

**Analysis of the New WTO Agriculture
and NAMA Texts of 6 December 2008**

MARTIN KHOR

**Analysis of the New WTO Agriculture and NAMA
Texts of 6 December 2008**

MARTIN KHOR

TWN
Third World Network

**Analysis of the New WTO Agriculture and NAMA Texts of 6 December
2008**

is published by
Third World Network
131 Jalan Macalister,
10400 Penang, Malaysia.
Website: www.twinside.org.sg

© Third World Network, 2009

Printed by Jutaprint
2 Solok Sungei Pinang 3, Sg. Pinang,
11600 Penang, Malaysia.

ISBN: 978-983-2729-70-9

CONTENTS

1	Introduction	<i>1</i>
2	The NAMA Modalities Paper	<i>5</i>
	NAMA coefficients and flexibilities	<i>5</i>
	Further restrictions through anti-concentration clause and sectoral approach	<i>7</i>
3	The Agriculture Modalities Paper	<i>9</i>
	Overall trade-distorting domestic support (OTDS)	<i>9</i>
	Sensitive Products	<i>11</i>
	Special Products	<i>12</i>
	Special Safeguard Mechanism (SSM)	<i>13</i>
	Cotton	<i>17</i>

1

Introduction

THE two revised draft texts by the Chairpersons of the agriculture and NAMA (non-agricultural market access) negotiations at the WTO which were issued on 6 December 2008 remain imbalanced within themselves and in relation to each other.¹

Many of the main components of the two texts are drawn from the previous drafts and especially from the one-page paper of WTO Director-General Pascal Lamy of 25 July which he presented to the inner group of seven Ministers (the so-called G7) during the last mini-Ministerial meeting at the WTO. They thus contain the in-built imbalances as between developed and developing countries, and as between agriculture and NAMA, that are in these other documents.

The papers cater to the sensitivities of developed countries, which are not obliged to undertake much commitments as they are given flexibilities to avoid painful real cuts to their applied tariffs or subsidies. On the other hand, many developing countries are required to undertake commitments – some of them proposed only months ago by developed countries and now accepted in the drafts – that either cut their tariffs significantly or drastically reduce their policy space for future development strategies.

1 The Chair of the agriculture negotiations is Ambassador Crawford Falconer of New Zealand and the Chair of the NAMA negotiations is Ambassador Luzius Wasescha of Switzerland. Their modalities papers dated 6 December 2008 can be found on the WTO website (www.wto.org).

Among the main inequities are the following. In the NAMA paper, the coefficients are the same as in the Lamy paper, and they require developing countries applying the Swiss formula to undertake far deeper tariff cuts than developed countries, thus reversing the mandate of “less than full reciprocity for developing countries.”

The flexibilities for developing countries in NAMA are very meagre, with a very low percentage of tariff lines allowed exemption (5%) or relaxation (10%) from the Swiss formula cuts. This is worsened by the extra constraint that the tariff lines selected cannot exceed a low percentage (5% for exempted products or 10% for products with more lenient cuts) of the total value of the country’s NAMA imports.

These already meagre flexibilities are sought to be further constrained and squeezed by two recent proposals by developed countries – now sanctioned by the NAMA draft: an “anti-concentration clause” (i.e., in choosing flexibilities, countries cannot focus too much on particular sectors); and compulsory participation (by some selected developing countries) in what was mandated as a “voluntary” sectoral approach (in which tariffs in whole sectors have to be eliminated or brought to very low levels).

According to trade officials in the know, bound tariffs of developing countries applying the formula would average 11-12% and only a few tariff lines would be above 15%, after implementing what is in the Chair’s paper. These are very low industrial tariffs for developing countries, whose industries are at an infant or nascent stage and are unlikely to compete with imports without significant tariffs. The developed countries had much higher tariff levels when they were at the developing stage.

Developing countries would be justified in worrying about the future prospects of their local industries, and also the very significant losses of tariff revenue, which most can ill afford in this period of recession.

The agriculture text takes on the numbers proposed in the Lamy paper with regard to cuts in overall trade-distorting subsidies and in tariffs, as well as the number of Sensitive and Special Products.

