambassador of Zambia and the LDC coordinator in the WTO trade talks, Love Mtesa, however, said time is yet to come to say about veto. "If the developed countries try to divide LDCs, it will not be possible," he said, underscoring the importance of "LDCs are all together. They swim together, if drowned, it'll be together."

But there has been no incident of using veto in the past. When negotiation comes close to an end, every country looks for national interest instead of group interests.

It would be a great achievement for Bangladesh if the LDCs get the duty-free and quota-free market access having a time bound that the facility will get immediate effect or within a one-year timeframe, economists from Bangladesh attending the dialogue said.

It could earn benefit for the country even if the developed countries allow zero tariff access for LDC products at the end of Doha Round, scheduled by the end of 2006, they added.

They explained that even a reduction of tariff lines to 99 per cent, Bangladesh would not get the benefit of the concession as USA would put the country's RMG, the major export earner, into the rest one percent and it would be a disaster for Bangladesh. It would also make Africans happy, they added.

Experts apprehended that the developed countries might play a trick by offering the LDCs a package titled "aid-for-trade" with a view to divert other aid or to receive commitments from the LDCs on other issues. "If it's aimed at building trade capacity of the LDCs, it's OK," said one of them.

## **US seeks new WTO meeting early next year if no Hong Kong accord**

The World Trade Organisation must agree to convene again early next year if WTO ministers meeting here this week fail to break a deadlock holding up a new trade pact, US Trade Representative Rob Portman said.

In his address to a WTO plenary session, Portman said members "cannot afford to let our generation's opportunity (for a global trade deal) slip" and spelled out a series of US commitments for the Hong Kong negotiations.

On the key issue of agriculture, if a deal is not possible, then "we should set a date for the agreement we have already made to eliminate all forms of export subsidies," he said, noting the Washington has suggested 2010.

On free trade in industrial goods, which the developed world wants in return for reform of farm trade, WTO members should agree to the principle of "cutting higher tariffs the most."

Similarly, on the linked issue of trade in services, Portman called for a "new deadline for a table of revised -- and greatly improved -- offers."

Lastly, "although we may not achieve all we had hoped for this week, let us set another deadline to keep the pressure on.

"We should not leave without setting a date -- early next year -- to come together again to break the deadlock so our negotiators can complete the work by the end of 2006."

Portman's remarks appear to reflect overall sentiment among the 149 WTO members meeting in Hong Kong that a global accord is not possible because of deep-seated differences between the European Union and the United States, and between developed and developing countries, over farm trade and market access.

Most delegates are talking in terms of agreeing to agree to meet again next year, when the 2001 Doha Round of trade liberalisation talks is scheduled to conclude.

In his remarks, Portman also announced that the United States would more than double its "aid for trade" funding to 2.7 billion dollars annually by 2010, up from 1.3 billion dollars this year.

"However, I must underscore that these funds, and the additional money I announced today, must go hand-in-hand with market access expansion and the

elimination of trade-distorting subsidies," he added.

## **WTO urged to build infrastructure in poor nations**

The World Trade Organization should work harder to improve the infrastructure in poor nations so they can enjoy the benefits of free trade, Foreign Minister Taro Aso of Japan told a WTO meeting.

"For (poor nations) to successfully participate in trade, their production capacity should grow," Aso said in his speech. "Their products must proceed with greater ease to their ports to be shipped abroad. And they must find consumers in overseas markets."

Japan announced a \$10 billion aid package to promote trade by developing countries, to spearhead its efforts to gain a consensus on aid at the Hong Kong meeting.

Aso spoke of Japan's experience of rebuilding the nation after World War II "with no natural resources but the debris of wartime destruction," and said it was essential to let the people in developing countries have hope and self-esteem.

"The Japanese (aid) package will serve this end exactly," Aso said.

"We must preserve and develop a WTO with a human face for the prosperity of

mankind," Nikai said in his comments to the meeting.

"We are ready to assist LDCs (least-developed countries), which need assistance the most, so they can improve their capacity for exporting and enjoy the benefits of trade liberalization."

The trade minister said Tokyo would help developing countries promote their products by holding trade exhibitions in Japan.

He also said Japan plans to pass on its "one-village, one-product" initiative. The goal of the program, which originated in Oita Prefecture, is to make select local products globally competitive.

## **WTO MEETING Lack of progress will call into question purpose of WTO – Portman**

US Trade Representative Rob Portman warned that if progress is not made at the current session of the World Trade Organisation (WTO), it will 'call into question the purpose of the WTO'.

He said that if the Doha round does 'come together' it will be 'good for the US economy and particularly good for our exports.'

'So by levelling the playing field and by reducing the barriers to trade we will see expansion of US exports and that

will be beneficial to our current balance of trade and will reduce the deficit.'

But 'it has to come together and this involves some difficult choices,' he said.

'Unless we can see some market access in agriculture, the key to unlocking the agriculture issue, I don't think we will see progress in other areas,' he said.

That is why it is important for improvements to be agreed upon in terms of market access, as well as lowering tariffs and barriers in agriculture, he said.