

# WTO News & Views



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## FROM THE DIRECTOR

The abrupt departure of India's Chief Negotiator at the WTO, Mr Kamal Nath, Hon'ble Minister of Commerce and Industry and the premature conclusion of the mini-ministerial at Geneva scheduled to be held between 29 June till 3 July 2006 raised fresh concerns regards the fate of the Doha Work Programme and the feasibility of concluding the Doha Round before the end of 2006. And now the talks have been temporarily suspended. This is the focus of discussion in this issue of the Newsletter; most experts feel that the Round needs to be extended by 3-4 years to ensure substantive gains for all stakeholders from the Agreement.

Also, the Newsletter brings to its readers an article on currently burning issue of Special Products in Agriculture Negotiations, and reports the proceedings of the recently concluded International Seminar on Services, organized by ICRIER, and supported by SRTT and the Ministry of Commerce. We look forward to receiving your comments and suggestions on this newsletter.

Rajiv Kumar

Director &amp; Chief Executive, ICRIER

## LEAD ARTICLE

### The Doha Work Programme is Dead, Long live the WTO

Where are the WTO negotiations and the Doha Work Programme (DWP) headed? No one, least of all, Pascal Lamy, wants to give up the DWP as a lost cause. But for all practical purposes, the December 2006 deadline is now impossible. The stalemate is here to stay unless there is a dilution of the agriculture reform agenda and Brazil and India simultaneously yield on non-agricultural market access (NAMA).....

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## SCHOOL BRIEF

### Special Products : Are the Negotiations Heading towards an Impasse?

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## *The Doha Work Programme is Dead, Long live the WTO*

Bibek Debroy

Where are the WTO negotiations and the Doha Work Programme (DWP) headed? No one, least of all, Pascal Lamy, wants to give up the DWP as a lost cause. But for all practical purposes, the December 2006 deadline is now impossible. The stalemate is here to stay unless there is a dilution of the agriculture reform agenda and Brazil and India simultaneously yield on non-agricultural market access (NAMA). There is no earthly reason why these two countries should do so, not even for the sake of salvaging DWP. In hindsight, a link between agriculture and NAMA, established in the Hong Kong Ministerial declaration of 18 December 2005, is probably going to have a much more significant impact than was then anticipated. This is paragraph 24 of the Ministerial Declaration. 'We recognize that it is important to advance the development objectives of this Round through enhanced market access for developing countries in both Agriculture and NAMA. To that end, we instruct our negotiators to ensure that there is a comparably high level of ambition in market access for Agriculture and NAMA. This ambition is to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment.' This establishes a link between agriculture and NAMA. Without agriculture, we cannot have NAMA.

There are several interlinked elements in NAMA negotiations which can be found in Annex B of the framework accepted by the General Council on 1 August 2004 and in paragraphs 13 to 23 of the Hong Kong Ministerial declaration. There is of course the general issue of addressing tariff peaks, high tariffs and tariff escalation, particularly on products of export interest to developing countries. Other than this, there are eight different issues specific to NAMA which were ostensibly supposed to be sorted out by July 2006.

First, among these are NTBs (non-tariff barriers). Second, the preference erosion question, that is, should there be some compensatory mechanism for countries that now benefit from preferential duty access? Third, since GATT/WTO reduction commitments operate on a base of bound rates, what happens to unbound tariff lines?

Fourth, what will the formula for tariff reduction be? A non-linear Swiss formula reduces higher tariffs more than proportionately. Fifth, how does one handle less than full reciprocity for developing countries? Sixth, how does one integrate sectoral zero-for-zero initiatives into all this? Seventh, what kind of credit can be given to developing countries that have unilaterally liberalized? Finally, in the 1 August 2004 framework, paragraph 8 reflects flexibilities to developing countries through less-than-formula cuts for some tariff lines or keeping some tariff lines unbound, reiterated indirectly in paragraph 24 quoted above. How will this work?

