

Developing World Feel Let down as WTO Talks reach deadlock.

In what is seen as a setback for the developing world and a credibility knock for the World Trade Organisation (WTO), crisis talks to reach agreement over fairer trade rules broke down this weekend.

Mandisi Mphalwa, South Africa's trade minister, said the spirit in which the rich countries came to the negotiations, aimed at levelling the playing field in trade for poorer countries, were contrary to that at the G8's Gleneagles summit, which ironically happened exactly a year ago, and came with firm commitments from "to make poverty history".

By midday on Saturday 1st July 2006, developing and poor countries were certain that there would not be any breakthrough that would benefit their development in the spirit of the five-year-old Doha round, as the United States dug in its heels over demands to further cut back agricultural and export subsidies. The industrial nations, including the European Union, also declared a deadlock and started packing up, with the ghosts of other failed talks such as those in Cancun in 2003 hanging over the WTO headquarters. All previous talk stalled on the issue of massive agricultural support by the rich powerhouses.

But on both sides of the rich-poor divide at the talks, all committed themselves to have one last stab at agreement in four weeks' time. "We have to raise the level of political engagement to the extent that at the coming G8 summit [in St Petersburg in a fortnight] the issue of trade has to be brought up," said Mphalwa as the collapse became clear.

He said it was obvious that the weekend would not see any breakthroughs. "We would still want to express the hope that an agreement would be reached because it is important to us", he said, reiterating statements of commitment to further efforts made on Saturday by all the developing-country blocs, including the G20 and non-agricultural market access, where South Africa plays an active role. A Doha agreement would determine the rules of trade for 20 years, but many marginalised countries and NGOs this week said that the deal on the table was so bad for the poor that "no deal was better".

One of the important Gleneagles promises last year was that rich countries would stop forcing developing countries to open up their markets for the benefit of western multinationals, as had been the case in previous rounds of WTO talks. British Prime Minister Tony Blair, who hosted the G8 talks, was recently at the forefront of the US and EU's fresh demands for emerging markets to be liberalised completely.

The US upped the ante this weekend on the new demand, insisting that the poorest nations should cut back on protection for special products aimed at the security of their millions of vulnerable and subsistence farmers before it would make any concessions on US domestic support and subsidies for farmers, beyond the vague Hong Kong pledge to phase it out by 2013.

Mphalwa said this weekend's WTO talks were not reflecting the spirit of Gleneagles. "As a trade minister wanting results ... and wanting those opportunities that will arise when the major [trade and market] distortions are addressed, certainly one isn't seeing that kind of commitment, he said in an interview with Independent Newspapers. "The key message for us, coming out of this meeting is - for as long as there isn't demonstrable evidence that the major areas of distortion in trade will be addressed - then we have to call into question the commitment to make poverty history. By also ensuring that trade is opened up and levelled to open it up and narrow the gaps [between rich and poor nations]." "It's dead," said Zambian trade minister Dipak Patel of the talks, but he has also committed his group to further efforts to break the logjam, which he blames on lack of leadership from the powerful nations. He heads the large group of Least Developed Countries (LDC), which includes many of South Africa's neighbours.

Patel said the question the G8 should be asking themselves is: "Was it real or was it PR?" He blamed the collapse of the talks on lack of leadership in the G6, the most powerful blocs, where most of the real trade-offs are made. "The period ahead should be characterised by very high-level consultations, from the bottom up," he said about the next four weeks before the final deadline to ensure the ratification of the agreement by the current US administration before its term expires early next year.

Zwelinzima Vavi, the Cosatu general secretary, who led an eight-member team to the WTO, was yesterday supportive of the government's stance to continue engagement, but was scathing of rich nations' "absurd" demands: "It is a vigorous attempt by developed countries to recolonise the developing world," he said. "They are playing on the divisions among poor countries to drive their agenda while using the WTO as their most potent weapon. But unfortunately there is no alternative to the WTO."

Meanwhile India has been cautioned not to pull out of WTO's mini-ministerial meeting this month-end following the deadlock in last week's Geneva talks, saying New Delhi already enjoyed a majority in WTO over its stand that developed nations must slash farm subsidies.

