The Doha Deindustrialisation Agenda:
Non-Agricultural Market Access Negotiations at the WTO

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SUMMARY

The non-agricultural market access (NAMA) negotiations being conducted at the World Trade Organisation (WTO) are of extreme importance to developing countries. Inappropriate liberalisation of industrial and manufacturing markets threatens to undermine development and increase poverty levels, exposing domestic producers to competition from foreign imports and jeopardising the employment opportunities of millions. It is imperative, therefore, that developing countries be allowed to manage their own trade regimes so as to counter such threats.

Instead, the WTO's NAMA negotiations are being rushed forward in order to achieve an ambitious level of trade liberalisation for the benefit of the world's richest countries, and in particular the opening of industrial and manufacturing sectors to those multinational corporations seeking to expand into the emerging markets of the South. This self-interested "offensive agenda" on NAMA has been identified as a particular priority by developed countries such as the USA and EU, which are now forcing the pace of negotiations at the WTO.

Developing countries must retain the policy space to choose their own paths and pace of development, rather than meeting the offensive interests of the rich countries of the global North. The current NAMA text restricts this policy space and threatens developing countries with deindustrialisation and increased poverty. The WTO's members must reject the NAMA text which forms the basis for the current negotiations and substitute in its place a text which addresses the needs of developing country WTO members, not the predatory ambitions of the rich.

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"Forcing poor countries to liberalise through trade agreements is the wrong approach to achieving growth and poverty reduction in Africa, and elsewhere."

Commission for Africa report, March 2005

1. Introduction: the importance of NAMA negotiations

The WTO's non-agricultural market access (NAMA) negotiations were largely left out of the limelight during the first three years of the Doha work programme. Stalemate in NAMA allowed more immediate debates to occupy the attentions of WTO delegates and civil society alike, while the collapse of the Cancún Ministerial Conference over agriculture and the Singapore issues obviated the need for a showdown on NAMA at that time.

Since the WTO's adoption of the 'July package' at the beginning of August 2004, however, the NAMA negotiations have shot to the fore. Once again, continuing differences on NAMA were papered over in the July package itself (see below), and it is only since then that battle has been joined in earnest. Yet despite this delayed start, developed countries are now seeking to rush the negotiations towards an agreed formula for NAMA tariff reduction as early as June 2005, a first approximation of modalities in July and agreement of modalities at the WTO's Hong Kong Ministerial in December. This newfound urgency has also witnessed a new level of aggression from developed countries, whose aim to achieve 'ambitious' liberalisation of developing countries' industrial and manufacturing markets was fully in evidence during the NAMA negotiating group's meetings in March 2005.

The importance of the NAMA negotiations cannot be overstated, as they pose a direct threat not only to industrial and development policy in developing countries but also to the international community's ongoing campaign for the eradication of poverty worldwide. Developed countries such as the EU, USA and Canada have explicitly identified the NAMA negotiations as a high priority for their own gains in the Doha Round, with a stated intention "to achieve commercially significant market access improvements" for the multinational corporations whose interests they represent.[1]

Yet it is now generally accepted that such gains will come at the expense of small producers and fledgling industries in developing countries – in sharp contrast to the benefits which these countries have been promised in the 'Development Round'. This section presents a brief introduction to the threats which WTO-driven industrial liberalisation poses to developing countries. The remainder of the briefing then looks in more detail at the specific provisions of the NAMA negotiations themselves.

1.1 The threat to industrial development

It is well attested that developing countries need to diversify away from a reliance on primary commodities if they are to escape the decline in terms of trade which has characterised their participation in global markets over the past three decades. While some developing countries are managing to achieve an element of diversification through development of their service sectors, industrial development remains a fundamental strategy for expansion into more dynamic economic activities. The need is particularly intense in those countries where environmental degradation and population pressure mean that agriculture can no longer guarantee employment opportunities for new generations of rural workers.[2]

Yet the increased access to developing country markets which multinational corporations aim to secure through the NAMA negotiations threatens to undermine the prospects for industrial development in many countries of the South. Opening up developing country markets along the lines proposed by developed country WTO members will expose infant industries to overwhelming competition from cheap imports, with disastrous consequences. Contrary to suggestions that domestic enterprises benefit in efficiency gains from the stimulation of foreign imports, the empirical record shows that huge numbers are unable to survive exposure to such unequal competition.

Many developing countries have already had such experience as a result of liberalisation under the World Bank and IMF structural adjustment programmes of the 1980s and 1990s. Competition from cheap imports forced vast numbers of manufacturing and industrial firms to close as a result of structural adjustment across Africa and Latin America in particular – for instance:

- Côte d'Ivoire witnessed the virtual collapse of its chemicals, textiles, shoe and automobile assembly sectors when tariffs were cut by 40% in 1986.
- Following its major trade liberalisation programme in 1993, Kenya's beverages, tobacco, textiles, sugar, leather, cement and glass products sectors have all struggled to survive import competition.
- Structural adjustment in the 1990s also led to the closure of large numbers of manufacturing firms in Cameroon, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe, to name a few.[3]

Nor is the experience in any way confined to countries of the global South: in Hungary, tens of thousands of small and medium-sized enterprises were forced into liquidation by cheap imports which flooded into the country as a result of its breakneck structural adjustment programme after 1989.

This evidence contradicts the Panglossian argument of the pro-liberalisation lobby that developing countries as a whole stand to benefit from the NAMA negotiations at the WTO. While more powerful developing country economies may be able to benefit from the new opportunities, the majority will be excluded from the welfare gains. As noted by Tanzania's

President Benjamin Mkapa, whose country's manufacturing sector was also badly affected by liberalisation policies introduced under structural adjustment:[4]

> *The prospect of integrating our economies to the global economy is extremely dim. Meanwhile, such industries as we have will be affected by imported products that run our companies out of business. It is leading to the deindustrialisation of our countries.*

The same conclusion was reached in the sustainability impact assessment undertaken for the European Commission in the context of its current negotiation of Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific states. In its section on West African manufacturing, the assessment notes that the sector remains an important source of employment in the major cities of the region, but also confirms that the removal of protective tariffs as a result of liberalisation "will accelerate the decline" which has been caused by those imports which have already entered the region's markets. By contrast, the assessment predicts that the West African manufacturing sector will not be able to take advantage of trading opportunities offered by the further opening of European markets, with the partial exception of Nigeria, the only country with supply-side capacity to engage.[5]

1.2 The threat of increased poverty

In addition to this threat to industrial development, the liberalisation envisaged in the NAMA negotiations also poses a direct threat to the current international campaign against poverty. The Millennium Development Goals adopted in September 2000 commit all member states of the United Nations to the goal of eradicating extreme poverty throughout the world, along with other goals across a broad spectrum of rights and environmental sustainability.

Yet the threat of deindustrialisation brings with it a dramatic risk of increased poverty, especially in those countries which (like most in the South) do not enjoy strong social safety nets. While domestic enterprises often find themselves compelled to cut real wages and relax labour standards in an attempt to compete with cheap imports, the impact on workers and small producers is most drastic when domestic enterprises are forced out of business altogether by external competition. Many millions of workers have lost their jobs and, consequently, their livelihoods as a result of this liberalisation of their domestic markets, as in the following examples:

- Senegal lost one third of all manufacturing jobs as a result of a two-stage liberalisation programme in the second half of the 1980s.
- Ghana's liberalisation of consumer imports saw manufacturing employment plunge from 78,700 in 1987 to 28,000 in 1993, as "large swathes of the manufacturing sector had been devastated by import competition", according to the African Development Bank.
- In Latin America, liberalisation of manufacturing markets has also led to dramatic rises in unemployment and underemployment in Brazil, Ecuador, Nicaragua and Peru.[6]

These examples are borne out by the World Bank's survey of studies into the relationship between globalisation and unemployment rates, which concluded: "During periods of trade liberalization, and more generally of economic reform, job destruction rates can be expected to proceed at a much faster pace than job creation. Globalization could therefore be associated with higher unemployment rates." The report also notes that most job creation seen in developing countries has come as a result of inward investment, a very different dynamic from that of liberalising import regimes.[7]