Hence, there is more to NAMA than simply working out the coefficients of a Swiss formula, with separate coefficients for developed countries (2, 5 or 8) and developing countries (10, 20 or 24). If these coefficients are too close, developing countries end up reducing tariffs proportionately more than developed countries, a violation of the less-than-full-reciprocity and special and differential treatment principles and a point that the NAMA-11 group makes. Nevertheless, these disagreements over NAMA wouldn't have derailed DWP. Earlier GATT rounds have hammered out consensus over far greater disagreements. If DWP is now postponed to beyond 2006, perhaps to 2010 or even beyond 2013, the blame lies with agriculture. DWP should be interpreted as no agreement minus agriculture (NAMA).

The following tongue in cheek spam floating in cyberspace is eminently illustrative. A UN organization wanted to conduct a survey and asked respondents, 'Please give your honest opinion about the food shortage problem in the rest of the world.' The survey failed, because in Africa, they didn't know what food meant. In Europe, they didn't know what shortage meant. In China, they didn't know what opinion meant. In Latin America, they didn't know what 'honest' meant. In South Asia, they didn't know what please meant. And in the United States, they didn't know what the rest of the world meant. Hidden in there, are some elements of the agricultural negotiations through WTO. The first obvious point to appreciate is that there was no attempt

to liberalize agriculture and integrate it into the GATT framework before the Uruguay Round (1986–94), largely due to the resistance from developed countries. Agricultural liberalization proposed in the Uruguay Round and set out in the Agreement on Agriculture (AOA) is no more than imperfect and incomplete, in all the three strands of domestic support, export competition (subsidies) and market access.

In the course of the Uruguay Round, developed countries promised the *quid pro quo* of agricultural liberalization as bait for including services, intellectual property and investment. That promised agricultural liberalization didn't happen and that wasn't because developed countries were flouting any of the Uruguay Round clauses. There were basic problems within AOA. In computing domestic support, there were boxes exempted from reduction commitments. All WTO agreements work on bindings, not actual levels of tariffs or support. If the bindings or base levels are set high, promised reductions will only be notional. Further, there are safeguard and special safeguard clauses, not to speak of non-tariff barriers (NTBs) through sanitary and phytosanitary (SPS) measures. However, this shouldn't be a cause for despondency. After all, we have attempted to multilaterally liberalize trade in manufactured products since 1947–48 and haven't entirely succeeded. The agricultural effort is only two decades old. Post-mortems of the Uruguay Round AOA have been done several times and, in the last resort, are somewhat boring. In contrast, ante-mortems of the Doha Work Programme (DWP) are much more interesting.

Indeed, ante-mortem is the right word to use. Agriculture was part of the built-in agenda of the Uruguay Round. In other words, even if a new round of multilateral trade negotiations had not started, we would have had to negotiate and review agriculture. But now, agriculture is formally part of DWP. Starting from 2001 the three strands of AOA have been refined further in a framework agreement in July 2004 and the Hong Kong Ministerial Declaration in December 2005. That doesn't mean we are any closer to an agreement. All we have is the skeleton and the flesh and muscle are still missing. More than anything else, agriculture will determine the success (completion by end 2006) or failure (postponement to 2013) of DWP. So far, the prospects are not bright. The flesh is weak. And unless

we make the spirit less willing by diluting the content of proposed agricultural liberalization, DWP is likely to get postponed, which in essence spells failure. In trying to understand what is happening, one often tends to adopt a developed versus developing country prism. This is too much of a generalization. Not all developed countries are opposed to agricultural liberalization and not all developing countries support it. Developing countries that benefit from preferential duty access will suffer in relative terms, because there will be an erosion of benefits. Similarly, developing countries that are net food importers will also suffer, because elimination of subsidies will mean higher global prices.

