



Institute for Agriculture and Trade Policy

Press release

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Development left behind in WTO agreement in Hong Kong

Deal disguises failure to promote development, help farmers and workers

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Hong Kong — A watered-down agreement announced late last night by the World Trade Organization (WTO) at the Hong Kong ministerial reflects the struggles of a deeply flawed Doha Round that is far off-track, according to the Institute for Agriculture and Trade Policy.

“It is not surprising that the Doha Round can’t achieve meaningful progress. The agenda is promoting a vision for liberalization that is not supported by most members. Even those that use free trade rhetoric, like the U.S., aren’t ready to commit to it in practice,” said IATP’s Trade Director Sophia Murphy. “We have ten years of the WTO, and it’s clear that the push for greater liberalization has not helped farmers, increased employment, or promoted development in poor countries.”

The watered-down Hong Kong declaration requires few changes for countries like the U.S. while extracting significant concessions from developing countries to open up their borders for multinational services industries. “The Doha Round has taken some of the most important priorities, such as agricultural dumping, domestic policy space for rural development and job creation, off the table at the WTO,” said Alexandra Strickner, Director of the Geneva-based Trade Information Project of IATP.

“The message from poor countries is clear. This is not the development round they asked for. The voices of the large number of people around the world have been seriously marginalized and their demands sidelined,” said Carin Smaller, trade analyst at IATP. “The ministerial declaration is full of empty promises.”

A series of recent economic studies, including from the World Bank, have steadily downgraded the projected benefits of greater liberalization, while the balance of benefits are now expected to accrue more to the 30 or so developed countries rather than to the approximately 120 others from the developing world. “The Doha Round is stuck in an outdated model for development through trade,” said Murphy. “We need a shift at the WTO that puts the livelihoods of people and the strengthening of communities first. Trade, if managed correctly, can play a useful role. But countries must be allowed to determine the role they want trade to play, not forced into agreements that even multi-lateral development agencies question.”

The Hong Kong declaration itself was a largely face-saving exercise with little substance. The declaration was deliberately kept minimalist to avoid another failure like Cancún. In fact, the agreement is so watered down it is hard to determine what impact it will have. Most of the work is still to be done.

Continued

Here is a brief analysis of some of the key components:

On NAMA (non-agricultural market access): The language on manufactured goods and natural resources continues to go entirely in the wrong direction, forcing the opening of markets for developing countries while threatening employment, development and the environment. Developing countries have rejected this text for years and yet the same details keep reappearing. The text proposes to cut industrial tariffs using a Swiss formula. This is the most drastic way to cut tariffs and has already been rejected in the agriculture negotiations. Such steep cuts will have a disastrous impact on developing countries' ability to build up an industrial base and to protect their natural resource base.

On development: The Hong Kong development package is empty. The U.S. has offered to eliminate export subsidies on cotton but that is simply implementation of existing rules. The U.S. is already obligated to eliminate export subsidies for cotton under the Brazil-U.S. Cotton ruling. On duty-free and quota-free access to least developed countries, once again, the U.S. is offering 97 percent of tariff lines whereas only about 3 to 7 percent of U.S. tariff lines are high enough to be trade barriers. So the 3 percent gives the U.S. tremendous flexibility to protect products of real interest to LDCs, such as sugar and textiles. In return for these empty concessions, the U.S. is demanding an aggressive liberalization commitment from developing countries that will be quite costly for their own development prospects.

On cotton: The new text shows the clear limits on U.S. Trade Representative Portman's mandate: Overnight the commitment to cut domestic support on cotton was watered down from "will" to "should," which is now in brackets, after U.S. Senator Saxby Chambliss (R-Ga.) sent a letter repeating his position that cotton should not be treated separately from other crops.

On services: Developing countries fought hard to weaken the language of the services text that proposed mandatory plurilateral negotiations on market access. Despite the changes made to the text, it is still in the interests of developed countries services corporations. As of the beginning of 2006, developing countries will face plurilateral services negotiations in which they will be asked to either open up their water, energy, retailing and other key infrastructural services sectors.

On food aid: At last some more detail on food aid is offered in this declaration. However, the disciplines on in-kind food aid, monetization and the resale of food aid in third country markets have yet to be negotiated, so whether the WTO will end up with rules that really control U.S. abuses of food aid programs is not yet clear.

To read the text, and hear audio comments from IATP staff, go to: tradeobservatory.org.

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