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Sectorial Initiatives in the WTO

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Definition

A sectoral initiative is a voluntary agreement among a group of countries to eliminate, reduce or harmonize tariffs in one products' group. Sectoral initiatives usually comprise countries that aim to eliminate tariffs in a specified sector or sub-sector. Sectoral initiatives' final target is to zero a product tariff when its all main importers accept the initiative. Moreover, in a sectoral initiative, timetables, stages and percentages of tariffs reduction are all under negotiation.

WTO member countries' attitudes

Sectoral initiatives' supporters say sectoral initiatives in Uruguay round proved they are useful, and therefore they should be re-negotiated again within the context of current agricultural negotiations. Supporters also indicate that sectoral initiatives can be accompanied with tariff-quota elimination and/or domestic support removal. Hence, they can be all in one package. Similarly, private sector in developed countries mostly support sectoral initiatives, and its organizations currently discuss initiatives related to oilseeds and their products, and what steps should be taken to encourage such initiatives. On contrary, some other developed and developing countries oppose loudly sectoral initiatives, claiming that they would dismiss attentions to more comprehensive agreements, and that it would be almost impossible to strike a sectoral deal that is in favor of developing countries. Some countries, however, say that they are not satisfied with the idea, but they still hope to benefit from sectoral initiatives in a way or another. A brief about some main countries and groups' positions regarding sectoral initiatives is in the following.

1. The USA: the USA deems that sectoral initiatives are essential for successful tariff reduction in the context of Doha negotiations. The USA asks for sectoral initiatives in sectors that are important for other members in the WTO, and tries to build alliances of countries supporting sectoral initiatives in several areas. The US suggests using this way when it sees that a possible supporting bloc can produce sectoral initiative in the desired sector.
2. The EU: although sectoral initiatives are described by the WTO as a mean to fulfill tariff elimination or reduction's obligations, the EU says that there should be no exceptions in tariff reduction, which is equally an important target to all countries (especially for LDCs). For the EU, the most important point is to accompany these initiatives with critical steps to eliminate none trade barriers (NTBs) in concerned sectors. That is why the EU links tariff reduction in some industrial sectors with eliminations of export fees on some raw materials in other countries that are needed for the mentioned industrials.
3. G20¹: positions of G20 members are ranging between cold response to sectoral initiatives, coming through implicit rejection, and reaching a clear opposition (India and Argentina).
4. Cairns Group²: Almost the same situation of G20; positions of main Cairns' member countries are rather careless, but some other member countries are obviously opposing to sectoral initiatives.

Sectoral initiatives in the WTO negotiations

In the Uruguay Round (1986-1994), Sectoral initiatives' approach was used in Uruguay Round in negotiating wood, fish and fishery products agreements. Moreover, an agreement to eliminate tariffs in information technology sector once 90% of international market's owners join the initiative was agreed on, too. In the Doha Round (started in 2001), however,, sectoral initiatives' issue wasn't mentioned directly in Doha declaration but there was a sign to the importance of fish sector for developing countries, and it also highlighted the huge number of sectoral initiatives in services, proposed by many members. The issue of sectoral initiatives was put again on the table in Cancun conference (2003) negotiations, but

¹ A group of agricultural developed and developing countries, leaded by Brazil, India and China.

² A coalition of 19 agricultural exporter countries, represent together about one third of international agricultural exports, leaded by Canada and Australia.

developing countries rejected strongly pressures aiming at converting sectoral initiatives into compulsory features. Developing countries said that members should be free to decide whether to join a sectoral initiative or not. Nonetheless, there were several proposals before drafting July Package (2004) about sectoral initiatives. However, only specific proposals were discussed. July package encouraged members to launch sectoral initiatives, which will allow them to eliminate and harmonize tariffs in specified sectors. July package permits tariff cut formula to be supplemented by sectoral initiatives and negotiations (demand-offer). The text includes a paragraph about sectoral initiatives, but it does not say whether they should be compulsory or voluntary. According to the package, sectoral initiatives are available, and can be proposed by one member or more at any time. Moreover, the initiative can be a formula of tariff reduction (higher than average) or zeroing the tariff in parallel with agreement to end export subsidies (before the WTO general date) for specific sectors (including those of interests for DCs). There is also a sign in the text that LDCs will not be asked to apply tariff cut formula or join any sectoral initiatives, but they are expected to increase substantially their tariff-reduction obligations. Lastly, announcing that "sectoral initiatives are not compulsory" was one of the positive developments in Hong Kong conference (2005). In other words, WTO members can voluntarily decide to join negotiations about reducing tariffs in one sector. This was the demand of some big developing countries like India, which wanted to make the participation in sectoral initiatives of a voluntary nature, and guarantee that sectoral initiatives will not be put into force before agreeing on general obligations and their timetables. The proposal introduced by four African countries about sectoral initiative in the cotton sector was adopted, and it was considered a part of agricultural negotiations that have been agreed in July Package³.

