

WTO UPDATE

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Farm talks chair circulates fourth text on export competition

Fourth Working Document on Export competition reflecting the latest progress in the talks, was circulated by the chairperson of the agriculture negotiations, Ambassador Crawford Falconer, on 12 November 2007. These papers on export competition are one result of intensive negotiations that began in September, on the revised draft "modalities" paper, which the chairperson circulated in July and August.

The text of the Working Document 4 -**EXPORT COMPETITION****General**

137. Nothing in these modalities on export competition can be construed to give any Member the right to provide, directly or indirectly, export subsidies in excess of the commitments specified in Members. Uruguay Round Agreement on Agriculture (URAA) Schedules, or to otherwise detract from the obligations of Article 8 of that Agreement. Furthermore, nothing can be construed to imply any change to the obligations and rights under Article 10.1 or to diminish in any way existing obligations under other provisions of the Uruguay Round Agreement on Agriculture or other WTO Agreements.

Scheduled Export Subsidy Commitments

138. Developed country Members shall eliminate their remaining scheduled URAA export subsidy entitlements by the end of 2013. This will be on the basis of budgetary outlay commitments being reduced by 50 per cent by end 2010 with the remaining

budgetary outlay commitments being eliminated in equal annual instalments so that all forms of export subsidies are eliminated by the end of 2013.

139. Quantity commitment levels will [be reduced in equal annual instalments from the applicable Uruguay Round commitment levels][apply as a standstill from the commencement until the end of the implementation period at the lower of either the then current actual applied quantity levels or the Uruguay bound levels reduced by 20 per cent].

140. Developing country Members shall eliminate their export subsidy entitlements in equal annual instalments [in accordance with the provisions of Article 15.2] [by 2016].

141. In accordance with the Hong Kong Ministerial Declaration, developing country Members will, furthermore, continue to benefit from the provisions of Article 9.4 of the Agreement on Agriculture for five years after the end-date for elimination of all forms of export subsidies.

Export Credits, Export Credit Guarantees or Insurance Programmes

142. Export credit, export credit guarantees or insurance programmes shall comply with the provisions set out in Annex D [, net of paragraphs 3 (b) and 5(b)].

143. The disciplines set out in Annex D, shall apply from the first day of the implementation period of the Doha Round for developed country Members and the maximum repayment term shall be phased in according to the following schedule for developed and developing Members respectively [].

Agricultural Exporting State Trading Enterprises

144. Agricultural exporting state trading enterprises shall comply with the provisions of Annex E.

International Food Aid

145. International food aid shall comply with the provisions of Annex F.

Cotton

146. Those export subsidies for cotton referred to in paragraph 137 above are prohibited. However, developing country Members which have any export subsidy entitlements referred to in that paragraph shall comply with this prohibition no later than the end of the first year of the implementation period.

147. To the extent that new disciplines and commitments for export credits, agricultural exporting state trading enterprises and international food aid create new and additional obligations for Members as regards cotton, any such obligations shall be implemented by the commencement of the implementation period for developed Members and by the end of the first year of the implementation period for developing Members.

US concern on Import Safety

Mr. George Bush, President, United States has made an important speech regarding safety of goods imported by US, which could have serious implications for India considering the fact that India exports around \$1 billion agricultural products to US.

The United States is one of the most open markets in the world,

and our consumers are better off because they have a wide variety of products from across the world to choose from. And while we have strong food and product safety standards, we need to do more to ensure that American families have confidence in what they find on our store shelves. They have the right to expect the food they eat, or the medicines they take, or the toys

they buy for their children to be safe.

“Last year the United States imported nearly \$2 trillion of goods through more than 825,000 importers and the vast majority of these imports are safe. Unfortunately, in recent months Americans have seen imports from toys to toothpaste to pet food recalled because of safety concerns”, said Mr. Bush. He added that his administration takes this problem seriously. “So in July, I issued an executive order establishing the Interagency Working Group on Import Safety. I asked this group to review the problem and to make recommendations for actions that we can take to address it”, he said.

