



What you need to know about 'NAMA':

***Why the WTO's non-agricultural market access negotiations
threaten both environment and development***

A position paper from Friends of the Earth International

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Summary

WTO negotiators are again trying to push ahead with the WTO 'Doha' negotiations. If there is any movement on agriculture, from the US or the EU, then negotiations could indeed be kick-started. But, if this happens, another set of talks in the package – known as 'non-agricultural market access' or NAMA – will also kick in and could start to progress quite rapidly. Critically, although little attention has so far been paid to these NAMA negotiations, there could be serious repercussions for the global environment and the development of fair and sustainable economies if they proceed.

In NAMA, *all* natural resources are effectively on the table for either partial or complete liberalisation, with a particular focus at the moment on fish and fish products, gems and minerals. Other trade restrictions (known as non-tariff barriers or NTBs, which include measures designed to protect the environment and promote social welfare) are also at risk. For example, in relation to the environment, the following have already been listed for further consideration by the WTO: the certification of wood products, restrictions on trade in chemicals and viruses put in place for 'strategic reasons', the tracing and labelling of fish and fish products; general import prohibitions for environmental purposes; and packaging, marketing and labelling requirements.

Developing countries also face the prospect of deindustrialisation and loss of significant quantities of government custom revenue, as industrialised countries aggressively pursue negotiating tactics specifically designed to lever open developing country markets [1]. Developing countries also risk losing the use of trade measures as affordable tools allowing them to protect their environment and promote domestic economic development. This could lock many developing countries into their existing commodity dependence and discourage diversification.

Given these serious concerns, it is imperative that governments need to take the following actions immediately:

- ***Halt*** the NAMA negotiations and agree to a full, independent review of the potential environmental and developmental impacts of NAMA.
- ***Protect*** governments' policy space, including through the use of tariffs and non-tariff barriers genuinely intended to develop fair and sustainable economies and protect their environment, including through the sustainable management of natural resources.
- ***Promote*** resource conservation by stopping further liberalisation of natural resources, such as forest, fish, oil, gas and mining products in the WTO and elsewhere.

Which natural resources are most at risk?

The NAMA negotiation has three distinct relevant elements –general liberalisation across a wide range of sectors, the liberalisation of ‘environmental goods’ and the removal of non-tariff barriers.

All sectors that are not included in either the agriculture or services negotiations are included in the NAMA negotiations, with most being proposed for partial liberalisation (although the US is proposing complete liberalisation in *all* sectors by 2015). Even partial liberalisation could increase trade and consumption of these raw materials if it affects the *actual* tariff levels applied [2].

However, certain sectors are being proposed for what is known as ‘zero-for-zero’ liberalisation. This is WTO-ese for complete liberalisation – you get rid of all your tariff barriers in a particular sector and we’ll get rid of ours. Even though tariffs on raw materials are generally relatively low compared with some industrial products, this could still increase trade and consumption significantly [3]. Sectors currently on the table include **fish and fish products**, stones, gems and precious metals (**gold and diamonds**, for example) and primary **aluminium** [4].

However, a recent paper submitted by the United Arab Emirates also proposes that **all raw materials** should be fully liberalised – this would presumably include raw materials such as **oil** and **forest products**. The UAE suggests that this would create a win-win situation, with developing countries increasing their market access and industrialised countries accessing cheaper raw materials for their processing industries. It certainly makes the proposal on the basis that consumption can be increased through liberalisation: “*Duty-free aluminium will stimulate aluminium consumption*” [4] .

Importantly, some members of the WTO have explicitly recognised the fact that increased liberalisation in raw materials is likely to reduce the scope for conservation of these resources. For example:

*“A zero-for-zero approach in **the fishery sector** should not be pursued since it will abolish all tariffs regardless of the level of fishery resources, the management status and the importance of fisheries and fishing communities in each country. It will also add an extra pressure to the resources through inducing catches beyond the renewable capacity of resources, thereby impeding sustainable development of fisheries.”* [5] (emphasis added)

*“It should be noted that the civil society is also concerned about the potential negative influence of a free trade regime on forest and fishery resources.....It is crucial to ensure that each member retains flexibility among products when determining the appropriate level of tariffs, by taking into account such factors as the trends of domestic production and consumption, and the international supply and demand of each product, while giving due consideration to the conditions and the management of forests and the experience of past trade negotiations.... further sector-specific tariff reductions in the forest products sector.....ignores the conditions and the management of forests in each country, **seriously impedes the promotion of sustainable forest management**, and does not represent the position of importing countries.”* [5] (emphasis added)

Finally, some other non-agricultural sectors likely to be included under the partial liberalisation scenario include chemicals, rubber and plastics. The impact of liberalisation in these sectors could also have considerable environmental impacts, and needs to be

reviewed as a matter of urgency. The question of whether chemicals restricted by the Stockholm Convention on Persistent Organic Pollutants will be slated for liberalisation under the NAMA negotiations also needs to be addressed. The fact that the WTO process is currently being used by the chemical industry to develop opposition to the European Union's REACH (Registration, Evaluation, and Authorization of Chemicals) initiative does not inspire confidence. (A number of countries, including the United States, are preparing comments to be submitted in response to the EU's notification of REACH to the WTO Committee on Technical Barriers to Trade (TBT). The US's general comments are remarkably similar to the U.S. chemical industry's objections to the proposed regulations.)