BJP spokesman Arun Jaitley, a former Union Commerce Minister, also described the ruling UPA's position in the Geneva talks as in line with what the NDA government had taken in Doha. "But impulsive reaction by Indian negotiators need to be avoided," Jaitley said in the wake of reports that India has announced a pull-out from WTO's mini-ministerial conference in Geneva. "The government cannot logically announce a pull-out from the WTO and participate in the July end mini-ministerial meeting. Reactions must be more measured than what we have seen in the last two years," the BJP leader added.

He said Indian negotiators' had also reacted "impulsively" to the July 2004 framework agreement in Geneva and the 2005 ministerial conference in Hong Kong.

Source: Reuters, Johannesburg, Daily Mail, SA, 4 July 2006

India blames US for collapse of WTO talks

India blamed the United States for the face-off at the collapsed WTO Mini-Ministerial in Geneva and said Washington now held the key for forward movement in trade talks by agreeing to climb down on the contentious farm subsidies.

The adamant posturing of the US at the talks, on the issue of trade distorting domestic support and an attempt to re-negotiate the issue of Special Products that gives leverage to developing countries to protect their farmers, 'left no negotiating space'.

Commerce Minister Kamal Nath said, this virtually isolated the US at the talks and most of the other countries like European Union, Japan and 110 developing countries including India and Brazil decided to leave the meeting.

While EU has broadly agreed to the developing countries' proposal to cut import tariffs on farm products by 51 per cent, as against the earlier offer of 39 per cent, the US wanted more market access for its products without giving in on the issue of cutting farm subsidies.

Nath said it was not only India but several other countries felt there was no use in continuing with the talks, leading to the collapse of the Mini-Ministerial

Source; Press Trust of India, 5 July 2006

WTO chief urges Japan to yield on farm tariffs

The chief of the World Trade Organization is urging Japan to show more flexibility in slashing tariffs for agricultural products so it can secure gains from the liberalization of industrial and service trade.

WTO Director General Pascal Lamy, who will be in Tokyo on Wednesday and Thursday, said in an interview with Japanese media that Japan's economy is "an important player" and has "offensive interest" in the current Doha round of talks, which have fallen into a crisis.

Asked what message he will convey to Prime Minister Junichiro Koizumi during his visit, Lamy said, "(The) message is we need Japan. Given the crisis situation we are in, things are not sort of business as usual."

He said "existing flexibility in average level is not enough and we need a bit more." The WTO chief added he will try to convince Koizumi "with big pictures" that Japan "has a big stake" in the WTO negotiations.

Lamy pointed out that WTO members have agreed that "trade-distorting tariffs are too high" and that Japan will have to "slash its tariff down, with some flexibility for some products."

Even for politically sensitive products, including rice for Japan, their tariffs must be slashed and market access must be provided by an increase in the tariff quota, Lamy said.

The WTO process has been in a critical situation since six key players -- the United States, the European Union, Brazil, India, Japan and Australia -- failed to break a stalemate during intensive talks last week in Geneva, postponing a possible deal on the outline of a comprehensive accord in farm and industrial areas by one month.

If members cannot strike an accord by the end of July, it will be impossible to achieve the WTO's goal of bringing the ongoing Doha Round of multilateral market-opening negotiations to a successful conclusion by the end of the year, as agreed earlier.

At the failed meetings, WTO players agreed to ask Lamy to coordinate among the interests of influential economies before the end-of-July deadline.

Lamy said in the interview that for him to act as a catalyst is "risky," but he added, "Not completing the round is very risky."

He showed confidence in implementing his task, saying, "If I were convinced that the differences (of the members) are not bridgeable for political reasons, I would not have accepted (the role of mediator)."

The global trade watchdog must complete the round, which also covers services, antidumping rules and support for developing countries, by the yearend deadline in part because special U.S. presidential powers to negotiate on trade will expire July 1, 2007, and Congress appears unlikely to renew them.

Source; Geneva (Kyodo) **5, July, 2006**

WTO talks breakdown: Governments must not fail on development and jobs

Following the breakdown of the trade negotiations on Saturday at the WTO, the next steps in the process must shift the focus to an outcome that delivers on development and employment.