The Chair's draft enables the developed countries to have many flexibilities to continue to shelter their agricultural subsidies (including the creation of a new Blue Box window, the fixing of bound levels of overall trade-distorting support above the applied or planned levels, and the retention of relaxed rules including no ceiling for Green Box subsidies), and to have sizeable numbers of Sensitive Products (without the trade value constraint, unlike in NAMA) to cushion tariff cuts.

Although developed countries' domestic subsidies are hardly curtailed, the developing countries are asked to undertake agricultural tariff cuts two-thirds the rates of developed countries, and with a maximum 36% average cut (much more than the 24% of the Uruguay Round). The Special Products flexibility for developing countries is also much less than what the G33 developing-country grouping had requested.

And the Special Safeguard Mechanism (SSM) proposed in the Chair's new text remains problematic – it has so many conditions attached to its use, and remedies that are so restrictive, that it would in practice be of little utility. It is supposed to be easier to use than the normal safeguard and the existing special agricultural safeguard (SSG, used mainly by developed countries). But it is turning out to be more restrictive in crucial areas – such as that the extra duties under the SSM can be allowed to exceed the Uruguay Round bound rates only under limited conditions and the quantum of the extra duties is very limited, while there are no such conditions under the normal safeguard or the SSG.

On cotton, on which the African countries in particular place great importance, the Chair's text retains its previous proposal of a more significant cut in domestic support than the average cut. This would be progress, if accepted by the developed countries. However, there is no sign yet that the United States, in particular, is willing to negotiate this issue in earnest. At the July mini-Ministerial meeting, this issue was not even discussed, despite the presence of so many African Ministers, who felt gravely let down.

There is little point in holding another Ministerial meeting now if this is going to be repeated. With cotton subsidies being retained with the same or upgraded terms in the recently adopted US Farm Bill, it is most unlikely that the US can agree to a significant reduction of its cotton subsidies at the WTO that would undercut the Farm Bill.

Moreover, if there is to be a WTO Ministerial meeting in December, the US delegation will be in a most difficult situation, as it is a “lame duck” delegation with no authority to speak for a President-elect who will assume power the next month, nor for the new US Congress, key members of which have just written to President Bush warning him not to give anything away at a WTO Ministerial and even urging him against the holding of such a Ministerial.

The small vulnerable economies (SVEs) are given more lenient treatment in both the NAMA and agriculture papers, compared to “normal” developing countries. Even then, the tariff cuts they are to undertake are as significant as (or more so than) in the Uruguay Round. The least developed countries (LDCs) are not required to cut their tariffs.

However, this respite is illusory, because most of the LDCs and SVEs are African, Caribbean and Pacific (ACP) countries, and the ACP countries are being pressured by the European Union (EU) to undertake tariff cuts in their Economic Partnership Agreements (EPAs) with the EU, which are scheduled to conclude next year (2009). These tariff cuts would be much more onerous than those to which the “normal” developing countries would be subjected in the WTO’s Doha agenda. In the EU’s EPAs, the ACP countries are asked to cut tariffs to zero for 80% of their tariff lines – deeper than the cuts in NAMA and agriculture that the “normal” developing countries are asked to undertake in the Chairs’ papers.

The following is a comment on some aspects of the NAMA and agriculture Chairs’ texts of 6 December.

2

The NAMA Modalities Paper

NAMA coefficients and flexibilities

THE NAMA Chair's paper basically uses the coefficients and flexibilities of the Lamy paper of 25 July, which in turn is mainly based on the then NAMA Chair's 10 July text.

This paper is extremely imbalanced and does not fulfil the “less than full reciprocity for developing countries” principle. It requires the developing countries to undertake tariff reductions by more than developed countries. It also cuts the developing countries' bound tariffs very deeply, thus reducing many applied tariffs, and seriously reducing policy space to make use of tariffs for industrial development in general and the development of future industries in particular.

The text fixes a coefficient of 8 for developed countries, which would mean that the average bound tariff of the three major developed countries would be reduced by about 28% (i.e., the EU by 33%, the US by 29%, Japan by 22%).