This link to income and employment opportunities is acknowledged to be the key determinant of whether trade liberalisation will lead to an increase or reduction in poverty levels in a given community. This is in itself an important corrective to statements which suggest that liberalisation will benefit the poor through a reduction in prices, as it confirms the relative importance of income security over consumer benefits, even when the poor are (as often) net consumers. As the World Bank itself acknowledges in the Trade Policy chapter of its PRSP Sourcebook:[8]

> *In general, the impact on the sources of income of the poor will be a more important determinant of the effect of liberalization than the effect on the prices of the things that they consume.*

The most catastrophic scenario is experienced where import surges cause price shocks which in their turn lead to the collapse of an entire sector, as has been the case with much manufacturing and industrial liberalisation in developing countries. As noted by trade economist Professor Alan Winters, himself a former Division Chief at the World Bank:[9]

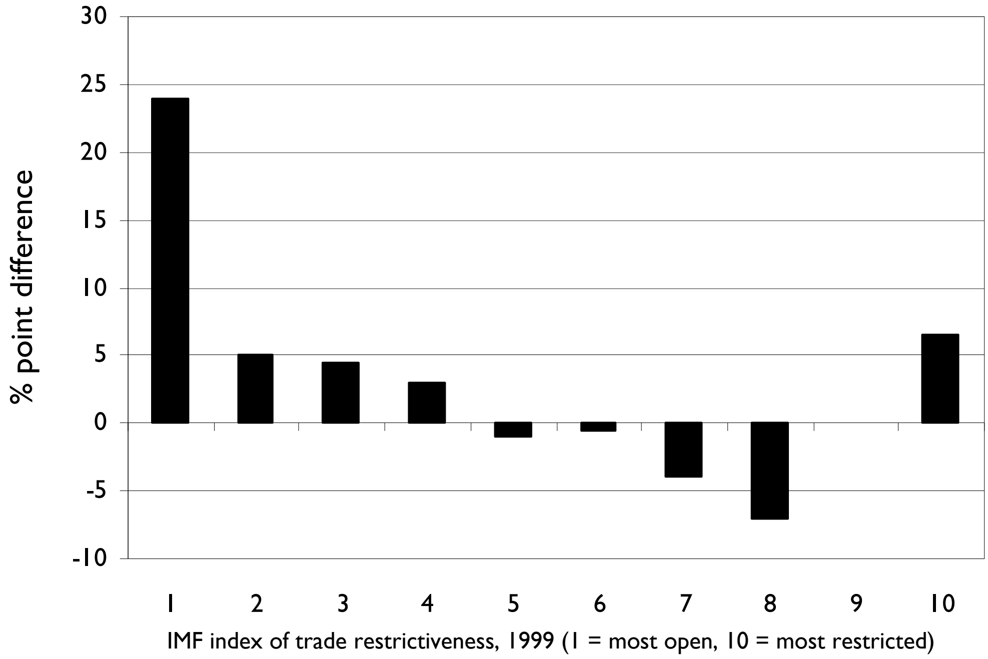
> *A shock that completely undermines an important market – e.g. for a cash crop or a form of labour – is likely to have major poverty implications.*

These conclusions accord with the evidence gathered by UNCTAD from the world's poorest countries (see figure 1), which reveal that more extensive trade liberalisation has been associated with a rising incidence of income poverty over the 1990s – and dramatic rises in those countries which have liberalised most. While autarky is also associated with poverty increases, those economies which have remained 'moderate' or 'restrictive' according to the IMF's trade restrictiveness index[10] have been characterised by falling incidences of poverty – an indication of the importance of liberalising with extreme caution and only in accordance with each country's own development needs.

These considerations are all the more significant in the light of the most recent forecasts of outcomes from NAMA negotiations at the WTO. Simulations performed across a range of possible scenarios indicate that there will indeed be sectors in developing countries which experience "significant output and employment losses" as a result of the current negotiations.[11] The long-term poverty implications of such losses must be addressed not as adjustment costs after the event but as a primary consideration in the negotiations themselves.

Figure 1: Change in the incidence of $1-a-day poverty in LDCs, 1987-99 to 1997-99

*(*Source: *UNCTAD Least Developed Countries Report 2004*, p189)



1.3 Macroeconomic and fiscal impacts

Liberalisation of manufacturing and industrial markets threatens to undermine developing countries' macroeconomic stability too. The import surges which have been experienced as a consequence of liberalisation have challenged the trade balance of developing countries at the same time as their own industries have come under pressure from external competition. To name but two such examples, the Philippines and Mexico both suffered worsening current account deficits during the 1990s as a result of industrial trade liberalisation.[12]

The problem is exacerbated by the fact that most growth takes place in the import of finished products and consumer goods rather than intermediate inputs or capital goods, thus hampering a country's ability to develop its own dynamic export sector. Following liberalisation in the 1980s, Uganda experienced a massive surge in consumer imports, which in their turn claimed 40-60% of the country's total foreign exchange. As a result, the capacity utilisation rate in the industrial sector languished at 22%.[13]

In addition, there is a growing recognition of the fiscal threat posed to developing countries through NAMA liberalisation. Steep tariff cuts are likely to result in a significant overall drop in state revenue, given that developing countries rely to a greater extent on customs duties than developed countries[14] (see Table 1 for a selection). This entails damaging consequences for already fragile government programmes, as fiscal constraints may well require budget cuts across departments such as health, education and other public services. As a result, the Doha Round would again militate against the attainment of the Millennium Development Goals and the reduction of poverty worldwide.

Table 1: Tariff revenues as % of tax revenues (selected countries)

(Source: World Bank *World Development Indicators 2003*)

Import market	%
Bahamas	55.9
Bangladesh	22.6
Barbados	11.2
Belize	49.0
Benin	56.0
Botswana	12.4
Burkina Faso	14.3
Burundi	20.2
Cameroon	28.3
Central African Republic	39.8
Chad	15.3
China	9.5
DR Congo	31.9
Côte d'Ivoire	41.8
Dominica	19.6
Dominican Republic	42.8
Ecuador	11.3
Egypt	12.6
Ethiopia	26.0
Fiji	21.5
Gabon	17.4
Gambia	42.8
Ghana	26.8
Grenada	18.2
Guatemala	15.0
Guinea	76.6
Guinea-Bissau	37.1
Haiti	21.4
Honduras	42.4
India	18.5
Jordan	16.8
Kenya	13.8
Lebanon	28.1
Lesotho	47.7
Madagascar	51.9
Malawi	16.3
Malaysia	12.7
Maldives	28.3
Mali	12.0
Mauritania	30.1
Mauritius	25.0
Morocco	15.9
Namibia	37.1
Nepal	27.2
Niger	36.4
Pakistan	12.2
Panama	10.7
Papua New Guinea	27.3
Paraguay	10.3
Philippines	17.2
Rwanda	31.1
Samoa	50.2
Senegal	36.5
Sierra Leone	48.6
Solomon Islands	57.1
Sri Lanka	11.3
St Kitts & Nevis	37.0
St Lucia	26.5
St Vincent & Grenadines	40.3
Sudan	29.0
Suriname	22.9
Swaziland	51.9
Syria	9.9
Tajikistan	15.9
Thailand	10.4
Togo	35.4
Tonga	48.4
Tunisia	11.5
Uganda	49.8
Vanuatu	36.2
Vietnam	18.1
Yemen	10.3
Zambia	15.8
Zimbabwe	20.5

The above should be compared with the corresponding figures for the UK (0%), France (0%), Germany (0%), USA (1%), Canada (1.3%) and Japan (1.3%). Calculations of potential revenue losses arising from different trade liberalisation scenarios confirm that under ambitious variants of the non-linear formula currently being proposed by developed country members of the WTO, many developing countries would risk losing over 50% of the tariff revenues they currently collect from non-agricultural trade.[15]

1.4 The need to put developing countries' interests first

The above considerations provide a brief outline of some of the threats which developing countries face from the NAMA negotiations at the WTO. This is not to say that all liberalisation of industrial markets is misguided. It may well be in the national interest to reduce tariff barriers and remove other restrictions on imports in particular sectors, especially when those imports are to be used as inputs for domestic production and there is as yet no local source.[16]