The talks failed mainly because of the continued insistence of industrialised countries on far-reaching access into developing countries' markets for industrial products, while failing to address the inequities of trade in agriculture. "It should now be clear to everyone that if there is to be any progress towards an agreement, it must demonstrably meet developmental needs and should not ask developing countries to trade off access to their industrial markets against hypothetical benefits in agriculture," said ICFTU General Secretary Guy Ryder.

Deep tariff cuts in NAMA would lead to a large number of job losses in developing countries and to high adjustment costs. It would also render developing countries unable to implement trade policies in the future to develop their economies and meet the needs of their people. "This would be an unacceptable outcome, in view of the development mandate that the negotiators were given in Doha," added Guy Ryder. "No sustainable solution can involve the worsening of poverty and unemployment in countries that already face a major challenge in creating decent jobs for the unemployed and underemployed. Moreover, it remains absolutely true that as the ILO Constitution states, poverty anywhere is a danger to prosperity everywhere - in other words, an agreement that undermines development in developing countries would undermine the situation of working people in the industrialised countries as well."

Any acceptable way forward must avoid imposed and unbalanced solutions. Rather, a bottom-up process based on inclusive consultations should be implemented, which ultimately should lead to a balanced and development-friendly agreement.

Source: ICFTU Online; Press Release: International Confederation of Free Trade Union, Brussels. 3 July 2006.

Russia Could Abandon WTO Rules If US Deal Fails

Russia wants to reach a trade deal with the United States for entry to the World Trade Organization (WTO) by the July 15-17 Group of Eight summit, a senior aide to President Vladimir Putin said on Tuesday. "We would want this very much, but any process has two partners," said Sergei Prikhodko, a senior foreign policy aide to Putin, when asked by a reporter if Russia could agree with the United States on WTO entry by the summit of rich nations. "Our partners show a very responsible approach but joining the WTO is a very responsible process, which has its ups and downs," he said at a briefing.

Striking a trade deal with the United States is key to Russia's entry but talks with Washington have snagged – some say stalled – over issues such as access to Russia's financial markets and intellectual property rights. "We are not overdramatizing the situation. In principle, there is such a possibility but it will not be a tragedy if the final deal will come later," Prikhodko said.

Russia needs a bilateral deal with the United States before entry can happen, though formal accession often happens months after paperwork and deals have been agreed.

Putin will host world leaders including President George W. Bush at a G8 summit in the northern Russian city of St Petersburg on July 15-17. Putin said in March the United States was artificially holding up Russia's accession to the 149-member trade body by insisting on conditions that have little to do with the WTO. Russia has been negotiating entry to the WTO for more than a decade and Kremlin officials say the talks have reached a decisive stage, with agreement from Washington as the main hurdle.

Source; Reuters, MOSCOW Jul 4, 2006

WTO talks fail

The crucial WTO mini-ministerial appears to be heading for a failure as India threatened to walk away from the meeting convened to thrash out thorny farm and industrial tariff issues, with the US refusing to agree for wider cuts in farm subsidies. Trade ministers from about 60 countries began their talks on Thursday to make a last-ditch effort to formulate ways for cutting agricultural subsidies and industrial tariffs in a bid to revive the stalled WTO negotiations after the Hong Kong Ministerial conference in December last year

The WTO's 149 divided members, who have repeatedly missed their targets for a deal, are under mounting pressure to complete the round by December 2006 as per the deadline fixed in Hong Kong last year. "I'll ring up my travel agent and get a flight home," curt came the reply from Indian Commerce Minister Kamal Nath when asked about New Delhi's response if Washington refused to offer deeper cuts on farm subsidies

.European Union Trade Commissioner's spokesman Peter Power said it was "extremely unlikely" to have an agreement this weekend, as the positions were "too far apart" among the G6 countries of US, EU, India, Brazil, Japan and Australia - the key players in trade negotiations. Top officials from the G6 met last evening ahead of talks expected to last several days at the Geneva base of WTO, which were called in an effort to revive the Organisation's struggling Doha round trade negotiations. Earlier, EU trade chief Peter Mandelson and officials from Brazil and India, pressed the US to offer deeper cuts in its farm subsidies. However, the US countered that EU must move first, by slashing its import duties on farm goods. Negotiators are still scheduled to go ahead with talks in an effort to break the deadlock over the modalities for cutting trade barriers such as subsidies and customs duties