India belongs to neither category. From the Indian perspective, the *quid*, where one argues for reform in developed countries, is simpler. But often, the perception is that India doesn't have much to gain even if markets in developed countries are opened up. In the absence of domestic agro reforms, there are too many supply-side constraints. Since India has a peripheral export interest, India is therefore scoring no more than a debating point and is attempting to cement the G-20 coalition, which has countries with strong agro export interests, like Brazil. So runs the diagnosis and there is some element of truth in it. But one shouldn't push the argument too hard. Anything between 10 and 13 per cent of India's export basket of goods comes from agriculture and 7 billion US dollars a year is not something to sniff at. Tea, coffee, rice, wheat, sugar and molasses, tobacco, spices, cashew, oilmeals, fresh fruits and vegetables, meat and meat preparations and marine products figure prominently, although marine products are not technically counted as agriculture within WTO. In some of these categories, India's global market shares are large and volumes in floriculture and horticulture are increasing. Debating point or not, the *quid* is not the problem. The problem is the *quo*, where one requires India also to open up and liberalize, because a situation where there are no reciprocal commitments is impossible.

There is no domestic support issue, since India is below the threshold. Nor is there an export subsidy issue, since there are no export subsidies that are agriculture specific. (There was one, but that has now been scrapped.) It thus boils down to market access, which means tariffs, since all quantitative restrictions (QRs) have been converted into tariffs. In addition to G-20,

there is a G-33 coalition of developing countries, with some overlap between the two categories. The G-33 is identified with asking for a special safeguards clause, apart from general safeguards, in case there is a sudden import surge and with special products, which will be exempted from tariff reduction commitments. Special safeguards can also be through QRs. On tariffs, once we have excluded special products, there is a perception that we can't afford to touch agricultural tariffs, since livelihoods are at stake. This is the reason why unilateral reform recommendations, like the Vijay Kelkar Task Force on Indirect Taxes, also leave out agriculture. But two points need to be made. First, there will be special and differential treatment for developing countries, or less than full reciprocity, in one form or another. And because of developed country cussedness in resisting liberalization, India's tariff reduction commitments can't be that much.

Second, any reduction commitment will apply to bound tariffs, not applied tariffs and there is a gap between the two. The simple average of India's agro tariff bindings is 114.5 per cent and the maximum bound rate goes up to 300 per cent. Commerce

Ministry tracks imports of sensitive products and edible oils, milk and milk products, fruits and vegetables, rubber, cotton and silk, tea and coffee and alcoholic beverages figure in that list. Of these, edible oils and milk and milk products are certainly the most important. For oilseeds and fats, as against a bound rate of 168.9 per cent, in 2004, we had an average applied rate of 52.5 per cent. For dairy products, as against a bound rate of 65.0 per cent, in 2004, we had an average applied rate of 35.0 per cent. This gap suggests that we can afford to reduce bound tariffs, without hell breaking loose. This is over and above special product exemptions and the special safeguards clause. For the most part, an agro tariff rate of 20 to 25 per cent should be more than enough to protect India's interests. In negotiations, we can thus afford to be more aggressive and less defensive on agriculture. This is probably a perception that Commerce Ministry also shares. Unfortunately, this is a perception that Agriculture Ministry doesn't always share.

To get back to the point, DWP is temporarily dead. But multilateralism and the WTO are too important. They will survive.

## School Brief

### *Special Products: Are the Negotiations Heading towards an Impasse?*

by Deepika Wadhwa

*The Hong Kong Declaration clearly specified that "developing countries will have the flexibility to self-designate an appropriate number of tariff lines as Special Products (SPs) guided by indicators based on the criteria of food security, livelihood security and rural development." It was decided that SPs would be an integral part of the modalities and the outcome of negotiations in agriculture which according to HK Ministerial declaration were to be finalized by the end of April 2006. But the recent negotiations and developments suggest a different story.*

#### Introduction

Special Products (SPs) are agricultural products of critical importance to vulnerable farming communities in developing countries from the food security, livelihood security and rural development perspective. SP is a

component of WTO's special and differential (S&D) treatment accorded only to developing country members. The discussion on SPs dates back to the initial agricultural negotiations in 2000 when a group of developing countries

presented a proposal for a 'Development Box'. Behind this proposal lay the argument that developing countries require certain flexibilities in order to meet their needs of food security, rural employment, rural development and poverty eradication; hence there should be exemptions from tariff reduction commitments. Over the past five years, from the Doha Ministerial declaration to the Hong Kong Ministerial declaration, the concept of SPs has matured significantly; in the Hong Kong Ministerial declaration developing countries were given the flexibility to self-designate an appropriate number of tariff lines as SPs. Though WTO members have now recognised the need for SPs, there exists considerable debate over the way SPs are to be identified, selected and made functional.

