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WTO's Nairobi meet deals setback to developing countries

The continuation of the Doha Round of multilateral trade talks is in jeopardy after the WTO's 10th Ministerial Conference paved the way for new negotiating approaches and issues to be considered. The conference, held in Nairobi on 15-19 December, also produced an unfavourable outcome for most developing countries in the area of agriculture trade, where the decisions that were adopted largely reflected the US position.

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Doha SU diminished, not dead, and retrievable

To some commentators, the 10th Ministerial Conference of the WTO in Nairobi had dealt a death blow to the Doha Round trade negotiations. But, contends *Chakravarthi Raghavan*, developing countries can still salvage the Round and its status as a "single undertaking".

GENEVA: When the WTO's 10th Ministerial Conference (MC10) ended in Nairobi on 19 December, WTO Director-General Roberto Azevedo and the Kenyan Cabinet Secretary for Foreign Affairs were beaming that they had pulled off a coup of sorts in a successful conference with a declaration and decisions (with the US and the EU acclaiming both of them).

The *Financial Times* carried a report by its World Trade Editor headlined "Trade talks lead to 'death of Doha and birth of new WTO'", while another piece had the title "The Doha round finally dies a merciful death". And even some columnists in Indian media have dutifully taken this as gospel and echoed it (column by Vivek Dehejia in *Mint*, 21 December).

"The report of my death was an exaggeration," Mark Twain famously said in a cable from Europe to the Associated Press (published in the *New York Journal* of 2 June 1897).

The *FT*, which once promoted the Doha Work Programme (as the WTO's Doha Ministerial Conference of November 2001 characterized the programme of multilateral trade negotiations it launched, deciding it would be a "single undertaking"), has for some time now declared it to be dead and advocated its formal closure – since it no longer suited the US, the EU and US-British financial interests behind the *FT* (and more recently, Japan's, after ownership of the newspaper passed from the Pearson publishing company to the Japanese Nikkei group).

Challenging the *FT* view in a letter to the paper published on 22 December, Timothy Wise of the Global Development and Environment Institute at Tufts University in the US has said: "In fact, Kenyan chair [of the Nairobi conference] Ms. Amina Mohamed, in her post-closure press conference, went out of her way to say quite the opposite. She was asked if this meant that the Doha round is over and new issues can be brought on to the agenda. She stated quite clearly that the language of the declaration specifically prioritized 'outstanding Doha issues' and that no new issues, such as investment and public procurement, could be taken up unless all WTO members agree. She presented that language as a firewall intended to keep new issues from supplanting the many outstanding Doha issues – domestic support, manufacturing and so on."

The Indian Commerce Minister Nirmala Sitharaman, on her return from Nairobi, has sought to reassure her domestic constituencies, including the more nationalistic party faithful, via social media by posting therein the letter from the Indian Permanent Representative to the WTO Anjali Prasad to the Director-General on India's disagreement with parts of the Nairobi Ministerial Declaration (NMD). Some of her own party supporters in Twitter comments appeared to question its utility and asked whether it was before or after the declaration had been declared adopted.

However, newspaper headlines and social media posts aside, former trade negotiators and long-time trade observers, in comments to this writer, suggest that when the trade delegations and ambassadors return to the WTO in Geneva and begin to consider the NMD with a view to reaching consensus, they can still retrieve ground.

Behind all the hype (of the US and the EU) and the doom and gloom elsewhere, a careful reading of paragraphs 30, 31 and 34 of the NMD (see below) as published on the WTO website seems to bear out these views.

The three paragraphs suggest that neither side has walked away from Nairobi with success, but that they have merely acknowledged the stalemate and reflected the reality of their deep divides; and both sides return to Geneva to continue their fight – whether on the single undertaking's negotiating agenda of the Doha Work Programme (DWP) or the "new issues". Nor can any conditional (non-MFN) plurilateral deals (as envisaged by the US and the EU) be incorporated into the WTO treaty framework, except when there is a consensus on it at a Ministerial Conference.

True, key developing countries, particularly the major ones of Asia and Africa, have returned from Nairobi empty-handed, insofar as their efforts at rectifying the inequities of the Marrakesh accords, in particular on agriculture, through decisions at Nairobi have not borne fruit.

While WTO Director-General Azevedo and, to some extent, Kenyan Foreign Affairs Cabinet Secretary and MC10 Chair Amina Mohamed have flaunted the various "decisions" out of Nairobi on the so-called "deliverables", these are not enforceable at the WTO unless and until a protocol is adopted incorporating all the results into the WTO framework and accepted by all member states.

And Brazil, which joined hands with or was a silent supporter of the US and the EU in the final days of the Nairobi negotiations, against its own G-20 group, will soon realize the wisdom of Raul Prebisch. In 1963 and 1964, around the time of the first session of the UN Conference on Trade and Development (UNCTAD I), Prebisch repeatedly advised Brazil and other Latin American countries not to view themselves as stronger or superior compared to the African and Asian countries, saying that they needed the support of the Afro-Asian groups and not the other way round, since politically Africa and Asia collectively had more clout.

It was this wisdom of Prebisch that Brazil (under President Lula and Foreign Minister Celso Amorim) remembered and understood in 2003, on the eve of the WTO's Cancun Ministerial Conference. At that time, the US and the EU had joined hands to ditch the entire WTO agriculture reform agenda (a treaty commitment), accommodate each other's farm subsidy programmes and prevent future competition from developing countries' agriculture sector. Lula, Amorim and Brazil's then Ambassador to the WTO Luiz Felipe de Seixas Correa fell back on the Prebisch advice and approached China, India and South Africa to form the G-20 alliance with some other developing countries, which tabled alternative proposals.

Recognition of the need to maintain this alliance prevailed in Brasilia and Itamarty (the Brazilian foreign office) during the tenure of Amorim and his successor Antonio Patriota. However, on the eve of Nairobi, Brazil unilaterally abandoned the G-20 alliance to join the US and the EU, in trying to act against China and India. In time it will find this "a costly error."

Upholding the single undertaking

Shorn of verbiage and self-praise of the WTO's achievements in its 20 years of existence (virtually minuscule if not nil, vis-a-vis the developing nations and the billions of their poor and hungry), the core of the Nairobi Ministerial Declaration is in paragraphs 30, 31 and 34. And the three paragraphs merely reflect the existing deep divisions within the membership, including on the DWP and its single undertaking, where negotiations are at an impasse. There is no roadmap or agreed way forward out of Nairobi on the impasse.

The status of the DWP (the formal name of the agenda of the Doha Ministerial Declaration and the agenda of the multilateral trade negotiations launched in Doha, though since then it has acquired other names such as the Doha Development Agenda or the Doha Development Round) remains the same. However, its status as a single undertaking (legal concept) has been considerably diminished, though not altogether buried for good. There is still some scope to retrieve ground lost and uphold the single-undertaking character. The text in paragraph 31 of the NMD, notwithstanding the disagreement on that score in the text of paragraph 30, gives scope to breathe some life into the single undertaking.

Undoubtedly, there is a bit of a contradiction between paragraphs 30 and 31.

However, for the fight to uphold the single undertaking of the DWP, it is not material that paragraph 31 mentions "Doha issues" rather than "Doha Development Agenda" or "Doha Round issues".

The real problem for developing countries is that they gave up the single most effective leverage they had in the negotiations by conceding, at the 2013 Bali Ministerial Conference, the Trade Facilitation Agreement (TFA) as a separate accord, and agreed at Geneva in 2014 to a protocol for its incorporation into the family of WTO agreements without resolving other issues of concern to them or tying it into the single undertaking.

If developing countries don't band together *now* to enforce the single-undertaking nature of the mandate of the Doha Declaration, the developed countries will have managed to change the basic character of the multilateral trading system as it has been known since 1948 [when the General Agreement on Tariffs and Trade (GATT) 1947 came into being as a provisional agreement arising out of the Havana Charter].

