

WTO UPDATE

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Contents	Page No
Lamy report to General Council	3
Canada becomes first country to notify compulsory licensing	4
Trade Policy Review – Indonesia	6
Geneva Briefs	10

Lamy urges further acceleration of negotiations

WTO DG reports to General Council

Pascal Lamy, has presented his Report to the General Council in which he has said that we have regained a good level of momentum in our work, and the challenge now is to accelerate it in the days and weeks ahead, so that the necessary compromises can be found. He warned that “now more than ever, time is running against us.”

“I think it should be clear to all of us that completing the Round is not only technically possible, but also a political must. Over the last few weeks, we have continued to hear this message from the highest levels, reflecting a strong commitment to a successful and ambitious outcome to the Round. In particular, APEC Leaders at their meeting in Sydney underlined the urgent need to make progress and pledged the political will, flexibility and ambition to ensure the negotiations enter their final

phase this year, calling on all Members to join them in this respect. We have also heard similar calls from other leaders, including at last weeks' Public Forum here at the WTO”, said Mr. Lamy.

He emphasized that the only possible path to an ambitious, balanced and development-oriented outcome to the Round is not only to establish full modalities in Agriculture and NAMA, which are needed to start scheduling, but also to make commensurate progress in other areas of the negotiations in line with the full Doha mandates, the July 2004 Decision and the Hong Kong Ministerial Declaration.

“We have regained a good level of momentum in our work, and the challenge now is to accelerate it in the days and weeks ahead, so that the necessary compromises can be

found. However, now more than ever, time is running against us. As I have stated before, progress is now being made but we must increase the pace at which we move ahead in agriculture and NAMA, so that we can then bring all the elements of the Round together, as we have to do under the Single Undertaking” said the WTO DG. He also said that it is essential to reflect the Development Dimension of this Round, including Special and Differential Treatment, in all our work.

At this stage, I do not believe that it would be useful to try to fix deadlines or negotiate a detailed roadmap. We cannot afford to let ourselves be distracted from the main tasks at

hand. We all know what we have to do to conclude the Round, and I believe we must maintain our focus fully on substance. There is an active process going on in the Negotiating Groups, and this deserves all our attention. This process is now text-driven, and texts are substance-driven. Getting into a process debate now would, I believe, risk impeding that progress.



Mr. Pascal Lamy, Director General, WTO

Canada becomes first country to notify compulsory licence to export generic drug

Canada has become the first country to authorize a company to make a generic version of a patented medicine for export under special WTO provisions agreed in 2003. The triple combination AIDS

therapy drug, TriAvir, can now be made by Apotex, Inc and exported to Rwanda, which is unable to manufacture the medicine itself.

When a government allows someone else to produce the patented product or process without the consent of the patent owner, it is known as Compulsory Licensing.

Rwanda had informed the WTO that it intends to import 260,000 packs of TriAvir – a fixed-dose combination product of Zidovudine, Lamivudine and Nevirapine – over two years. The drug is to be made in Canada by Apotex, Inc and is called ApoTriavir by the manufacturer.

The Canada's notification has completed the procedure since both notifications were required for the medicine to be exported to Rwanda under an important agreement among WTO members reached on 30 August 2003, which eased the way for countries with public health problems to import cheaper generics made under

compulsory licensing elsewhere when they are unable to manufacture the medicines themselves.

The 2003 decision is often called the “paragraph 6 system” because it implements paragraph 6 of the 2001 Doha Declaration on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and Public Health.

Canada's notification comes under paragraph 2(c) of the 30 August 2003 General Council decision, which requires exporting countries to supply relevant information on the compulsory license to the TRIPS Council, the WTO body comprising all members that is responsible for administering the intellectual property agreement.

