A POLICY BIRIEF by

National Working Group on Patent Laws and WTO &
Forum against Free Trade Agreements

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ISSUES AT STAKE FOR INDIA AND THE DEVELOPING WORLD
at the
10th MINISTERIAL CONFERENCE OF THE WTO, NAIROBI

*The World Trade Organisation (WTO) will hold its 10th Ministerial Conference from 15-18 December at Nairobi, Kenya. There are several disturbing developments, in the run-up to the first Ministerial in Africa, that have serious consequences not just for India but the entire developing world. For the first time ever, there is no clear work programme identified for the 4 day conference. Instead, in a non-transparent manner, developed countries led by the United States of America (USA) and European Union (EU) are attempting to jettison long standing developmental concerns and instead launch a new **21st century Trade Round** with issues that have been earlier roundly rejected by developing countries.*

This note provides a summary of the main issues at stake in Nairobi.

AGRICULTURE

For the past 20 years, the WTOs ***Agreement on Agriculture (AoA)*** has been used as a dumping mechanism by agribusiness from the North on peasant farmers in developing countries with devastating consequences on their livelihoods and income. Recognising the harmful impacts of the North's agribusiness subsidies, there was a commitment under the 2001 Doha Development Agenda (DDA) to ***eliminate export subsidies and export support*** by 2013. Unfortunately, proposals by developing countries to address this anomaly have got nowhere. Instead legislations such as the US Farm Bill of 2014 have ensured that there will be no cut in their export subsidies. It is now well documented that US export subsidies in cotton have destroyed livelihoods of cotton farmers, especially in the cotton producing African countries of Chad, Benin, Burkina Faso and Mali.

The WTO mandates ***special and differential treatment (S&DT)*** for developing countries as recognition of their varied challenges in implementing its trade agreements. The S&DT principle has now been completely abandoned with very aggressive tariff cuts being demanded on virtually every agricultural product for developing countries with minimum flexibilities. Tangible S&DT provisions such as ***Special Products*** (that could be kept out of tariff cuts) and the ***Special Safeguard Mechanism*** **(**which is an instrument to raise tariffs to counter import surges that threaten domestic producers) have been burdened with heavy conditionalities that render them useless. Proposals by developing countries on this front are being kept out of the agenda at Nairobi.

Another controversial issue that has seen no progress is the issue of ***domestic subsidies****.* Developed countries such as the USA and EU provide huge domestic subsidies but were required to cut them by only 20%. Instead of reducing this, they have tactfully moved much of their subsidies to the AoA 'Green Box' which allows unlimited subsidies. To add further insult to injury, the USA and EU have now launched a frontal challenge on countries such as India that provide price support subsidies to resource poor farmers in the form of a Minimum Support Price (MSP) for public stockholding. At the 2013 WTO Ministerial Conference in Bali, Indonesia, the Group of 33 developing countries had tabled a ***Food Security Proposal*** that would shift these subsidies to the Green Box and therefore allowed without limits. However at Bali, developing countries such as India were forced to agree to a compromise 'Peace Clause' that put a moratorium on legal challenges but with stringent conditionalities and reporting procedures that made it unusable. No new food procurement programmes can use the Peace Clause. This has implications for other developing countries that might want to use this option in the future.

Leading up to Nairobi, the USA and EU have been steadfast in blocking all talks for a permanent solution on the issue of public stockholding for food security purposes. The US has gone further, submitting a proposal that calls for commitments that prohibit budgetary allocations, price support and input subsidies for public stockholding programmes. In gist, while developed countries such as the EU and USA continue, and even increase, their agricultural subsidies, developing country programmes to ensure the livelihoods of millions of poor farmers and national food security are under attack.

INDUSTRY

The ***Non-Agricultural Market Access (NAMA) Agreement*** deals with reducing and eliminating tariffs on industrial products, including forestry, fishery and other marine products. Current NAMA proposals ironically provide S&DT to developed countries as the formulae for tariff cuts mandate more reduction of higher tariffs than lower tariffs. Given that developing countries tariffs are relatively high, they will face steep reductions while developed countries will do virtually nothing, given their low level of tariffs. Thus developing countries will get hardly any new market access through the NAMA negotiations.

