



AFTINET Ltd
Level 9 299 Elizabeth Street
Sydney NSW 2000
Phone: 02 8898 6500
Fax: 02 8898 6555
Email: jbailey@piac.asn.au
Website: www.aftinet.org.au
ABN 83 659 681 462
ACN 097 603 131

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If you would like to contribute to the Bulletin, please contact Jemma Bailey at jbailey@piac.asn.au or on (02) 8898 6500. Our website is <http://www.aftinet.org.au>.

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1. No agreement at July WTO General Council meeting – An assessment of the current negotiations

The WTO held a General Council Meeting from 27 – 29 July. This meeting was expected to reach a preliminary agreement (or “first approximation”) on key aspects of the Doha Development Round, including services, agriculture and non-agricultural market access. The General Council meeting ended without any significant agreement.

This deadlock signals that talks have fallen significantly behind the anticipated timetable for reaching important decisions by the Hong Kong Ministerial meeting in December. Negotiators indicated at the start of the year that a skeleton agreement was necessary by the July Ministerial to avoid the type of breakdown in negotiations that occurred at the Cancun Ministerial in 2003.

Following is a run-down of the current status of the WTO negotiations. This is based on an assessment by the International Confederation of Free Trade Unions in Geneva. Please contact Jemma for a full copy of the assessment.

Agriculture

In relation to market access, there is some agreement following the July General Council on the market access formula to reduce tariffs in agriculture. Negotiations will focus on a proposal by the G20, to reduce tariffs according to different tiers, or different bands of tariffs (a tariff band contains products with existing tariffs within a given range). Disagreement remains about which formula to use to reduce tariffs within each band. The US wants a Swiss formula. The African countries and Jamaica prefer an overall reduction without using tiers. Discussions on the use of Special Products and Special Safeguard Mechanisms have not moved forward.

NAMA (non agricultural market access)

The main issues to be solved in the NAMA negotiations are the formula for tariff reduction and the treatment of unbound tariffs. A tariff is bound when governments agree to a maximum level to which the tariff will be allowed to go. Other unresolved issues are preference erosion, the sectoral approach and the approach to non tariff barriers. None of these issues were resolved at the July meeting.

The sectoral negotiations (which propose moving to zero tariffs in a number of identified sectors) have gone to an informal setting in which some countries host negotiations with a number of countries that are interested in a specific sector with an aim to find a critical mass for that sector and to eliminate tariffs completely. It seems that New Zealand will host fish and forest and Thailand will host raw materials. Other possible sectors for tariff elimination are: electronics, automobile, textiles, clothing, footwear, bicycles and sporting goods, chemicals, gems and jewellery and pharmaceuticals and medical devices.

Services

Services negotiations take place on two levels, on market access and on rules. On market access a number of revised offers have been made over the past two months. Countries seem not too happy about the quality of the offers.

As mentioned in previous AFTINET bulletins, new ways are sought now to improve the quality of the offers. The EU had formulated an informal proposal for benchmarking, which would identify a number of sectors to be committed by countries and would also include the level of commitment, so both quantitative and qualitative benchmarks. The expectation is also that the EU will formally table its benchmarking proposal. Such benchmarking is opposed by many countries, in particular the mandatory benchmarking approach, as this would undermine the GATS flexibilities. However, benchmarking will remain a prominent issue on the services agenda in the coming months and other, less mandatory approaches will certainly be put forward.

On mode 4 offers remain in the area of high skilled service providers, despite demands by developing countries for low and medium skilled access. In particular the US is unable to make commitments in mode 4, which risks blocking any substantial progress on improved offers.

On the rules side there is only some progress in the domestic regulation area. There might be a proposal by Brazil to amend Art VI.4 of the GATS. All possible dispute settlement decisions on GATS are currently based on this article, which says: “qualification requirements (etc) should be not more burdensome than necessary to ensure the quality of the service “. The Brazilian proposal would change this into: “no more burdensome than necessary to meet national policy objectives”, which would be much broader than the current language and should provide more flexibility for governments.