### Importance of SPs for Developing Countries

The criticality of the role of the agricultural sector in countries across the world varies with their levels of economic development. While agriculture accounts for 2 per cent of GDP and less than 4 per cent of employment in developed countries, its share in GDP of low-income countries is as high as 24 per cent. Agriculture provides over 60 per cent of total employment in South Asia and Sub-Saharan Africa.<sup>1</sup> In most developing countries agriculture largely comprises of small and marginal farmers engaged in subsistence farming. Indian agriculture is also characterized by a majority of small and marginal farmers holding less than two hectares of land per capita. For the developing world, a robust agricultural sector especially at the subaltern level is a determining factor in ensuring livelihood security to the resource poor farmers and in alleviating poverty.

During the Uruguay Round it was expected that developing countries would gain substantially from agriculture trade liberalisation. Developing countries were supposed to draw benefits from a rising share of global agricultural exports, as most of these countries are low-cost producers of agricultural goods. However, in view of the highly distorted farm subsidies provided by developed countries, the expected gains from agricultural trade liberalization didn't materialize. The share of developing countries in world agricultural exports has remained stagnant at around 36 per cent during the past two decades. On the contrary, developing countries are now forced to take up the challenge of protecting their markets from cheap and subsidized exports from developed countries.<sup>2</sup>

With mounting pressure from developing countries, it was decided at Doha that SPs would be subjected to lower levels

of tariff reduction commitment as compared to other agricultural products. The relatively higher levels of protection provided to SPs will allow developing countries to promote and sustain domestic production of these products to address their human security and development concerns. Thus the rationale behind SPs is to protect livelihoods of the rural poor and small farmers in developing countries who have become vulnerable to vagaries of international trade in agricultural products because of agriculture trade liberalization.

### Issues and Concerns: Recent Developments

There are three contentious issues in SPs negotiations for which no formal consensual agreement among countries has been reached:

1. The first is with regard to the number of tariff lines to be given SP status, that is, whether the number of products to be given SP status should be small and uniform across all developing countries or it should be a fixed percentage of 'domestically-produced products'.
2. Whether there should be universal indicators for selecting SPs or should they be based on self-designation based on country-specific concerns of food security, livelihood security and rural development, taking into account local contexts. HK Ministerial took a step forward by allowing countries to self-designate SPs.
3. The treatment of SPs after they are designated. Would they be totally exempt from any tariff reduction or would they be subject to a reduced tariff reduction?

Considerable subsequent discussions on SPs have been entered into, but recent developments in the negotiations appear to have deepened the rift between member nations on the issue. Farm exporters such as Chile, Costa Rica, Malaysia and Thailand seek more expansive market access for their products. They argue that protecting SPs could potentially harm developing countries that export farm products with adverse effects on South-South trade. Recently, Malaysia and Thailand published their informal papers on SPs where they proposed a very restricted version of SP flexibility. They have argued for excluding from eligibility for SP status, those products in which developing countries

dominate at least half of the world trade. They press for a predetermined minimum tariff reduction for SPs. On the other hand, 42 members of G-33 countries (including India), want extensive SP coverage. They argue that SP flexibilities are essential to protect small and poor farmers from negative effects of trade liberalization and have suggested that at least 20 per cent tariff lines of developing countries' products should be accorded SP status.

The United States has proposed that developing countries be allowed not more than five tariff lines (whether scheduled at the 6-digit level or the 8-digit level) as SPs. The US proposal mentions that a developing country should not be allowed to grant SP status to any product that it is currently able to export on a Most Favoured Nation (MFN) basis. Also, developing countries that are net exporters of a particular product should not be permitted to designate it as an SP. It is but obvious that the US suggestion with its excessively stringent criteria would hardly receive support from developing countries.