The text fixes coefficients of 20, 22 and 25 for developing countries (with flexibilities for 14%, 10% and zero in numbers of lines respectively); the countries are asked to choose one of the options. A choice of the middle coefficient of 22 would reduce the average tariff of developing countries like India, Brazil, Indonesia and Venezuela by about 60%.

Linked to coefficient 22 is the flexibility that 10% of NAMA lines can have tariff cuts that are half the rates of the formula cuts, or else 5% of lines can be exempted from any cut. This flexibility is not sufficient and is further restricted by the condition that the lines enjoying the flexibility must not exceed 10% of the value of NAMA imports (for the flexibility of half the formula cut) or 5% of the value of imports (for the flexibility of exemption).

The sets of flexibilities for the options of coefficient 20 (14% of lines limited by 16% of value for tariff cuts at half the formula cut) and coefficient 25 (zero flexibility) are also meagre and extremely insufficient to enable developing countries to successfully undertake industrial development.

The drastic effect on developing countries' industrial tariffs is seen in an estimate by trade officials that following the application of the Chair's coefficients and flexibilities, the majority of NAMA tariff lines for developing countries having to apply the formula would be less than 12-14% (depending on the coefficient and flexibilities used).

For these countries, bound tariffs would be at an average of 11-12%, and only a small number of tariff lines would have levels above 15%. The lowness of tariffs across a broad range of industrial products would not be able to support future development of local industries.

For a balanced NAMA outcome, the principle of less than full reciprocity should be respected and reflected in the coefficients. Thus, if coefficient 8 is chosen for developed countries, the tariff reduction rates for developing countries should at most be two-thirds of the reduction rates of the developed countries. This should be reflected in the coefficients for developing countries. The fact that this is not provided for in the Chair's text is a violation of the mandate in the 2001 Doha Ministerial Declaration that launched the Doha agenda. Its absence, and the presence of its opposite instead, shows the extreme imbalance in the NAMA paper.

Further restrictions through anti-concentration clause and sectoral approach

The NAMA text also retains the “anti-concentration clause” which is designed to prevent developing countries from excluding an entire sector, or close to an entire sector, from full formula tariff cuts. This clause made its first appearance very late in the NAMA negotiations, when it was proposed by some developed countries. Yet, incredibly, it was included in the former NAMA Chair’s 10 July draft (as a general concept) and legitimised further with numbers in Lamy’s 25 July paper, which had simply stated: “ACC 20% of lines, 9% of value.”

The new NAMA text legitimises it still further by incorporating the clause in paragraph 7(d), stating that “full formula tariff reductions shall apply to a minimum of either 20% of national tariff lines or 9% of the value of imports of the Member in each HS Chapter.” Despite the protests by many developing countries before and in July, this anti-concentration clause has now been solidified in the Chair’s text.

The “sectoral approach” has now become the subject of a major controversy. It was clearly understood that participation of any member in a sectoral approach (in which participants agree to lower their tariffs in selected sectors to zero or very low levels) would be voluntary. However, some developed countries, especially the US, have insisted that some developing countries (China, India, Brazil) must take part in at least one or two sectoral initiatives from among sectors these developed countries have chosen, including chemicals, industrial machinery and electronics.

Lamy’s July text for the first time included the new obligation that certain countries (listed in an Annex Z) have committed to participate in negotiations in at least two sectoral initiatives. This contradicts the “non-mandatory nature of sectoral initiative”, which was also stated in the paragraph of the Lamy draft.

The Lamy text was not acceptable to some of the developing countries in the G7 talks within the mini-Ministerial in July. However, in recent months, the developed countries (especially the US) have continued to press China, India and Brazil to agree to commit to one or two sectoral initiatives. Otherwise, the US indicated, it could not agree to an overall deal. The pressures are tantamount to asking the developing countries to compulsorily commit to a so-called voluntary initiative.

There is a deadlock in the negotiations, with the prospect of this being a “deal-breaker”. The Chair in his text elaborates on the impasse in paragraph 9 and wisely refrains from repeating the Lamy language or any other text, choosing instead to highlight sectorals as a major problem, in which “we are far from a consensus.”