Important dates in the lead up to the December Hong Kong Ministerial

The important dates to watch for in the coming months are:

- 9 – 10 September: G20 Trade ministers meeting in Pakistan
- 5 September and 19 – 30 September: Services cluster of meetings
- 19 – 23 September, 10 – 14 October, 7 – 11 November: NAMA week
- 19 – 20 October, 1 General Council meeting 19 - 20 October and 1 - 2 December

2. US FTA blamed for move to competitive tendering in community services

In a speech to the Senate Chamber on 10 August, Senator Jan McLucas, commented that the recent push to competitive tendering in the community care services sector was partly a consequence of the US FTA. Senator Jan McLucas is a Labor Senator for Queensland and Shadow Minister for Aged Care, Disabilities and Carers.

Some welfare services were explicitly excluded from the US FTA, however aged care services were not excluded. Earlier this year, the Government installed a rushed competitive tendering process for the provision of some community care programs. A Government departmental officer has offered the FTA as one of the reasons for the move to competitive tendering.

In late 2004, the Government outlined a number of reforms to the community care services sector in the paper *A New Strategy for Community Care: The way forward*. In January 2005, the Department of Health and Ageing advised all community care providers that the Minister was planning to advertise for applications to manage services funded under the National Respite for Carers Program, the Commonwealth Carelink Program, the Continence Aids Assistance Program and the Carer Information and Support Program. On 5 March 2005, this compulsory competitive tendering process began. The result is that a number of long-term community care service providers have been defunded and personnel with a history of working in the community services sector have lost their jobs.

In her speech to the Senate Chamber, Senator McLucas said:

Earlier this year at Estimates, we asked the Government why they introduced a competitive tendering process for these services. We were told in part that “it was a tender for provision of services and therefore fell into a particular category which meant we had to have it as a tender. That was extremely helpful! That did not explain anything. The departmental officer went on to say: “Also, it was subject to all the Free Trade

Agreement requirements which have now been put in place.

So we are now going through a competitive tendering process in this community — even though all of the academic literature tells us that it is the wrong way to deliver human services — because we have to comply with the Free Trade Agreement.

We have now put families in Australia into absolute chaos. Families who have relied on these services so that they can remain at work and so that they can continue to participate in community life now cannot find those services, simply because we are complying with the Free Trade Agreement.

A full transcript of Senator McLucas' speech is available at <http://www.janmclucas.net/>

3. Central American Free Trade Agreement (CAFTA) narrowly passes in the US ... and movement of peoples caught up in the horse-trading

After a 2-year campaign by civil society, the Central American Free Trade Agreement passed in the House of Representatives on 27 July 2005. The final vote was 217 – 215. This vote was not finalised until after midnight and only after procedural tricks and considerable arm-twisting.

Lori Wallach from Public Citizen in the US says “After losing the debate on the merits months ago, passing CAFTA required last minute procedural stunts even after weeks of the President's personal attention, a rare Presidential visit to Congress, and goodies and an army of corporate lobbyists to push the economically modest CAFTA NAFTA expansion through by a narrow margin after trying for a year.”

The 2-year campaign against CAFTA included unions, peasant and indigenous organisations, women's and environmental groups and other community organisations. These groups were concerned that CAFTA would harm workers' rights, drive family farmers off the land and lay the groundwork for the expansion of NAFTA through the Americas. This campaign won unprecedented party unity by the Democrats and a significant block of votes from the Republicans.

The closeness of this vote signals that there has been a dramatic shift in US trade politics. There is significant dissent amongst Democrats and Republicans for trade agreements that aggressively push neo-liberal policies. Community organisations have said that the NAFTA model is dead and that it is unlikely that the Free Trade Agreement of the Americas (FTAA) will be able to garner support in the House of Representatives.

In the horse-trading to pass CAFTA, there has been some speculation that a deal was struck at the final hour for the US Trade Representative to announce that there would be no US offer on movement of persons in the GATS negotiations (Mode IV) in return for votes for CAFTA in the House of Representatives. One of the improbable last minute votes for CAFTA in the final hours was from the leading anti-Mode IV Congressman. Two days after the passage of CAFTA, the US Trade Representative made the following statement, as reported in the Washington Trade Daily.

