WHY NAMA IS A TRADE UNION ISSUE:
NAMA negotiations, policy implications and trade union responses

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Introduction

The NAMA (Non Agricultural Market Access) negotiations in the WTO have caused great concern to the international trade union movement, and in particular to trade unions in a number of developing countries that are facing demands for very high tariff cuts. Given the seriousness of the effects these demands will have, especially based on a Swiss formula with low coefficients and few exemptions, responses have been developed in different countries and at different levels. The effects of the tariff reductions at proposed levels will be twofold. On the one hand such liberalization will lead to job losses and adjustment, whereas on the other hand the future industrial development prospects could be seriously compromised, and therefore also the potential for decent work and the creation of productive employment. Given the global decent work challenge and support for the decent work agenda, as stated by governments at the UN World Summit in New York in September 2005 and the high level segment of the ECOSOC meeting in Geneva in July 2006, the current NAMA proposals are in no way accommodating these challenges.

The first section of this paper looks at the negotiating mandate on NAMA and the most important developments in NAMA negotiations, and will also describe the current state of play in the negotiations.

The second section focuses on the tariff implications for developing countries, based on tariff simulations for 13 developing countries at a sectoral level. The countries that have been selected are Argentina, Brazil, Colombia, Costa Rica, India, Indonesia, Mexico, Morocco, Peru, the Philippines, South Africa, Tunisia and Uruguay. Simulations are based on tariff reductions through a Swiss formula with a coefficient of 15 and a coefficient of 30. The results are presented per sector: textiles, clothing, leather, footwear, chemicals, wood products, paper products, fabricated metals, plastic products, rubber products, automobile, furniture and machinery. Both the reductions in bound tariffs and applied tariffs are analysed.

The focus of the third section is on the effects on employment due to the tariff reductions. Two studies are referred to, one by UNCTAD and one by the Carnegie Endowment. Both have looked at the employment effects of NAMA negotiations under different scenarios. Moreover, some results of previous liberalization are described in this section.

The fourth section focuses on the importance of tariffs as an instrument for industrial development and the consequences of proposed tariff reductions for industrial development. A number of papers have addressed this issue, and a brief overview will be given.

Section five looks at the trade union responses with regard to NAMA, both at the international and national level and seeks to address the issue of effectiveness of responses and ways to improve responses.

The last section will draw some conclusions and recommendations for trade unions.

A. The NAMA mandate and NAMA negotiations

The NAMA negotiations cover a wide range of non-agricultural goods, including fish and forestry products. The aim in NAMA negotiations is to reduce tariffs of industrial products, but also to address non-tariff barriers such as technical standards and health and safety standards. Paragraph 16 of the Doha Mandate states: "We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without a priori exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations".

The NAMA negotiations should also be seen in the broader context of the Doha Development Round, as set out in Paragraph 2 of the Doha Mandate, which puts the interests and needs of developing countries at the heart of the Doha Work Programme.

So far, the NAMA negotiations have known a number of key moments in which the framework for negotiations has been established. A first proposal for modalities for NAMA negotiations was made in 2003 by the Swiss Chairman of the NAMA negotiating group, Pierre-Louis Girard. The main elements of the Girard text included a Swiss type formula (cutting higher tariffs by a larger percentage than lower tariffs in order to achieve harmonisation of tariffs), a sectoral initiative for the full elimination of tariffs in seven sectors, and some elements of Special and Differential Treatment (S&D) for developing countries.

During the Cancún Ministerial in 2003, a second text on NAMA was proposed, the so-called Derbez text. This text was based on the Girard text, but was less conclusive on the form and format of the formula, to allow for a more ambitious approach. The text included only reference to a non-linear formula (which would harmonise tariffs, such as a Swiss formula) and a proposed sectoral initiative (without specifying the sectors). This text was not adopted in Cancún, and was the subject of considerable opposition from developing countries, in particular from the G-90 countries (Africa, least developed countries (LDCs) and ACP countries).