Also Ambassador Crawford Falconer, the Chair of the WTO agriculture negotiations, in his reference paper,<sup>3</sup> has advised that developing countries consider lowering the bar on their demand for 20 per cent tariff lines being accorded SP status; otherwise this yawning gap between the expectations of the two camps will make a consensus impossible. He proposed three options for developing countries in order to make headway in negotiations: 'to make a lower percentage of tariff lines eligible for SP designation or to require their treatment to be more permissive of trade or 'particular members' declaring in advance that they would either not designate any SPs, or that they would utilize them to a lesser extent than what might be generally agreed upon.' G-33 countries expressed disapproval of Falconer's paper and argued that involving trade considerations into non-trade concerns of SPs have contravened the mandate for negotiation. They emphasized that any future negotiations on SPs would need to address their human concerns in order to receive their support.

With the second deadline for agreement on agriculture modalities not yielding the desired breakthrough (the earlier deadline of April 2006 had been missed altogether) and the rift between members increasing, the future of SPs seems uncertain and it appears that the negotiations on SPs might be heading towards an impasse.

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<sup>1</sup> Pal, Parthapratim (2006): 'Why developing countries need special products and special safeguard mechanisms', CENTAD, New Delhi

<sup>2</sup> For instance, take the case of Cotton whose market is highly distorted. The huge subsidies by the developed countries have depressed global cotton prices and cut into the livelihood of millions in developing countries especially sub-Saharan Africa where it is a dominant, smallholder cash crop.

<sup>3</sup> Chairman's Reference Paper on *Special Products* dated 4 May 2006.

## ICRIER organizes an Internatinal Seminar on “Developing Countries and Services Negotiations”



L to R : Mr. S.N. Menon, Secretary, Ministry of Commerce and Industry, Dr. Rajiv Kumar, Director & CE, ICRIER & Dr. Harsha Vardhana Singh, Deputy Director General, WTO

ICRIER organized a one-and-half day international seminar on Developing Countries and Services Negotiations on 6–7 June 2006 at India Habitat Centre. The purpose of the seminar was to facilitate discussion and cooperation among developing countries to push ahead the services negotiations in the on-going Doha Round. The seminar was strategically timed to immediately follow the mini-ministerial in May, and well ahead of the last date for submission of revised offers (31 July 2006), to provide inputs to policymakers for drawing up their revised offers.

The aim of the seminar was to address issues in services negotiation of particular concern to developing countries and LDCs. Seminar Sessions therefore focused on: Participation of Developing Countries in Services Negotiations, Issues and Concerns of Developing Countries in Market Access, Domestic Regulations and Developing Countries and Enhancing Cooperation among Developing Countries.

Mr. S N Menon, Secretary, Ministry of Commerce and Industry, delivered the Keynote Address and Dr Harsha Vardhana Singh, Deputy Director General, WTO, gave the Special Address. Some key speakers included Dr Abdel Hamid Mamdouh, Director Trade in Services Division, WTO; Dr Mina Mashayekhi, Head, Trade Negotiations and Commercial Diplomacy Branch, UNCTAD; Mr Nripendra Mishra, Chairman TRAI; Mr Gopal Pillai, Special Secretary, Ministry of Commerce and Industry; Mrs Chawe Mpande-Chuulu, Programme Manager Trade in Services Project, COMESA, Secretariate of Zambia; Ms Teboho Tse Koa, First Secretary, Permanent Mission of the Kingdom of Lesotho; Dr Deunden Nikomborirak, Research Director for Economic Governance, Sectoral Economics Program, TDRI, Thailand; Professor Jean-Pierre Lehmann, Professor of International Political Economy, IMD; Mr Sumanta Chaudhuri, Counselor, Permanent Mission of India; among others.