The WTO meeting is part of a timetable agreed at the Hong Kong ministerial last year which was meant to steer the Doha round to a conclusion by December 2006. Launched in the Qatari capital in 2001, the round was originally meant to end in 2004 and aims to harness trade liberalisation to boost economies of developing countries. But with sharp differences still persisting and rich countries refusing to climb down, a consensus might elude members on working out the modalities on agriculture and industrial goods. Negotiators have already missed the April 30 deadline, set in Hong Kong last year, for finalising ways to cut subsidies and industrial tariff

As the three key players keen to evolve a consensus by July-end to ensure that the Doha round was not derailed, there is every possibility of yet another mini-ministerial here in two weeks from now if the talks do not make any headway, trade experts said.

Source: Reuters, Geneva, 4, July ,2006

WTO states ask Lamy to broker a deal after crisis

World Trade Organisation (WTO) states asked chief Pascal Lamy on Saturday to try and broker a deal after failing yet again to break a deadlock in global free trade negotiations.

Insisting the WTO's Doha round was not dead despite the repeated setbacks, they turned to the director-general in an increasingly desperate search for compromise. Amy said the round, launched nearly five years ago to boost global growth and lift millions out of poverty, was clearly in crisis but a deal could still be done." There has been no progress, therefore we are in a crisis," Lamy told journalists after accepting the challenge." But the sense is that it remains doable."

Despite warnings by Lamy that the future of the round hung by a thread, top trading powers were unable to agree after two days of talks on how far rich nations should slash farm subsidies and tariffs, and developing countries should open their manufacturing markets." We have clearly reached something of an impasse here. But does that mean the round is dead? No. We have no intention of giving up hope," US trade representative Susan Schwab told a news conference.

Without a deal during this weekend's negotiations, Lamy had said the WTO could run out of time to finish the Doha round, which also covers complex issues such as services, by the end of the year, which is the absolute cutoff. Calling the meeting neither a "success nor a disaster", EU trade chief Peter Mandelson said earlier that a breakthrough must come before the end of July.

Heads of government of the so-called Group of Six - Australia, Brazil, India, Japan, the EU and the US - which has been taking the lead in negotiations, could soon meet, possibly at the Group of Eight summit later this month. The talks stalled late on Friday at the end of the first of an originally scheduled three days of negotiations between ministers from about 60 WTO states who had hoped to settle the core issues.

Developing countries said they would not let rich nations negotiate away the primary purpose of the Doha round: to give economic opportunities to millions living in poverty. "We are not here to bend backwards to accommodate more market access for industrialised nations. We are not going to allow ourselves to be blamed for any failure," said Zambia's trade minister, Dipak Patel.

Despite the paralysis, some diplomats talked of a "managed crisis". Few saw the June meeting as the moment of truth. Amy won the new room for manoeuvre he was seeking, they said. "We clearly need a different mode of operation," Lamy

said, adding that he expected shuttle diplomacy, high-level consultations and testing of numbers to come. But without a full trade treaty by the end of 2006, the round faces collapse or hibernation for years, diplomats say. Failure could heighten protectionist pressures. The US is resisting pressure to give up ground on farm subsidies, which developing countries say prevents them competing on world markets. Talk by the EU that it could be more flexible on farm import tariffs was not enough for a deal.

Developing countries said that concessions by the rich WTO states on farm trade were a condition for them to cut industrial tariffs, the other half of a hoped-for bargain in Geneva. But demands by rich states on manufacturing were excessive. Source; Reuters Geneva, 3 July 2006

Poor states 'let down' as WTO talks falter

Developing countries have returned empty-handed, accusing developed countries of reneging on an original commitment to a development round. The deadline for reaching a deal has now been moved forward by WTO director-general Pascal Lamy, with the WTO boss and member states continuing to consult in an attempt to remove the stalemate by the end of the month.

SA's chief trade negotiator, Xavier Carim, called the line taken by the US and the European Union (EU) "anti-developmental" and out of touch with the agreement reached at Doha that poorer countries should benefit from the round. "We're really running out of time," Carim said. There was, however, a sharper understanding of the critical issues that needed to be breached.

The key issues that remain are the extent to which the US is prepared to reduce agricultural subsidies and the EU's standing on the reduction of agricultural tariffs." With the EU it is a matter that they say they are prepared to do more, but there is no indication of what that means. It is a very nebulous offer," Carim said.