Last Developments in Agricultural Sectoral Negotiations

Within the informal negotiations in March 2005 about issues that are not agreed yet, including sectoral initiatives, G20 considered that it was not the right time to discuss sectoral initiatives' issue because there are other more urgent issues. The EU opposed abandoning sectoral initiatives topic from the negotiations. Within these negotiations, some Caribbean countries asked for a sectoral initiative in flowers' sector. The proposal clarified in details the benefits that developing countries, which became main supplier for this sector, will gain if the initiative is to be applied. Colombia, similarly, asked for zeroing tariffs in this sector. However, the USA suggested more domestic support cuts, in the context of joint sectoral initiatives. The USA also showed interests in pork, oilseeds, beef, barley, vegetables and poultry sectors⁴. Canada and New Zealand confirmed their interest in sectoral initiatives, but they said that they prefer to focus on tariff cut formula first. India, Argentina and Kenya opposed to sectoral initiatives. Indian opposition based on that sectoral initiatives would undermine special treatment dedicated to developing countries, while Kenya rejected the issue due to the unsymmetrical economies that doesn't make good environment for sectoral initiatives.

Before Hong Kong ministerial conference, members suggested, formally and informally, several sectors that can be taken into consideration when sectoral initiatives' negotiations start, including agricultural equipments, environmental goods⁵, fertilizers and fish. However, the issue is still lagging in the shade of continuous disagreement among members in terms of sectoral initiatives' details. Consequently, in February 2007 negotiations, the US, Singapore and Thailand pressed for activating sectoral initiatives, on the basis that sectoral initiatives can contribute to reach the desirable level of liberalization. Nevertheless, other countries rejected these pressures, announcing that sectoral initiatives must be voluntary.

Some Experiences in Sectoral Initiatives

³ Refer to Hanrahan (2004)

⁴ In this relevance, some Brazilian economists say that the US proposal is related to sectors represent 60% of Brazilian agricultural exports; therefore, Brazil must study these proposals carefully, because they may bring good opportunities to Brazil, although their possibility to pass are not big.

⁵ Environmental goods are: clean air, clean water, quiet, beautiful landscape, scenic towns, green transport, infrastructure, a diverse flora and fauna, public and urban parks, town squares, rivers, mountains, forests and beaches.

1. Cotton Initiatives: Cotton initiative was launched in general council of the WTO and in the context of agricultural negotiations by four African countries, Benin, Mali, Burkina Faso and Chad. The initiative proposes total elimination of cotton subsidies within four years utmost. The proposal also described the injury resulted from rich countries' subsidies, which the four African countries suffer from. The proposal requested to eliminate subsidies and compensate the four countries as long as the subsidies last, to cover the losses resulted from subsidies. The US, on its part, agreed that subsidies are distorting cotton trade, but asked for more comprehensive method to deal with the issue. The proposal was delivered to the general director in April 2003 and it became one of Cancun's formal documents. However, the failure in reaching a solution for this initiative led to the failure of total agricultural negotiations, and consequently, the failure of the conference entirely. In July package, there was a sign to the former cotton initiative, and the text asked agricultural negotiations to give priority to the cotton sector, and highlighted its unlinked situation regarding other agricultural sectors.
2. Jordan experience: Jordan joined several sectoral initiatives, which were in theory voluntary, but in fact, they were compulsory because they are, in fact, real obstacle for any country wants to join the WTO. In the context of its WTO accession commitments (Jordan became a WTO member in 11 April 2000), Jordan committed to modify its policies and commercial system to accommodate with the WTO rules. Therefore, some agricultural tariffs were ceiled at specified rates, and Jordan joint four sectoral initiatives. One initiative is in agricultural machineries' sector, it obliges members to zero their tariffs once they join the initiative. The other three initiatives are in medical equipments, chemicals and information technology sectors.
3. Saudi Arabia experience: Saudi Arabia joint several sectoral initiatives, which were previously converted into unilateral agreements, such as yoghurts and beef sectoral initiatives. Saudi Arabia also joint newer sectoral initiatives, such as harmonized chemicals initiative, and information technology initiative mentioned above.
4. NAFTA (North America Free Trade Agreement) Experience: Sectoral initiatives were not restricted to the WTO only, but also were launched in regional trade agreements, which stepped beyond the WTO in this relevance. In the context of regional agreements, sectoral initiatives are launched once the mentioned sector gains sufficient interest of members that can motivate them to start a sectoral initiative, and once there is primary harmony among members' positions about it. In this regard, NAFTA ministerial meeting in 17 august 2007 launched several agricultural and industrial sectoral initiatives in the context of NAFTA, including one on swine. The initiatives aim to eliminate trade barriers facing these sectors in the region.