Yet the NAMA negotiations threaten to open up developing countries' markets not for their own benefit but for the benefit of export interests in other economies. Despite the pretence of a 'Doha Development Agenda' to correct the anti-development distortions of the Uruguay Round, current WTO negotiations are still conducted on a mercantilist basis whereby market opening is achieved through a 'trade-off' in offensive interests. As stated explicitly by rich country negotiators such as the EU's Trade Commissioner Peter Mandelson, developing countries must be made to 'pay' for the possible future abolition of rich country agricultural subsidies (even as these are being ruled illegal by the WTO) by opening up their own industrial and services sectors to multinational corporations based in the North.[17]

By contrast, if they are to have the opportunity to develop their own industrial sectors and thus generate decent employment opportunities which will combat poverty, developing countries must retain the flexibility to protect or liberalise individual sectors of the economy according to their own needs. This model of 'selective intervention' has gained widespread international support in recent years, including in the Report of the High-Level Panel on Financing for Development (the Zedillo Report) presented to the Financing for Development Conference in Monterrey, Mexico, in March 2002:

> *However misguided the old model of blanket protectionism intended to nurture import substitution industries, it would be a mistake to go to the other extreme and deny developing countries the opportunity of actively nurturing the development of an industrial sector.*

Such a model also accords with a growing recognition that state intervention, not liberalisation, has been the key factor in most success stories of industrial development to date.[18]

Whether such pro-development policies can survive the Doha Round depends to a large extent on the direction taken by NAMA negotiations during the rest of 2005. The next section examines in more detail the specific threats posed by the negotiations in their current form.

2 The NAMA negotiations, Cancún and since

Annex B of the 'July package' adopted by the WTO General Council on 1 August 2004 (WT/L/579) sets out a 'Framework for Establishing Modalities in Market Access for Non-Agricultural Products'. The text of Annex B has been beset by controversy ever since it was first introduced in 2003, in that it has consistently failed to represent the views of developing countries. Instead, the annex has favoured the ambitions of developed countries to the exclusion of other alternatives, and has thus been rejected by the WTO membership at its every appearance.

When Annex B was presented to WTO members in its draft form on 16 July 2004, the Chair of the General Council and the WTO Director-General issued a covering letter confirming that it was simply a reproduction of Annex B of the Derbez text presented to the WTO's Cancún Ministerial Conference on 13 September 2003, and subsequently rejected. The covering letter also noted the view of the Chair of the NAMA negotiating group, Ambassador Johannesson of Iceland, that the Derbez annex had been reproduced "not as an agreed text but as a platform for the further negotiation which will obviously be necessary". As the letter states, this was a result of the "serious divergences in positions" between WTO members on NAMA, some of which were highlighted in Ambassador Johannesson's own covering letter of 9 July 2004.

However, the Derbez annex was itself a reflection of the NAMA proposal which had been submitted shortly before the Cancún Ministerial by Canada, the EU and USA. The Derbez annex was strongly criticised for having excluded developing country concerns from the text, even though those concerns had been repeatedly articulated before and during the Cancún Ministerial, both verbally and in official documents circulated to all WTO member states.[19] In the event, as noted above, the Cancún Ministerial collapsed as a result of developed country intransigence on other issues, but not before developing countries had rejected the NAMA annex for failing to encompass their concerns.

When Annex B was presented to the WTO General Council in July 2004 and found to be exactly the same text which had been rejected by developing countries at Cancún, it caused no little anger. After considerable debate, developing countries agreed to the inclusion of Annex B within the July package only on condition that it should be prefaced with the 'vehicle' which was eventually incorporated as Paragraph 1 of the annex. This states that the key elements within the annex are still not agreed and thus remain to be negotiated, and lists in particular the formula for tariff reduction, treatment of unbound tariffs, flexibilities for developing countries, the sectoral component and preference erosion issues (all of which are discussed below).

Yet this last ditch attempt to preserve some negotiating space does not alter the fact that the NAMA negotiating framework reflects the agenda of developed countries in aiming for ambitious liberalisation of developing country markets. Conducting the negotiations on the basis of Annex B puts developing countries on the defensive from the outset, negotiating within a context which fails to represent either their positions or their concerns. Rather than starting from a position which seeks to address the development needs of developing countries, as would befit a 'Development Round', the NAMA negotiations are framed to deliver the market access agenda of developed countries and the multinational corporations they represent. Developing countries will be left trying to safeguard the possibility of their own industrial development at the margins of this agenda.

Lest there be any doubt as to who really stands to benefit from the negotiations as framed by Annex B, the US Trade Representative swiftly published a collection of US business responses to the July package[20] – including the statement from the National Association of Manufacturers that:

> *The really big accomplishment for industrial negotiations is that all countries have accepted the principle of big tariff cuts and sectoral tariff elimination.*

While this interpretation goes beyond what was actually agreed, the National Association of Manufacturers felt sufficiently buoyant to issue its own press release on 9 August 2004 announcing that it was setting up a special WTO Action Group to push for sweeping trade liberalisation in the NAMA negotiations, and confirmed that it would continued to lead the Zero Tariff Coalition of industry associations working for total elimination of sectoral tariffs through the WTO.[21] They also led an "unprecedented" global delegation of industry lobby groups to Geneva in April 2005, pressing for "truly ambitious cuts in industrial tariff barriers" for the benefit of their corporate members.[22]

UNICE, the European employers' federation, also hailed the July package as a victory for business, although it expressed concern over developing countries' continuing resistance on NAMA.[23] UNICE reiterated its goal of seeing all NAMA tariffs reduced to a maximum of 15% by the end of the Doha Round – a goal which the EU maintains as official policy on UNICE's behalf.

Indeed, the EU has explicitly identified the NAMA negotiations as one of the top two priorities (along with GATS) of its "offensive agenda" within the Doha Round.[24] Officials within EU member states have confirmed that they have come under pressure from European business groups to target the industrial markets of developing countries during the Round, and as a result the EU has made common cause with the USA, Canada and other developed countries to force the pace of the NAMA negotiations in the run-up to the Hong Kong Ministerial at the end of 2005. The following section examines in more detail the demands currently being made of developing countries in the NAMA negotiations, and the action needed to resist those demands.

3 The current NAMA text

Paragraph 2 of the current Annex B reaffirms the importance of 'less than full reciprocity' as a central principle in the NAMA negotiations as mandated by paragraph 16 of the Doha Ministerial Declaration, which reads:

> *The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in*

accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below.

However, the principle of 'less than full reciprocity' stands in tension with the desire of developed countries and the multinational corporations they represent to gain access to the industrial markets of developing countries, especially those which are large enough to be of commercial interest. For this reason, as noted by countries such as India and Brazil in the March 2005 meetings of the NAMA negotiating group, the EU and USA have turned the Doha mandate on its head by asking for more than full reciprocity from developing countries in the current round.

Indeed, there are serious concerns that the principle of 'less than full reciprocity' for developing countries has already been violated in the current NAMA annex, reproducing as it does the Derbez annex which was itself largely based on the Canada-EU-US proposal of August 2003. The G90 declaration made by trade ministers of the African Union, ACP and LDC countries in Grand Baie, Mauritius, on 13 July 2004 records that the NAMA annex is "in contradiction with the principle of less than full 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." The following sections examine how this threat might be realised.

3.1 Tariff reduction formula

Despite longstanding criticism from developing countries, paragraph 4 of Annex B continues to advocate a non-linear formula on a line-by-line basis in order to calculate the industrial tariff reductions which will be required of WTO member states. This formula would apply to all WTO members except LDCs and a dozen other developing countries to be exempted under the provisions of paragraph 6 (see below). Under the provisions of paragraph 8, developing countries would be required to make the tariff cuts within longer implementation periods than developed countries, and with margins of flexibility on a percentage of tariff lines – although even these elements of special and differential treatment (SDT) have now been challenged by developed countries during the most recent meetings of the NAMA negotiating group.