The other issue that remains, from a developed world viewpoint, is developing countries' failure to move on a reduction on industrial tariffs. Developing countries are, however, exasperated at the extent of reductions in industrial tariffs demanded by developed countries, with one commentator from the Congress of South African Trade Unions (Cosatu) calling it "a joke".

The industrial tariffs were a different dynamic, with developed countries proposing tariff cuts which could be damaging to industrial development in the developing world, Carim said. On the table is a demand for tariff cuts of up to 70% on industrial goods, which he called extremely severe. "It does not compare with what they are prepared to give on agriculture, and in terms of industrial discussions they are offering reductions of 23%. There is complete imbalance."

South African trade union representatives who attended the Geneva talks said a commitment on industrial tariffs could have severe implications, preventing SA from formulating and implementing "decent industrial policy" aimed at economic growth and job creation. "Above all, we feel this must be a real development round, without new demands for concessions from us," said Cosatu economist Neva Makgetla. "No deal is better than a bad deal."

Not all developing countries would lose if the demand on industrial policies was pushed though, said a Cosatu spokesman.

Source: Reuters SA, Mail, SA, 3 July 2006

9th Pacific Roundtable on WTO, Regional Trade

Opening of the 9th Roundtable Meeting for Pacific Island Countries on WTO and Regional Trade Agreements Jim Anderton opened the 9th Round Table meeting for Pacific Island Countries on WTO and regional trade agreement provisions in Wellington today. He stressed that although currently only three Pacific Island Countries are WTO members, it is important to become part of the multilateral trade system. "These rules affect the world we trade in and limit what we can do in bilateral or regional agreements with WTO members. For New Zealand and for the Pacific Islands, rules on agriculture and fisheries trade are of particular importance to our economies. The Pacific's tuna fisheries are the largest and most valuable in the world," Jim Anderton said. "The Island countries are currently in negotiation with the EU on an Economic Partnership Agreement. We have a Pacific Agreement on Closer Economic Relations that provides for future negotiations on Forum-wide trade and economic integration, with the sustainable development of Pacific Island economies as its prime objective. It is important that whatever is done in this context encourages economic growth, investment and employment in the region.

"Pacific Islands' fisheries are the most, if not the only, significant economic resource offering real potential for sustainable economic development. We are at a critical point with respect to the management of the fisheries resources of the Pacific, and the need for strong regional cooperation amongst Pacific Island coastal states, New Zealand included, has never been greater. "Developing fishing industries in the Pacific are currently competing with heavily subsidised foreign fishing fleets putting us at a serious disadvantage right here in our own backyards. "New Zealand has put in \$1 million to date and is looking to further contribute to the Regional Trade Facilitation Programme, which focuses on quarantine, customs and standards and compliance - which are being managed by the Secretariat for the South Pacific Commission, the Oceania Customs organisation and the Forum Secretariat.

Source; Press Release: New Zealand Government 3July 2006

Poor countries should lift taxes on Health Products.

POOR countries have long claimed that their people suffer needless sickness and death because the price of medicines is too high. They are right. But in many cases, part of the fault lies in their own policies, which jack up prices by taxing medicines, raw materials for drugs and medical devices. Six years ago, African leaders pledged to stop putting taxes and import duties on bed nets. These nets protect people from mosquitoes that carry malaria, but are often slapped with high textile tariffs. In many countries, government taxes at least double the price consumers pay for nets. In Tanzania, for example, the retail price dropped from \$6 to \$2,50 when taxes were eliminated, a huge help for families that live on less than \$1 a day. Usage of bed nets soared. But many governments that made the pledge have not followed through so far.

Adding sales tax or value-added tax to medicines is the most regressive form of taxation, and no country should do it. The US, Singapore and Switzerland have proposed to the World Trade Organisation (WTO) that countries eliminate tariffs on medicines. This makes perfect sense. Only India seems to be using tariffs to protect local generic industries, a strategy that in some limited situations could indeed lower costs to consumers. The rest apply tariffs to raise revenue.