Speaking on the occasion, Mr. Menon hoped from India's perspective for the Negotiations to attain a balance across agriculture, NAMA and services— the



L to R : Dr. Arpita Mukherjee, Senior Fellow, ICRIER, Dr. Abdel Hamid Mamdouh, Director Trade in Services Division, WTO, Dr. Harsha Vardhana Singh, Deputy Director General, WTO & Dr. Deunden Nikomborirak, Research Director for Economic Governance, Sectoral Economics Program, TDRI, Thailand

three pillars of market access. He stressed that services play an important role in the Indian economy and our revised offer submitted in August 2005 was a substantial improvement over the initial offer. He expressed concern that India did not receive satisfactory offers from its trading partners in areas of its export interest: Mode 4 and Mode 1. He felt that it would be difficult for the country to justify the inclusion of new sectors and improvements to commitments, if the next round of offers in July did not aim at correcting this imbalance.

In his Special Address, Dr Harsha Vardhana Singh pointed out that although services have contributed in a major way to India's growth, our services exports are less than that of countries such as Hong Kong or Singapore, indicating the immense potential of this sector. Dr Singh emphasized on the complexities of the services

negotiations. He pointed out that unlike negotiations on agriculture and NAMA where the focus is on modalities, services negotiations are through the request and offer process. Once the modalities are sorted out there is likely to be a consensus among WTO members in agriculture and NAMA. However, in services there are no general modalities, and the process is likely to be more complicated and time-consuming since it involves many sectors, multilateral disciplines such as domestic regulations have to be addressed and LDCs' modalities have to be developed. All this involves a lot of coordination, research and involvement with the negotiation process.

During the one-and-half days of the seminar, participants discussed in detail the complexities of the services negotiations. Given that this is the Development Round, and developing countries are participating more actively in the negotiations than in the Uruguay Round, their expectations have been high. However, offers from developed country trading partners have been unsatisfactory and have to a certain extent dampened

their exuberance. It was pointed out that countries need to unilaterally liberalize services in order to enhance their productivity and global competitiveness. Binding the unilateral regime in the WTO ensures predictability which is essential for trade. It is also important to see how the countries can use the negotiations as an opportunity to energize the domestic reform process. The biggest failure of the Round so far is that some developing countries,

especially the LDCs are waiting for the developed countries to make concessions. They could have used the WTO negotiations to initiate domestic reforms. Participants pointed out that developing countries is not a homogeneous group and it is important to recognize the diversities among these countries. Dr Mashayekhi stated that most developing

countries are facing major problems in the negotiations, both in terms of their engagement in making commitments and in understanding their interests. She highlighted the need for both South-South and North-South cooperation for capacity building.

Speakers expressed concern over the lack of political will and leadership from developed countries such as the US and the EU. Even the private sectors of developed countries are not playing an active role in the liberalization process. Each country has some defensive and offensive interests in services negotiations. With deeper intersectoral and intermodal linkages in services, there is a need to open all modes simultaneously to facilitate trade.

In Mode 1, the negotiations have largely focused on binding the existing regime. Participants pointed out that there are regulatory issues involved in Mode 1, which need to be addressed. They argued that market access barriers are becoming less effective as



L to R : Mr. Sumanta Chaudhuri, Counselor, Permanent Mission of India, Mrs. Chawe Mpande-Chuulu, Programme Manager Trade in Services Project, COMESA, Secretariate of Zambal, Dr. Rajiv Kumar, Director & CE, ICRIER, Dr. Mina Mashayekhi, Head, Trade Negotiations and Commercial Diplomacy Branch, UNCTAD & Dr. Abdel Hamid Mamdouh, Director Trade in Services Division, WTO.

technology does not permit such barriers. Various suggestions were made regarding negotiations in Mode 4. Dr Abdel Hamid Mamdouh pointed out that countries should take a closer look at the national treatment obligations in the GATS and explore the extent to which extension of national treatment to foreign professionals could address some of the problems that professionals from developing countries are facing in accessing other markets. Mr Sumanta Chaudhuri pointed out that domestic regulation is a key issue for discussion in this Round. It is important to see, particularly from the perspective of developing countries, that their market access is buttressed by disciplines on domestic regulations. Also, a better understanding of the relationship between domestic regulations and the schedule of commitments would provide greater comfort while addressing the market access commitments. Participants emphasized on the need for transparency in domestic regulation in developed countries.