A more dangerous development under NAMA is the proposal for '***Sectorals***'. Here tariffs will be eliminated to zero in identified sectors. Again in violation of the S&DT principle, developed countries are insisting on the mandatory participation of developing countries in sectorals in electronics, industrial machinery and chemicals. This will have serious impact on employment and affect industrial development in India and other developing countries.

Further, USA and EU are leading the effort on ***plurilateral negotiations*** *(between a select few countries)* for a new ***Information Technology Agreement (ITA-2)*** and elimination of tariffs for environmental products under the ***Environmental Goods Agreement (EGA).*** In 1996, India signed the ITA-1 and eliminated its tariffs in more than 200 IT products. This virtually decimated India's hardware industry.

The negotiations for an EGA are being carried out under the false propaganda that reduction of tariffs for environmental goods will help in the fight against climate change. It is important to note that most of the products included are industrial products such as solar photovoltaics and wind turbines produced mostly in advanced industrialised countries. Providing market access in the developing world for these products is the key agenda here. Developing countries' demands to include climate friendly agricultural products have been ignored.

Currently, India is not a participant at either the ITA-2 or EGA but is under tremendous pressure to join. These plurilateral negotiations undermine the multilateral nature of the WTO and represent a divisive agenda of developed countries to gain market access in sectors they enjoy competitive advantage. Products covered under these new agreements represent new frontiers in growth, technological advancement and job creation. Therefore developing countries need to protect their development policy space to establish indigenous industrial capabilities, create value addition and employment. Signing onto the ITA-2 and EGA will eliminate such possibilities.

SERVICES

The ***General Agreement on Trade in Services (GATS)*** is an extraordinarily powerful tool for Transnational Corporations (TNCs) to enter and control the service sector. Under the GATS, developed countries are demanding market access in key sectors such as financial services, insurance, energy, education and health. In 2005, India had tabled a conditional offer to open up some of these sectors. However, the major demand from India is under Mode 4 (temporary movement of labour to provide a service) for relaxation of quotas and rules to allow for its skilled labour to provide services abroad. It is now evident that not only does Mode 4 raise questions around workers' rights; it is quite unlikely that the EU and USA will make any substantive commitments in this area. As the GATS negotiations reached an impasse, developed countries have launched a secretive plurilateral process outside the WTO called the ***Trade in Services Agreement (TISA)***, with the objective of much deeper liberalisation commitments that goes beyond the GATS framework. While India is as yet not a member of the TISA, industry lobbies such as the National Association of Software and Services Companies (NASSCOM) are lobbying for the country to join. India should continue to remain out of TISA and withdraw its conditional GATS offers, especially in critical sectors such as higher education, finance, insurance and health.

NEW 21ST CENTURY ISSUES

One of the biggest battles for developing countries at Nairobi will be to stop the USA and EU from introducing 'new 21st century issues' into the already complicated and iniquitous work programme of the WTO. Though fundamentally flawed, the Doha Development Agenda (DDA) at least in principle allowed for some flexibility to developing countries through mechanisms such as S&DT in implementing the various agreements. The '***new issues***' that will be pushed at Nairobi represent a completely opposite paradigm and include multilateral liberalisation and standard setting in areas such as ***Government Procurement***, ***Investment, Competition policy, E-Commerce, Global Value Chains (GVCs) and climate related trade*** (including environmental goods and services). These issues were kept out of the Doha Round due to the principled opposition from developing countries, especially India. The new issues represent the corporate agenda of the advanced countries to further pry open developing country markets.

A UNITED SOUTH AT NAIROBI

At Nairobi, the developing world should be united in demanding a complete moratorium on new issues and plurilateral negotiations. Instead they should push for addressing long standing issues of implementation (i.e. problems that developing countries face in implementing various WTO agreements such as the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). Close to 100 such issues were presented in 2001) and other related developmental concerns, rather than be trapped in the market access agenda of developed countries. Twenty years after its formation, it is evident that the WTO has failed the developing world, the working classes, peasants and the environment, while deepening wealth inequality between the North and South. At Nairobi, India should lead the developing world in calling for a Multilateral Assessment of the impacts of various WTO's agreements on development and industrial policy space, food sovereignty, environment and health, jobs, technology transfer and access to public services.