The formula proposal in Annex B faithfully reflects the position advanced by developed country WTO members, in that a non-linear formula applied on a line-by-line basis would lead to the most far-reaching tariff reductions in developing countries and thus deliver the most ambitious market opening for developed country exporters. The non-linear aspect of the formula ensures a 'harmonising' effect by making proportionately greater cuts in higher tariffs than in lower tariffs; developed countries have pressed this point further by arguing for the use of a Swiss or Swiss-type formula, the most extreme form of harmonising formula available.

Moreover, applying such a formula on a line-by-line basis (rather than averaged out across tariff lines) further denies developing countries any chance of managing the process of liberalisation to their own benefit. Countries such as the EU demanded that the agricultural tariff reductions they made during the Uruguay Round should be averaged out across the board, thus allowing them to maintain protection of sensitive products while meeting reduction targets by cutting tariffs on less sensitive goods. In the case of NAMA, however, the EU refuses to countenance such flexibility for developing countries, demanding instead that tariff reductions be applied line by line.

WTO members are fully aware that the proposed non-linear formula formula will require disproportionately severe tariff reductions in developing countries, seeing that they tend to have higher non-agricultural tariffs than developed countries. Bound tariff rates for industrial goods average out at 29.4% (simple average) or 12.5% (weighted average) for developing countries, compared with 12.3% (simple) and 3.4% (weighted) for developed countries.[25] Many developing countries with higher industrial tariff rates will be significantly affected by the tariff reduction formula proposed in Annex B; Table 2 gives the simple averages for bound tariffs in those developing countries which will be required to cut tariffs under the current proposals (thus excluding LDCs and the 'paragraph 6' countries).

Those countries with the highest tariffs will experience the greatest reductions under the non-linear formula proposed in the current Annex B. Moreover, countries will experience particularly drastic reductions in those lines which they have tried to protect through tariffs which are higher than the average. Thailand, for example, maintains an average bound tariff of 48.3% (i.e. twice its average for all non-agricultural products) on imports of transport equipment, while India has an average bound tariff of 100.7% (i.e. three times its average) on fish and fish products. Within product categories, there can also be wide divergence in the level of protection afforded individual tariff lines.

Table 2 should also be seen in the context of the average bound tariffs for non-agricultural imports into developed countries; the EU, for example, has a simple average of 3.9%, the USA 3.2%, Canada 5.3% and Japan 2.3%. The use of a non-linear formula would clearly require developing countries to make far greater reductions than developed countries as a result of the Doha Round – hence the complaint that it replaces the principle of 'less than full reciprocity' with a demand for 'more than full reciprocity' from developing countries.

The specific impacts of a non-linear formula on different countries' tariffs are demonstrated in the calculations made in 2003 by the WTO Secretariat (TN/MA/S/3/Rev.2) and India (TN/MA/W/10/Add.3), based on earlier proposals from a range of WTO member states. While the exact impact in each case depends ultimately on the coefficient chosen, under all scenarios developing countries see their tariffs plunge from current levels. By contrast, even national tariff peaks in developed countries are left relatively unscathed.[26]

Applying a single formula to both developing and developed countries thus violates the principle of 'less than full reciprocity' at the place it is most needed. Some developing countries have argued for the use of two distinct formulae in order to establish the principle at the heart of the negotiations. Developed country representatives, by contrast, have confirmed that they see the current text as upholding their call for the use of one formula only, and have stressed that they aim to see substantial new market access opportunities for their exporters as a result of the NAMA negotiations.

Table 2: Developing country non-agricultural bound tariff rates (simple averages); excluding LDCs and 'paragraph 6' countries

(Source: *WTO World Trade Report 2004*)

Import market	%
Antigua & Barbuda	51.4
Argentina	31.8
Bahrain	35.1
Barbados	73.0
Belize	51.5
Bolivia	40.0
Botswana	15.8
Brazil	30.8
Brunei Darussalam	24.5
Chile	25.0
China	9.1
Colombia	35.4
Costa Rica	42.9
Dominica	50.0
Dominican Republic	34.2
Ecuador	21.1
Egypt	28.3
El Salvador	35.7
Fiji	40.0
Gabon	15.5
Grenada	50.0
Guatemala	40.8
Guyana	50.0
Honduras	32.6
Hong Kong, China	0.0
India	34.3
Indonesia	35.6
Jamaica	42.5
Jordan	15.2
Korea	10.2
Kuwait	100.0
Malaysia	14.9
Mexico	34.9
Mongolia	17.3
Morocco	39.2
Namibia	15.8
Nicaragua	41.5
Oman	11.6
Pakistan	35.3
Panama	22.9
Papua New Guinea	30.1
Paraguay	33.6
Peru	30.0
Philippines	23.4
Qatar	14.5
St Kitts & Nevis	70.8
St Lucia	53.9
St Vincent & Grenadines	54.6
Singapore	6.3
South Africa	15.8
Swaziland	15.8
Taipei, Chinese	4.8
Thailand	24.2
Trinidad & Tobago	50.5
Tunisia	40.6
United Arab Emirates	13.1
Uruguay	31.3
Venezuela	33.9

This aggressive ambition has recently been reinforced by a new study from US business lobby group the National Foreign Trade Council (NFTC). The NFTC was singled out for praise by former US Trade Representative Robert Zoellick for its "efforts to help us address industrial tariffs" at the WTO, and its new study is intended to drive forward ambitious non-agricultural market liberalisation in the Doha Round. Identifying Brazil, Egypt, India, Malaysia and South Africa as particular targets in the NAMA negotiations, the study claims that tariff overhang in these countries (i.e. the differential between applied and bound rates) means that the NAMA formula must achieve tariff reduction of at least 75% if US firms are to see the scale of benefits they desire.[27]

In response to their domestic business lobbies, developed countries have now increased the pressure on developing country WTO members to agree to an ambitious NAMA formula by the end of June 2005. Proposals put to the NAMA negotiating group's March 2005 meetings by the USA, Norway and the EU have attempted to force the pace towards a Swiss or Swiss-type formula in order to achieve maximum harmonisation of tariffs. In addition, all three proposals state (via different formulations)[28] that developing countries must forfeit their right to SDT flexibilities under paragraph 8 of Annex B if they wish to benefit from 'less than full reciprocity' in the application of the tariff reduction formula.

This new suggestion from developed countries that SDT flexibilities are in some way an alternative to the principle of 'less than full reciprocity' within the NAMA negotiations is a step backwards even from the existing *status quo*. Paragraph 2 of Annex B reaffirms "the importance of special and differential treatment *and* less than full reciprocity in reduction commitments as integral parts of the modalities" (emphasis added). Developing countries such as Argentina, Brazil, China and India have therefore rejected any attempt to play the one off against the other.

More importantly still, however, for developing countries to accept any non-linear formula on a line-by-line basis would represent an unprecedentedly dangerous liberalisation of their industrial tariff regimes. In the Uruguay Round, US opposition to the use of a single non-linear formula ensured that countries were able to determine their own approach to tariff reduction. Developing countries adopted a request-offer approach to the negotiations and an average reduction target spread across all non-agricultural tariff lines, thus allowing themselves proper flexibility in the liberalisation undertaken.[29]

The Doha Round is billed as a 'Development Round', yet the NAMA negotiations demand more from developing countries than even the notoriously anti-development Uruguay Round. The dangerous tariff reduction programme proposed by developed countries demands active resistance not only from developing country representatives at the WTO but also from civil society across the world. There is no requirement on developing countries to agree to the application of a non-linear formula to individual tariff lines, just as there is no requirement to rush through any agreement on modalities before the end of July 2005. The damage that such extreme liberalisation can inflict on industrial policy and poverty reduction initiatives demands a far more cautious approach.

3.2 Reduction of unbound tariffs

The NFTC study cited above also identifies the existence of unbound tariff lines as another obstacle facing US exporters aiming to break into developing country markets. Annex B confirms that tariff reductions are to be implemented from bound rather than applied rates, as is standard practice in the context of trade negotiations. However, under the second indent of paragraph 5, countries which have left particular tariff lines unbound will be required to implement tariff reductions on those lines via the same formula as bound tariffs, from a starting point currently envisaged as twice the MFN applied rate as at 14 November 2001.