3

The Agriculture Modalities Paper

Overall trade-distorting domestic support (OTDS)

IN the agriculture Chair's text, the allowable OTDS for the US is to be cut by 70%. Thus the present \$48.3 billion allowable level is cut to \$14.5 billion. The \$14.5 billion level far exceeds the estimated 2007 actual OTDS of \$7-8 billion. The US' actual or applied OTDS level was also \$7 billion in 1996-97 before rising to \$19 billion in 2005 (according to the US data notified to the WTO) and then dropping to \$11 billion in 2006 and \$8 billion in 2007 (according to estimates by the G20 developing-country grouping).

Thus the proposed \$14.5 billion allowable level is double the 2007 level, or even the 1996-97 level, allowing the US to have a lot of "water" to increase from the \$7-8 billion level.

The allowable OTDS for the EU is proposed to be cut by 80%. This is in line with what the EU has said it would do (i.e., to go 10 points higher than the US). The EU's present allowable OTDS is 110.3 billion euros. A cut of 80% would bring it to 22 billion euros.

In 2004 the EU's applied level was 57.8 billion euros (according to Canadian simulations in a WTO paper). According to one researcher, the estimated level in line with the EU's own Common Agricultural Policy (CAP) reform would be 27 billion euros in 2008, and according to another estimate, it is expected to drop to 12 billion euros at the end of the CAP reform in 2014.

Thus the cut to 22 billion euros, though it appears to be large, would still allow for “water” vis-à-vis what is planned.

The lowering of the US’ and EU’s applied OTDS of recent years has been accompanied by a rise in the Green Box support (which is not part of the OTDS). A large part of the domestic support of the US and EU has shifted to the Green Box, which is supposed to be non-trade-distorting and on which there is no limit placed. The EU subsidies are rapidly shifting from the OTDS to the Green Box in the CAP reform. While actual OTDS is cut, subsidies are shifted to the Green Box and total domestic support may not decline.

Recent studies have exposed that Green Box support (amounting to \$50 billion and 22 billion euros in 2000 in the US and EU respectively) can be and has been trade- and production-distorting. The Chair’s new text proposes some changes to the Green Box, but these do not alter the basic elements, with there being no cap on the Green Box and these subsidies being allowed to increase without limit in the future.

The Chair’s paper also confirms the creation of a new “window” for the Blue Box support, a new flexibility designed for the US to be able to have more of its subsidies (some of which it had wrongly classified under the Green Box, as ascertained by a WTO dispute case) under the OTDS umbrella.

Thus the cuts in allowable OTDS for the US and EU may appear large (70% and 80% respectively) but in fact will not go beyond applied or planned reductions in the OTDS. Moreover, these will be offset by an increase (in the case of the EU) in the Green Box.

The developed countries’ agricultural subsidies should not be there in the first place due to the distortions they cause, and their reduction should thus not be “paid for” by developing countries through the high price in market access in NAMA, agriculture and services being demanded of them.

An objective conclusion would be that the OTDS figures of a 70% cut for the US and an 80% cut for the EU are not adequate as they do not constitute effective and substantive or real cuts. In particular, the \$14.5 billion OTDS for the US is not adequate. The \$14.5 billion figure cannot be used as a “trigger” or reason to demand such high obligations from developing countries in agriculture, services and NAMA.

Sensitive Products

Many developing countries, including those in the G20 grouping, have been demanding a tariff cap of 100% for developed countries in agriculture. This was opposed by some developed countries. Some of their agricultural tariffs exceed 200-300%, with the highest tariff at over 1,500%.

As a compromise, the Chair’s new text allows the “Sensitive Products” of developed countries to exceed the 100% cap. These are the products most likely to have very high tariffs. Moreover, the developed countries can also designate 1% of tariff lines that are not Sensitive Products to have tariffs above 100%. Therefore the sensitivities of developed countries are catered for.

Another sensitivity catered to is that developed countries can have Sensitive Products which can deviate significantly (by one- to two-thirds) from the formula cut. The number of allowed products in the paper is 4%, with an additional 2% for countries where 30% of products fall into the top tier of the formula. Developed countries have to “pay” for the reduced tariff cuts with the expansion of tariff quotas in the Sensitive Products. The paper elaborates in detail on the calculations of this expansion.

