

WTO Notes- Hong Kong- 15 Dec, 2005

**India forms a New G-11 on NAMA at HK meeting**

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The talks are endless, everybody is repeating their positions here. The delegations hold their cards close to their chest until the last two or three days of the meeting, there is a risk that when they finally reveal their positions, there will not be enough time left to reach a deal. India has pulled new one, this is a new gathering called G-11 which is only for NAMA. The members of NAMA G-11 are drawn from G-20, only China, Nigeria, Mexico and Pakistan are not in the new grouping. Some of these already have low tariffs or are not interested in antagonizing the G-7 any further. The new formulation is an interesting grouping to handle trade negotiations and push the case further. However, the future for G-11 is not all that rosy since low tariffs are the order of the day in most parts of the world. The problem is with the sensitive goods covering a relatively small part of the tariff lines.

The protestors are still on the streets, getting their breath back for the marches towards the end of the meeting.

**Differences widen in Services negotiations:** Given the stalemate in NAMA, there is a fear that the Services negotiations may be re-opened and the draft text may represent, at best, the middle ground. India which is bullish on mode 1 (cross border supply) and mode 4 (movement of natural persons) and would like to preserve the annex. EU, on the other hand, has indicated in bilaterals that it wants to raise the level of ambition in the draft. It is highlighting those parts where interested countries can come together and conclude separate agreements on the lines of the IT Agreement which is signed by only 53 or so countries but has the force of WTO authority. The US, for its part, also supports beefing up the annex by including a model schedule for services commitments.

Indian NGOs have come out strongly against the EU proposal for benchmarking and plurilateral approach to the negotiations. A joint statement of 17 NGOs including Swadeshi Jagran Manch and Bharatiya Kisan Union was issued condemning the move and calling upon the Indian

government to oppose the EU move. FICCI too has said something similar but is for corporate presence of FDI in India under mode 4 as contractual service providers and independent professionals. It is against mode 3 liberalization which calls for commercial presence in the foreign country.

Brazil, which does not have a big population and is not strong in the services sector would drop the services part from the Hong Kong declaration and take it up a later day after the issue of agriculture subsidies is has gone along with India. The smaller countries in the 90 member strong ACP ( Africa, Caribbean and Pacific) which have a strong services sector in the tourism industry are going along with EU. Malaysia, the one time radical in the days of Mhathir Mohammed has left the ranks of the G20 and is now with the ACP on services.

**India Calls for TRIPS-CBD Negotiations:** Indian Commerce Minister Kamal Nath on Wednesday called for negotiations on the relationship between the TRIPS Agreement and the Convention on Biological Diversity to be launched in Hong Kong. In a bid to curb biopiracy and the misappropriation of traditional knowledge for commercial gain, a draft para for inclusion in the ministerial declaration has been prepared by the Indian delegation. In the absence of appropriate lobby before the meeting, it is unlikely that the members will include India's para in the declaration at this stage. India has called for negotiations on mandatory disclosure requirements, as well as prior informed consent and benefit-sharing.

**Cotton:** There is no US commitment to an 'early harvest' on cotton. Instead of promising a rapid subsidy phase-out, US Trade Representative Robert Portman said that 11 recent studies had shown that even a total removal of the subsidies would result in only a 2-12 percent increase in the world cotton price, with a 2-3 percent range being more likely. The African countries decided in an emergency session to raise the debate from the technical to the political level. After the WTO's adverse ruling on US cotton subsidies, they said, the link between subsidies and global market prices was undeniable. There is of course, no move to wreck the meeting on the lines of Cancun.

**Bananas:** Honduras , Colombia and Ecuador attacked the EUR 176/tonne tariff adopted by EU member states on 25 November. The three want a solution must be found in Hong Kong. Many feel the Hong Kong banana

fight will prove just as bitter as the one four years ago in Doha. The EU set the new tariff - a far cry from the EUR 75/tonne level sought by Latin American banana producers - the WTO arbitration panel had condemned the latest proposal of EUR 187/tonne.

The EU's banana import regime almost sank the WTO's Ministerial Conference in Doha in 2001. A waiver was given to the EU in order to continue extending duty-free access to banana exports from the African, Caribbean and Pacific (ACP) countries on the last day of the conference, on condition that the EU replace its quota- and licence-based import regime by a negotiated tariff-only regime on 1 January 2006 at the latest.

**Duty-free Quota-free Market Access for LDCs:** US WTO Ambassador Peter Allgeier says that this must be implemented along with the overall Doha Round package. India and Brazil, in contrast, stressed that they were ready to do so before the conclusion of the round. Kamal Nath says that he will announce an ambitious and liberal package for Africa very soon and this will be much before the conclusion of the Doha round. (India can afford to liberal with the LDC since they cannot export much to India even with zero duty. Strict rules of origin will ensure that goods of third country origin do not enter India under the LDC label.) The US has been putting bilateral pressure on LDC negotiators and capitals to accept the potential exclusion of some products and countries from duty- and quota-free access. One LDC source noted that carving out just one percent of tariff lines would be enough to keep Bangladeshi textiles outside a duty- and quota-free scheme in the US. A senior LDC government official suggested that any market access package for LDCs that did not include all countries and all products would be unacceptable.

**Textiles:** On textiles, the EU on Wednesday repeated its call for a NAMA sectoral initiative to liberalise textiles and clothing trade, suggesting that all countries lower their tariffs in this sector to as close to zero as possible. The US is reluctant to fully open its textiles markets to LDC exports what to speak of allowing plurilateral trade approach in textiles.

**Agriculture Meeting:** There is no progress in agriculture as of now. The members are not showing their cards. Food aid is the subject of much

discussion with the African Group - many of whose members are aid recipients - indicating that in-kind aid was acceptable in emergencies. In situations where food is available in the region, they suggested that a multilateral mechanism such as the World Food Programme, could be used to ensure that aid in cash form is used to get the best possible deal.

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