It was rather strange and difficult to explain why, in the five-nation "green room" discussions at Nairobi on 18-19 December, India and China seemed unable to say "no" and to refuse to make any concessions to the US-EU, aided by Brazil, the Kenyan chair and the WTO Director-General. If China, India and South Africa at least now do not stand together and mobilize other developing countries, particularly in Asia and Africa, against the neo-mercantilist onslaughts of the US and the EU, they will have betrayed their people.

If the WTO and the multilateral trading system are allowed to take on the new "shape" that the US, the EU and their media shills are now pushing, the major players will only pick up issues of interest to them one by one from now onwards.

If and when that happens, the legitimacy of the WTO, which it sought to establish at its 2nd Ministerial Conference in Geneva in 1998 by claiming lineage from Havana, will also be at an end ("Birthday party that hosts didn't plan", in Chakravarthi Raghavan, 2014, *The Third World in the Third Millennium CE*, Vol. 2, pp. 183-187). And one more nail will have been hammered into the coffin of the postwar order, an order whose principal pillars in the UN Charter the US and the EU have been so busy dismantling (in their regime change interventions around the world).

A collapse of the multilateral trading system would hit the US and the EU too. For, in this 21st century, no trade and investment rights can be enforced anywhere through exercise of military power or gunboat diplomacy, unlike in the 18th and 19th centuries, but only through international accords – negotiated, concluded and implemented in good faith. At the WTO, this last has been lacking on the part of the US, the EU and the WTO secretariat acting to promote their interests rather than the interests of the membership as a whole.

Developing countries thus have to ensure that no consensus gets developed at the WTO on new issues – through taking up such issues for study or on the agenda of the WTO General Council, or through negotiations being allowed to begin at the WTO – until the successful conclusion of the DWP agenda. They also have to resist the temptation to get their issues addressed by paying a further price for them through new issues. Developing nations have since Marrakesh paid enough to the US, the EU and their coattail allies, whether in developed or developing nations.

They have to use their leverage in the various processes at the WTO in Geneva, including budget processes, to call the secretariat to order and ensure it does not continue with its partiality and advocacy role on behalf of the US.

As stated earlier, the only conclusion from paragraphs 30, 31 and 34 of the NMD is that the single undertaking is diminished, but not dead, though China, India and others have a strong fight on their hands in Geneva.

At Nairobi, Kenya's Foreign Affairs Cabinet Secretary Mohamed hyped up the benefits of the TFA and more trade, and repeatedly appealed to all those nations which have not yet done so, to ratify the TFA protocol. However, Kenya's leading newspaper, *The Daily Nation*, in an article on the Nairobi outcome, said the TFA "would allow Africa and other developing nations to access markets in Europe and the United States. On paper, this would be a boost to the developing world, but, in reality, it is not. Most exports from Africa are largely agricultural and raw. They hardly fetch good prices on the international market. At any rate, agricultural subsidies in the West mean products from Africa have little chance to compete in those markets. Not surprisingly, the West has resisted attempts to eliminate subsidies because they give their farmers a competitive advantage."

As noted earlier, the developing nations have given away the leverage they had on the TFA and, as China said before Nairobi at Geneva, enabled the US and the EU "to pocket the TFA" and walk away. However, they can withhold depositing instruments of ratification/acceptance of the TFA to prevent its coming into force until they secure their own demands and include all the results (including the decisions on the Nairobi

(continued on page 14)

South suffers humiliating setback at Nairobi

The outcome of the 10th Ministerial Conference was unfavourable to developing countries, which now face the grim task of trying to recover the ground they lost at Nairobi.

by D. Ravi Kanth

NAIROBI/NEW DELHI: India, China, Indonesia, South Africa and other developing countries suffered a humiliating setback at the WTO's 10th ministerial meeting in Nairobi.

The setback came after they nearly surrendered their negotiating space to the United States, the European Union and other developed countries to start the process of bringing new approaches that could eventually lead to "graduation", several ministers and trade officials told the *South-North Development Monitor (SUNS)*.

The US, the EU and Brazil were ably assisted by the WTO Director-General Roberto Azevedo and Kenya's Cabinet Secretary for Foreign Affairs Amina Mohamed to bring about this result and effectively close the Doha Development Agenda (DDA) negotiations on African soil.

The Nairobi Ministerial Declaration provided unambiguous language for the trans-Atlantic trade elephants to pursue their new issues.

[The final paragraph (paragraph 34) of the declaration though seemed to leave a small chink for developing countries to impede "negotiations" on the new issues. The paragraph says: "While we concur that officials should prioritize work where results have not yet been achieved, some wish to identify and discuss other issues for negotiation; others do not. *Any decision to launch negotiations multilaterally on such issues would need to be agreed by all Members*." (Emphasis added) – *SUNS*]

The US, the EU and Brazil managed to secure a substantive agreement on agricultural export competition without having to pay for the balancing issues covering a permanent solution for public stockholding programmes for food security, the special safeguard mechanism (SSM) for facing unforeseen surges in imports of agricultural products supplied by heavily subsidizing countries, and, more crucially, the reaffirmation to continue the DDA negotiations.

India and China failed to stop the aggressive push by the US and the EU, who were silently supported by Brazil, at a closed-door marathon meeting that ended on early 19 December.

The two major developing countries yielded ground on one issue after another in the so-called Nairobi "deliverables" on agriculture that included the outcomes on export competition, SSM and public stockholding programmes for food security.

Finally, the two representatives of the developing world at the high table conceded their negotiating ground by agreeing to vague and ambiguous language that merely said work on the outstanding "Doha" issues will continue, instead of saying clearly the remaining DDA issues.

The Nairobi Ministerial Declaration (NMD) has created an ugly situation where there will be protracted battles on whether there is a mandate to pursue the DDA negotiations at all or to commence work on the outstanding issues with new approaches and new issues.

"Absolutely disappointed"

The Indian trade minister Nirmala Sitharaman cut a sorry figure at the final concluding plenary meeting when she said, "I'm absolutely disappointed that the ministerial declaration doesn't mention the Doha Round."

She went on to say that some of the amendments mentioned by her were not contained in the final results. "I was surprised that a few amendments that we have given have not gone through. I very clearly had mentioned that under cotton we shall not accept that date. 2017 is completely unacceptable to me."

"What is the use in making such a statement when India is not able to firmly stand up to pressure from the US and seek changes in the final Nairobi Ministerial Declaration?" asked an African delegate present at the meeting.

India and China, though resisting the belligerent moves by the dominant powers, finally agreed to language on agriculture and the post-Nairobi work programme in which the WTO Director-General and his secretariat played a crucial role, said another African minister.

Despite holding marathon meetings with the US, the EU and Brazil, the two major developing countries were unable to secure credible language, if not concrete outcomes, on the SSM and public stockholding programmes while agreeing to a substantive agreement on export competition.

More disturbingly, they let the trans-Atlantic trading partners have their say on the future negotiating function of the WTO by ensuring the entry of new approaches that could eventually terminate the existing DDA negotiating architecture based on special and differential treatment (SDT) and "less than full reciprocity" (LTFR)-based tariff and subsidy reduction commitments in agriculture and tariff reduction commitments in industrial goods, an African trade minister lamented.

From now on, the two major developing countries will have to wage a grim battle for stopping "graduation" – which could result in losing their SDT flexibilities and LTFR-based trade commitments.

At the concluding press conference in Nairobi, EU Trade Commissioner Cecilia Malmstrom suggested that Brussels strongly believes in "differentiation" – suggesting that China and India cannot be treated like other developing countries despite some problems of underdevelopment in certain areas.

While the Indian minister seemed disturbed with the outcome she negotiated, the US Trade Representative (USTR) Michael Froman celebrated the final Nairobi outcome. Froman pointedly captured the shift that he along with the EU, WTO Director-General Azevedo and the conference chairperson Mohamed had brought about at Nairobi.

"As WTO members start work next year, they will be freed to consider new approaches to pressing unresolved issues and begin evaluating new issues for the organization to consider," he said in a statement issued by the USTR's office.

Froman's message reflects a victory for the US which has, since 2008, pushed for a change in the negotiating approaches. His deputy, Ambassador Michael Punke, gets the credit for decisively changing the entire negotiating framework by resorting to constant diversionary tactics to shift the focus from the central farm subsidy issues in the

DDA negotiations, according to several trade envoys.