What other environmental concerns are there?

The NAMA negotiations could have an impact on the environment and sustainability in a number of other ways as well. Critically, NAMA could further impact on governments' ability to regulate to protect the environment, by targeting non-tariff barriers (NTBs). This could have a much deeper impact than tariff liberalisation and has been vigorously pursued by, for example, members of the forest industry [6].

NTBs can include *any* measures other than tariffs which could be viewed as barriers to trade and are not exempted under existing WTO rules. Trade restrictions related to health promotion and the protection of the environment are definitely at risk, and the following have already been listed for further consideration by the WTO: the certification of **wood products**, restrictions **on trade in chemicals and viruses** put in place for 'strategic reasons', the **tracing and labelling of fish and fish products**; general **import prohibitions for environmental purposes**; and **packaging, marketing and labelling requirements** [7]. It is also highly likely that measures used to promote and implement the sustainable management of forests and fisheries could be proposed for liberalisation, including certification, precautions against invasive species, raw log export bans and other local processing requirements. The International Chamber of Commerce (ICC), for example, is also calling for the **inclusion of export duties, restrictions and export bans** in the NAMA negotiations [8] – yet these are measures that can be and are used as a means of limiting the consumption and export of natural resources.

It should be noted that, in NAMA, this debate is complicated by the fact that a 'catch-all' approach to non-tariff barriers has so far been applied. As a result there seems to have been no differentiation between NTBs designed to protect the environment and promote sustainability and NTBs designed solely to protect corporate profits. Thus developing countries are concerned to *include* NTBs in the negotiations. There needs to be differentiation of NTBs on the basis of purpose; and agreement to develop NTBs in conjunction with countries likely to be impacted by them would also be beneficial.

Environmental goods have also been included as a special sector for attention, on the basis that increased trade in these will be a win-win situation. However, there is a tricky debate going on about just what 'environmental goods' are. Are they narrowly defined '**end-of-pipe**' **pollution-oriented technologies**, which could discourage the use of preventative measures to decrease resource use in the first place? If so this would favour Northern exports. Unsurprisingly, this is a position that is supported by the International Chamber of Commerce. Alternatively, are they products that have been produced or processed in an environmentally friendly manner (proposed by the EU but roundly rejected by developing countries, the ICC [8] and current WTO rules)? Or does the label incorporate all natural goods based on natural raw materials, which could favour developing country exports but also lead to even more unsustainable consumption rates? More importantly, perhaps, will trade negotiators make a decision on this on the basis of trade concerns or environmental ones?

Development concerns

Assessing NAMA winners and losers at the country level is likely to be very complicated, because it depends whether countries are net importers or exporters of all the various products in questions; and on the outcome of extraordinarily complex negotiations about mathematical formulae that even negotiators have a hard time getting to grips with [1]. In spite of this however, it can be confidently stated that there is a very real risk that developing countries face the prospect of:

- ***Deindustrialisation*** (and, as a result, lost diversification opportunities) as industrialised countries aggressively pursue negotiating tactics specifically designed to lever open vulnerable developing country markets [1]. Developing countries are likely to find themselves unable to compete with cheaper imports which will threaten the viability and survival of local industries. For instance, cheap clothing and second hand cloths have displaced the textile and clothing industries in some African countries.
- Loss of trade measures as affordable tools allowing them to protect their environment and promote domestic economic development (compared to the expensive subsidies employed in richer countries). In particular, loss of flexibility to set and use import tariffs, including through negotiations on binding or capping tariff levels, would have significant ***negative impacts on developing countries' ability to pursue their own environmental and developmental objectives.***
- ***Loss of badly needed tariff revenues.***
- The possibility of ***losing opportunities to develop competitive valueadded processing industries***, as processing industries in importing countries benefit from increasing price differentials between imports of raw and processed materials [9]. Developing countries themselves have clearly and unambiguously stated that they *"are concerned that the proposals contained in the Derbez text and its annex on NAMA [the current negotiating texts] ... would further deepen the crisis of deindustrialisation and accentuate the unemployment and poverty crisis in our countries."* [10]

Conclusion and recommendations

This briefing describes the many ways in which NAMA could have serious negative impacts on the environment and development. It also argues that NAMA negotiations could push developing countries into deindustrialisation and further commodity dependence, which is linked with increasing rather than decreasing poverty [11].