Developing countries can also make use of Sensitive Products, with one-third more in numbers (5.3% or 8%). The deviation from the full formula cut is the same as for developed countries.

Special Products

The majority of developing countries, championed by the G33, have called for more lenient treatment of their “Special Products” (SPs) to promote their food security and farmers’ livelihood concerns, arguing that SPs should not be subjected to tariff cuts (or at most have minimal cuts) especially since developed countries’ subsidies continue to distort the market.

The G33’s earlier position was for at least 20% of tariff lines to be self-designated as SPs (with half of that having zero cut) and for a three-tier system of cuts. This was modified to a “hybrid approach”, with some lines not needing to show “guidance by indicators” while others could show such guidance.

The G33 then made concessions in mid-2008 with a two-tier system (one tier of zero cut, the second tier with an average 12% cut). The G33 rejected a one-tier system because the zero cut for some tariff lines within that tier would mean that the cuts for the other tariff lines have to “compensate” by being higher than otherwise (to meet the average cut).

The Lamy draft had rejected the G33 position by having only one tier. Only 12% of tariff lines could be Special Products (which is on the low side of the Chair’s former range of 10-18% in his July text). Within the 12% tariff lines, 5% could have zero cut, but the 12% as a whole would have an average cut of 11%.

The new Chair’s text has taken the figures and structure of the Lamy draft. The single tier in this text makes it difficult for developing countries to have zero-cut SPs as well as SPs with a low cut. If the country chooses 5% of tariff lines to have zero cut, the tariffs for the other 7% of tariff lines have to be cut by an average of 19%, so as to meet the overall average cut of 11% for all the 12% SP tariff lines.

This is far from the original G33 position of at least 20% of tariff lines as SPs, with half of that having zero cut, a quarter having 5% cut and a quarter having 10% cut.

On top of this, the developing countries have to cut non-SP tariffs by a significant extent. In the Chair's new text, tariffs above 130% are cut by 46.7%, tariffs in the 80-130% range are cut by 42.7%, tariffs in the 30-80% range are cut by 38% and tariffs below 30% are cut by 33.3%. The overall maximum average cut is set at 36%, which is much higher than the Uruguay Round average cut of 24%. Moreover, in the Uruguay Round, developing countries had to cut only by an average of 24% with a minimum cut of 10% in each line, unlike the present prescribed large cuts in each band in the Chair's text. This is a high commitment to make, especially since the developed countries' domestic subsidies will continue.

Special Safeguard Mechanism (SSM)

The Chair's new paper recognises the SSM to be a very sensitive issue, as it has the reputation of being the deal-breaker at the July mini-Ministerial. The Chair treats the main SSM issue in the main text, and places in another document the most sensitive questions of whether the extra SSM duty can be used to exceed the pre-Doha (i.e., Uruguay Round or accession) levels and, if so, on what conditions and with what remedy (i.e., what extra duty is allowed).

The Chair's new text continues to specify so many conditions on the use of the SSM as to render it operationally ineffective. The SSM will in name help developing countries' farmers but in practice it will not, thus giving a false impression that livelihood and food security concerns are taken care of.

There are a number of problems with regard to the SSM, its triggers (i.e., at which stage of the imported good's price decline or volume increase the SSM can be put into effect) and remedies (i.e., the extra duty that can be

imposed). However, the major issue that preoccupied the July mini-Ministerial (and the G7 within it) was whether the extra SSM duty could increase the overall duty to above the pre-Doha levels (i.e., the Uruguay Round or the accession bound rates, which are the rates currently in place) and, if so, whether there should be special triggers for this and special limits on the extent to which the pre-Doha rates can be exceeded.

The major problem with the new Chair's draft is that it severely restricts the ability of the SSM to bring the applied tariff to above the current (the Uruguay Round or the pre-Doha) bound levels, and to the extent necessary to fulfil its task, i.e., to be a special safeguard so as to avoid losses to local farmers and displacement of their products.