Key paragraphs

The crucial paragraphs in the NMD that gave the US and the EU a decisive victory are paragraphs 30, 31 and 34.

Paragraph 30, for example, reads: "We recognize that many Members reaffirm the Doha Development Agenda, and the Declarations and Decisions adopted at Doha and at the Ministerial Conferences held since then, and reaffirm their full commitment to conclude the DDA on that basis [language proposed by China, India, South Africa, Ecuador, Venezuela and the African Group of countries]. Other Members [the US, the EU, Japan and a handful of other countries] do not reaffirm the Doha mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations. Members have different views on how to address the negotiations. We acknowledge the strong legal structure of this Organization."

In the face of the divide between the two sides, paragraph 31 says ambiguously and vaguely: "Nevertheless there remains a strong commitment of all Members to advance negotiations on the remaining Doha issues. This includes advancing work in all three pillars of agriculture, namely domestic support, market access and export competition, as well as non-agriculture market access, services, development, TRIPS and rules. Work on all the Ministerial Decisions adopted in Part II of this Declaration will remain an important element of our future agenda."

Effectively, by saying "Doha issues" and not the DDA issues, the NMD has created an ugly situation for the WTO members who will now spend their time interpreting the Nairobi mandate. They will know the debilitating/destructive effects of the NMD when they resume work in Geneva to pursue the remaining "Doha" issues, according to a capital-based trade official who asked not to be quoted.

The Nairobi meeting had been extended by one more day beyond the originally scheduled closing date of 18 December to enable the US, the EU, China, India and Brazil to reach an agreement on export competition that includes the elimination of farm export subsidies and diluted disciplines on export credits. It also includes best-endeavour outcomes on food aid and new disciplines on state trading enterprises. The meeting among the five also witnessed several stalemates on the night of 18 December, a source said.

The deal was ultimately reached only after India and China conceded ground on the language pushed by the US, the EU and Brazil, said several participants familiar with the meeting.

The agriculture package mentions the special safeguard mechanism for developing countries with a reference to the Hong Kong Ministerial Declaration but not the DDA negotiations. Both the SSM and the permanent solution for public stockholding programmes for food security do not have a definite timeframe. The cotton outcome for the four West African countries contains immediate elimination of export subsidies, enhanced market access and modest commitments to reduce trade-distorting domestic subsidies.

The package of issues for the least-developed countries (LDCs) includes non-binding rules for preferential rules of origin and implementation of preferential treatment in favour of LDC services and services suppliers in services trade.

In short, the Nairobi ministerial meeting opened "the road to a new era for the WTO," as claimed by USTR Froman. The future for the developing countries at the WTO remains utterly bleak as they failed to assert their priorities when push came to shove in Nairobi. *(SUNS8161)* ❐

Nairobi green signal for continued US trade-distorting agri-exports

In the agriculture-related decisions in Nairobi, it was the US position which largely held sway.

by D. Ravi Kanth

NAIROBI/NEW DELHI: The Nairobi "deliverable" on export competition provided a major victory for the United States, which secured the green signal to continue with its current trade-distorting agri-export programmes with export credits and food aid.

The US, Brazil and the EU also ensured that India did not get the language it proposed on the accelerated work programme for the special safeguard mechanism (SSM) and permanent solution for public stockholding programmes for food security.

The so-called G-5 meeting at Nairobi involving the US, the EU, China, India and Brazil witnessed several battles on outcomes concerning export competition, the SSM and public stockholding programmes for food security.

"Our work to secure a global [accord] on export subsidies will help level the playing field for American farmers and ranchers," the US Trade Representative Ambassador Michael Froman claimed after the meeting. "The WTO's actions in this area will put an end to some of the most trade distorting subsidies in existence and demonstrates [sic] what is possible when the multilateral trading system comes to solve a problem," he said, suggesting that members should pursue new "multilateralism".

The language on export subsidies says "developed members shall immediately eliminate their remaining scheduled export subsidy entitlements as of the date of adoption of this Decision" but with several caveats, including that it "shall not cover processed products, dairy products, and swine meat of a developed member" until 2020.

Switzerland, Canada and Norway have four years to continue with export subsidies for processed products and dairy products even though they sought seven years, said a source familiar with the G-5 meeting.

India did not secure what it wanted on export subsidies but managed to retain Article 9.4 of the Agreement on Agriculture. The developing countries will have to end their export subsidies by 2023 as compared to 2028 in the facilitator's first draft issued on 17 December.

But in a footnote on export subsidies in the final decision, India is forced to agree to eliminating "its export subsidies by the end of 2022 for products or groups of products for which it has notified export subsidies in one of its three latest export subsidy notifications examined by the Committee on Agriculture before the date of adoption of this Decision."

On export credits, the US managed to secure maximum repayment period of 18 months with a standstill provision for the existing programmes. The 2005 Hong Kong Ministerial Declaration and the 2008 revised draft agriculture modalities text had suggested a repayment period of only 180 days or six months.

The US also secured flexible disciplines on self-financing in the terms and conditions for export credits. The developing countries are offered four years, by 2020, to phase out their current repayment terms for export credits and subsequently continue with a maximum repayment period of 18 months.

The agreement on food aid is specifically beneficial for the US as it contains only limited disciplines without covering the monetization of non-emergency food aid, said an official familiar with the meeting.

The EU, which had sought stronger binding disciplines on food aid in accordance with the 2008 revised draft modalities, agreed to the outcome without much opposition, a European official said.

The disciplines on agricultural exporting state trading enterprises contain best-endeavour provisions "to ensure that the use of export monopoly powers by agricultural exporting state trading enterprises is exercised in a manner that minimizes trade distorting effects and does not result in displacing or impeding the exports of another Member."

On the special safeguard mechanism and the public stockholding programmes for food security, India managed to get an accelerated work programme with indefinite timeframe. Though India, China and Turkey asked for concluding the decisions on these two issues by end-2017, there is no timeframe in the final decision issued at the Nairobi ministerial meeting.

The decision on the SSM mentions the Hong Kong Ministerial Declaration but not the 2008 revised draft modalities of the Doha negotiations. The US effectively ensured that there is no mention of DDA decisions on the SSM, said a source familiar with the meeting. *(SUNS8161)* ❐

MC10 going down to the wire, US intransigent

The sharp differences among the WTO membership over agriculture and the fate of the Doha Round were played out in the course of the Nairobi meeting, as revealed in the following day-by-day reports on the conference proceedings.

by D. Ravi Kanth

NAIROBI (18 DEC): The WTO's 10th Ministerial Conference, scheduled to end today, is going down to the wire because of the intransigent positions adopted by the United States.

The US is refusing to allow any mention of the Doha negotiations in the proposed Nairobi deliverables as well as the reaffirmation for continuing with the Doha Development Agenda (DDA) trade negotiations in the final ministerial declaration, several people familiar with the development told the *South-North Development Monitor (SUNS)*.

A marathon "green room" meeting of five members – the US, the EU, China, India and Brazil – is trying to arrive at compromise language on the special safeguard mechanism (SSM) for developing countries, the work programme for finalizing the permanent solution for public stockholding programmes for food security, and the four elements of agricultural export competition – elimination of export subsidies, and disciplines on export credits, international food aid and state trading enterprises.

According to people familiar with the meeting, the differences are not abating on account of "my way or the highway" positions adopted by the US, which is insisting on having specific language on the three issues.

The facilitator for the agriculture deliverables, Joshua Setipa, the trade minister of Lesotho, was supposed to issue a revised second draft on 18 December morning and hold a meeting by noon. But, so far, the text has not been circulated due to continued fierce differences among the five countries, said a person who asked not to be quoted.

Continued differences

The differences on export competition are primarily between the US and China over export credits. China has questioned the underlying rationale of the proposed disciplines on export credits, particularly the repayment period and self-financing provisions.

In line with the US proposals, the facilitator has proposed maximum repayment period of 18 months as covered under the US' GSM-102 export financing programme. Further, the facilitator has shelved the window of four years for refinancing. The language on self-financing which says it has to cover losses in the long term is what is already in the Agreement on Subsidies and Countervailing Measures.