No More on Services – USTR Portman,
Washington Trade Daily, Vol 14, No 150
1 August 2005

The United States said Friday it would find it "difficult" to offer fresh concessions in the Doha services negotiations – and ruled out any further relaxation on the temporary transit of persons across its borders, US Trade Representative Rob Portman told World Trade Organization negotiators here on Friday.

During his meeting with Indian trade minister Kamal Nath, the USTR conveyed the difficulties in relaxing conditions for an accelerated flow of Indian service providers under so-called "Mode 4". He said the current climate in which tightened security considerations determine immigration and homeland security policies cannot be changed overnight.

The Indian trade minister told Mr. Portman that although New Delhi is offering an ambitious revised offer that would substantially enhance commercial presence for foreign banks and insurance companies in his country, there has been no similar offers from its trading partners – including the United States. Mr. Nath is understood to have told the USTR that Indian software companies that have won significant contracts with US companies are often not able to fulfill them because of visa and other administrative difficulties. The Indian minister suggested that US authorities rejected a strong lobbying push by the US Coalition for Service Industries to gain more favorable treatment for Indian software providers.

India asked the United States to at least bind its existing commitments so that there is no policy confusion, an Indian source said. USTR Portman told WTD that all modes of services were discussed in the bilateral meeting, but noted that it is difficult for the United States to offer more than it already has on services. "I feel very confident that the Indians will continue to take a leadership role in [services] because it's in the interest of India," Ambassador Portman said.

4. Pacific nations' threat

Post Courier, Papua New Guinea
28 July 2005

Papua New Guinea and other Pacific Island countries (PIC) are likely to be forced to drop trade barriers earlier than planned to Australia and New Zealand. That would mean massive revenue losses from premature phasing out of tariffs and increased competition from imported goods that have already been scheduled under Pacific Islands Countries Trade Agreement (PICTA).

The irony is that Australia and New Zealand who stand to benefit from this trend towards open markets in the region have failed to honour arrangements under PICTA's complementary arrangement - Pacific Agreement on Closer Economic Relations (PACER). Under PACER, Australia and New Zealand committed to fund a regional trade facilitation program to build trading capacities of the 14 Pacific Island Countries who are also Pacific ACP states with annual funding of \$F8 million (K15.2 million).

Trade and Industry Minister Paul Tiensten revealed this yesterday while delivering a ministerial statement in Parliament on economic partnerships agreements between the Pacific ACP states and European Union, Melanesian Spearhead Group, Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER). Mr Tiensten said because Australia and New Zealand are major trading partners, the Pacific countries face real issues of revenue loss arising from the phasing out of tariffs and increased competition from imported goods in a premature FTA arrangement with the two Pacific powers.

PICTA was signed as a treaty in 2001 after two years of negotiations. The treaty, ratified by PNG in 2003, commits the 14 Pacific Island Countries to dismantle import tariffs and non-tariff barriers to trade over an eight-year period. Those designated as Less Development Countries and Small Island States have an additional two years to complete their tariff reduction commitments under PICTA.

5. 'NAMA Watch': New website to monitor the WTO's non-agricultural market access negotiations

A new website has been launched by ActionAid, Friends of the Earth and War on Want to monitor the non-agricultural market access (NAMA) negotiations at the WTO. Decisions made in these negotiations threaten to limit the space for regulation in the public interest and could have major impacts on developing countries and the environment. For example, it has been claimed that regulations on food labelling, energy efficiency labelling and limits on the use of some hazardous chemicals are barriers to trade. The website is www.namawatch.org.

6. Sydney Social Forum

The Sydney Social Forum will be held from 27 – 29 August at Petersham Town Hall, Petersham TAFE and The Sydney Mint. AFTINET will participate in a number of workshops on the WTO and bilateral trade negotiations over the weekend. Times and details to be confirmed. In the meantime, please visit <http://www.sydney-socialforum.org/> for the latest information.