The original Lamy proposal (25 July) was that the "SSM for bound rate trigger is 140% of base imports." This created a new condition and limitation – that a separate and more difficult trigger is set for products where the SSM will lead to tariffs exceeding the pre-Doha level.

Before this (for example, in the Chair's previous texts and in G33 proposals), the same triggers were used for cases where the extra duties cause the total duty to be below or above the pre-Doha levels. There were no separate triggers for SSM use that exceeds the pre-Doha bound levels.

Having this high volume trigger of a 40% increase in the volume of imports would mean that few products can avail of having tariffs above the Uruguay Round levels. The Lamy proposal also had a very restrictive remedy above the pre-Doha bound level, i.e., that there be a ceiling of 15% of the current bound tariff or 15 percentage points, whichever is higher.

The Lamy proposal suited exporters' interests and was supported by the US and others but rejected by India and probably China in the G7 meeting in July. There was then an attempt to come up with alternative proposals, which were then put forward by the G7 senior officials and the EU, but these were not acceptable to the US. The July talks then broke down.

The new Chair's text seems to be based on the EU proposal in the dying hours of the G7 meeting. It has a two-tier volume trigger, with one tier being a volume increase of 20-40% and the second tier being over 40%. In tier one, the maximum additional duty shall not exceed one-third of the current bound tariff or 8 percentage points, whichever is higher. In the second tier, the maximum additional duty shall not exceed half the current bound tariff or 12 percentage points, whichever is higher.

The remedies remain extremely restrictive as this low level of extra duty allowed will in many cases be insufficient to address the problem of import surge or declining import prices.

Therefore the objective of the SSM – to protect food security and farm livelihoods by effectively addressing the problem of import surge and price decline – will not be met in these many cases.

The normal safeguard (i.e., the safeguard agreement in the WTO) and the present SSG do not have any limit on whether the safeguard duty can exceed the duty level of the previous Round. By having such a condition, the SSM becomes weaker than the normal safeguard or the SSG, thereby erasing its purpose, which is to be “special”.

Further, there are many other conditions placed on when the volume-based SSM can be used and on the duration it can be in place, if the remedy were to exceed the pre-Doha rates.

Firstly, the Chair has placed the condition that “these remedies shall not normally be applicable unless the domestic price is actually declining”, which was also a condition in Lamy's text. This implies that the use of the volume trigger is conditional on the second trigger (price decline) being also present. Such “cross-checking” should not be there as each trigger in itself should be sufficient to enable action, as indicated in the mandate on the SSM at the WTO's Hong Kong Ministerial meeting of December 2005. Countries can still use the SSM if the volume trigger is in effect and there is not yet proof

of a price decline, but only in exceptional circumstances, and subject to a review by a panel of experts. This makes it very cumbersome for a country to use the SSM.

Secondly, once the volume-based SSM is triggered, it can be applied for only a maximum of 4/8 months (the figure is to be negotiated) and shall not be re-applicable thereafter until an equivalent period has elapsed.

Thirdly, if the SSM is not triggered until within 2/4 months of the end of any given 12-month period, it may be applicable into the next 12-month period provided this is for no more than 2/4 months and the maximum period of application and conditionality for re-application is also respected.

Fourthly, the SSM shall not be applied to more than 2.5% of tariff lines in any 12-month period. There is no such limitation in the normal safeguard or the present SSG.

In the Chair's main text, in the section on the SSM, which deals with the situation where the extra duties do not lead to the pre-Doha bound rates being exceeded, there are other problematic conditions imposed, even for this situation.

Firstly, there is a restriction on the remedy for the price-based SSM. Paragraph 136 of the paper says that the additional duty shall not exceed 85% of the difference between the import price and the trigger price. There is no such restriction in the normal safeguard or the SSG, and it seriously limits the usefulness of the SSM.

Secondly, paragraph 137 also imposes a cross-checking mechanism in the price-based SSM. Paragraph 137 says that developing countries "shall not normally take recourse to the price-based SSM where the volume of imports of the products concerned in the current year is manifestly declining, or is at a manifestly negligible level incapable of undermining the domestic price

level.” Like the cross-checking for the volume-based trigger, this goes against the mandate that either a price-based or a volume-based trigger can be used.