In effect, the proposed language on refinancing merely reiterates the current rules, according to an agriculture negotiator who asked not to be quoted.

Under the 2008 revised draft modalities or Rev.4, export financing programmes even by private entities are not allowed. The draft by the facilitator has deleted this requirement, thereby allowing US financial institutions, banks or private insurance companies to remain undisciplined, the negotiator said.

China has suggested that the Hong Kong Ministerial Declaration and the Rev.4 disciplines are not followed so as to allow one member to continue its export subsidization through its export credit programmes, according to the negotiator.

China and India also raised sharp concerns on the proposed disciplines for agriculture monopoly state trading enterprises based on best-endeavour provisions.

The special and differential treatment flexibilities accorded to the developing countries in the 2008 revised draft modalities are not provided in the facilitator's draft. Worse still, said the negotiator, the facilitator's draft provisions on international food aid are based on best-endeavour provisions as proposed by the US in its proposal submitted a couple of months ago.

Besides the continued differences on export competition, China, India and

Turkey with a few other countries have tabled two proposals on the special safeguard mechanism and public stockholding programmes for food security.

The two proposals, though substantially watered down as compared to the work done during the Doha trade negotiations, proposed an accelerated work programme to arrive at decisions by the next (11th) Ministerial Conference in 2017.

The draft proposal submitted by the three countries on the SSM called for an accelerated programme. It says:

"1. The developing country Members shall have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers.

"2. The Members shall intensify efforts to achieve rapid progress on work on a Special Safeguard Mechanism based on import quantity and price triggers for developing Members taking note of the work done so far, and the proposals by Members in this regard.

"3. The negotiations on this subject shall be held in the Committee on Agriculture in Special Session, in dedicated sessions and in an accelerated timeframe, distinct from the agriculture negotiations under the Doha Development Agenda. Members shall engage constructively to negotiate in order to ensure adoption of the Special Safeguard Mechanism by the eleventh Ministerial Conference.

"4. The General Council shall regularly review progress."

On public stockholding programmes for food security, the draft proposal says:

"Members reaffirm that the mechanism as set out in the Bali Ministerial Decision on Public Stockholding for Food Security Purposes, and the General Council Decision of 27 November 2014, shall remain in force until a permanent solution on the issue of public stockholding for food security purposes is agreed and adopted.

"1. The negotiations on a permanent solution on the issue of public stockholding for food security purposes shall continue to be pursued as a priority in the Committee on Agriculture in Special Session, in dedicated sessions and in an accelerated time-frame distinct from the agriculture negotiations under the Doha Development Agenda, so as to agree and adopt the permanent solution on Public Stockholding for Food Security Purposes, by the Eleventh Ministerial Conference.

"2. The General Council shall regularly review progress of these dedicated sessions."

The United States vehemently opposed the proposal on the SSM because it mentions the Doha Development Agenda negotiations. The US along with Australia and Brazil have also rejected any language for the SSM work programme since no market access negotiations are being proposed in the deliverables, said a South American trade official.

Effectively, the US is blocking any mention of the Doha ministerial decisions in any of the deliverables in agriculture, said a developing-country envoy.

The way ahead

Meanwhile, the chair of the Nairobi meeting, Amina Mohamed, Kenya's Cabinet Secretary for Foreign Affairs, held meetings with the trade ministers of the five countries on the most contentious issues in Part III of the draft ministerial declaration.

Mohamed has suggested language to the effect that since the two sides remained divided on the continuation of the Doha negotiations, negotiations will be continued without mentioning Doha at all.

The Indian trade minister Nirmala Sitharaman insisted that without having clear language that includes Doha in the work programme, India cannot accept the draft, said a person familiar with the meeting.

Further, the chair's proposal to include new issues also resulted in a sharp divide among the developing countries on the one side and the major developed countries on the other. The developed countries want the inclusion of new issues in the final declaration.

In sum, the Nairobi meeting is on the verge of either setting new rules to suit the trade initiatives of the developed countries or collapsing like the infamous Cancun Ministerial Conference. So far, there is no agreement among the five countries but a compromise cannot be ruled out, according to a trade envoy. *(SUNS8160)* ❐

Developing countries get a jolt from WTO

by D. Ravi Kanth

NAIROBI (17 DEC): Developing countries with hundreds of millions of poor farmers received a jolt at the WTO Ministerial Conference here on 17 December when draft texts on agriculture issued in the morning ruled out any outcomes on the special safeguard mechanism (SSM) and a permanent solution for public stockholding programmes for food security.

The draft texts issued by the facilitator Joshua Setipa, the trade minister of Lesotho, nevertheless have delivered favourable outcomes for the United States in the export competition pillar, several trade ministers and negotiators told the *South-North Development Monitor (SUNS)*.

"I conveyed my objections line by line in the four draft ministerial decisions on special safeguard mechanism, public stockholding programmes for food security, export competition pillar, and cotton to the facilitator Setipa and the chair of the Doha agriculture negotiations Ambassador Vangelis Vitalis during a meeting in the morning," India's trade minister Nirmala Sitharaman told *SUNS*.

She said the G-33 proposals on the SSM and public stockholding programmes were not reflected, nor did the text on the export competition pillar containing disciplines on export subsidies, export credits, food aid and state trading enterprises live up to the existing ministerial decisions. She said the language on export credits and state trading enterprises was imbalanced in several aspects.

The draft texts on export subsidies, export credits, food aid and state trading enterprises in the export competition pillar as well as on the SSM don't even mention the Doha Development Agenda (DDA) trade negotiations.

The draft ministerial decision on the special safeguard mechanism for developing countries – which was covered in the July 2004 framework agreement, the 2005 Hong Kong Ministerial Declaration and more exhaustively in the 2008 revised draft modalities – is now simply referred to as "special safeguard mechanism for developing members – Ministerial Decision of December 2015."

Effectively, the umbilical link with the DDA and the Doha mandate seems to have been broken once and for all, as demanded by the US in the run-up to the Nairobi ministerial meeting.

The draft Nairobi ministerial decision on the SSM says "work on a Special Safeguard Mechanism for developing Members shall be pursued taking account of proposals by Members and in the broader context of agricultural market access."

The draft decision therefore requires the developing countries to negotiate all over again because of the delinking with the Doha trade negotiations on the SSM. Though it says "in the broader context of agricultural market access [negotiations]", the draft text implies restarting market access negotiations all over again. Therefore, the existing decisions on several elements in the market access pillar such as tariff cuts, tariff rate quotas, sensitive products and special products seem nullified, according to an Asian farm trade negotiator.

Significantly, the 2005 Hong Kong Ministerial Decision and the 2008 revised draft modalities did not mention any link between the SSM outcome and other results in the market access pillar.

The 2005 Hong Kong Ministerial Declaration, for example, says "developing country Members will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers, with precise arrangements to be further defined."

The 2008 revised draft modalities text says "the SSM shall have no *a priori* product limitations as to its availability, i.e. it can be invoked for all tariff lines in principle. A price-based and a volume-based SSM shall be available. In no circumstances may any product be, however, subject to the simultaneous application of price- and volume-based safeguards. Nor shall there be application of either of these measures if an SSG, a measure under GATT Article XIX, or a measure under the Agreement on Safeguards is in place."

On public stockholding for food security purposes, the draft Nairobi ministerial decision says "members confirm that the interim mechanism as set out in the Bali Ministerial Decision on Public Stockholding for Food Security Purposes, and the General Council Decision of 28 November 2014, shall remain in force until a permanent solution on the issue of public stockholding for food security purposes is agreed and adopted."

Further, it says that "the negotiations on a permanent solution on the issue of public stockholding for food security purposes shall continue to be pursued as a priority in the Committee on Agriculture in Special Session in dedicated sessions and in an accelerated timeframe."

One major implication stemming from the proposed language in the draft decision is that developing countries will have to live with the interim solution forever as it has omitted not only the Nairobi deadline but also the Bali ministerial decision of December 2013.