In September, this working group issued a report recommending that the strategy needs to be changed to ensure the safety of imports. US President stated that for many years, we have relied on a strategy based on identifying unsafe products at the border. The problem is that the growing volume of products coming into our country makes this approach increasingly unreliable. The working group recommended that we adopt a smarter and more effective approach that focuses on prevention -- building safety into products from the very beginning of the supply chain. He emphasized that under this approach, the US will focus on stopping dangerous products from reaching our border in the first place -- for example, by ensuring

that food and consumer products meet our standards for safety before they leave their home countries.

Mr. Bush illustrated that US will establish new incentives for importers that follow strong safety practices and demonstrate a good track record. “We will increase our training of inspectors in foreign countries, so they can stop dangerous goods at their borders instead of ours. We will work for higher and more uniform standards for high-risk foods and consumer goods. And we will work to increase penalties for those who violate U.S. import laws and regulations”, he said.

In conjunction with these import safety measures, the Food and Drug Administration has unveiled a Food Protection Plan. This plan addresses both imported and domestically produced food, and will strengthen the FDA's ability to coordinate with other federal agencies to protect our food supply. By identifying risks all along the food supply chain, this plan will help prevent the problems from arising, respond effectively if they do, and improve communication with industry and our public.

A key feature of both our Import Safety Plan and our Food Protection Plan is a recommendation that the FDA be granted new authority to recall the unsafe food products. Specifically, the FDA would be empowered to order a recall when a company

refuses to recall their product voluntarily, or moves too slowly in removing the unsafe product from the market. With this authority, the FDA will be in a better position to act quickly if any problem occurs.

The steps I have announced today will require wide-ranging cooperation between federal agencies, foreign governments, the private sector, and consumer safety organizations. Some steps can be implemented by the executive branch, and we will move forward with these measures. Others will require legislation, and we will work with Congress to enact the appropriate laws. All these steps will require a commitment by all involved to make the safety of our children and our families the highest priority.

The Interagency Working Group on Import Safety presented to President Bush its Action Plan, which contains short- and long-term recommendations for continuing to improve the safety of imports entering the United States. The Action Plan contains 14 broad recommendations and 50 action steps that provide a road map for better protecting American consumers and enhancing the safety of the increasing volume of imports entering the United States.

[Highlights Of The Action Plan's Recommendations](#)

1. **Creating A Stronger Certification Process.** Certification can be a powerful tool to foster compliance with U.S. safety

standards while facilitating trade. For example, the Food and Drug Administration (FDA) should have the authority to require that producers of certain high-risk foods in a particular country, under an agreement with that country, certify that their products meet FDA standards in order to export to the United States. This would help "shrink the haystack" and better target resources on the greatest threats. In addition, voluntary certification should be encouraged for foreign manufacturers of other products. Products certified as meeting U.S. safety standards could receive expedited entry.

2. **Encouraging Good Importer Practices.** The Action Plan recommends the adoption of best practices to improve import safety and benefit consumers by providing incentives to importers to maintain the highest safety practices for products that carry greater risks.
3. **Increasing Transparency.** The names of certified producers and importers of record that import products only from certified producers could be made public, so that consumers and distributors can make

more informed decisions about product safety.

4. **Exchanging Import Data.** The importing community, U.S. Customs and Border Protection, and other Federal agencies will exchange real-time product and compliance data on each import transaction to better inform decisions to clear or reject import shipments. The Action Plan also recommends that strategic information sharing agreements be concluded with key foreign governments, in order to facilitate the exchange of import and recall data.
5. **Increasing U.S. Presence Overseas.** Product safety should be a guiding principle of U.S. cooperative agreements with foreign governments. It will also be important to increase training for foreign inspection agencies to build the capacity of foreign governments to ensure the safety of products exported to the United States. In addition, increasing our

physical presence abroad and working with foreign governments and manufacturers will help ensure compliance with U.S. safety standards.

6. **Enhancing Standards.** Congress should give import safety and inspection agencies the ability to strengthen their standards, where needed. These new authorities should take into consideration industry best practices in order to leverage the knowledge and experience of those who best understand how the products are made.
7. **Strengthening Penalties.** To hold both foreign and domestic entities accountable and discourage the sale of unsafe products, the Federal government will take steps to strengthen penalties against entities that violate U.S. laws, providing a significant incentive to comply with U.S. requirements.

Doha Round will benefit energy trade, says Lamy

More predictable and transparent trade WTO rules pertaining to energy sector could benefit both energy-importing and energy-exporting countries as well as the companies engaged in energy trade

and consumers, said Mr. Pascal Lamy, Director General, World Trade Organization.