They felt that an important aspect of the negotiations is how to address the specific needs of LDCs. As per the Hong Kong Ministerial Declaration, LDCs are not

expected to make new offers in this Round. They, however, need to undertake domestic reforms in services for which they would require technical assistance and capacity building assistance. Some LDCs have begun to develop comparative advantages in areas such as outsourcing; this and Mode 4 will be important areas of future negotiations for these countries.

Dr. Rajiv Kumar, Director and Chief Executive, ICRIER, asserted that private sectors of developing countries should play a more active role in the negotiations. Developing countries should find private sector partners in developed countries who would be beneficiaries of further liberalization in Mode 1 and 4. Developing countries should autonomously liberalize, and leverage their private sector initiatives to create lobbies within the developed countries that would benefit from this autonomous liberalization. He emphasized on the need to form coalitions among like-minded trading partners.

Policy-makers, academicians, industry representatives, non-government organizations from developed and developing countries attended the seminar, which received wide appreciation and media coverage.

## Recent Developments in WTO

By Shravani Prakash

- **Urging India to Contribute to Enabling Rapid Progress**
- **Chairs circulate draft texts on agriculture, industrial products**
- **Trade Picks up in 2005, but the 2006 Picture is Uncertain**
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- **Decline in Number of New Anti-dumping Investigations and New Final Anti-dumping Measures**
- **Trade Policy Reviews**
- **Lamy calls for shared sense of urgency**

### **WTO DG Pascal Lamy addresses the ICRIER Conference Urging India to Contribute to Enabling Rapid Progress of the Doha Talks**

WTO Director-General Pascal Lamy delivered a special address at a conference organized by ICRIER on 'WTO and the Doha Round: The Way Forward' in

New Delhi on 6 April 2006. He called on India to contribute to a 'win-win' outcome in the trade talks, stressing that it 'has a lot at stake given its interest across the entire negotiating agenda and given the dynamism of its economy'.

Mr Lamy highlighted the need for progress on three key fronts: reduction of agricultural domestic subsidies,

reduction of tariffs on agricultural products and the same for industrial products, as they hold the key to unlocking other issues which need to fall into place to conclude this Round by the end of the year.

India has been a key player in the multilateral trading system for more than 50 years and has benefited from a more open global trading environment. Therefore, Lamy emphasized, that it is in India's interests to fight for an open, stable and predictable global trading environment; India would be the first to suffer if protectionism prevails.

### **Chairs circulate draft texts on agriculture, industrial products**

Ministers and heads of delegations will meet in Geneva from 28 June to 2 July for intensive negotiations on template agreements, known as "modalities", for trade in agriculture and industrial products. These are documents that sum up the current state-of-play, and which will form the basis for the next round of negotiations at Geneva, scheduled between 29 June to 3 July 2006. WTO DG Lamy has said: "A number of ministers will be travelling to Geneva with the aim of narrowing differences in two key areas: trade opening in industrial and in agricultural goods. There are many other subjects in the Doha Round... But we can only turn to this long list, with agricultural and industrial goods out of the way."

### **Trade Picks up in 2005, but the 2006 Picture is Uncertain**

According to WTO, world trade (measured by merchandise exports) grew by 6 per cent in 2005. Trade was sluggish in the initial months but picked up momentum at the end of the year; nevertheless the overall growth was lower than the exceptional 9 per cent growth witnessed in 2004. The world economy in 2005 grew at 3.3 per cent after witnessing a strong expansion in 2004.

The value of world merchandise exports exceeded the \$10 trillion mark for the first time, growing at 13 per cent during 2005 (21 per cent in 2004). Exports of

Commercial services increased by 11 per cent to \$2.4 trillion in 2005 (19 per cent in 2004).

