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**G90 softens on trade facilitation,  
hardens on NAMA and Cotton**

Tetteh Hormeku

Trade Ministers of the G90, at their meeting here 12-13 July have adopted a declaration reiterating more or less the same positions as the ACP countries on agriculture, insisted on stand alone talks on the cotton subsidy issue, rejected use in the July framework package of the Derbez text on NAMA, and indicated conditional willingness to consider trade facilitation talks.

The conditions set out on trade facilitation talks and its being included in the July framework package include that the concerns of the G90 countries are substantively addressed and there is satisfactory balance in the overall framework, and dropping from the Work Programme the other three Singapore issues - investment, competition policy and transparency in government procurement. Adopting a Declaration on the "Elements of a G90 Platform on the Doha Work

Programme", the G90 Ministers put off for further consultations, the setting up of a G90 Ministerial Steering Committee for the negotiations.

On non-agricultural market access (NAMA), among others the G90 called for continued enjoyment of "adequate and effective" levels of preferences they now enjoy, and for a "carve-out" in respect of sectoral talks with regard to products of export interest to the G90.

On the cotton subsidy issue, and the cotton initiative of the four West African cotton producers, the G90 insisted on the issue being dealt with as a "stand-alone" negotiations and not subsumed into the agriculture negotiations as proposed by the US and EC (the two subsidisers of cotton production, and subsidized exports by the US).

In the Declaration, the G90 referred to themselves as "the Alliance of African, Caribbean and Pacific (ACP) Group of states, the African Union (AU) and the Least Developed Countries".

The Ministers rejected the decision by the NAMA Chair to use Annex B of the Derbez text as the basis for the preparation of the framework, and said the G90 are prepared to consider the framework positively only if it included the elements their countries have raised in the process of the negotiations.

The 'elements of the platform' re-affirmed the outcomes of the recent meetings held by members of the G-90, including the ACP Ministerial Declaration adopted by the meeting of ACP trade ministers which immediately preceded the G-90 meeting.

On the Singapore Issues, the platform document said that the G-90 agrees that the three issues (Trade and Competition Policy; Trade and Investment, and Transparency in Government Procurement) should be dropped from the Work Programme. The G90 indicated its willingness to favourably consider Trade Facilitation provided "our concerns in this area are substantively addressed and there is a satisfactory balance in the overall framework of the negotiations."

The Ministers explained that their position on trade facilitation was meant to show flexibility in order to move the negotiations under the Doha work programme forward. The issue of what would be the appropriate measure of flexibility required by Ministers in this regard was extensively discussed in the meeting of the ACP Trade Ministers. Indications of what the Ministers would consider as meeting the requirement for their concerns in the area of trade facilitation to be substantively addressed as well as the attainment of overall balance in the framework are contained in the "Conclusions of the 8th Ministerial

Meeting of the ACP Ministers of Trade, which became available in the final stages of the G-90 meeting.

The conclusions of the ACP Ministers, in a paragraph similar to the one adopted in the G-90 platform, said that "Ministers also indicated their willingness to favourably consider Trade Facilitation provided certain conditions which are listed in paragraph 46 of the ACP declaration are addressed and that there is satisfactory balance in the overall framework."

That paragraph (about satisfactory balance) said: "The Ministers were of the view that issues pertaining to, inter alia, exemption from reduction commitments in agriculture and NAMA, binding commitments on preferences, a satisfactory solution to the question of cotton and commitments on special and differential treatment on market access would contribute to creating the required balance. In this respect, they mandated the ACP Geneva Ambassadors to negotiate along these lines while ensuring that the ACP states interests and concerns are addressed."

On Non-Agricultural Market Access, the G-90 Platform document said that "the G-90 is disappointed by the decision of the Chairman of NAMA to transmit Annex B of the Derbez Text to the Chairman of the General Council as a basis for the preparation of the Framework without incorporating the concerns expressed through our various submissions during the process of negotiations. The Alliance reiterates that it is prepared to consider the framework positively only if it included the elements we have raised in the process of the negotiations."