In his speech at the 20th World Energy Congress on 15 November

2007 in Rome, Mr. Lamy stated that market mechanisms have important role to play better global governance on energy. And as the markets must be governed by transparent and predictable rules, the WTO, as a forum for the negotiation and enforcement of multilateral trade rules has a role to play.

"...a large part of big world energy actors such as Russia, Iran, Kazakhstan, Ukraine, Iraq, Algeria or Libya are not yet WTO Members. Other big players such as Saudi Arabia and several other Gulf States, have just recently joined the organisation. It is therefore no surprise that energy has not been singled out as a specific sector of trade within WTO", the WTO DG said.

He further stated that when the rules of the GATT which preceded the WTO were negotiated 60 years ago, opening trade in energy was not a political priority. World energy demand was a fraction of today's and you could buy a barrel of crude oil for 20\$ at current prices. So the rules of the WTO do not deal with energy as a distinct sector. Yet since our basic rules are applicable to all forms of trade, they also apply to trade in energy goods and services. And these rules can be enforced through the WTO dispute settlement mechanism even if they were not negotiated with energy in mind.

"For example, we have a general rule on transparency mandating

governments to publish domestically all trade-related regulations and to notify relevant legislation to the WTO. We have a rule that generally prohibits exports restrictions. We also prohibit discrimination on the basis of origin or destination of products. We also have rules on freedom of transit, on actions by state-trading enterprises, and on trade-distorting subsidies. In certain circumstances, Members may invoke exception provisions which allow them to implement restrictions if they "relate to the protection of exhaustible natural resources". Under our security exceptions, Members can "take any action considered necessary to protect essential security interests, including action relating to fissionable materials". As you can see many of these rules can become relevant for trade in energy goods", Mr. Lamy said.

The WTO General Agreement on Trade in Services (GATS) covers generally all services, including energy services and can protect investments in energy services. But we must also recognise that there are certain specificities of the energy sector that makes it different from other economic activities in several respects, stated the WTO Chief.

Existing WTO rules, which were not negotiated with the specificities of the energy sector in mind, may not address appropriately all the needs of energy trade. Back in the

70s and 80s, governments tried but did not manage to tackle the issues of dual pricing practices and export restrictions on raw materials. Disputes arose concerning the exact scope of the transit obligation, and were eventually settled between the countries concerned.

He emphasized that the lack of comprehensive international competition rules, and the fact that government procurement disciplines apply only to a fraction of the membership, may also be seen as a weakness.

Mr. Lamy listed several reasons which have recently led energy to appear on the radar screen of WTO Members, and conversely, the WTO to be on the radar screen of the energy business community.

- Several energy-exporting countries have recently acceded to the WTO (Saudi Arabia, Oman) and others (Russia, several Central Asian countries, Algeria, Libya, Iran, Iraq or Ukraine) are currently asking for or negotiating their accession, bringing with them a substantial part of energy trade.
- With increasing energy needs, issues relating to the use of international pipelines have contributed to a renewed interest in the provisions on freedom of transit
- Reforms in the energy sector and technological

developments have created room for private operators, which has allowed energy services to be identified as a negotiating topic in the Doha Round.

- The interaction between trade and climate change, the role of bio fuels, and, more generally, increasing energy needs and concerns surrounding energy security, have also contributed to raise the profile of energy in the remit of multilateral trade rules.

The first area where energy stands explicitly on the Doha agenda is the services negotiations. For the first time Members are discussing energy as a specific services sector.

Mr. Lamy said that energy was not addressed in any comprehensive manner during the Uruguay Round, because the liberalization of the sector was not yet on the political agenda. As a result, WTO Members undertook limited commitments to open their markets to foreign operators in energy services, including services incidental to mining at oil and gas fields, services incidental to energy distribution – of, inter alia, gas and electricity – and pipeline transportation of fuels. He added that progressive unbundling of state-owned integrated utilities and technological developments have created room for private operators. This, in turn, has raised the profile of energy services in the WTO.

He mentioned that current negotiations on energy services cover a broad range of activities relevant for energy companies and span all energy sources, including renewables. Commitments are sought on activities such as drilling; engineering; technical testing and analysis services; construction work for long distance and local pipelines, and for mining; wholesale trade services and retailing services of fuels.