During the July 2004 General Council meeting at the WTO, a number of developing countries strongly opposed the inclusion of the Derbez text on NAMA in the July package. Instead, they wanted to include several proposals for future work. However these proposals were reflected only in an introductory paragraph that was added to the annex on NAMA. Therefore the July 2004 text on NAMA was similar to the Cancún proposal (the Derbez text) except for that introductory paragraph.

The July 2004 framework includes a number of elements which have since then set the stage for NAMA negotiations. These elements include a formula approach for tariff reduction and for reduction or elimination of tariff peaks, tariff escalation and high tariffs. This formula approach includes a number of elements such as no a priori exclusion of products, reductions in tariffs from bound rates, or from twice the applied most favoured nation (MFN) rate in the case of unbound tariffs (taking the level applied in 2001 as the base year); credit for autonomous liberalisation (trade liberalisation on an MFN basis that was undertaken independently from the WTO negotiations); conversion of non-ad valorem duties (based on quantity) into ad valorem duties (based on product value) and binding of ad valorem duties. Flexibilities for developing countries were described in paragraph 8, which allows for either the exemption of tariff cuts of a certain percentage of tariff lines (5% currently in brackets) or for lower tariff reductions on a percentage of the tariff lines (currently 10% in brackets).

Furthermore, countries that had bound less than 35% of their tariffs would be exempt from tariff reductions through the formula, but have to bind 100% of their tariff lines[1]. A sectoral approach is part of the framework, aiming at eliminating or harmonising tariffs in a specific sector. Seven sectors had been identified previously (in the Girard proposal) for this sectoral approach.

In Hong Kong the framework was further refined and a decision was taken to use the Swiss formula, but with more than one coefficient. This Swiss formula is a non-linear formula which effectively caps tariffs at certain levels, determined by the coefficient, and which requires reductions on all tariff lines. This in contrast with the Uruguay Round approach, which allowed for average reductions, and which allowed countries the flexibility to reduce some tariffs less than others, as long as the average reduction was conform the agreement.

The real effect of the Swiss formula depends on the coefficient. The lower the coefficient, the higher the tariff reductions, and the lower the maximum tariff level for all tariff lines. Higher tariffs are reduced more than lower tariffs. For example, a coefficient of 20 will reduce all tariffs of a country to below 20% and a coefficient of 30 will reduce them to below 30%.

Coming to the end game of the negotiations, agreement seems to exist on a number of issues. First of all that the formula to be used is a Swiss formula with at least two coefficients (one for developed countries and one for developing countries). There is however no agreement on the level of the coefficients. Furthermore, there is agreement on the use of flexibilities for developing countries but not on the exact percentages. And finally, there is agreement on the exemption of tariff reductions for two groups of developing countries, the LDCs and the Paragraph 6 countries[2]. Two other groups have been identified in the NAMA negotiations, the Recently Acceded Members (RAMs) and the Small and Vulnerable Economies (SVEs). Both groups will have additional flexibilities according to the Hong Kong mandate, which will be translated into either lesser or no tariff reductions or more paragraph 8 flexibilities (or longer implementation period for the RAMs).

By recognising SVEs as a grouping, and according more flexibilities to them, the developed countries have narrowed down the group of developing countries that will be subject to tariff reductions. The remaining group that will be subject to tariff reductions is mainly made up off the larger developing countries, which allows developed countries to put larger demands on them in order to get market access to these emerging markets.

The current negotiations are therefore focused mainly on the EU and US proposals versus the NAMA 11 proposal. The EU proposal of October 2005 tables a coefficient of 10 for developed countries and a coefficient of maximum 15 for developing countries. Partly in response to this, the NAMA 11 group was created, which consists of Argentina, Brazil, Venezuela, South Africa, Namibia, Tunisia, Egypt, India, Indonesia and the Philippines, and which is led by South Africa. This group consists of countries whose industries would be severely affected by a low coefficient and which have grouped together to stand stronger against the developed country pressure in the NAMA negotiations. This pressure is particularly exercised due to the commitments developed countries are required to make in Agriculture and

[1] Those tariff lines had to be bound at an average level that does not exceed the overall average of bound tariffs for all developing countries after full implementation of current concessions.