A second major implication is that there is no timeframe for the permanent solution for public stockholding programmes for food security.

While the Bali decision on the interim solution suggested the 11th Ministerial Conference or 2017 as the deadline for public stockholding programmes for food security, the November 2014 General Council decision had clearly stipulated end-2015.

The two outcomes on the SSM and public stockholding programmes for food security seem like a slap in the face for the 47 members of the G-33 developing-country farm coalition which had consistently tabled proposals despite an aggressive form of stonewalling and diversionary tactics, according to several members.

At a meeting of G-33 trade ministers on 17 December, there was a heightened sense of frustration and resentment about the proposed language on the SSM and public stockholding programmes for food security. Reactions to the draft texts ranged from criticism of the imbalance to downright rejection, according to a source who was present at the meeting.

Export competition

In sharp contrast to the draft decisions on the SSM and public stockholding programmes for food security, the kid-glove treatment offered to the four elements in the export competition pillar – elimination of export subsidies, export credits, food aid and state trading enterprises – has raised serious ethical issues about the manner in which texts are written in global trade negotiations to please industrialized countries, particularly the US, according to trade ministers.

Even in the export competition pillar, references to the Doha ministerial decisions as well as the 2008 revised draft modalities are almost avoided. Mention is made of the Marrakesh agreement and the Bali ministerial decision but not the DDA negotiations.

The draft decision on export subsidies says in paragraphs 7 to 12:

"Developed Members shall eliminate their remaining scheduled export subsidy entitlements by the end of 2020.

"This shall be effected on the basis of:

- budgetary outlay commitments being reduced by 50 percent by the end of 2017 in equal annual instalments from the date of adoption of this Decision, with the remaining budgetary outlay commitments being reduced to zero in equal annual instalments so that all forms of export subsidies are eliminated by the end of 2020;
- quantity commitment levels being applied as a standstill from the commencement until the end of the implementation period at the actual average of quantity levels in the 2003-05 base period. Furthermore, throughout the implementation period, there shall be no export subsidies applied either to new markets or to new products.

"Developing Members shall eliminate their export subsidy entitlements by reducing to zero their scheduled export subsidy budgetary outlay and quantity commitment levels in equal annual instalments by the end of 2023.

"Developing Members shall benefit from the provisions of Article 9.4 of the Agreement on Agriculture until the end of 2028, i.e. five years after the end-date for elimination of all forms of export subsidies. Least developed countries and net food importing developing countries listed in G/AG/5/Rev.10 shall benefit from the provisions of Article 9.4 of the Agreement on Agriculture until the end of 2030.

"Members agree not to apply export subsidies in a manner that circumvents the requirement to reduce and eliminate all export subsidies.

"Members shall ensure that any export subsidies have at most minimal trade distorting effects and do not displace or impede the exports of another Member. To that effect, Members using export subsidies shall give due consideration to the effects of any such export subsidies on other Members, and shall consult, upon request, with any other Member having a substantial interest as an exporter with respect to any matter related to the export subsidies in question. The Member applying such export subsidies shall provide, upon request, such a Member with necessary information."

Here again the Hong Kong Ministerial Declaration required the elimination of export subsidies by 2006 while the 2008 Rev.4 revised draft modalities text proposed their elimination by the end of 2013.

In short, the elimination period for developed countries is five years as compared to four in the Rev.4 text. It has to be seen whether Switzerland will accept five years because Berne has demanded a minimum seven years.

The developing countries can continue with their export subsidies until 2028 under the provisions of Article 9.4 of the Agreement on Agriculture. Perhaps this is the only place where the developing countries can claim to have succeeded as Article 9.4 is retained despite massive opposition from the US, Australia and other developed countries.

The draft ministerial decision on export credits seems to have accommodated almost all concerns of the US in terms of both repayment period and refinancing.

The draft text provides a repayment period of 18 months as against 20 months in the US farm bill. The 2005 Hong Kong Ministerial Declaration proposed 180 days, which is also the case with the 2008 revised draft modalities.

There is considerable rewriting of the disciplines in export credits on self-financing. The 2008 draft modalities suggested the following language on self-financing: "Export credit guarantee, insurance and reinsurance programmes, and other risk cover programmes included within sub-paragraphs 1(b), (c) and (d) above shall be self-financing. Where premium rates charged under a programme are inadequate to cover the operating costs and losses of that programme over a previous 4-year rolling period, this shall, in and of itself, be sufficient to determine that the programme is not self-financing. In addition, and irrespective of whether these programmes conform with the requirements set out in the preceding sentence, this does not exempt them from complying with any other provision of this Agreement or the other covered Agreements, including by reference to the more generally formulated long-term operating costs and losses of a programme, not limited to the historical rolling period referred to in the previous sentence, under item (j) of the Illustrative List. Where these programmes are found to constitute export subsidies within the meaning of item (j) of the Illustrative List, they shall also be deemed to be not self-financing under this Agreement."

The Nairobi draft has omitted the language of the Rev.4 text by removing export credit guarantee, insurance and reinsurance programmes and other risk cover programmes. It merely says: "Export financing support under this Agreement shall be self-financing and cover the long-term operating costs and losses of a programme in the sense of item (j) of the Illustrative List of Annex I of the Agreement on Subsidies and Countervailing Measures. Premium and/or interest rates shall be charged for all forms of export financing support defined in paragraphs 13 and 14, and shall be risk-based."

For developing countries, there is a phase-out period for export credits of four years along with the same repayment terms.

The draft text also substantially altered the language on international food aid by ensuring that it would be a best-endeavour agreement in line with what the US demanded.

The 2008 draft modalities text says: "There shall be no monetization for food aid inside the Safe Box, except for least-developed countries where there is a demonstrable need to do so for the sole purpose of transport and delivery. Such monetization shall be carried out solely within the territory of the recipient least-developed country such that commercial displacement is avoided or, if not feasible, at least minimized."

The proposed disciplines on state trading enterprises cover all members but not developed and developing countries as in the 2008 draft modalities. China is being targeted.

The proposed disciplines say: "Members shall ensure that agricultural exporting state trading enterprises do not operate in a manner that circumvents any other disciplines contained in this Decision.

"Members shall strive to ensure that the use of export monopoly powers by agricultural exporting state trading enterprises is exercised in a manner that minimizes trade distorting effects and does not result in displacing or impeding the exports of another Member."

In short, the trade ministers from developing countries face an extraordinary moment of crisis when they attend the informal agriculture open-ended meeting on 17 December evening. They can either stand up for their concerns on the SSM and public stockholding programmes or surrender their food sovereignty forever, according to a South American trade minister. *(SUNS8159)* ❐

Civil society expresses shock at draft agriculture text

by Ranja Sengupta

NAIROBI (17 DEC): Civil society representatives present at the WTO Ministerial Conference have expressed deep shock and disappointment over a draft text on agriculture released in the early hours of the morning here on 17 December.

The text was circulated by the ministerial facilitator on agriculture (Lesotho) together with the Chair of the Committee on Agriculture in Special Session (Ambassador Vangelis Vitalis of New Zealand).

Civil society representatives present at the conference expressed deep shock and disappointment over the text, which most felt has yielded nothing on the demands of developing countries.

Timothy Wise of Tufts University in the US said, "The draft text on agriculture is a serious disappointment. It offers no progress on key deliverables demanded by developing countries – public stockholding and special safeguard for import surges – fails to even mention new disciplines on domestic subsidies, and in its one deliverable on export competition, the small progress on export subsidies is diluted by weak language on export credits and food aid, the two main instruments used by the US government to promote its exports. This text utterly fails to advance the development agenda."

Deborah James, on behalf of Our World Is Not for Sale (OWINFS), a global network of NGOs and social movements, said "the agriculture text shows that all civil society concerns voiced over the years and specific concerns expressed by developing countries in the lead up to this Ministerial have been ignored".

Yash Tandon, President of the Southern and Eastern African Trade, Information and Negotiations Institute (SEATINI) in Uganda, said "the draft text of agriculture is certainly not one of the desirable 'deliverables' from MC10".