Sector wise trade developments showed large variations due to relative price developments. The share of fuel and other mining products in world merchandise trade rose to 16 per cent, the highest since 1985, owing to sharp rises metal and fuel prices. On the other hand with stagnating prices, the share of agricultural products decreased to a historic low of less than 9 per cent. The commercial services categories witnessed similar growth rates of 10-12 per cent in 2005.

Large fuel exporters, Africa, the Middle East, Central and South America and the CIS countries, recorded strong merchandise growth rates in 2005 fuelled by the rise in oil prices.

Goods trade volume is predicted to grow at 7 per cent in 2006 and world economy at 3.5 per cent. However, WTO economists say that there are a number of uncertainties on the horizon for 2006, with signs of a stronger investment climate mixed with fragile prospects for consumption and employment.

### **WTO makes Public all Official GATT Documents**

WTO decided to make public all official documents issued under the General Agreement on Tariffs and Trade (GATT) during the period 1947–1995, to further WTO's commitment to transparency. According to WTO Director-General Pascal Lamy, 'this will be especially important for academics, trade specialists and others interesting in studying how the trading system evolved in the GATT era'.

Since early June 2006, about 49,000 GATT documents which had thus far enjoyed restricted access are available in the public domain. This is in addition to the 39,000 documents already available. These documents will be uploaded on to the WTO website.

### **Decline in Number of New Anti-dumping Investigations and New Final Anti-dumping Measures**

The WTO Secretariat reported that during the period 1 July 2005 to 31 December 2005, new anti-dumping

investigations and new measures applied, continued their downward trend in numbers, with 2005 marking the fourth consecutive year of decline in initiation of new anti-dumping investigations, and the second in new measures.

India reported 11 new initiations during July–December 2005, second after China (13). This represents a decline from the corresponding period in 2004 when India had reported the highest number of new initiations (17) along with the EU. India was subject to fewer new investigations than new initiations during the second half of 2005.

### Trade Policy Reviews

Trade Policy Reviews for Iceland, Uruguay, UAE, China and Chinese Taipei were released in the second quarter of 2006. The reports highlighted that openness and specialization have led to higher living standards in Iceland, while the performance UAE's liberal economy could benefit from structural reforms. The Review report for Uruguay showed that the economy had had a recent record of strong growth that could be sustained with further liberalization. In China, it was reported, economic reform produced impressive results but impediments to growth in services sector, quality of labour force, infrastructural bottlenecks and the need for restructuring of financial sector and capital markets remained. The WTO Secretariat Report cautioned that while the economy of Chinese Taipei appeared to be on a steady growth path, longer-term growth prospects would depend on its success in implementing structural and other economic reforms to boost competition, including trade liberalization particularly in agriculture.

### April-end Deadline Missed, Lamy calls for 'shared sense of urgency' in the Trade Negotiations

The April end date had been set at the Ministerial meet at Hong Kong in December 2005, which has now been missed. Lamy said that 'genuine and important progress has been made, but not fast enough to allow us to reach an agreement on modalities by the end of the month'. He pointed out that from the reports of the chairs on Agriculture, NAMA and Rules it can be inferred that necessary conditions have not yet been fully met, and consequently the modalities are not yet at the takeoff point.

The Director General however remained optimistic that the talks were not yet in deadlock. He was of the view that more time was needed, although the time available now was very limited and pending work would need to be completed in a matter of weeks rather than months. Lamy stressed that there was a very urgent need to move to a real text-based negotiation from the reference papers which have already been tabled on some elements of the agriculture negotiations. 'The production of these texts must be the immediate objective, and the sooner it can be done the greater will be our chances of success', he said.

Later Lamy stated that finding consensus in the negotiations 'remains doable, but only if a sense of urgency starts appearing in each and every delegation'. He added that 'we must now focus our efforts on working intensively, continuously and in an effective manner on a text-based negotiating process, which is solidly anchored in Geneva'. He reiterated the collective responsibility of all members to ensure an inclusive, bottom-up, transparent and participatory process.



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