[2] Paragraph 6 countries are defined as countries that have less than 35% of their tariff lines bound, which are: Cameroon, Congo, Ivory Coast, Cuba, Ghana, Kenya, Macao, Mauritius, Nigeria, Sri Lanka, Suriname and Zimbabwe.

for which they request some sort of trade off in NAMA. The recent US proposal of June 2006 proposes a difference between the coefficient of developed and developing countries of less than 5 points. In answer to this proposal the NAMA 11 group has proposed a difference between the two coefficients of at least 25 points. This implies that if the developed countries take a coefficient of 10 then developing countries would take a coefficient of 35. These proposals currently determine the state of play in the NAMA negotiations.

With regard to the paragraph 8 flexibilities the position of the EU and US is that the percentages in brackets of the July 2004 framework of 5% and 10% are maximum levels and should be lowered, whereas the NAMA 11 position is that these are minimum levels and should be raised. During the General Council meeting in Geneva on the 7th of February, the EU intervened and reiterated its demand for a coefficient of 15, but indicating its' flexibility on the paragraph 8 flexibilities.

The effects of the EU and US proposals on tariff reductions in developing countries will however be substantial, in particular if one looks at it from a sectoral perspective, which shows the high reductions that developing countries will be required to make. Not only will these tariff reductions have consequences for the quantity and quality of employment, but they will also determine the future development prospects of the countries and therefore have long term implications that need careful consideration.

The next section of the paper will look at the effects of the Swiss formula with a coefficient of 15 and 30 on tariffs in selected developing countries for different selected sectors.

B. Tariff simulations

Tariff reductions in NAMA will take place on the basis of reductions of bound tariffs[3]. This is the legal basis for making tariff concessions, and Members' rights and obligations are stipulated in their respective official WTO schedules.

However, the applied tariffs of many developing countries are often much lower than these bound rates, due to previous autonomous liberalization or preferential trade agreements or structural adjustment programs of the IMF and World Bank. Therefore, in order to get new market access, high tariff cuts in bound rates will have to be made in order to get effective reductions in applied rates. However, such high reductions in bound tariffs will have severe consequences for the level of bound tariffs and will therefore have substantial policy implications. It also assumes that the current level of applied tariffs is the appropriate level.

Moreover, such high reductions of the bound tariffs are not in line with the principle of "less than full reciprocity" that is part of the Doha mandate. Developed countries however maintain pressure on developing countries to agree on a low coefficient (of 15) which would lead to very high cuts in bound rates (between 60 and 70 per cent) as well as reductions in many of the applied rates. At the same time, the developed countries' already generally low levels of tariffs would be subject to a coefficient of 10, as proposed by them. This would result in cuts in bound tariffs of between 20 and 25 per cent. Such cuts would thus be much lower than the reductions in developing countries.

Furthermore, tariff simulations that have been done have not looked at the sectoral impacts, and therefore just give an aggregate result, which prevents the identification of sensitive sectors and of an estimation of real impacts in these sectors.

[3] the tariffs that have been set at maximum levels and bound in the WTO

This section of the paper brings together the results of tariff simulations on a sectoral basis of tariff cuts undertaken based on two scenarios, one is a Swiss formula with a coefficient of 15, the second one is a Swiss formula with a coefficient of 30. These simulations show that even in the case of substantial differences between bound and applied rates, a Swiss formula with a low coefficient will reduce the applied rates for quite some sectors in a number of countries and therefore have an impact on imports, output and employment.

The simulations were undertaken on the basis of tariff information provided by the Market Access Map database[4].

Table 1 shows the average applied and bound rates in selected countries and sectors. The tariff reductions are done from bound tariffs and therefore the simulations on the basis of a Swiss formula with a coefficient of 15 and of 30 will show the reductions in the bound tariffs (tables 2 and 4). In order to quantify the real impacts of tariff reductions tables 3 and 5 show the reductions in applied rates for coefficients of 15 and 30.

