

## AsiaDHRRA Main

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**Subject:** FW: [stopthenewround-philippines] reaction to DA's position

# Doubting Doha

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## WHY NO DEAL IS BETTER THAN A BAD DEAL FOR THE PHILIPPINES?

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The critical question before us today is whether a new trade deal under the World Trade Organization would be beneficial to the Philippines? Do we want a new deal when the “old deal”—the Uruguay Round Agreements that the Senate ratified in 1995- have proven to be disastrous to agriculture and industry? Shouldn't we be making an effort to first assess the impact of these agreements before committing to new agreements?

### Questioning the Doha Round

When the Doha Round was launched in November 2001, Members vowed to put the issue of ‘development’ at the center of new trade negotiations. This was the reason why developing countries who opposed the launch of new negotiations two years earlier in Seattle (which led to the collapse of the 3<sup>rd</sup> Ministerial) even agreed to launching a new round at Doha. But four years on, the implementation issues raised by developing countries are hardly been discussed and the issue of ‘development’ has been relegated to the background.

A number of questions need to be raised against the Doha Round's development claims.

#### 1. **Is the negotiations moving closer to achieving the development objectives promised by the Doha Round? How are the implementation issues being addressed, if at all?**

NO. The development objectives of the round have been placed on the backburner. Only 5 of the 88 proposals on implementation issues submitted by developing countries are now on the table. These deal with waivers, duty free access to developed country markets and the issue of deviation from TRIMS (Trade Related Investment Measures). The other demands of developing countries on protection of flexibilities, and trade capacity building have not been addressed. Clearly the real objective of the Doha Round is liberalization. One African Ambassador perhaps said it best when he remarked “The Doha round is not a ‘development’ round but a ‘market access’ round.”

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#### 2. **Are the Special and Differential Treatment (S&D) provisions stronger now? Are there greater flexibilities now for developing countries?**

NO. The negotiations are moving farther away from S&D. The formulas for tariff reductions are applicable to all with very little differentiation between those for developed and those for developing countries.

The United States Market Access Formula calls for four (4) bands for developed and developing countries and percentage cuts for each band as follows.

Tariff Bands for Developed Countries:

- Tariffs of 0 – 20 to undertake cuts between 55% and 65%
- Tariffs of 20-40 to undertake cuts between 65% and 75%
- Tariffs of 40-60 to undertake cuts between 75% and 85%
- Tariffs of 60 onwards, to undertake cuts between 85 and 90%.
- There will be a cap of 75%

## Developing Countries

The same bands are to be used. Developing countries “will be subject to slightly lesser reduction commitments”.

**Table 1. Distribution of bound tariffs of a selected group of developing countries (%)**

Member	Average initial tariff	US proposed thresholds			
		>60%	< 60% >40%	<40% > 20%	< 20%
Barbados	111.32	100	0	0	0
Brazil	35.33	0	15.22	73.03	11.75
Dominican Republic	39.54	2.62	0.44	93.30	3.64
Honduras	31.72	0	2.97	81.49	15.54
India	113.59	84.50	6.11	7.68	1.71
Indonesia	47.63	5.14	19.58	74.88	0.40
Jamaica	97.35	97.06	0.34	0	2.60
Kenya	100.00	100	0	0	0
Mauritius	119.58	97.64	0	2.36	0
Mexico*	34.49	0.7	24.7	64.5	10.1
Nigeria	150.00	100	0	0	0
Philippines	34.35	0.25	12.17	68.7	18.88
Turkey	70.97	37.07	30.96	11.43	20.54
Venezuela	55.75	29.41	0.96	63.34	6.29
Zimbabwe*	142.15	94.19	0	2.83	2.98
Rep. of Korea	61.84	13.00	16.23	25.65	45.12

## Implications for the Philippines:

1. Our agricultural tariffs are quite low already. Our average bound rate is at 34.35 % with around 90 % of these falling between 0-40% range. Our applied rates are even lower averaging only around 10 % and 87% of which fall within the 0-30% range.
2. Following the US proposal, our tariff lines falling between 0-40% would have to be subjected to anywhere between 36-50 % (allowing for 2/3 proportionality) cuts over a ten year period. This means that our average bound rates would fall to as low as 17-22 %.

## Current Tariff Rates for Vegetables

Products	Bound Rates (2004)	Applied Rates (2004)	Cuts	Bound rates after formula cuts
Potatoes, onions, garlic, carrots, cabbages	40%	40 %	43 – 50 %	20-22.8
Leeks, cucumbers, peas, beansm celery, pepper, spinach, ginger	40 %	20 %	43 - 50 %	20-22.8
Cauliflower, brocolli, lettuce	40 %	25 %	43- 50 %	20-22.8

3. The reductions on bound levels are substantive. This means that going by the current proposals on the table, that under the proposed new agreement on agriculture, Philippine bound tariff levels for vegetable would not be higher than 22 %. While it may be argued that the proposed cuts would only affect our bound levels and not the applied rates, the experience of the vegetable sector shows that increasing the applied tariffs from a low of 7 % (2003) to 25 % (2004) did not address the issue of income losses for farmers.

Vegetable farmers in Benguet province for instance still complain that their products cannot compete with cheaper vegetable imports.

4. This reduction of bound rates constitute an erosion of the much sought after 'policy space' that the Philippine negotiators have vowed to safeguard.

Developed countries are in fact getting more flexibilities through provisions on Sensitive Products were even developed countries are allowed to designate some products as sensitive deserving additional protection.