No progress

The section on public stockholding has nothing on the permanent solution except to say "negotiations ... shall continue to be pursued as a priority in the Committee on Agriculture in Special Session, in dedicated sessions and in an accelerated time-frame".

Those negotiations have been continuing for two years now in Special Sessions of the Committee on Agriculture, but any discussion on the two proposals submitted by the G-33 have been blocked by the developed countries.

There is nothing for developing countries on the special safeguard mechanism (SSM) either. The draft text simply says "work on a Special Safeguard Mechanism for developing Members shall be pursued taking account of proposals by Members and in the broader context of agricultural market access".

The text stands stoic in refusing to grant any immediate safeguard mechanism to developing countries against import surges, which has been a longstanding demand of developing countries.

The G-33 had in fact watered down its proposals before the Ministerial Conference and had proposed the special safeguard (SSG) – which is already used by 39 members mainly consisting of developed countries – but with special and differential treatment, especially in the form of using the last three years' average prices instead of 1986-88 prices. But even that has not been conceded in this text.

Moreover, by linking the safeguard instrument specifically to market access talks, the text refuses to recognize the developing-country argument that, even in the absence of progress on market access, such a safeguard is justified because of the high trade-distorting subsidies provided by the developed countries to their farming sectors.

"It is clear from the new text on agriculture that developing countries are getting nowhere in these negotiations. In particular, there is no forward movement on a permanent solution for food security proposal for public stockholding even after two years of negotiations since the Bali Ministerial. The special safeguard for agriculture has also not seen any progress even after several stepdowns in G-33 proposals. The developing countries should reject this proposal in no uncertain terms," said Biraj Patnaik from the Right to Food Campaign India.

"Win-win" for the US

Export competition is claimed as the pillar that has something to offer, comprising export subsidies, export credits, state trading enterprises and food aid.

Export competition discussions have been going on for some time and after the Hong Kong Ministerial Conference there was an agreement to eliminate export subsidies by 2013.

Since then 2020 has been discussed as the target year for elimination of export subsidies and 2023 being the year for developing exporting countries. The current text proposes the elimination of export subsidies of developed countries by 2020 and those of developing countries by 2023.

While it is important to get this commitment, the declining share of export subsidies makes this far from the "big deliverable" the developed countries have made it out to be.

The other components of export competition have been more complex and problematic, with the US wielding substantial influence over the talks. Export credit discussions in particular have already witnessed huge blocks by the US.

Timothy Wise argues, "It is inexcusable that the US government is using the current negotiations to legitimize its current levels of export credits, which are large and extremely trade-distorting. Over the last six years they have amounted to several billion dollars, with $1.25 billion going to African countries. This is equivalent to an export subsidy of $100 million, a large distortion that favours US exports over African domestic products and over the exports of other countries."

There are several concessions to the US in the text. For example, the current draft text allows the US to give credit for 18 months instead of the six months allowed in the Rev.4 text.

A civil society expert also argued that there was a carve-out based on special and differential treatment (SDT) for developing countries for export subsidies related to marketing and transport in Article 9.4 in the Agreement on Agriculture. But according to the text released today, this carve-out will be terminated in 2028 or 2030, which reflects again a pushback on SDT in this Ministerial Conference.

Sophia Murphy of the Institute for Agriculture and Trade Policy (IATP) said: "The draft agriculture text puts the US in its favourite position: win-win. There is no reform in the draft proposed language on export credits. By allowing an exception to time limits for not just the poorest countries but also any net food importing developing country (which includes Egypt and Kenya) the loophole covers all major recipients of export credits. WTO members have no interest in making concessions for what is already common practice. The proposed text gives the US what it wants from the EU on export subsidies, which the US hardly uses and which it has long wanted to eliminate. And it has made no commitment to reform its own export support, which remains all but untouched in the draft text now before the governments."

The civil society representatives here have expressed deep concern on the food aid segment, where the text remains weak. This is one area where developing countries and civil society in general had wanted binding disciplines as residual food aid is creating distortions in domestic food markets across the world, undercutting farmers' prices and incomes.

The current text only has best-endeavour provisions, still allows monetization and is weak on local procurement.

IATP's Murphy said: "The draft text on food aid is a disgrace. It's a big step back from the reforms included in the draft WTO texts seven years ago (Rev.4) and is less than most of the US development community are asking for. In a letter sent to [US Trade Representative Michael] Froman last week (http://www.iatp.org/documents/letter-to-the-ustr-on-global-food-security), NGOs called on the US to end the monetization of food aid, in recognition of both its trade-distorting effects and because it undermines markets for the rural economies the aid is intended to support. The US position demonstrates how little the government wants to see a successful outcome to the Ministerial."

Prerna Bomzan, speaking on behalf of LDC Watch, a civil society organization that works for 53 least-developed countries (LDCs), said: "The Chair's text on food aid is very weak and even regressive since it does not contain a 'safe box' i.e. distinction between emergency and non-emergency food aid, as mandated in the 2005 Hong Kong Ministerial Declaration. It legalizes dumping by labelling food exports as food aid. This is a key concern for us since Sub-Saharan Africa, home to the majority 34 LDCs, accounts for around 60-65% of food aid flows and hence, it is imperative that we anchor stronger disciplines on food aid in Nairobi."

"African farmers will be undermined if the draft agriculture text stands during the WTO negotiations today. If the final text does not distinguish emergency aid from food aid more broadly it will create an enabling environment for dumping cheap food into local markets, undermining local farmers," said Marie Clarke, Executive Director of ActionAid USA. *(SUNS8159)* ❐

Developing nations want continued Doha talks for redressing inequities

by D. Ravi Kanth

NAIROBI (16 DEC): Several developing countries on 16 December reiterated their stand for continuing the Doha Development Agenda (DDA) negotiations to address the longstanding inequities in the global trading system, particularly in the most heavily distorted agriculture trade dominated by subsidizing countries.

Developing-country ministers stated this position at the plenary meeting of the Nairobi Ministerial Conference on 16 December.

Trade ministers of India, China, South Africa, Uganda, Lesotho, Rwanda and Venezuela, among others, delivered a strong message against attempts to hijack the DDA negotiations without resolving the core issues of the Doha mandate, and to commence work on new issues.

The ministers also called for an inclusive process to finalize outcomes at the Nairobi meeting instead of pursuing "confessional" meetings to decide the deliverables.

India's trade minister Nirmala Sitharaman said "the DDA may have run into obstacles but it is in our collective interest to continue work in all pillars, keeping its development dimension intact."

"We are of the firm view that this Ministerial must clearly reaffirm the Doha Development Agenda and all Ministerial Declarations and Decisions taken since 2001 when we launched the Doha Round," said Sitharaman. "These are all important – let us not waste time negotiating which of these we should reaffirm and welcome."

The Indian minister said the ministerial meeting in Nairobi must safeguard the legitimate interests of poor farmers and the food security of hundreds of millions in developing countries. "We cannot continue with the rhetoric of a development agenda without even a reasonable attempt to address issues which are of primary concern to developing countries," she said.

The Indian minister argued that "for decades, a handful of farm lobbies of some countries have shaped the discourse and determined the destiny of millions of subsistence farmers of the developing countries."

Sitharaman expressed sharp concern that "the reduction in the massive subsidization of the farm sector in developed countries which was the clear-cut mandate of the DDA is now not even a subject matter of discussion today, leave aside serious negotiations."

"It is regrettable that longstanding issues of interest to a large number of developing countries are being put aside for the future and new issues of recent vintage are being taken up with unusual enthusiasm," she said.

She pointed to the remarks of the Kenyan president that at a time when the meeting is being held in Africa, "Africa's farmers simply cannot compete against heavily subsidized farmers in developed countries."

The Indian minister said the situation is the same in all developing countries. India, she said, would "resist the temptation of overloading the WTO agenda at this stage with 'new issues', when we are still grappling with the completion of work in the DDA."