Table 1 Average applied tariff (first column) and bound tariffs (second column) per sector and per country

Sector / Country	Textiles		clothing		leather		footwear		chemicals		Wood products		Paper Products		Fabricated Metal Products		Plastic products		Rubber products		automobile		furniture		machinery	
Argentina	20	35	20	35	20	35	20	35	9.9	21.2	8.1	28.4	13.3	35	14.8[5]	35	13.7	22	15	35	27.9	35	17.7	35	8.2	35
Brazil	17.3	35	17.3	35	20	35	19.6	35	6.6	24.1	7.9	20.4	11.5	33.2	17.2	33.8	11.5	21.8	15	35	19.4	31.7	18	32.8	10.7[6]	32.8
Colombia	18	35	20	40	20	35.3	20	35.7	8	35	11.9	35	13.1	35	10	35	16	35	14.3	35	25.3	35.3	17.7	35.2	7	35
Costa Rica	14.9	45	15	45	14.8	44.1	13.9	54.8	2.7	43.3	7.5	42.1	5.9	46.2	2.1	45	3.9	36.2	6.3	44.9	8.45	56	13.4	42.2	1.2	41.2
India	15	30	15	90	15	na	15	na	13.7	43.7	12.2	38.6	15	39.4	15	39.5	15	40	14.7	35.6	40	40	15	35	15.5	36.2
Indonesia	11.7	30	14.9	35	12.3	40	12.3	40	3.6	37.9	4.5	40	3.7	39.6	10.2	40	12.8	40	12.8	40	28	38.9	11.3	39.7	1.9	38.8
Mexico	31.3	35	35	35	34.9	35	34.9	35	9	34.9	15.6	34.8	10.3	33.8	16.8	35.6	13.8	34.8	27.4	35.9	8.9	38.9	16.9	35	5.8	35
Morocco	40	41.2	49.9	40	50	40	46	40	15.3	39.7	30	39.2	45.4	39	27.8[7]	39.6	32.9	39.9	42.8	39.8	26.8	39.6	47.8	40	5.7	37
Peru	20	30	20	30	12	30	20	30	8.2	30	10.4	30	10.3	30	9.9	30	7	30	7	30	9.4	30	10.4	30	7.8	30
Philippines	9.1	30	15	30	13.3	50	13.3	50	3.7	25.6	7.1	24.7	6.4	31.6	7.2	30	11.5	30.4	8.3	23.8	24	24.8	11.9	39	2.7	26.3
South Africa	22	25	39	44	21	23	30	30	12	13	14	17	9	10	16[8]	20	16	24	21	26	33	50	20	23	16	23
Tunisia	40.4	60	40.3	60	42.3	57.3	na	na	13.6	53.2	28.2	37.7	33.7	41.4	36.4	37.5	14.3	32.8	37.9	37.2	11.6	33.4	na	Na	11.6	27
Uruguay	20.7	35	20	35	20	35	20	34	9.5	21.7	8.1	17.8	12.9	34.4	16	35	13.2	22.2	15	34.1	15.5	33.9	17.7	32.5	7.3	35

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Data for South Africa provided by COSATU
Data for Brazil provided by CUT/OS

Although developing countries have an average bound rate of 29.4%, there are differences between developing countries, but also differences between different sectors within countries. As already mentioned, many countries also have substantial gaps (water) between bound and applied tariffs, but again, this amount of "water" differs from sector to sector and from country to country. In particular South Africa has a much lower level of bound rates than the other countries and has applied rates that are close to the bound rates. At the sectoral level sectors such as textiles and clothing, automobile and furniture are among the sectors that have less "water" between the applied and bound tariffs.

[4] with data sources on applied tariffs from UN TARMAC and on bound tariffs from the consolidated tariff schedule of the WTO
[5] Iron and steel products
[6] Capital goods
[7] Metals
[8] Metal products