The negotiations are addressing the establishment of commercial presence as well as easing the intra-corporate transfers of specialists and professionals working for energy services companies.

Furthermore, some Members have proposed to negotiate additional disciplines which would address, for instance, regulatory transparency, non-discriminatory third-party access to networks and grids, the need for an independent regulator, and requirements preventing certain anti-competitive practices. All this is already on the table.

"The Doha Round aims at opening markets to environmental goods and services. Many of these have a direct application for promoting energy efficiency, such as material needed for production of renewable energy, heat management and pollution control. Examples of environmental goods that have been proposed include wind turbines, solar panels, geothermal energy sensors, fuel cells and electricity meters.

Eliminating or reducing tariffs on environmentally-friendly goods and technology would facilitate their wider dissemination", Mr. Lamy stated.

He added that the environmental chapter of the WTO Doha Round can therefore make a very concrete contribution to the promotion of energy-efficient technologies. The negotiations on environmental services include negotiations on energy-relevant activities, such as services to reduce exhaust gases and improve air quality, nature and landscape protection services or services for the rehabilitation of mining sites.

He stated that energy-related concerns also underlie proposals on export taxes and subsidies. There are proposals on the table addressing export restrictions on energy goods and other raw materials because these restrictions are more prevalent than in other traded goods, and represent a source of concern for importing countries as they increase prices of inputs. The question of subsidies in the form of low-priced energy products, especially natural gas, has recurrently stirred hot debates among WTO Members and is also part of the on-going negotiations.

The WTO Head said while bio fuels can provide us with the opportunity to address climate change, energy security and rural development, careful planning needs to be undertaken to make sure that they do not create new

environmental and social problems. The negotiations to cut tariffs and discipline agriculture subsidies have the potential to contribute to the development of orderly trade in bio fuels.

It is clear that fundamental socio-economic choices will have to be made in the coming years, which will impact our daily life. The challenge will be to design a

sustainable energy future, one which guarantees energy security, while respecting human well-being and protecting our environment. One that does not jeopardize development prospects or food security.

The WTO can make a positive contribution to this end and thus lies the importance of conclusion of the on-going Doha Development Round.

US farm aid under WTO limits since 2002: USTR

As the trade distorting farm subsidies given by the rich nations to their farmers remained the major issue of contention in the WTO talks, the US has revealed to the WTO that the payments made by the Government to farmers in US under the 2002 farm bill have never exceeded \$13 billion. The amount is more than 30 per cent below the cap of \$19 billion set by the World Trade Organization.

The US had agreed in the previous WTO talks under Doha Development Round to limit overall farm subsidies to as much as \$16.4 billion from present \$48 billion, provided other nations accept cuts in agriculture and industrial tariffs.

Mr. Joe Glauber, US Special Envoy to the WTO Doha Round of talks, said that the most trade distorting payments in the four year period ranged from \$6.95 billion in 2003 to \$12.9 billion in 2005. In addition to these subsidies, the US government has given farmers between \$58.3 billion and \$71.8 billion a year in payments that are deemed that are deemed by the WTO not to distort trade and aren't capped under current WTO rules. But according to a Congressional Research Service Report, some direct handouts to farmers do not qualify as "Green Box Payments" under the WTO rules as the US claims, which when included would raise the US subsidies by about \$5 billion a year and put the US over the WTO cap for six of the past ten years.

INDIA and WTO

India proposal to WTO deal

India has proposed that both developed and developing countries of WTO should at least halve their existing bound tariff on industrial goods. This would require developed countries to lower their tariffs to about 2.9 per cent, while India will have to

reduce average bound rate to 18-20 per cent. India however, maintained that developing countries opting for a 50 per cent cut or more should be allowed to shield 10-15 per cent of their tariff lines from reduction in commitments.

Sugar subsidy within WTO norms: Kamal Nath

In response to the charges made by Australia and Thailand to the WTO, opposing the subsidies granted by India to the exporters on the transport of sugar, India has said that the subsidies are compatible with the norms laid by

the World Trade Organization. The sugar exporters in coastal states get a maximum subsidy of Rs. 1350 per ton while those based in other states get the compensation if Rs. 1450 per ton.