Given the serious nature of these concerns listed in this briefing, it is imperative that governments immediately take the following actions:

- ***Halt*** NAMA negotiations and agree to a full, independent review of the potential environmental and developmental impacts of NAMA.
- ***Protect*** governments' policy space, including through the use of tariffs and non-tariff barriers genuinely intended to develop fair and sustainable economies and protect the environment, including through the sustainable management of natural resources.

- **Promote resource conservation by stopping further liberalisation of natural resources, such as forest, fish, oil, gas and mining products in the WTO and elsewhere.**

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- [1] UNCTAD researchers have concluded that *“In any case, the analysis shows that, whatever the approach, the developing countries will be required to make the greater cuts in their bound tariffs and will face greater proportional increases in imports. They will also suffer substantial losses in tariff revenues – and this will be a serious concern in a number of cases”* (although the authors still make the point that in the long term, *‘once adjustment costs are met’* overall, they believe welfare gains will be greater). This research also gives full details of the different formulae proposed. *Market Access Proposals for Non-Agricultural Products*, Sam Laird, Santiago Fernandez de Cordoba and David Vanzetti, Trade Analysis Branch, United Nations Conference on Trade and Development (UNCTAD), although *‘the views expressed are those of the authors, not necessarily of UNCTAD or its members’*, no date, <http://192.91.247.38/tab/pubs/NAMAprops.pdf> .
- [2] Some aspects of the negotiations are about tariff ‘binding’, which involves setting a cap on the levels tariffs could *possibly* be set at, although even this can hamper the development of government policy. Also, it should be noted, that the Least developed Countries may be exempted from reductions of applied tariffs under the current proposals, but they could still be required to negotiate their bound tariffs.
- [3] For example, *“A study by the USTR comes to the conclusion that the elimination of tariffs would lead to a 2% increase in forest products trade and an increase of 0.5% in the global timber harvest in the period to 2010.”* *Trade Liberalisation and its impact on forests: an overview of the most relevant issues*, FERN, November 2000, www.fern.org .
- [4] *Market access for non-agricultural products, Proposal on a Sectoral Agreement for Materials – The Primary Aluminium Case, Communication from the United Arab Emirates*, TN/MA/W/37/Add.1, 28 May 2004, www.wto.org .
- [5] *Market access for non-agricultural products, Communication from Japan*, TN/MA/W/15/Add, 16 January 2003, www.wto.org.
- [6] *“Non-traditional NTMs [non-tariff measures] are an increasing frustration. The biggest bugbears are technical standards, requirements for environmental certification, and phytosanitary restrictions.”*, *Real Barriers to Trade in Forest Products*, Working Paper 2000/4, ISSN 1170 2583, New Zealand Institute of Economic Research (Inc.), May 2000, www.nzier.org.nz. This institute is privately funded and a list of its members, many of whom are transnational corporations, can be found in its Annual Report 2002 at http://www.nzier.org.nz/SITE_Default/SITE_Publications/x-files/568.pdf
- [7] *Non-Tariff Barrier Notifications*, TN/MA/W/46, WTO, 26 November 2003 www.wto.org
- [8] *ICC proposals on market access for non-agricultural products*, prepared by the Commission on Trade and Investment Policy, International Chamber of Commerce, May 2003, www.iccibo.org .
- [9] *Cordoba: “Cutting low tariffs on raw materials has been a deliberate strategy of some industrial countries in the past – it fosters their processing industries, with developing*

countries as sources of raw materials.” Market Access Proposals for Non-Agricultural Products, Sam Laird, Santiago Fernandez de Cordoba and David Vanzetti, Trade Analysis Branch, United Nations Conference on Trade and Development (UNCTAD), although ‘the views expressed are those of the authors, not necessarily of UNCTAD or its members’, no date, <http://192.91.247.38/tab/pubs/NAMAprps.pdf> .

- [10] ACP (African, Caribbean and Pacific Group of States) Ministerial Declaration on the WTO Doha Work Program adopted on 11 July 2004 in Mauritius.
- [11] *“The evidence presented in the Least Developed Countries Report 2002 showed that during 1997-1999, 69 per cent of the population of non-oil commodity-exporting LDCs were living on less than a dollar a day, and in mineral-exporting LDCs the proportion was over 80%. The share of the population living on less than \$1/day was lower on average in service-exporting LDCs (43%), whilst in LDCs that have managed to diversify into exporting manufactured goods the incidence of extreme poverty was even lower (25%).”* Pp 131-132, Least Developed Countries Report 2004, UNCTAD, Geneva, www.unctad.org.