Table 2 new bound rates with a Swiss formula with a coefficient of 15

Sector / Country	textiles	clothing	leather	footwear	chemicals	Wood products	Paper products	Fabricated Metal products	Plastic products	Rubber products	automobile	furniture	machinery
Argentina	10.5	10.5	10.5	10.5	8.8	9.8	10.5	10.5	8.9	10.5	10.5	10.5	10.5
Brazil	10.5	10.5	10.5	10.5	9.2	8.6	10.3	10	9	10.5	10.4	10.2	10.4
Colombia	10.5	10.9	10.5	10.6	10.5	10.5	10.5	10.5	1.5	10.5	10.5	10.5	10.5
Costa Rica	11.3	11.3	11.2	11.8	11.1	11.1	11.3	11.3	10.6	11.2	11.8	11.1	11
India	10	13	na	na	11.2	11.8	10.9	10.9	10.9	10.6	10.9	10.5	10.6
Indonesia	10	10.5	10.9	10.9	10.7	10.9	10.9	10.9	10.9	10.9	10.8	10.9	10.8
Mexico	10.5	10.5	10.5	10.5	10.5	10.5	10.4	10.5	10.5	10.5	10.8	10.5	10.5
Morocco	11	10.9	10.9	10.9	10.9	10.9	10.8	10.9	10.9	10.9	10.9	10.9	10.7
Peru	10	10	10	10	10	10	10	10	10	10	10	10	10
Philippines	10	10	11.5	11.5	9.5	9.3	10.2	10	10	9	9.3	10.8	9.5
South Africa	9.4	11.2	9.1	10	6.9	7.9	6	8.6	9.2	9.5	11.5	9.1	9.1
Tunisia	12	12	11.9	na	11.7	10.7	11	10.7	10.3	10.7	10.4	na	9.6
Uruguay	10.5	10.5	10.5	10.4	8.9	8.2	10.4	10.5	9	10.4	10.4	10.3	10.5

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Table 2 shows that the reductions in bound rates after applying a Swiss formula with a coefficient of 15 are as high as 70% for the selected developing countries. Almost all bound tariffs have come down to a level within a range of 9 to 12%. They have thus come down from an average of 30% to an average of 10%, which is a two third reduction. This is a very high reduction (compared to an average target of 27% in the Uruguay Round)[9] and a probable average reduction of 36% in Agriculture tariffs[10] for developing countries. Moreover, this is a very low level for industrial tariffs in order to diversify and expand industrial production as will be further argued in section D.

Table 3 shows the reductions in applied tariffs for the selected sectors and countries. The reductions in applied rates are substantial, especially in sectors such as textiles, clothing, leather, footwear, plastic products, rubber products, automobile and furniture, where almost all countries show reductions in applied tariffs, in some cases of up to 70%. Although wood and paper products are less sensitive in some countries, they are subject to high reductions in applied rates in other countries, especially in the three African countries.

Table 3 percentage reduction in applied rates with a Swiss formula with a coefficient of 15

Sector / Country	textiles	clothing	leather	footwear	chemicals	Wood products	Paper products	Fabricated Metal products	Plastic products	Rubber products	automobile	furniture	machinery
Argentina	50	47	47	47	11	-	20	29	35	30	62	41	-
Brazil	39	39	47	47	-	-	10	42	22	30	46	43	3
Colombia	45	45	48	48	-	-	21	-	34	27	58	41	-
Costa Rica	24	25	24	15	-	-	-	-	-	-	-	17	-
India	33	14	na	na	19	3	28	28	28	28	73	30	32
Indonesia	15	30	12	12	-	-	-	-	15	15	61	4	-
Mexico	66	70	70	70	-	33	-	38	62	24	-	38	-

[9] TWN Briefing Paper no. 28
[10] Based on the G-20 proposal for Agriculture Tariff reductions

Morocco	70.3	78	78	76	29	64	76	-	67	75	60	77	-
Peru	50	50	17	50	-	4	3	-	-	-	-	4	-
Philippines	-	33	13	13	-	-	-	-	13	-	61	9	-
South Africa	57	71	56	66	42	44	33	47	43	55	65	55	43
Tunisia	70	70	72	na	14	62	68	71	28	72	11	na	17
Uruguay	49	48	48	48	7	-	20	34	32	31	33	42	-

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Table 4 shows the reductions in bound tariffs after applying a Swiss formula with a coefficient of 30. Such a coefficient of 30 shows average reductions in the bound tariffs of 50%, which is still higher than the Uruguay round reductions, the tariff reductions in Agriculture, and the average reductions made by developed countries in NAMA, based on a coefficient of 10[11]. Moreover, this is not in line with the principle of less than full reciprocity.