Many other developing countries who spoke at the plenary also came out strongly in support of continuing the DDA negotiations until they accomplish the mandated goals of the DDA. *(SUNS8158)* ❐

WTO's MC10 gets underway in Nairobi

by Kanaga Raja

GENEVA (16 DEC): The WTO's 10th Ministerial Conference (MC10) got underway in Nairobi on 15 December with welcoming speeches by Kenyan President Uhuru Kenyatta, WTO Director-General Roberto Azevedo and the Chair of MC10, Kenyan Cabinet Secretary for Foreign Affairs Amina Mohamed.

According to a news item posted on the WTO's website, in his welcome speech to the conference, President Kenyatta noted that 2015 has been a year "in which we displayed unparalleled cooperation in agreeing on a number of approaches to some of the most pressing problems facing humanity."

He said the adoption in September of the 2030 Agenda for Sustainable Development and the conclusion in Paris on 12 December of an historic agreement to address climate change have demonstrated a spirit of achievement which should inspire negotiators in Nairobi.

"My earnest encouragement to all negotiating teams represented here today is to seize this moment, reach for a mutually beneficial compromise, and allow yourselves no result except success," Kenyatta said.

Kenyatta stressed the importance of the WTO and trade for Africa in promoting economic growth and development. "A global trade system that allows us to seize opportunities is a fundamental part of our drive to solve challenges such as poverty, insecurity and environmental destruction," he said.

The news item cited WTO Director-General Azevedo as urging WTO members to make every effort to secure agreements that will benefit the organization's members, and least-developed countries (LDCs) in particular.

"We have seen the power of the world acting as one," Azevedo said in reference to the climate agreement reached in Paris. "We should be inspired by that breakthrough here in Nairobi. We should be inspired to lift our sights – to reach further – to aim higher and use trade for the common good."

Azevedo further said that Kenya's commitment to the Nairobi conference "has been total" and "mirrors their commitment to trade itself as a force for growth and development. Kenya has set the stage".

"Now it is time for us to deliver," the DG underlined.

Kenyatta and Azevedo were joined at the opening ceremony by President Ellen Johnson Sirleaf of Liberia, whose country will formally conclude negotiations on accession to the WTO on 16 December, and Kenya's Cabinet Secretary for Foreign Affairs and International Trade and Chair of the Conference, Amina Mohamed.

Mohamed said the world needs a message that the WTO can deliver and remains relevant. The centrality of the WTO to international trade relations "cannot be substituted", she said.

She urged delegations to compromise in order to secure a successful Nairobi deal, noting that apart from a weak global economy, WTO members are faced with a risk of economic fragmentation through preferential trade agreements which, while useful complements, cannot replace the multilateral trading system.

"A unique opportunity"

Meanwhile, in some remarks at an opening press conference at MC10 on 15 December (also posted on the WTO website), Mohamed said that 2015 has been a momentous year for multilateral engagement.

"The recent success in Paris to agree a global deal to reduce carbon emissions and address climate change must provide the WTO membership with inspiration to end 2015 on a high note," she said, adding that MC10 offers an opportunity for the WTO membership to reflect on how to further strengthen and preserve a system that has served us so ably.

She believed that Nairobi "offers a unique opportunity that we must seize", and as Chair of the Conference, she strongly urged all members to further reflect upon their positions and show flexibility for a positive outcome here.

"Being the first WTO Ministerial Conference on the African continent, the Nairobi Ministerial Conference must be a success, for Africa, for development, for all members and for the global economy."

She also believed that the WTO is at a crossroads. "Over the coming days, this gathering of Trade Ministers has a decision we need to collectively make. We face a clear choice. Whether we will reinvigorate the negotiating function of the organization and work to progress with issues of interest to all Members or have the stasis which has plagued the Doha negotiations for the past 15 years becomes further entrenched."

Either way, the character of the organization will be fundamentally changed after this Ministerial Conference, she maintained.

"We must recognize that the structure of global production is being transformed – a single finished product often results from manufacturing and assembly in multiple countries and with many associated services. Each step in the process adds value to the end product. Global value chains have therefore created enormous trade opportunities for both developed and developing countries and have become a powerful driver of productivity growth, job creation, and improved living standards."

This is not to say that the core issues which have been under negotiation as part of the Doha Round are not important, she said: agriculture, non-agricultural market access (NAMA), development, rules and services etc. "They remain important and they will continue to be. Indeed, agriculture plays a fundamental role in many of the world's economies and we must do all we can to ensure that these issues are addressed. But the world isn't waiting for our organization."

"It is my sincere hope that all WTO members will be able to come together and map a way forward for this organization which plays such an important role in the global economy." *(SUNS8158)* ❒

WTO members conclude ITA-II deal at MC10

The Nairobi Ministerial Conference also saw the finalization of an agreement to scrap import duties on over 200 information technology products.

by Kanaga Raja

GENEVA: The participants negotiating the expansion of trade in information technology (IT) products agreed at the Nairobi Ministerial Conference on the timetable for implementing an agreement that would eliminate tariffs on some 201 IT products valued at some $1.3 trillion per year, the WTO said on 16 December.

According to a news item on the WTO website, the breakthrough came following months of intensive negotiations among the participants.

The agreement is an expansion of the 1996 Information Technology Agreement (ITA) which involved 82 members.

The negotiations were conducted among 53 WTO members, including both developed and developing countries, which account for approximately 90% of world trade in these products.

According to the news item, all 162 WTO members will however benefit from the agreement, as they will all enjoy duty-free access to the markets of the members eliminating tariffs on these products.

As a result of these negotiations, approximately 65% of tariff lines will be fully eliminated by 1 July 2016.

According to an accompanying briefing note put out by the WTO secretariat, under the new WTO agreement, import duties will be eliminated on 201 high-tech products whose annual trade is estimated at $1.3 trillion, accounting for approximately 10% of world trade in goods.

The list of 201 products was originally agreed by the ITA participants in July 2015. They include: new generation multi-component integrated circuits (MCOs), touch screens, GPS navigation equipment, portable interactive electronic education devices, video game consoles and medical equipment, such as magnetic resonance imaging products and ultra-sonic scanning apparatus.

Under the agreed package, import tariffs for most of the 201 IT products will be eliminated either immediately or progressively over three years.

The WTO secretariat estimates that more than 65.3% of tariff lines, accounting for 88% of imports, will be immediately eliminated by 1 July 2016, when most participants will implement the first tariff cut.

By 2019, these figures will reach 88.8% of the tariff lines and 95.4% of imports, thereby showing the profound impact that the ITA expansion will have on trade in these products, said the briefing note.

According to the briefing note, for a very limited number of sensitive products, tariffs will be progressively eliminated over a period of five years, and seven years for the most exceptional cases.

It noted that some of the products covered by the ITA expansion have relatively high import duties in certain key markets. For instance, tariffs on certain parts of telephone handsets are 8.5%; video game consoles and DVD recorders 14%; compact disc players 30%; and video cameras 35%.

"I am delighted to mark this breakthrough here today at the Ministerial Conference," said WTO Director-General Roberto Azevedo.

"This is a very significant achievement. Annual trade in these 201 products is valued at $1.3 trillion per year, and accounts for approximately 10% of total global trade. Eliminating tariffs on trade of this magnitude will have a huge impact. It will support lower prices – including in many other sectors that use IT products as inputs – it will create jobs and it will help to boost GDP growth around the world."

According to the WTO news item, the agreement also contains a commitment to work to tackle non-tariff barriers in the IT sector, and to keep the list of products covered under review to determine whether further expansion may be needed to reflect future technological developments. *(SUNS8159)* ❐

(continued from page 4)

"deliverables") into a single protocol incorporating the outcomes of the DWP, and ensure that the two protocols are accepted by a sufficient number of members to bring them both into force.

It is a difficult task, like trying to catch an elephant by its tail, but not impossible.

Operative paragraphs

The NMD stipulates in its operative paragraphs 30-34:

"30. We recognize that many Members reaffirm the Doha Development Agenda, and the Declarations and Decisions adopted at Doha and at the Ministerial Conferences held since then, and reaffirm their full commitment to conclude the DDA on that basis. Other Members do not reaffirm the Doha mandates, as they believe new approaches are necessary to achieve meaningful outcomes in multilateral negotiations. Members have different views on how to address the negotiations. We acknowledge the strong legal structure of this Organization.