This proposal has been criticised from many quarters, not least because starting from twice the MFN applied rate fails to reflect the real world situation as manifest in many tariff lines which have already been bound. Even at the highest level of averaging (i.e. across the full range of non-agricultural goods) many developing countries maintain bound rates at an average far greater than twice the corresponding average for applied rates – for instance, at:

- ten times the applied average in the case of Brunei Darussalam, Nicaragua
- nine times in Costa Rica
- eight times in Barbados, St Kitts & Nevis, Trinidad & Tobago
- seven times in Dominica, Guatemala, Jamaica, Papua New Guinea, St Lucia
- six times in Antigua & Barbuda, Belize, Fiji, St Vincent & Grenadines
- five times in El Salvador, Grenada, Guyana, Honduras, Indonesia
- four times in Bahrain, Bolivia, Dominican Republic, Philippines, Qatar
- three times in Botswana, Chile, Colombia, Namibia, Panama, South Africa, Swaziland, Venezuela[30]

Similar differentials can be found replicated at the levels of MTN categories and individual tariff lines – to take just one example, Barbados maintains an average bound tariff of 97.2% on imports of transport equipment, over nine times the corresponding applied rate of 10.2%. Such differentials provide developing countries with the flexibility to raise tariffs as required, even if applied rates generally remain far lower. In particular, this flexibility is essential to combat price shocks which can bring sudden and catastrophic increases in poverty, as described above.

Developing countries need the flexibility afforded by these differentials, and have voiced strong concern at developed countries' attempts to reduce them through the NAMA negotiations. The proposal from Canada, Hong Kong (China), New Zealand and Norway (TN/MA/W/51) that base rates should be established for unbound tariffs by simply adding 5 percentage points onto the applied rate has been rejected by most developing countries – "understandably", in the view of one developed country representative, since this would set base rates only marginally higher than current applied rates, only for them then to be cut back down dramatically through a Swiss or Swiss-type formula.

By contrast, Malaysia's paper to the March 2005 meeting of the NAMA negotiating group proposed that unbound tariffs be treated differently from bound tariffs. In particular, Malaysia argued that any unbound tariffs which countries agree to bind in the current round should not be subjected to reductions via the formula, as the binding of tariffs is itself understood as a commitment in the context of the WTO (see next section). Other developing countries such as Thailand, the Philippines and India supported Malaysia's argument that developing countries should not make a double concession of both binding and cutting tariffs via the formula in the same round. The communication submitted on 15 April 2005 by Argentina, Brazil and India (TN/MA/W/54) also confirmed that unbound tariffs must be treated differently from bound.

3.3 Binding of tariffs

The binding of tariffs has long been recognised as a significant undertaking in the context of international trade negotiations, in that it represents a loss of sovereignty over future trade policy for the country concerned. Many countries have traditionally kept individual tariff lines unbound precisely so as to guarantee full flexibility in the levels of tariff they are ably to apply to imports, especially in cases where they might need to respond to import surges which threaten the existence of domestic producers.

For developing countries, the policy space afforded by keeping tariff lines unbound is particularly important, since their industrial development may depend on being able to shield infant industries from import competition by raising tariffs in response to external factors. Protecting this policy space is also critical to future development choices, as countries may wish to diversify into industrial and manufacturing sectors in which they currently have no active production capacity. The binding of tariffs, by contrast, constrains the flexibility which countries have to adjust their import regimes so as to meet external challenges or development needs.

This flexibility has become even more important following the restrictions on infant industry protection introduced in the Uruguay Round. Developing countries were formerly able to make good use of the provisions of GATT Article XVIII to restrict imports – particularly Section B of that article, which allowed developing countries to protect their domestic industries on balance of payments grounds without having to provide compensation to other trading partners and without risking retaliation. As a result of the Understanding on the Balance-of-Payments Provisions of GATT 1994, however, the flexibilities of Article XVIIIB were sharply curtailed. Developing countries thus face the pressure to bind tariffs without the possibility of invoking such favourable protection mechanisms in future.[31]

The importance of binding tariffs is explicitly recognised in the WTO's own rules. GATT Article XXVIII*bis* 2(a) states that the binding of duties at low levels "shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties". This refutes the EU's claim, in the May 2004 letter from Pascal Lamy and Franz Fischler to other WTO members, that countries required to bind rather than reduce tariffs would somehow be getting a 'Round for Free'. Requiring developing countries to bind their tariffs also ensures that they are brought within the compass of trade liberalisation negotiations, effectively saddling them with the obligation to undertake tariff reductions during the next round.

The flexibility afforded by keeping certain tariff lines unbound is under direct threat in two parts of Annex B. The first, as discussed above, is in the second indent of paragraph 5, which in its current form implies that developing countries should both bind and apply the tariff reduction formula to unbound tariff lines. The fact that the text makes no explicit mention of binding does not disguise the intention, since all tariff reductions are engineered from bound rates at the WTO.

The only place in Annex B which explicitly calls on developing countries to raise their levels of binding is (ironically) the paragraph which purports to offer them 'flexibility' in their implementation of NAMA disciplines. Paragraph 8 suggests that developing countries should be granted marginal leeway either in applying the NAMA tariff reduction formula or in binding tariff lines – in the latter case, by being allowed to keep (under current figures) just 5% of tariff lines unbound.

Stated clearly, however, paragraph 8 decrees that developing countries will be required to raise their binding coverage to a minimum of 95% of non-agricultural tariff lines. This 'special and differential treatment' is advanced as "an exception" to the unwritten assumption that countries should be raising their binding coverage to 100% of non-agricultural tariff lines in the current negotiations. Yet this would be a massive increase for those developing countries which are neither LDCs nor covered by the exemptions of paragraph 6 but still keep a significant proportion of their tariff lines unbound, such as Bahrain (29% of non-agricultural tariffs unbound), Fiji (55% unbound), India (30.2% unbound), Malaysia (18.8% unbound), Pakistan (63% unbound), Philippines (38.2% unbound), Singapore (35.5% unbound), Thailand (29.1% unbound) and Tunisia (48.9% unbound). Such countries would thereby be making substantial extra concessions in the context of the Doha Round.

Even those countries which have been singled out as special categories in the NAMA negotiations are required to make significant concessions through binding of non-agricultural tariff lines. Paragraph 6 countries are identified with respect to their levels of binding coverage, and under the provisions of Annex B (as they are currently envisaged) will be required to raise those levels to 100% of non-agricultural tariff lines – see next section.

Under the provisions of paragraph 9, LDCs are exempt both from applying the tariff reduction formula and from participation in the sectoral initiative. Yet, the same paragraph continues, "as part of their contribution to this round of negotiations, they are expected to substantially increase their level of binding commitments." While no figures have been advanced to indicate what this might mean, any substantial increase in binding coverage will be a significant concession for many LDCs. Table 3 shows the wide divergence in binding coverage among LDC WTO members, including those which have minimal binding levels at present and would be effectively starting from scratch.

For this reason, trade ministers of the G90 have repeatedly called for policy space and flexibility in the NAMA annex so as to safeguard industrial policy and national development objectives in their countries. Representing LDCs at the March 2005 meetings of the NAMA negotiating group, Zambia reiterated that developing countries should retain full discretion whether to bind tariff lines and, if they did decide to bind them, at what level to do so.[32]

Table 3: Binding coverage of non-agricultural tariffs in LDC WTO members (% bound)

*(*Source: WTO Secretariat note (TN/MA/S/14): *Statistical Indicators Related to Unbound Tariff Lines*)

Import market	%
Angola	100.0
Bangladesh	3.0
Benin	30.1
Burkina Faso	29.9
Burundi	9.9
Central African Republic	56.8
Chad	0.3
DR Congo	100.0
Djibouti	100.0
Gambia	0.5
Guinea	29.6
Guinea-Bissau	97.4
Haiti	87.6
Lesotho	100.0
Madagascar	18.9

Malawi	20.7
Maldives	96.7
Mali	31.6
Mauritania	30.1
Mozambique	0.5
Myanmar	4.7
Nepal	99.3
Niger	96.3
Rwanda	100.0
Senegal	100.0
Sierra Leone	100.0
Solomon Islands	100.0
Tanzania	0.1
Togo	0.9
Uganda	3.0
Zambia	4.1

3.4 Paragraph 6 countries

Paragraph 6 of Annex B proposes that developing country WTO members which have a certain level of binding coverage (under current figures, less than 35% of non-agricultural tariff lines bound) would be exempt from implementation of the NAMA tariff reduction formula. Instead, such countries would be expected to bind a certain percentage of their tariffs (100% under current figures) at an average level not higher than the average of all developing countries' bound tariffs. They would also be required to participate in the sectoral initiative described in the next section.