Trade Policy Review

Indonesia: Steady economic progress with investor confidence key to future prospects

Indonesia has made steady economic progress with an average annual GDP growth rate of 5.2 per cent despite major exogenous shocks and natural disasters. Growth, however, has not been high enough, to reduce the unemployment rates and cut poverty levels. To achieve a growth rate of over 6 per cent annually needed to mitigate unemployment, which was 10 per cent in the year 2006, the Government has started a comprehensive reform programme aimed at improving the investment climate, the financial sector, and infrastructure, supported by Indonesia's vast natural resources.

Economic Environment

Indonesia's real GDP growth rose steadily from 4.7 per cent in 2003 to 5.5 per cent in 2006, while macroeconomic vulnerabilities have been declining.

Fiscal consolidation has been the hallmark of economic policy as the overall budget deficit narrowed from 2.4 per cent in 2001 to 0.5 per cent in 2005, accompanied by the reduction in the amount of fuel subsidies and delays in spending caused by changes to budgetary and procurement procedures, and to 1.1 per cent in 2006. Under the medium-term fiscal framework, public debt declined to 39 per cent in 2006, down nearly by 20 percentage points over three years,

and is expected to continue to fall to 30 per cent by 2010, which implies keeping the overall budget deficit under 1 per cent of GDP in the medium term. However, the tax to GDP ratio of 12 per cent appears insufficient to meet Indonesia's developmental needs.



Bank Indonesia, Jakarta

Strong domestic demand, particularly consumption, has been the driving force for the growth since the 1997-98 Asian financial crisis. The steady recovery in growth in recent years, however, has not been accompanied by an increase in employment levels. Registered unemployment (at 4.8 per cent in 1997) has been over 9 per cent since 2002, edging up to 11.2 per cent in 2005 and then down to 10.3 per cent in 2006. Labour market rigidities have been cited as one of the main causes of rising unemployment, with Indonesia ranking unfavourably in the region, and planned revisions to labour laws appearing to be stalled.

Despite increased spending on poverty programmes, the number of people living in poverty rose for the first time in six years from 16 per cent to 17.8 per cent between 2005-2006. Inflation in the year 2006 was down to 6.6 per cent, apparently within the

inflation target, compared with 17.1 per cent in 2005. The overriding objective of the independent Bank Indonesia in the conduct of monetary policy continues to be to contain inflation.

Merchandise exports accounted for about 30 per cent of GDP during the period under review, whereas imports in the same period registered a growth of 23 per cent. Foreign trade patterns have not changed substantially although Indonesia has become more dependent on petroleum exports and imports. Most merchandise trade continues to be with East Asian countries with China increasing its share of both exports and imports. Singapore remains Indonesia's main ASEAN trading partner.

Trade Policy Framework and Developments

Since the Trade Policy Review in 2003, Indonesia has continued to undertake systematic efforts to increase the pace of its economic development by reducing constraints to trade, investment, and production. Indonesia has been active in the APEC trade

facilitation framework with the aim of reducing transaction costs.

The tariff has remained Indonesia's main trade policy instrument, although a relatively small source of tax revenue, accounting 4 per cent of total tax revenue. Indonesia reduced the number of tariff lines subject to import restrictions to 141. Government procurement remains an important instrument of industrial policy. Indonesia not being a signatory of the WTO Agreement on Government Procurement (GPA) revised its government procurement regime to, increase domestic sourcing, reduce corruption, and bring its procurement framework more into line with international public procurement practice.

Indonesia has remained relatively an active user of anti-dumping measures, mainly on base metals and chemicals from the region, initiating 26 anti-dumping investigations between 2002 and 2006. In 2003, a Safeguards Committee was established, following the enactment of safeguards legislation in 2002.

Support for production and trade has been provided through financial

assistance for R&D as well as through industry- and/or region-specific tax incentives. In 2006, the Government proposed tax reforms, inter alia, to simplify the tax incentive regime. Rising global oil prices obliged the Government to reduce subsidies for fuel in 2005 and bring prices closer in line with world prices. State-owned enterprises continued to play a central role in the economy accounting 40 per cent of the Indonesia's GDP.