Thirdly, the paper forbids the use of the SSM for imported goods related to bilateral free trade agreements (FTAs). Paragraph 138 says that the calculation of triggers and the application of measures “shall be on the basis of MFN trade only.” In an earlier draft, the Chair had agreed that the SSM mechanism can also apply to FTA-related products if the country had, with consistency, also done its calculations with the inclusion of the FTA products. The G33 has also insisted on the inclusion of FTA products. But the Chair’s proposal met with opposition from exporting countries, and he has reversed his previous position, to the detriment of the SSM’s utility. At the least, the Chair could have remained silent on this point. According to a trade expert, silence on this issue would allow the country the choice of making use of the SSM for FTA imports, unless the relevant FTA explicitly prohibits the use of the SSM.

All these and other conditions severely limit the usefulness of the SSM, and make even this limited use very cumbersome, such that developing countries will be discouraged from using it.

Cotton

The Chair’s new text reiterates his former position that the domestic subsidies for cotton shall be cut by more than other products, in line with the mandate. His paper proposes a formula which in effect says that if the US’ Amber Box subsidy is to be cut by 60% generally (as in his paper), then the Amber Box support for cotton would be cut by 82.2%.

However, in his paper, the Chair also notes: “I regret that I can only report that neither I nor, as far as I can tell, anyone else involved in the consultations are any wiser today on what the deal will be than we were in July.”

Thus, the African countries and other countries that produce cotton are justified in continuing to feel frustrated that the problem faced by their cotton farmers (which, according to them, has become more acute) is not getting the attention it deserves. It is no wonder, then, that the cotton issue is another potential deal-breaker.

Titles in the TWN Trade & Development Series

- No. 1 From Marrakesh to Singapore: The WTO and Developing Countries
by *Magda Shahin* (48 pages)
- No. 2 The WTO and the Proposed Multilateral Investment Agreement: Implications
for Developing Countries and Proposed Positions by *Martin Khor* (40 pages)
- No. 3 Some Key Issues Relating to the WTO by *Bhagirath Lal Das* (40 pages)
- No. 4 The New Issues and Developing Countries by *Chakravarthi Raghavan*
(48 pages)
- No. 5 Trade and Environment in the WTO: A Review of its Initial Work and Future
Prospects by *Magda Shahin* (68 pages)
- No. 6 Globalisation: The Past in our Present by *Deepak Nayyar* (40 pages)
- No. 7 The Implementation of the WTO Multilateral Trade Agreements, the 'Built-In'
Agenda, New Issues, and the Developing Countries by *Xiaobing Tang* (68
pages)
- No. 8 Strengthening Developing Countries in the WTO by *Bhagirath Lal Das*
(48 pages)
- No. 9 The World Trade Organization and its Dispute Settlement System: Tilting the
Balance Against the South by *Chakravarthi Raghavan* (48 pages)
- No. 10 Negotiations on Agriculture and Services in the WTO: Suggestions for
Modalities/Guidelines by *Bhagirath Lal Das* (24 pages)
- No. 11 The Implications of the New Issues in the WTO by *Bhagirath Lal Das*
(20 pages)
- No. 12 Developing Countries, the WTO and a New Round: A Perspective
by *Ransford Smith* (40 pages)
- No. 13 Review of the TRIPS Agreement: Fostering the Transfer of Technology to
Developing Countries by *Carlos Correa* (48 pages)
- No. 14 The Proposed New Issues in the WTO and the Interests of Developing
Countries by *Martin Khor* (32 pages)
- No. 15 WTO: Challenges for Developing Countries in the Near Future
by *Bhagirath Lal Das* (24 pages)
- No. 16 Dangers of Negotiating Investment and Competition Rules in the WTO
by *Bhagirath Lal Das* (32 pages)
- No. 17 WTO Agreement on Agriculture: Deficiencies and Proposals for Change
by *Bhagirath Lal Das* (28 pages)
- No. 18 Some Suggestions for Modalities in Agriculture Negotiations
by *Bhagirath Lal Das* (24 pages)
- No. 19 The WTO Agriculture Agreement: Features, Effects, Negotiations, and
Suggested Changes by *Martin Khor* (48 pages)
- No. 20 Market Access for Non-Agricultural Products: A Development View of the
Principles and Modalities by *Martin Khor & Goh Chien Yen* (32 pages)
- No. 21 Financial Effects of Foreign Direct Investment in the Context of a Possible
WTO Agreement on Investment by *David Woodward* (28 pages)
- No. 22 Implementation Issues Again Off WTO Radar Screens?
by *Chakravarthi Raghavan* (28 pages)