The platform also stated that "the Derbez text in general, and its annex on NAMA are in contradiction with the principle of less than fully reciprocity enshrined in the Doha Ministerial Declaration, and as such, would further deepen the crisis of de-industrialisation and accentuate the unemployment and poverty crisis in our countries."

"It is, therefore, imperative," the G90 text said, "that the July package should contain a number of measures, including:

- \* 'policy space and flexibility' to allow G-90 states to undertake industrial policy and national development objectives;

- \* incorporating the concerns of the individual G-90 constituents expressed through their various submissions made during the process of negotiations;

- \* approach the issue of tariff binding in a way that created incentives to enable those countries that have not bound their tariff to do so, and acknowledge the bindings of tariffs as the main contribution to this round by the G-90 countries that so engage;

- \* adopt a tariff reduction approach which provides sufficient flexibility and scope to enable the G-90 countries to continue to have adequate and effective levels of preferences necessary for the maintenance of competitiveness in their export markets;

- \* ensure that due to the critical importance of preferences for the Members of the G-90, solutions to the questions of preference erosion are obtained within the WTO negotiations;

- \* exempt LDCs from any reduction commitment;

- \* ensure that Developed countries, and those developing countries in a position to do so, grant bound duty and quota free market access to all products originating from the LDCs;

- \* recognise the sectoral approach would be detrimental to G-90 Members benefiting from long-standing preferences in major export markets, and seek to have suitable carve-out in favour of G-90 economies with regard to products of their export interest;

- \* contain provisions which address the supply side constraints of G-90 countries in order for them to take advantage of any increased market opportunities;

- \* other weak and vulnerable members of the G-90 should be exempted from any reduction commitment; and

- \* address expeditiously and effectively all non-tariff barriers (NTBs) notified by G-90 countries in the NAMA group.

On Agriculture, the G-90 platform said that "agriculture is of critical importance to the economic development of G-90 States and other developing countries, and holds the potential to lift millions out of poverty. Accordingly, within the context of the July package, it is imperative that:

- \* the Framework and the eventual modalities to be agreed upon should address the three pillars (of agriculture reform - domestic support, export competitiveness and market access) in a balanced and equitable manner;

\* S&D provisions be binding, effective and meaningful;

\* the importance of longstanding preferences be recognised and that the issue of preference erosion be addressed;

\* the concerns of the NFIDCs (net food importing developing countries) and the LDCs be fully taken into account in the development of disciplines on export credits and food aid;

\* LDCs be exempt from any reduction commitment;

\* Developed countries, and those developing countries in a position to do so, grant bound duty and quota free market access to all products originating from the LDCs;

\* provisions be made to enable developing countries to fully utilise the Special Products (SPs) and Special Safeguard Mechanism (SSM) to effectively address their development, food security and livelihood security needs;

\* other weak and vulnerable members of the G90 should be exempt from any reduction commitments; and

\* members exercise restraint in applying TBT and SPS measures to products of G-90 countries and provide technical assistance for compliance with SPS and TBT requirements for the export of G-90 agricultural commodities.

On cotton, the Ministers said that it continues to be a vital issue for G-90 members and requires urgent attention. "In this regard, the G-90 underscores that it should be treated as stand-alone issue and not as part of the overall

negotiations on agriculture." They also stated that the "July Package should include a clear commitment to speedily and substantively address both the trade-related aspects of the [cotton] initiative and their development-related counterparts be treated in a "fast-track" basis.

Under development, the G90 document stated that the "General Council should be instructed to agree on a work programme for the operationalisation of a S&D programmes within a specified time frame and set an early deadline for the adoption of outstanding proposals, and to monitor the work closely on the proposals".

Other issues addressed in the G-90 platform document related to services, trips and public health, coherence, accession for LDCs, and observer status for ACP, the AU, and to their inter-governmental and regional organisations.

Earlier, the meeting was addressed among others by Mauritius Trade Minister, the Tanzanian Trade Minister (coordinator of the LDCs), the Rwandan Minister (coordinating the African Union), Indian Trade Minister Kamal Nath and Brazilian Foreign Minister Celso Amorim (both representing the G20 in the Paris talks with the US and EC), the EC Development Commissioner Ms. Dauta Hubner and the USTR Robert Zoellick. The spokespersons of the various G90 constituents articulated the motivations, concerns and expectations of their constituencies in the on-going negotiations. Amorim and Kamal Nath emphasized the continued solidarity of the G90 and the G20 to ensure a pro-development outcome in the negotiations.