Sectoral Policy Developments

Agriculture sector in Indonesia's constitutes for almost 13 per cent of GDP in 2006 and is home to the largest segment of the Indonesian population and of the poor and has a primary role in achieving the objective of poverty alleviation. It remains the most important sector in terms of employment, providing livelihoods for around 44 per cent of the workforce, indicating that labour productivity in agriculture is less than one fifth of the level in the rest of the economy. Indonesia mining sector contribution to exports accounted for 8 per cent in the total export basket.

The manufacturing sector share in GDP increased from 13 per cent in 1980 to 28 per cent in the year 2006; increasing the share of manufacturing five fold to 64 per cent. The applied MFN tariff on manufacturing has been reduced from 9.6 per cent in 2004 to 9.2 per cent in 2006, but certain sectors (e.g. chemicals, fabricated metal products, motor vehicles, alcohol products, motor cycles, bicycles) continued to be subject to high rates, ranging up to 150 per cent. In the textiles and clothing sector, average MFN tariff protection has remained constant at 10.8 per cent. The Services sector also registered an increase in the year 2006 and accounted for 40 per cent of GDP and employed nearly 38 per cent of the working population.

The financial sector has gone through major restructuring and reform since the financial crisis in 1997-98. The Indonesian Bank Restructuring Agency (IBRA) oversaw substantial consolidation during its six years of operation, but a large portion of the banking system remains in government control.

The total Banking sector NPL as a percentage of total loans rose to 9.3 per cent in 2006 as compared to 8.2 per cent in 2003. Banks still dominate the financial system, accounting for 80 per cent of the financial assets. However, the dominance of non-bank financial institutions (NBFIs) such as insurance companies, finance companies and pension funds has played a crucial role in the financial sector reform package in providing low cost financial services, mobilizing domestic savings and heading it in profitable investments.

Prospects

In view of rising poverty, unemployment level, the Government Medium Term Development Plan (2004-09) aims to achieve an annual average GDP growth of 6.6 per cent and aims to cut the poverty rate to 8.2 per cent and the unemployment rate to 5.1 per cent by 2009. The Government also highlighted the need for reforms to strengthen public institutions, improve the business and investment climate, and boost infrastructure development.

Geneva Briefs...

China indicts US of breaking WTO rules

China has accused United States of breaking World Trade Organization rules as a part of ongoing commercial disputes. The violation came out in the process of anti-dumping and anti subsidy investigations launched by the US against five product categories including items like paper, steel, pipe and tyres. The enormous trade imbalance between the two countries has been also a consistent cause of concern in the US. The US trade deficit with China hit USD 232.5 billion in the last financial year.

Australia insists US to offer farm concessions

Australia has urged US to reduce its farm subsidies to provide a boost to global trade. Poorer nations led by India, Brazil have

publicly faulted Europe and US for not offering enough in nearly six-year-old talks in exchange for opening up their industrial sectors. The members of Apec have showed confidence in giving positive outcomes to the developing nations.

Firms gained more than farmers under WTO norms: Centad Study

Global agriculture trade is highly asymmetric with large number of producers linked to very few traders who in turn sell to large number of buyers, according to a Centad Study. Global top 10 food retailers command a market share of 24 per cent amounting to USD 3.5 trillion, out of which Wal Mart, Carrefour, Metro AG and Ahod account for 64 per cent. Chiquita and dole food commands 50 per cent of the banana sales, while Unilever/ Brooke Bond, Cadbury Schweppes and Allied Lyons

control 80 per cent of the global tea sales. The study also found compliance of stringent standards of developed countries would burden the farmers in the developing countries. Compliance to EUREP-GAP norms would amount to 70 per cent of the average income of Ghana farmers, 87 per cent of the average income of Indian farmers and about 1.3 times the annual per capita income of Bangladesh.