A study by the World Health Organisation showed governments make very little money from these charges, which can really squeeze the sick. Some countries probably retain tariffs only because their health ministries, which know how noxious they are, don't communicate with their finance ministries, which won't let go of any tax without a fight. The proposal to the WTO would probably have gotten a lot more support by now if it weren't coming from Washington, allowing some countries to dismiss it as a way to help American drug makers while scoring public relations points. It may be that, but it's also a good idea.

Source; The New York Times, New York, 4 July 2006

Developing nations 'key to food and fuel'

Paris - Developing countries such as Brazil, China and India held the answer to providing food and fuel for growing global consumption in the next decade, a study said yesterday.

Trade barriers must be dismantled to boost output, the Organisation for Economic Co-operation and Development (OECD) and the UN Food and Agriculture Organisation (FAO) said in a joint report. Referring to struggling World Trade Organisation (WTO) talks, the groups said if a deal was finally struck to free up global exchanges, the result would be "higher world prices for a number of agricultural commodities and increased trade".

Meanwhile, world farming would depend on growing output from developing nations to meet increasing demand for food and fuel. And even if barriers remained in place, trade in wheat, coarse grains and rice was forecast to expand by 2015. "Developing countries are now increasingly determining the contours of the world agricultural landscape", with Brazil, China and India, in particular, "becoming the new epicentre of forces shaping world agricultural production and trade", the report said. But "projected growth in agricultural commodity trade to 2015 will continue to under perform, due in large part to the persistence of higher trade barriers for agricultural products". The study was released a few days after WTO members failed again to overcome obstacles in the Doha round

of negotiations aimed at freeing up trade to boost the economies of poorer nations.

The OECD and the FAO identified the talks as a "major uncertainty" hanging over their outlook, and warned that the least developed countries would increase net imports of basic commodities in the next 10 years. That would lead to "greater reliance on world markets for their food security, and greater exposure to international market price fluctuations", said the report. The world's population was projected to reach about 7.2 billion people, with more than one-half living in cities." The question of how to adequately feed the growing numbers of urban consumers ... remains a key challenge to policy makers." While increased local production and more efficient distribution systems would help keep costs down, rice prices in particular could rise owing to pressure "in the form of rural labour shortages, growing competition for land and water, and high fuel costs". High fuel costs would also boost development of biofuels, with the study forecasting "very strong growth in ethanol production in the US, Canada and Brazil", along with the likely development of biodiesel fuel in the Europe.

Among global uncertainties, moreover, "is how the increased investment in biofuel production that is taking place will impact on agricultural markets and, particularly, those for cereals, oilseeds and sugar crops".

Other factors that could alter the OECD and FAO forecast were weather-related production shocks, global outbreaks of animal diseases and weaker macroeconomic performances.

Source; AFP Paris, 4 July 2006

Spain offers 342K euros to WTO for technical assistance

Spanish Government, signed a Memorandum of Understanding with the WTO over a contribution of EUR 342,000 (approximately CHF 532,000) to finance technical assistance and training activities in Latin America and the Caribbean.

WTO Director-General Pascal Lamy and the Spanish Secretary of State for Tourism and Trade, Mr. Pedro Mejia, signed the Memorandum of Understanding on the contribution by Spain on 1 July 2006. "I thank Spain for its generous contribution which will enable us to respond to developing countries' desire to contribute more actively to the WTO debate," said WTO Director-General. "Many of the WTO's developing countries are Spanish speaking. We can help them to gain a lot from capacity-building tools that are part of the WTO's technical assistance programme, such as regional trade policy courses that were introduced in 2002 and have since been held for the Latin American and the Caribbean region. "This contribution is part of Spain's commitment to the Multilateral Trading System in a way that, through technical assistance activities, recipient countries in Latin America and the Caribbean can benefit from it," said Pedro Mejía, Spanish Secretary of State for Tourism and Trade

The pledge will be used to finance training activities, included courses in Latin American and the Caribbean undertaken in cooperation with the Latin-American Integration Association (ALADI), the Inter-American Development Bank (IBD), the Institute for the Integration of Latin America and the Caribbean (INTAL), Georgetown University in Washington, DC and the Organization of American States (OAS). With this new pledge, the contribution of Spain to WTO technical assistance and training activities since 2001 amounts to CHF 2.3 million.

Source : WTO Geneva , 5 July 2006