- No. 23 Effects of Agricultural Liberalisation: Experiences of Rural Producers in Developing Countries *by Meenakshi Raman* (40 pages)
- No. 24 The WTO Negotiations on Industrial Tariffs: What is at Stake for Developing Countries *by Yilmaz Akyüz* (68 pages)
- No. 25 The Commodities Crisis and the Global Trade in Agriculture: Problems and Proposals *by Martin Khor* (44 pages)
- No. 26 Implications of Some WTO Rules on the Realisation of the MDGs *by Martin Khor* (48 pages)
- No. 27 Development Issues in the WTO in the Post-July Package Period: Myth or Reality? *by Bonapas Onguglo* (72 pages)
- No. 28 Trade, Growth and Industrialisation: Issues, Experience and Policy Challenges *by Yilmaz Akyüz* (52 pages)
- No. 29 The WTO Negotiations on Non-Agricultural Market Access: A Development Perspective *by Martin Khor and Goh Chien Yen* (80 pages)
- No. 30 Towards an Alternative Perspective on Trade and Industrial Policies *by S M Shafaeddin* (36 pages)
- No. 31 Does Trade Openness Favour or Hinder Industrialization and Development? *by Mehdi Shafaeddin* (84 pages)
- No. 32 The WTO's Doha Negotiations and Impasse: A Development Perspective *by Martin Khor* (40 pages)
- No. 33 The "Singapore Issues" in the WTO: Evolution and Implications for Developing Countries *by Martin Khor* (72 pages)
- No. 34 Globalisation, Liberalisation, and Protectionism: The Global Framework Affecting Rural Producers in Developing Countries *by Martin Khor* (64 pages)
- No. 35 The WTO's Doha Negotiations: An Assessment *by Bhagirath Lal Das* (72 pages)
- No. 36 Is Industrial Policy Relevant in the 21st Century? *by Mehdi Shafaeddin* (76 pages)
- No. 37 Analysis of the New WTO Agriculture and NAMA Texts of 6 December 2008 *by Martin Khor* (24 pages)

ANALYSIS OF THE NEW WTO AGRICULTURE AND NAMA TEXTS OF 6 DECEMBER 2008

The Doha Round of multilateral negotiations at the World Trade Organisation (WTO) has been hamstrung by deep differences between WTO member states over the direction of trade reform in the agricultural and manufactured goods sectors. The latest attempt to break this deadlock is the release on 6 December 2008 of revised draft modalities texts for agriculture and non-agricultural market access (NAMA, which is concerned with industrial trade) by the chairpersons of the negotiations in these areas.

This paper examines the provisions of the two texts and finds that they retain many of the imbalances from previous drafts and proposals which could not gain consensus among the WTO membership. Both the agriculture and NAMA texts cater to the sensitivities of developed countries, which would see little, if any, substantial reduction in their applied tariffs and subsidies. In contrast, many developing countries would have to undertake drastic tariff cuts without much flexibility to safeguard their policy space for future development strategies.

MARTIN KHOR is *Director of the Third World Network*. An economist trained in Cambridge University, he is the author of several books and articles on trade, development and environment issues.

TWN TRADE & DEVELOPMENT SERIES

is a series of papers published by **Third World Network** on trade and development issues that are of public concern, particularly in the South. The series is aimed at generating discussion and contributing to the advancement of appropriate development policies oriented towards fulfilling human needs, social equity and environmental sustainability.

ISBN 978-983-2729-70-9



TWN Third World Network