In NAMA, the moves of developed countries to link flexibilities for developing countries under paragraph 8 in Annex B of the July Framework to the discussion of coefficients in the formula have spurred strong counter arguments from developing countries. Paragraph 8 mandates flexibility for developing countries to identify [10%] tariff lines that would be subjected to less than formula cuts and [5%] tariff lines to be exempted from any formula reductions. Developed countries plus Costa Rica and Peru want developing countries to have a low coefficient of , say, 10% plus paragraph 8. Anything higher than 10% shall be without recourse to paragraph 8 flexibilities. Developing countries including the Philippines have recently come out with papers demanding that there should be no link between the value of the coefficient and access to these mandated flexibilities. Developing countries are also pushing for higher percentages saying the the bracketed numbers constitute the minimum acceptable levels.

3. **Will the negotiations lead to a more balanced and equitable system of world trade?**

NO. In fact the world trading system is become more and more skewed in favor of the rich and powerful countries. The US and the EU continue to expand rather than eliminate their huge farm subsidies through box expanding and box shifting strategies.

The much publicized proposals from the US and the EU for 60 % cuts in their farm subsidies are no more than 'paper cuts' that would not really redound to substantive reduction in their billion dollar domestic support to agriculture. The US proposal would only amount to around 3.37 % reduction of their applied levels of trade distorting domestic support. In other words, the US would only be reducing their trade distorting support by \$0.8 billion from 23.94 billion to 23.14 billion.

Subsidies under the Green Box would remain untouched as the US proposal ignores calls for disciplines on green box supports despite the recent ruling on cotton and sugar panels that parts of the Gren Box are indeed trade distorting.

4. **Is the negotiations proceeding in a democratic fashion? Is the process transparent? Are developing countries better able to participate?**

NO. The fact is that the negotiations are becoming more and more exclusionary. The informal meetings are overshadowing the formal processes in term of importance and influence. These informal meetings are becoming smaller and smaller. From Mini-ministerials to green room meetings, and now meetings of the five interested parties and the group of 4, major decisions are now being made by a select few and the majority of the Members are being left out and marginalized in what is supposed to be a Member-driven, bottom-up process.

We are seeing more bullying tactics from the developed countries. This is evident in proposals for Benchmarking in the name of complementary approaches that aim to speed up the services negotiations and side step the request and offers process mandated under GATS. These proposals especially for a plurilateral approach to the services negotiations constitute an effort on the part of developed countries to coerce developing countries to open up more sectors than these countries can manage or are willing to open..

### **Imperatives for the Philippines**

The negative impact of the AoA on Philippine agriculture is undeniable. It is imperative for the Philippines therefore to take a negotiating position in the lead up to the 6<sup>th</sup> Ministerial Meeting of the WTO in Hong Kong in December to defend Philippine agriculture against a new round of liberalization.

In the debate over a new tariff reduction formula for instance, the Philippines' stance should be to question further tariff reductions to begin with. The debate over the level of ambition of a new tariff formula misses the whole demand of farmers through out the developing world for greater support and protection. What we need is a respite from tariff reduction. Arguing over a new formula is tantamount to asking whether we want a slow or a quick and sudden death.

The Philippine government's position accepting to reduce tariffs no more than 15 % should be seriously challenged in the light of the overwhelming demand of small farmers for no further tariff reduction.

The Philippines working within groups like the G33 should continue to articulate the importance of rural development, protection of livelihoods, and food security as pre-eminent concerns of developing countries and how a new AoA would undermine these concerns.

The Philippines should be unrelenting in its effort to maintaining quantitative restrictions on rice in the wake of pressures for concessions on other agricultural products. Rice QR's should be maintained without concessions.

Our trade negotiators should work with Congress in strengthening domestic regulations that serve to protect the local economy from grave injury caused by the influx of imported goods. This is especially so in the wake of the recent ruling of the Supreme Court restraining government from implementing RA 8800 or the Safeguards Measures Act.

In the NAMA negotiations, the more critical issue for the Philippines, whose average applied non-agricultural tariffs amount to a mere 4.3 % already, is over tariff binding. While it should oppose the latest proposals on formulas for tariff reductions, binding the remaining 35 % of non-agricultural tariff lines to the WTO would further restrict policy space in using tariffs as a tool for industrialization and development. Binding our remaining tariff lines now would be tantamount to closing the door to industrialization in the future. The Philippines should continue to oppose any proposal attempting to limit flexibilities for developing countries.

In GATS, the proposal for benchmarking made by the EU must be opposed. The Philippine government's stand opposing the proposal should be supported. Benchmarking under the name of complementary approaches to the negotiations is clearly an attempt by developed countries particularly the EU to coerce developing countries to make commitments beyond their capacities.

As the Hong Kong Ministerial Meeting approaches it is important that our negotiators keep in mind the slogan "no deal is better than a bad deal" as a guiding principle. We should not agree to a new trade deal that could in the end spell the death blow to Philippine economy. #

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A reaction to the presentation of Undersecretary Segfredo Serrano of the Department of Agriculture at the forum on Achieving the Millennium Development Goal 8: Eleven Years after the WTO Agreements, Impacts on Philippine Agriculture, Jobs, and Livelihood organized by PLCPD and Fair Trade Alliance. 9 November 2005. Tañada Room, Senate of the Philippines

[2]

Special and Differential Treatment, SDT or S&D is less arduous treatment conferred on developing countries in the implementation of WTO rules. For example, developing countries may have lower tariff reduction requirements or longer phase in periods. Under SDT, 'less than full reciprocity' is expected of developing countries in that they need not offer reciprocal treatment to developed countries. It also includes the proposed Special Products and the Special Safeguard

Mechanism (SSSM). Developing country demands for SDT have largely fallen on deaf ears in recent WTO negotiations.

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