"31. Nevertheless, there remains a strong commitment of all Members to advance negotiations on the remaining Doha issues. This includes advancing work in all three pillars of agriculture, namely domestic support, market access and export competition, as well as non-agriculture market access, services, development, TRIPS and rules. Work on all the Ministerial Decisions adopted in Part II of this Declaration will remain an important element of our future agenda.

"32. This work shall maintain development at its centre and we reaffirm that provisions for special and differential treatment shall remain integral. Members shall also continue to give priority to the concerns and interests of least developed countries. Many Members want to carry out the work on the basis of the Doha structure, while some want to explore new architectures.

"33. Mindful of this situation and given our common resolve to have this meeting in Nairobi, our first Ministerial Conference in Africa, play a pivotal role in efforts to preserve and further strengthen the negotiating function of the WTO, we therefore agree that officials should work to find ways to advance negotiations and request the Director-General to report regularly to the General Council on these efforts.

"34. While we concur that officials should prioritize work where results have not yet been achieved, some wish to identify and discuss other issues for negotiation; others do not. Any decision to launch negotiations multilaterally on such issues would need to be agreed by all Members."

Paragraphs 30 and 31 are in effect contradictory. Paragraph 30 merely records the differences of positions and views on the Doha Development Agenda and its reaffirmation. Paragraph 31 notes that despite the differences, members are committed to "advance negotiations on the remaining Doha issues".

As pointed out earlier, whether the remaining issues are referred to in terms of the Doha Work Programme, Doha Development Agenda, Doha Development Round or only as "Doha issues" remains irrelevant. The single undertaking can end only if and when the outcomes of all the negotiations and decisions since 2001 are incorporated into a protocol for ratification and acceptance by members and the protocol is accepted by all, before any of the decisions becomes enforceable under the WTO.

In sum, as a result of the Nairobi Ministerial Declaration, the multilateral trade negotiating agenda of the Doha Work Programme as a single undertaking remains somewhat diminished, but not dead. China, India, South Africa and other developing nations can still retrieve it and prevent any new issues from being brought onto the agenda for study or discussion, by withholding consensus in the General Council, and can block negotiations, which under paragraph 34 of the NMD need the agreement of all members. *(SUNS8162)* ❐

The forthcoming adjustment shock

Governments around the world are planning steep spending cuts in 2016, and the effects could be especially damaging for developing economies.

by Isabel Ortiz

GENEVA: Analysis of the latest International Monetary Fund (IMF) expenditure projections for 187 countries between 2005 and 2020 reveals that there have been two distinct phases of government spending patterns since the onset of the global economic crisis.

During the first phase (2008-09) many countries introduced fiscal stimulus and expanded public spending as a countercyclical measure to cushion the impacts of the global crisis on their populations. Overall, 137 countries (or 73% of the world) ramped up expenditure, with the average annual expansion amounting to 3.3% of gross domestic product (GDP). About 50 high- and middle-income countries announced fiscal stimulus packages totalling $2.4 trillion, of which approximately a quarter was invested in social protection measures.

The second period of crisis (2010 onwards) is marked by fiscal adjustment. In 2010, premature budget cuts became widespread, despite the ongoing and urgent need of vulnerable populations for public support.

This phase is characterized by two major contractionary shocks, the first occurring in 2010-11 and the second expected to hit in 2016 and continue at least until 2020.

According to IMF projections, 2016 marks the beginning of a second major period of expenditure contraction globally. Overall, budget reductions are expected to impact 132 countries in 2016 in terms of GDP and hover around this level until 2020. The developing world will be the most severely affected. Overall, 81 developing countries, on average, are projected to cut public spending during the forthcoming shock versus 45 high-income countries. Expenditure contraction is expected to impact more than two-thirds of all countries annually, affecting more than six billion persons or nearly 80% of the global population by 2020.

A review of recent IMF reports indicates that governments are weighing various adjustment measures, as summarized below.

Eliminating or reducing subsidies: Overall, 132 governments in 97 developing and 35 high-income countries are reducing subsidies, predominantly on fuel but also on electricity, food and agriculture. The Middle East and North and Sub-Saharan Africa are the regions being hardest hit.

Wage bill cuts/caps: As recurrent expenditures like salaries of teachers, health workers and local civil servants tend to be the largest component of national budgets, an estimated 130 governments in 96 developing and 34 high-income countries are considering containing the wage bill, often as a part of civil service reforms.

Rationalizing and further targeting social safety nets: Overall, 107 governments in 68 developing and 39 high-income countries are considering rationalizing their spending on welfare, often by revising eligibility criteria and targeting to the poorest, reducing social protection coverage. IMF country reports generally associate targeting with poverty reduction, as a way to reconcile poverty reduction with austerity; however, targeting risks excluding large segments of vulnerable and low-income households. Rather than targeting and scaling down to achieve cost savings over the short term, there is a strong case for scaling up social protection for all.

Reforming old-age pensions: Approximately 105 governments in 60 developing and 45 high-income countries are discussing changes to their pension systems, such as through raising contribution rates, increasing eligibility periods, prolonging the retirement age, lowering benefits, sometimes structural reforms of contributory social security pensions. As a result, future pensioners are expected to receive lower benefits.

Labour market flexibilization is being discussed by 89 governments in 49 developing and 40 high-income countries. Reforms include revising the minimum wage, limiting salary adjustments to cost-of-living benchmarks, decentralizing collective bargaining, and easing firing and compensation arrangements at the enterprise level. Labour market reforms are supposedly aimed at increasing competitiveness and supporting businesses during recessions. However, available evidence suggests that labour market flexibilization will not generate decent jobs. On the contrary, in a context of economic contraction, this approach is likely to generate labour market "precarization," depress domestic incomes/demand and ultimately hinder recovery efforts.

Reforming health systems: 56 governments in 34 developing and 22 high-income countries are discussing reforms to their healthcare systems, generally through increasing fees and co-payments as well as by introducing cost-saving measures in public health centres.

Increasing consumption taxes on goods and services: Some 138 governments in 93 developing and 45 high-income countries are considering options to boost revenue by raising value-added tax (VAT) or sales tax rates or removing exemptions. However, increasing the cost of basic goods and services can erode the already limited incomes of vulnerable households and stifle economic activity. Alternatively, progressive tax approaches should be considered, such as taxes on income, inheritance, property and corporations, including the financial sector.

Privatization of public assets and services: According to IMF reports, this revenue generation approach is being pondered by 55 governments in 40 developing and 15 high-income countries. Sales proceeds produce short-term gains, but also long-term losses given the lack of future revenues; additionally, privatization risks include layoffs, tariff increases, and unaffordable and low-quality goods and public services.

Projections using the UN Global Policy Model indicate that the spending cuts will negatively affect GDP and employment in all regions. Global GDP is estimated to be 5.5% lower by 2020, resulting in the loss of millions of jobs.

In difficult times, it is imperative that countries aggressively explore all possible alternatives to promote national socio-economic development with jobs and social protection. There are many options, available in virtually all countries:

- reallocating public expenditures;
- increasing tax revenues;
- expanding social security coverage and contributory revenues;
- lobbying for aid and transfers;
- eliminating illicit financial flows;
- using fiscal and foreign exchange reserves;
- borrowing or restructuring existing debt;
- adopting a more accommodative macroeconomic framework.

The projected fiscal contraction trajectory is questionable in terms of timing, scope and magnitude. Policymakers should be encouraged to recognize the high human and developmental costs of poorly designed adjustment strategies and to consider alternative policies that support a recovery for all. It does not need to be a decade of adjustment; policymakers have a variety of options to expand fiscal space at their disposal, which should be examined in open, national dialogue. *(IPS)* ❐

Isabel Ortiz is the director of the Social Protection Department at the International Labour Organization (ILO). This article is based on the working paper "The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries" by Isabel Ortiz, Matthew Cummins, Jeronim Capaldo and Kalaivani Karunanethy, and its policy brief, published by the ILO Social Protection Department, the Initiative for Policy Dialogue at Columbia University and the South Centre.