The provisions of paragraph 6 as they stand at present would apply to a dozen developing countries, with binding coverage as shown in Table 4:

Table 4: Binding coverage of non-agricultural tariffs in paragraph 6 countries (% bound)

*(*Source: WTO Secretariat note (TN/MA/S/14): *Statistical Indicators Related to Unbound Tariff Lines*)

Import market	%
Cameroon	0.1
Congo	3.2
Côte d'Ivoire	22.9
Cuba	20.4
Ghana	1.2
Kenya	1.6

Macao (China)	15.6
Mauritius	5.3
Nigeria	6.9
Sri Lanka	28.3
Suriname	15.1
Zimbabwe	9.0

All these countries would be required to increase their binding of non-agricultural tariff lines dramatically, if the suggested end figure of 100% were to be maintained. Indeed, it should be noted that a binding target of 100% is expecting even more of paragraph 6 countries than is expected of other developing countries, which are expected to bind a minimum of 95% under the provisions of paragraph 8 (see previous section). Yet whatever figure were included, countries such as Cameroon, Congo, Ghana, Kenya, Mauritius and Nigeria would be required to bind their non-agricultural sectors almost from scratch – a massive concession in the context of the Doha Round.

Several of the paragraph 6 countries stand to face a double blow as a result of the NAMA negotiations, in that they will be required to apply dramatic tariff reductions in addition to the heavy increases in binding coverage. As noted above, paragraph 6 countries are expected to bind their non-agricultural tariffs at an average level not higher than the average of all developing countries' bound tariffs. The simple average of all developing countries' bound non-agricultural tariffs is 29.4%, and under current figures paragraph 6 countries could be required to treat this as a maximum average across all their non-agricultural tariff lines. For countries such as Cameroon (current average 57.5%), Ghana (35.9%), Kenya (54.8%) and Nigeria (48.8%), this would represent a shock liberalisation in addition to massive binding requirements.

The above figures relate to simple averages, yet paragraph 6 is silent as to whether simple or weighted averages would be used to set the maximum for paragraph 6 countries as a result of the NAMA negotiations. If weighted averages are used (as has traditionally been the case), the maximum average which paragraph 6 countries will be allowed is 12.5%.

While the provisions of paragraph 6 require significant concessions from those countries covered by it, there is also controversy over which countries should be included in this special category. It is widely accepted – including by developed country representatives – that the choice of 35% binding coverage as the determinant of being categorised as a 'paragraph 6 country' is an arbitrary one which fails to encompass all countries at risk from the NAMA negotiations. Several alternative indicators have been mooted, including higher thresholds of binding coverage, various human development indicators or composite packages of both. Yet unless there is a conscious effort to overturn the current determinant of 35% binding coverage, there are strong fears that it will be retained in the text.

3.5 Sectoral approach

The proposals for a sectoral component to the NAMA negotiations in addition to the tariff reduction outlined in paragraphs 4 and 5 have met with strong criticism from developing countries. Paragraph 7 of Annex B as it stands at present would require all WTO members except LDCs to enter into negotiations aiming at the elimination or harmonisation of non-agricultural tariffs in sectors to be decided during the process of negotiations.

Developing countries at all stages of development have rejected the suggestion in paragraph 7 that the sectoral component of the negotiations would require "participation by all participants". While LDCs are exempt from the sectoral approach under the provisions of paragraph 9, all other WTO member countries would be expected to eliminate or substantially reduce their tariffs on the product lines chosen. Mandatory participation by all countries was a central requirement of the joint Canada-EU-US paper submitted to the WTO in August 2003, and hence it is retained in the current draft.

Developing countries, on the other hand, have protested that such a dramatic liberalisation of their import regimes would not only entail far greater tariff cuts from them than from developed countries, but would also expose their own industries to sudden and overwhelming competition, with catastrophic consequences. As a result, developing countries have consistently maintained that they should participate in any sectoral NAMA negotiations on a voluntary basis only.

In addition to this criticism, some of the poorest developing countries have raised their concern at loss of preferences under the sectoral approach. While the general issue of preference erosion is addressed below, there is heightened concern in this context since the tariff lines envisaged for harmonisation under the sectoral approach would include "in particular" products of export interest to developing countries.

Such drastic liberalisation would effectively wipe out existing preferences enjoyed by poorer countries in their most important export sectors. G90 trade ministers stated accordingly in the NAMA section of their Grand Baie declaration of 13 July 2004 that "a sectoral approach would be detrimental to G-90 Members benefiting from longstanding preferences in major export markets". The same view was reiterated by Rwanda, on behalf of the African Group, in February 2005 (TN/MA/W/49):

> *In view of Africa's low levels of industrialisation, sectoral initiatives will hinder development of industrial sectors in Africa.*

As a result of this increasing awareness of the dangers posed even to countries which are not required to participate in any sectoral initiative, there is growing recognition that the initiative may of itself be an undesirable element within the NAMA negotiations. Arguments that developing countries should participate in the sectoral initiative on a voluntary basis only are now being joined by calls to reconsider the entire package.

From the perspective of developed country exporters, however, the sectoral initiative offers the prospect of elimination of trade barriers in sectors of interest to them. US manufacturers, as noted above, have expressed a particular interest in making the initiative work to their own advantage, and the US government has duly pressed for the sectoral initiative to be afforded high importance in the context of the Doha Round. Moreover, while the sectors chosen are supposed to favour developing country interests, negotiators confirm that US proposals are based on the export interests of US industry instead.

The EU is currently aiming for the deepest and broadest possible liberalisation through the formula rather than the sectoral approach, and has proposed that the sectoral initiative should apply to two sectors only: textiles and clothing. Yet no two sectors could better exemplify the threats posed by the drastic liberalisation envisaged under the initiative.

The textiles and clothing sectors are of particular importance in the process of industrial development in that they require relatively low levels of skills and technology. As such, many developing countries have used them to make their crucial first step onto the industrial development ladder, and for several of the poorest countries they remain an essential part of their export sectors. Cambodia, Lesotho, Bangladesh and Haiti all rely on textiles for over 75% of their merchandise exports (90% in the case of the first two listed), while for Asian LDCs as a whole the corresponding figure is 61.2%.[33]

Yet such countries are already facing the prospect of losing this progress as a result of the liberalisation brought in with the termination of the Multifibre Arrangement (MFA) at the beginning of 2005. Under the MFA, poorer countries were able to benefit not only from the tariff preferences which they enjoy in key markets such as the EU and USA, but also from a quota system which attracted investment into their countries once the quotas in more advanced developing countries had been used up. The phasing out of the MFA has brought an end to this quota system, with widespread predictions that China and India will now capture almost all the welfare gains in the textile and clothing sectors between them. Poorer countries are forecast to lose out heavily, with estimates of up to 27 million job losses (many of them women) and concomitant increases in poverty.[34]

As a result of the phasing out of the MFA, clothing and textiles are now incorporated under the NAMA negotiations along with other non-agricultural goods. Including them as sectors for tariff harmonisation or elimination, as per the EU's proposal, would have a devastating effect on the world's poorest countries, as it would remove their tariff preferences on top of the losses they already face from the abolition of MFA quotas. The prospect of being brought into even more direct competition with China and India in this way has led a group of developing countries to raise this as an urgent issue at the WTO.[35]

The clothing and textiles sectors provide a graphic example of the preference erosion with which trade liberalisation threatens the world's poorest countries. However, the principle extends to other sectors too, where econometric forecasts also predict the greatest gains from third market liberalisation going to the most powerful developing countries.[36] In response, many WTO members have called for the issue of preference erosion to be given far higher priority than it has received to date, particularly as the NAMA negotiations are now being rushed forward towards a premature and ambitious outcome.