Table 4 New bound rates with Swiss formula and coefficient of 30

Sector / Country	Textiles	clothing	leather	footwear	chemicals	Wood products	Paper products	Fabricated Metal products	Plastic products	Rubber products	automobile	furniture	machinery
Argentina	16.2	16.2	16.2	16.2	12.5	14.6	16.2	16.2	12.7	16.2	16.2	16.2	16.2
Brazil	16.2	16.2	16.2	16.2	13.2	15.7	15.7	15	12.8	16.2	15.6	15.6	15.8
Colombia	16.2	17.1	16.2	16.3	16.2	16.2	16.2	16.2	16.1	16.2	16.2	16.2	16.2
Costa Rica	18	18	17.9	19.4	17.7	17.5	18.2	18	16.4	18	19.5	17.5	17.4
India	15	23	na	na	17.8	16.9	17	17.1	17.1	16.3	17.1	16.2	16.4
Indonesia	15	16.2	17.1	17.1	16.7	17.1	17.1	17.1	17.1	17.1	16.9	17.1	16.9
Mexico	16.2	16.2	16.2	16.2	16.1	16.1	15.9	16.2	16.1	16.1	16.9	16.2	16.2
Morocco	17.3	17.1	17.1	17.1	17.1	17	16.9	17.1	17.1	17.1	17.1	17.1	16.6
Peru	15	15	15	15	15	15	15	15	15	15	15	15	15
Philippines	15	15	18.8	18.8	13.8	13.6	15.4	15	15.1	13.3	13.6	16.5	14
South Africa	13.6	17.8	13	15	9.1	10.8	7.5	12	13.3	13.9	18.7	13	13
Tunisia	20	20	19.7	na	19.2	16.7	17.4	16.7	15.7	16.6	15.8	Na	14.2
Uruguay	16.2	16.2	16.2	15.9	12.6	11.2	16	16.2	12.8	16	15.9	15.6	16.2

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Table 5 shows the reductions in applied rates under the scenario of a Swiss formula with a coefficient of 30. Again, as with a coefficient of 15, the same sectors can be identified that are particularly sensitive in most countries, such as textiles, clothing, leather, footwear, automobile and furniture, with still reductions up to 66% in the applied rates. Countries that will be most affected are Argentina, Brazil, Colombia, Mexico, Morocco, South Africa, Tunisia and Uruguay.

Table 5 percentage reduction in applied tariffs with Swiss formula and coefficient of 30

Sector / Country	textiles	clothing	leather	footwear	chemicals	Wood products	Paper products	Fabricated Metal products	Plastic products	Rubber products	automobile	furniture	machinery
Argentina	20	20	20	20	-	-	-	-	8	-	42	7	-
Brazil	6	6	19	17	-	-	-	13	-	-	20	13	-
Colombia	15	15	19	19	-	-	-	-	-	-	35	8.5	-
Costa Rica	-	-	-	-	-	-	-	-	-	-	-	-	-
India	-	-	na	na	-	-	-	-	-	-	58	-	-
Indonesia	-	-	-	-	-	-	-	-	-	-	40	-	-
Mexico	49	54	54	54	-	-	-	5	41	-	-	5	-
Morocco	57	66	66	63	-	43	63	-	48	60	36	64	-
Peru	25	25	-	25	-	-	-	-	-	-	-	-	-
Philippines	-	-	-	-	-	-	-	-	-	-	44	-	-

[11] Based on an average bound tariff of 3.4% for developed countries, a coefficient of 10 would lead to reductions of between 20 and 25%.

South Africa	38	55	38	50	24	23	17	25	17	34	44	35	19
Tunisia	50	50	54	na	-	41	49	54	-	56	-	na	-
Uruguay	22	20	20	21	-	-	-	-	3	-	-	12	-

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Table 6 shows the employment figures per sector in the 13 countries. These employment figures represent formal employment in those sectors and represent an important share of overall formal employment. Most countries are faced with already high unemployment and underemployment levels and a reduction in formal jobs, which are characterised by a certain level of worker protection and income, would represent a major loss as such jobs are crucial in the fight against poverty and unemployment and in achieving the objective of decent work for all.