On the other side of this equation, the EC Commissioner Ms. Hubner spoke of the EC support for the formation of the G90 and EC sharing some of the ideas of the G90. Zoellick recounted the US initiatives including the African Growth and Opportunity Act (AGOA), the Millennium Challenge Account (MCA) and others, and the need for the G90 to work together with the US and other countries of the North and the South to save the Doha negotiations.

The messages of friendship from the different sides had a different point of resonance with the concerns expressed by the G90 spokespersons. India and Brazil for the G20 emphasised the unity, cohesion and solidarity of the G90 and G20 members in the face of the common problems faced by developing countries as a result of the inequities and imbalances of current WTO agreements, as well as of failures by members to live up to commitments. On their side the USTR and the EU commissioner emphasised flexibility, balance and compromise. The varying themes of unity, the inequities of the global system, as well as flexibility and compromise, were in turn reflected in the speeches of spokespersons from the G90.

*\*Tetteh Hormeku is with Third World Network-Africa.*

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**Editorial: Doha round cannot be about anything other than development**

Percy Makombe

**Reviving trade talks**

In the last two months we have seen concerted attempts at reviving global trade talks which collapsed in Cancun, Mexico last year. The 147 World Trade Organisation (WTO) members

are trying to beat an end of July deadline to agree on an outline that will revive the so-called Doha round of trade talks which started in 2001. That there is pressure to come up with an agreement is reflected in WTO Director-General Supachai Panitchpakdi comments: "Should we reach agreement this month, the Doha round will be back on track."

The G90 is an alliance of African, Caribbean and Pacific (ACP) Group of states, the African Union (AU) and the Least Developed Countries (LDC). The Mauritius meeting was held in preparation for the WTO General Council meeting scheduled for 27 July. The General Council meeting of the WTO is critical for the revival of the Doha Round as members work to reach an agreement on agriculture, cotton, Non-agricultural Market Access, development and trade facilitation. These are the major issues in the so-called "July Package".

The G90 trade ministers meeting in Cancun opposed the decision by NAMA chair to use Annex B of the Derbez text as a basis for the preparatory framework. They called for the inclusion of the concerns that they raised in the process of the negotiations. As the article by Tetteh Hormeku in this Bulletin explains, "the G90 called for continued enjoyment of adequate effective levels of preferences they now enjoy, and for a "carve-out" in respect of sectoral talks with regard to products of export interest to the G90."

On the Singapore Issues the G90 agreed that three issues (trade and competition policy; trade and investment, and transparency in government procurement) should be dropped from the Doha Work

Programme. They were willing to consider the fourth issue – trade facilitation if their concerns in this area were addressed and “there is satisfactory balance in the overall framework of the negotiations.”

### **July package**

The G90 was of the opinion that if the “July package is to be taken seriously, it should also include amongst others:

- policy space and flexibility.
- address three pillars of agriculture reform – domestic support, export competitiveness, market access in a balanced manner.
- S & D provisions be binding.
- Deal effectively with non-tariff barriers notified by G90 countries in the NAMA group
- Exempt all members of the G90 from reduction commitment.

The Doha round cannot be about anything other than development. At any rate, the Marrakesh Agreement which established the WTO speaks of a

“ need for positive efforts designed to ensure that developing countries and especially the least developed countries among them secure a share in growth in international trade commensurate with the needs of their economic development.”

The outcome of any negotiations cannot be considered legitimate if they trash the concerns of the poor countries.

The Doha mandated negotiations are remarkably slow in areas of interest to the developing countries. The slow progress for instance in implementation issues, Special and Differential treatment and agriculture call to question the commitment of the

major developed countries to the development of vulnerable nations in the global village. Interestingly, issues of concern to the developed countries like NAMA and Singapore issues continue to be on top of the WTO agenda.