Discussion

Some rich countries have been inserting the issue of sectoral initiatives into the negotiations' agendas and WTO conferences and meetings, despite the opposition of others. Sectoral initiatives, as were described in July package, are not (perhaps) helpful for harmonizing tariffs, but at the end, they can encourage sectors that are not ready yet for tariff reduction to be involved in. More importantly, on the other hand, is the risk of imbalances and instability, which can threaten developing targets of the United Nations (UN) and other developmental organizations in promoting sustainable development through enhancing south-south trade. Accessing southern markets has increasing importance for southern suppliers day after day. And considering the huge and active protectionism in some southern countries (comparing to other developing or developed countries that have similar levels of development), sectoral initiatives could increase the distortion and worsen the situation of some vulnerable economies.

Conclusions and Recommendations

In general, a sector that is of interests for some countries can be at the same time very sensitive for some others. Thus, some developed countries suggest that sectoral initiatives have to be compulsory, claiming

that there will be only little motivations (if any) for developing countries to put their sensitive sectors on the table of negotiations. Therefore, sectoral initiatives have to be compulsory if we want for sectors that are of interests for all countries (including LDCs) to be put on the negotiations' table, they say. As a matter of fact, wide opposition from developing countries has faced the idea of compulsory sectoral initiatives. In Hong Kong conference, there was clear statement that sectoral initiatives are not compulsory, but developed countries (especially the US) are still conducting various pressures on other countries to bring them into sectoral initiatives.

Some other countries propose more flexible idea, which are cross-sectoral initiatives. This method comprises exchanging zeroing tariff in two different sectors⁶. It gives partners greater flexibility to choose relevance sectors to be negotiated without losing their food or economic security in the context of sectoral negotiations.

Regarding Syria, it is expected that it would face several requests to join various sectoral initiatives once its accession negotiations start, similar to the Jordanian experience. Although these requests may appear voluntary and free of hidden purposes, rejecting them may cause a lot of injuries and may create several obstacles beyond Syria's accession to the WTO. Thus, it's highly recommended not to reject any request before studying it deeply and trying to find a compromise. In this regard, cross-sectoral initiatives can be considered good solution to avoid some sectoral initiatives' risks. Parallel sectoral initiatives can be proposed also, where we can request an agricultural sectoral initiative, for example, against an industrial sectoral initiative. This can adjust and balance advantages on both sides. However, It is preferred that Syrian delegations declare that Syria wishes to join some specified sectoral initiatives that are related to economically important sectors for Syria (such as products for which Syria is a main supplier. Staying away from such sectoral initiatives would be very harmful). The delegations declaration can include that applying these sectoral initiatives will be according to a gradual agenda. Possibly, the answer would be asking Syria to join the mentioned initiatives directly and immediately once become a WTO member, and not gradually. At this point, the delegations can play a major role in reaching an acceptable compromise for all parties. Moreover, the delegations can ask special and deferential treatment for Syria as a developing country in the context of sectoral initiatives that they announced their country's desire to join. This special and deferential treatment can take a longer period for applying rules on some sensitive products, or any other preferential advantages. However, the advantages requested by the delegations should not be less than the original commitments that will be agreed on in the context of the Doha round.

Reverences

1. Hanrahan C.(2004): *The African Cotton Initiative and WTO- Agriculture Negotiations*, CRS Report for the US Congress, Washington DC.

Websites

1. World Trade Organization website: www.WTO.org
2. Third World Net website: <http://www.twinside.org.sg/index.htm>
3. Trade Observatory website: <http://www.tradeobservatory.org/index.cfm>
4. Jordanian ministry of industry and trade website: <http://www.mit.gov.jo/tabid/77/default.aspx>
5. Our World Is Not for Sale website: <http://www.ourworldisnotforsale.org/index.asp>
6. Weekly bulletin of Bridges website: <http://www.ictsd.org/weekly/index.htm>
7. Australian ministry of foreign affairs and trade website: <http://www.dfat.gov.au/>
8. Al-eqtadyah newspaper: <http://www.aleqt.com/>

⁶ For example, as if Syria offered the EU zero tariff in textiles versus zero EU tariff in olive oil,

9. Saudi Arabian ministry of trade website: <http://www.commerce.gov.sa/>
10. Indian ministry of trade and industry website: <http://commerce.nic.in/index.asp>
11. Brazilian Information Centre website: <http://www.brazilinfocenter.org/>
12. Wikipedia Encyclopedia website, Environmental goods:
http://en.wikipedia.org/wiki/Environmental_good