3.6 Erosion of preferences

The penultimate paragraph of Annex B deals perfunctorily with the erosion of trade preferences as a result of the NAMA negotiations of the Doha Round. G90 members have increasingly drawn attention to their plight in the context of negotiations designed to reduce tariffs across the board, as the margins of preferential access which their exports currently enjoy will be eroded so as to bring them into unequal competition with more advanced producers. In the case of the most drastic liberalisation initiatives, such as the sectoral harmonisation discussed above, poorer countries stand to lose their export markets altogether.

G90 trade ministers called in their 13 July 2004 declaration for solutions to preference erosion to be obtained within the WTO negotiations themselves. Their urgency was not reflected in the NAMA annex, however. Despite the representations of numerous developing country representatives over the past two years, paragraph 16 of Annex B does no more than instruct the NAMA negotiating group to "take into consideration" the needs of those WTO members which stand to lose both revenue and trading opportunities as a result of preference erosion under the Doha Round.

Benin, representing the ACP Group, drew attention to the marginalisation of the issue of preference erosion in its communication to the March 2005 meetings of the NAMA negotiating group (TN/MA/W/53). According to the submission, other countries have argued against addressing the issue of preference erosion from the outset on the grounds that it would hold up the (for them) more important process of agreeing on an ambitious package of industrial trade liberalisation. In response, Benin outlined the ACP's proposed methodology for identifying products at risk from preference erosion, and noted: "One should bear in mind that trade liberalization affects countries differently."

The IMF has intervened in the context of preference erosion through its Trade Integration Mechanism (TIM), introduced in April 2004. The IMF recognises that "the erosion of tariff preferences could lead to a reduction in the demand for a country's exports because other suppliers can now compete on more equal terms. Similarly, the expiration (in 2005) of quotas under the WTO's textiles agreement could lead to more intense competition in textiles and clothing markets – resulting in higher imports and/or lower exports in some countries."[37] The TIM is designed to pave the way for more ambitious trade liberalisation at the WTO by providing finance to meet balance of payments shortfalls arising from preference erosion or other losses caused by global trade liberalisation.

The IMF has made clear that it is not offering new financing through the TIM but rather a repackaging of loans already available through existing IMF lending instruments. The TIM thereby offers the world's poorest countries the chance to increase their existing debt burden – at a time when the rest of the world is trying to reduce it – in order to offset the losses caused them by the trade liberalisation initiatives of rich countries such as the EU and USA. Small wonder, perhaps, that the G90 have called for the issue to be tackled at its source within the WTO instead.

To this end, Rwanda submitted the African Group's most recent WTO communication on the issue of non-reciprocal preferences (TN/MA/W/49) in February 2005. The paper reaffirmed that any further liberalisation agreed at the WTO must take into account the threat of preference erosion from the outset "and not further deepen the crisis of de-industrialisation or accentuate the unemployment and poverty" which already exist in African countries. Most specifically, the African Group proposed a correction coefficient in order to maintain or improve the margins for products which currently enjoy preferential access but which are threatened by NAMA negotiations at the WTO. Taken together with the ACP methodology for identifying products at risk from preference erosion, this represents a first step towards addressing the issue within the context of the negotiations themselves.

The paper also touched on the potential to offset some of the losses forecast as a result of preference erosion by action on two further fronts within the NAMA negotiations: the provision of duty-free and quota-free access for LDC exports to developed country markets, and the treatment of non-tariff barriers (NTBs) which impede full utilisation of the preferences currently on offer.[38] The attempt to achieve duty-free and quota-free access for LDC exports has been an ongoing struggle since the first Ministerial Conference of the WTO in 1996. While a small number of developed and developing countries have now granted such access to LDC exports in all or almost all their markets,[39] the WTO has not managed to win a commitment from developed countries to provide such access on anything more than a 'best endeavour' basis.

The current NAMA annex again fails to achieve such a commitment. Instead, paragraph 10 simply calls on developed countries and other participants "who so decide" to grant duty-free and quote-free access on an autonomous basis to non-agricultural products originating from LDCs. Numerous studies have confirmed that such a move will have negligible impacts on those developed countries which do undertake to open their markets.[40] It is high time to convert this call into a binding commitment on developed country WTO members, requiring them to provide duty-free and quota-free access for all LDC exports while continuing to encourage other developing countries to provide enhanced market access to LDC exports to the extent that they are able.

On the second issue, paragraph 14 of Annex B undertakes to examine NTBs in the context of the NAMA negotiations, and the March 2005 meetings of the NAMA negotiating group devoted a full day to their discussion, following a period of NTB notification at the end of 2004. Ultimately, however, most NTBs were referred to other committees within the WTO to discuss, with the NAMA negotiating group overseeing progress. A number of developing countries expressed concern at the decision, seeing that it could remove some NTBs from the compass of the NAMA negotiating group altogether.

4 Conclusion

As stated in the joint submission (TN/MA/W/27) by Ghana, Kenya, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe in February 2003:

> *The objective of the negotiations on market access for non-agricultural products should, in our view, be to facilitate and enable the development and industrial processes in developing countries.*

Instead, the NAMA negotiations currently being rushed forward at the WTO are designed to achieve an ambitious level of trade liberalisation for the world's richest countries, and in particular the opening of developing country industrial and manufacturing sectors to external competition. This self-interested "offensive agenda" on NAMA has been identified as a particular priority by developed country WTO members such as the USA and EU, for whom the much-vaunted 'Doha Development Agenda' is little more than a convenient fiction.

As outlined above, the NAMA negotiations threaten to undermine the industrial development of many developing countries and to condemn the poorest to increased poverty. Developing countries must retain the right to choose their own paths and pace of development, far more than the marginal flexibilities currently on offer in the NAMA negotiations allow. In sum, the WTO's members must reject the current NAMA annex and substitute in its place a text which addresses the needs of developing country WTO members, not the predatory ambitions of the rich.

NOTES

[1] as stated in the joint Canada-EC-US proposal 'Non-Agricultural Market Access: Modalities' of 20 August 2003 (JOB(03)/163)

[2] see Bacchetta, M and Bora, B (2003) *Industrial Tariff Liberalization and the Doha Development Agenda* (Geneva, World Trade Organisation), annex charts 1-4, for developing countries' progress in diversifying away from primary exports over the past 30 years. In Africa and the Middle East, primary products still accounted for over 70% of total merchandise exports in 2000; in Latin America excluding Mexico, the share was around 60%.

[3] These and many other examples are conveniently collected in UNDP (2003) *Making Global Trade Work for People* (London, Earthscan); SAPRIN (2004) *Structural Adjustment: The Policy Roots of Economic Crisis, Poverty and Inequality* (London, Zed Books); Buffie, E (2001) *Trade Policy in Developing Countries* (Cambridge, Cambridge University Press)

[4] cited in Hilary, J (1999) *Globalisation and Employment: New Opportunities, Real Threats* (London, Panos Institute)

[5] PricewaterhouseCoopers (2003) *Sustainability Impact Assessment (SIA) of trade negotiations of the EU-ACP Economic Partnership Agreements*; available at http://www.sia-gcc.org

[6] examples as from note 2, above

[7] Rama, M (2003) *Globalization and Workers in Developing Countries* (Washington DC, World Bank)

[8] ch13, 'Trade Policy', of World Bank *PRSP Sourcebook*, available at http://poverty.worldbank.org

[9] Winters, A (2000) *Trade, Trade Policy and Poverty: What are the Links?* (London, Centre for Economic Policy Research)

[10] The IMF trade restrictiveness index defines an economy as 'open' if it has an index of 1-4, 'moderate' if it has an index of 5-6 and 'restricted' if it has an index of 7-10.