### **Agriculture**

As the G90 reiterated in Mauritius, agriculture is of crucial importance in Africa. Other than providing food security and sovereignty, it is the mainstay of most African economies. The sector is however performing below its capacity as it is being affected by factors in external markets like subsidies and tariff peaks and escalation. The Agreement on Agriculture is skewed as it allows developed countries to maintain their domestic support while denying developing countries the same rights to counterbalance with tariffs. To accept any agricultural market access formula that aims at further reducing tariffs in developing countries is to condemn the already vulnerable countries to perpetual poverty. Developed countries must eliminate all forms of export subsidies, credits, tariff peaks and escalation. In the infamous Derbez text, “sensitive products” of developed countries like sugar and beef for EC, rice for Japan, sugar, cotton for US were covered by a blended formula. The developed countries were allowed to have a list of products where tariff cuts would be little or virtually non-existent.

There is a case for the elimination of amber, blue and *de minimus* boxes of subsidies by developed countries and the limiting of their green subsidies as these have a direct effect on production for export and therefore become trade distorting. Growing fears that the US is pushing for the creation of a special blue are not to be taken lightly. The US

is believed to be pushing for the expansion of the blue box so that it can put counter-cyclical payments in this box. This arrangement would cover losses to US farmers during price falls and more importantly it would enable them to continue to sell below production prices thus continue with its trade distorting practices. Even worse it means Brazil would have to abandon its hard won panel ruling to accommodate the US. What is very clear is that the system of domestic support and subsidies in the US and EU is still very far from undergoing any meaningful reform.

### **Non-Agricultural Market Access**

Misleading assumptions continue to be made by prophets of trade liberalization. They come up with models projecting welfare gains of billions of dollars to be obtained from further trade liberalization. Interestingly these conclusions are usually based on assumptions of full employment with complete disregard of the negative effects on the national production structure of the developing countries. Competition from cheaper imports, we are told, will induce local firms to be more competitive. Nothing could be further from the truth. Economic theory and history reflects that all the developed industrial states of today could not have reached their level of development without high tariffs and other protectionist measures. Having reached this stage, they now want to “kick away the ladder” by peddling the falsehood that it was the total opening up of their economies which led to their rapid development.

The fact of the matter is that developed countries industrialized under high tariff and import protection. They developed because they had a pro-active state that supported infant

industries. Countries that liberalized too fast suffered closure of local industries and massive job losses. That indeed is the story of Africa today. Hence the need to be cautious about proposals that impose further and rapid liberalization. It is against this background that LDC countries with a weak industrial base should be exempted from tariff reductions in any negotiations. All developing countries with a weak industrial base should have the policy freedom and flexibility to chose their own commitments regarding which sector and at what rate of reduction their commitments are to be. Countries that have already suffered deindustrialization from previous tariff cuts should have the flexibility to increase their tariff rates above the bound rates for certain periods for those products and sectors that have been adversely affected. We cannot have a one-size-fits-all approach in trade negotiations. Trade arrangements should take into account the different structural and social conditions of each country.

### **Trade facilitation**

The G90 must be careful that they are not left holding the baby on trade facilitation. Negotiations should not lead to an agreement that will impose new obligations that are expensive and difficult to implement for developing countries. An agreement in this area may require our countries to purchase and maintain expensive equipment for customs clearance and safety testing. Moreover the structure and functions of customs are different in developing countries, as governments there are much more reliant on customs duties for revenue.

### **Conclusion**

Lest we forget, Cancun collapsed because of the intransigence of the EU and US. The EU insisted on the

adoption of the Singapore Issues even in the absence of an explicit consensus. Though at Cancun EU agreed to drop three of the four Singapore Issues. Since then it has come back to pushing for their inclusion in the WTO agenda. The US on the other hand was not interested in tackling the problem of its cotton subsidies. Added to this was the undemocratic and exclusive way of producing a new draft text. There is little to suggest that there have been major changes in the way in which the developed countries operate. Sir Oscar

Wilde was known for his sharp tongue. Handcuffed, standing in pouring rain on his way to prison, he is said to have remarked: "If this is the way Queen Victoria treats her convicts, she doesn't deserve to have any." If this is the way the developed nations treat the developing countries, then they do not deserve to have any.

*\* Percy Makombe is the Assistant Editor of the Bulletin.*

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