[11] Fernandez de Cordoba, S and Vanzetti, D (2005) *Coping with Trade Reforms: Implications of the WTO Industrial Tariff Negotiations for Developing Countries* (Geneva, UNCTAD), p44

[12] SAPRIN (2004) *Structural Adjustment: The Policy Roots of Economic Crisis, Poverty and Inequality* (London, Zed Books)

[13] Buffie, E (2001) *Trade Policy in Developing Countries* (Cambridge, Cambridge University Press)

[14] see Ebrill, L, Stotsky, J and Gropp, R (1999) *Revenue Implications of Trade Liberalization*. IMF Occasional Paper no 180 (Washington DC, International Monetary Fund)

[15] Fernandez de Cordoba, S, Laird, S and Vanzetti, D (2004) *Trick or Treat? Development Opportunities and Challenges in the WTO Negotiations on Industrial Tariffs* (Nottingham, Centre for Research in Economic Development and International Trade)

[16] see Fugazza, M (2004) *Export Performance and its Determinants: Supply and Demand Constraints*. UNCTAD Policy Issues in International Trade and Commodities Study Series, no 26 (New York and Geneva, United Nations). This confirmation of the importance of policy intervention in liberalising intermediate inputs before final goods refutes the argument for uniform tariffs; see Tarr, DG (2002) 'Arguments for and Against Uniform

Tariffs', in Hoekman, B, Mattoo, A and English, P (eds) *Development, Trade, and the WTO: A Handbook* (Washington DC, World Bank)

[17] The more familiar 'EU' is used throughout this paper in place of the official WTO title of EC (European Communities).

[18] see, for example, Chang, H-J (2002) *Kicking Away the Ladder: Development Strategy in Historical Perspective* (London, Anthem Press); Rodrik, D (2001) *The Global Governance of Trade as if Development Really Mattered* (New York, UNDP)

[19] see, for example, WTO documents TN/MA/W/27 (from Ghana, Kenya, Nigeria, Tanzania, Uganda, Zambia and Zimbabwe); TN/MA/W/31 (from Egypt, India, Indonesia, Kenya, Malaysia, Mauritius, Nigeria, Tanzania, Uganda and Zimbabwe); TN/MA/W/40 (from Ghana, Kenya, Madagascar, Mauritius, Nigeria, Rwanda, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe); TN/MA/W/43 (from Malaysia); TN/MA/W/45 (from Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela); and WT/MIN(03)/W/18 (from the G90 coalition of AU, LDC and ACP countries).

[20] 'What They Are Saying About the WTO Framework Agreement', USTR press release, 4 August 2004

[21] 'NAM Announces New WTO Action Group', National Association of Manufacturers press release, 9 August 2004; thanks to Erik Wesselius of Corporate Europe Observatory for providing access to this release

[22] 'NAM Leads Manufacturers' Fly-In to Geneva Seeking Reduction of Tariff Barriers to Trade', National Association of Manufacturers press release, 11 April 2005; thanks to Carin Smaller of the Institute for Agriculture and Trade Policy for providing access to this release

[23] 'WTO-Doha Development Agenda: UNICE Welcomes the WTO Decision but Calls for More Industrial Market Access', UNICE press release, 2 August 2004

[24] 'External Trade – Doha Development Agenda – Council Conclusions'. Council of the European Union press release 12767/04, 11 October 2004

[25] Fernandez de Cordoba, S and Vanzetti, D (2005) *Coping with Trade Reforms: Implications of the WTO Industrial Tariff Negotiations for Developing Countries* (Geneva, UNCTAD)

[26] The incidence of national tariff peaks (tariffs over three times the national average) and international tariff peaks (tariffs at 15% or more) is presented country by country in the WTO Secretariat's September 2002 note (TN/MA/S/4) *WTO Members' Tariff Profiles*.

[27] NFTC (2005) *Making the Case for Ambitious Tariff Cuts in the WTO's Non-Agricultural Market Access Negotiations* (Washington DC, National Foreign Trade Council)

[28] The EC and Norwegian papers propose credit systems through which developing countries could 'earn' a less damaging coefficient in the tariff reduction formula by forfeiting the flexibilities of paragraph 8 and/or (in the Norwegian proposal) by participating in the sectoral initiative. The US paper proposes a dual coefficient in the tariff reduction formula as a direct alternative to the flexibilities of paragraph 8; even then, however, the USA argues that the coefficients must be "within sight of each other", thus ensuring that developing countries will still contribute more than developed countries to the Doha Round.

[29] Khor, M and Goh, CY (2004) *The WTO Negotiations on Non-Agricultural Market Access: A Development Perspective.* Paper presented to UNDP/TWN/North-South Institute's Asia-Pacific Conference on Trade, Penang, 22-24 November 2004

[30] The comparisons are conveniently (if incompletely) presented in the WTO Secretariat's January 2005 note (TN/MA/S/14): *Statistical Indicators Related to Unbound Tariff Lines*, Table 3. In addition to the countries listed, Kuwait maintains a bound average at 100%, which is 25 times its applied average of 3.9%, while Singapore's bound average of 6.3% is infinitely greater than its average MFN applied rate of 0%.

[31] see Pangestu, M (2002) 'Industrial Policy and Developing Countries', and Finger, JM (2002) 'Safeguards: Making Sense of GATT/WTO Provisions Allowing for Import Restrictions', both in Hoekman, B, Mattoo, A and English, P (eds) *Development, Trade, and the WTO: A Handbook* (Washington DC, World Bank). Developing

countries are still able to make use of the provisions of GATT Article XVIII Section C, which provides specifically for infant industry protection, but this requires compensation to trading partners affected.

[32] Khor, M (2005) 'North onslaught on South's industrial tariffs in NAMA talks'. Third World Network *Info on WTO and Trade Issues*, 23 March 2005

[33] UNCTAD (2004) *Least Developed Countries Report 2004: Linking International Trade with Poverty Reduction* (New York and Geneva, United Nations), p233

[34] see, for example, Nordas, HK (2004) *The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing* (Geneva, World Trade Organisation); Hale, A (2002) 'Trade liberalisation in the garment industry: who is really benefiting?' *Development in Practice*, 12 (1), pp33-44; Strange, R and Newton, J (2004) 'From Rags to Riches? China, the WTO and World Trade in Textiles and Clothing', in Katrak, H and Strange, R (eds) *The WTO and Developing Countries* (London, Palgrave Macmillan); Hayashi, M et al (2004) 'Gender-Related Issues in the Textiles and Clothing Sector', in Tran-Nguyen, A-N and Beviglia Zampetti, A (eds) *Trade and Gender: Opportunities and Challenges for Developing Countries* (New York and Geneva, United Nations)

[35] see the September 2004 *Initial Submission on Post-ATC Adjustment-related Issues* (G/C/W/496) from Bangladesh, Dominican Republic, Fiji, Madagascar, Mauritius, Sri Lanka and Uganda, which was widely supported by other developing countries

[36] Fernandez de Cordoba, S and Vanzetti, D (2005) *Coping with Trade Reforms: Implications of the WTO Industrial Tariff Negotiations for Developing Countries* (Geneva, UNCTAD). In relation to the challenge from China, see Ianchovichina, E and Martin, W (2001) *Trade Liberalization in China's Accession to the World Trade Organization* (Washington DC, World Bank); Shafaeddin, M (2002) *The Impact of China's Accession to WTO on the Exports of Developing Countries.* UNCTAD Discussion Paper no 160 (Geneva, UNCTAD)

[37] IMF (2005) *The IMF's Trade Integration Mechanism (TIM)* (Washington DC, International Monetary Fund)

[38] on this, see UNCTAD (2003) *Trade Preferences for LDCs: An Early Assessment of Benefits and Possible Improvements* (Geneva, UNCTAD); UNCTAD (2001) *Improving Market Access for Least Developed Countries* (Geneva, UNCTAD); also WTO (2004) *World Trade Report 2004: Exploring the linkage between the domestic policy environment and international trade* (Geneva, World Trade Organisation), pp26-46

[39] Canada, EC, New Zealand, Norway and Switzerland, as well as Hong Kong (China) and Singapore; Mauritius, Egypt and the Republic of Korea have also accorded preferential access to LDC exports; see Bacchetta, M and Bora, B (2003) *Industrial Tariff Liberalization and the Doha Development Agenda* (Geneva, World Trade Organisation)

[40] e.g. Bora, B, Cernat, L and Turrini, A (2002) *Duty and Quota-Free Access for LDCs: Further evidence from CGE modelling* (Geneva, UNCTAD)