Table 6 Employment figures (formal employment) (year in brackets)

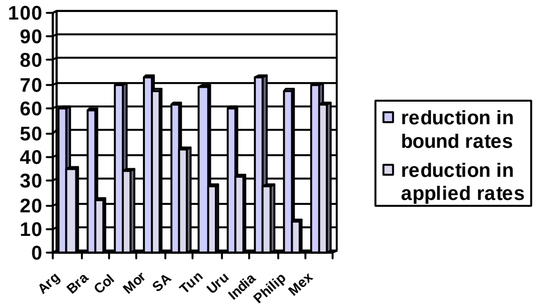
Sector / Country	textiles	clothing	leather	footwear	chemicals	Wood products	Paper products	Fabricated Metal products	Plastic products	Rubber products	automobile	furniture	machinery
Argentina (2004)	30,737	21,516	7,684	21,516	54,556	20,747	16,905	16,136	33,809	na	23,052	15,368	43,030
Brazil (2004)	799,662	Included in textiles	393,184	Included in leather	304,838	251,762	133,427	292,592	320,099	Included in plastics	321,445	294,324	457,522
Colombia (2003)	27,075	92,903	4,028	10,309	50,658	na	19,523	15,695	33,602	na	4,756	12,954	14,810
Costa Rica (2004)	4,663	15,547	2,062	Included in leather	11,081	6,449	4,339	9,477	7,839	Included in plastics	2,721	14,626	5,634
India 1999	1,471,000	144,000	39,000	35,000	653,000	38,000	131,000	254,000	63,000	118,000	447,000	4,000	349,000
Indonesia (2001)	678,670	462,223	284,511	Included in leather	212,519	407,855	115,297	116,972	292,267	Included in plastics	48,676	300,519	49,214
Mexico (2004)	270,600	701,900	234,200	Included in leather	258,100	117,300	94,800	336,600	290,300	Included in plastics	522,600	379,900	84,700
Morocco (2000)	69,621	134,930	4,952	9,566	35,974	7,436	8,738	16,956	11,690	2,901	13,823	2,796	5,992
Peru (2004)	30,100	80,900	24,100	-	26,100	3,600	3,000	19,100	15,700	Included in plastics	6,700	51,000	10,500
Philippines (2004)	96,000	370,000	69,000	Included in leather	66,000	142,000	41,000	111,000	56,000	Included in plastics check	39,000	143,000	64,000
South Africa (2003)	55,846	114,933	8,916	17,785	29,474	46,812	52,476	111,277	45,554	22,398	77,886	38,473	90,278
Tunisia (2000)	12,259	109,695	3,322	na	11,032	1,876	6,099	9,548	8,486	2,690	9,385	na	6,944
Uruguay (2003)	6,148	4,744	3,846	Included in leather	6,311	1,707	1,723	3,223	2,916	Included in plastics	2,221	1,415	1,606

ICFTU, June 2006, source: ILO, Laborsta

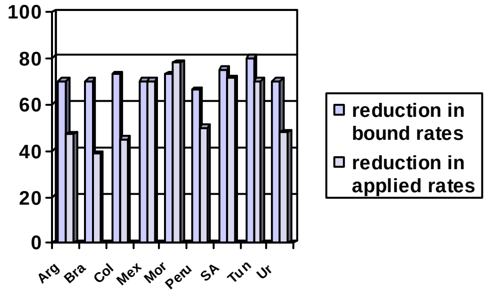
Based on the simulations a number of sectors can be identified that will be in particular affected by the tariff reductions and that will experience substantial job losses. These sectors are textiles and clothing, auto, plastic, and furniture. It seems that they are among the most sensitive ones in many of the countries for which the simulations were done.

The charts below (ICFTU, June 2006) bring together the reductions in bound and applied tariffs for textiles, clothing, automobile, plastic and furniture under the scenario of a Swiss formula with a coefficient of 15.

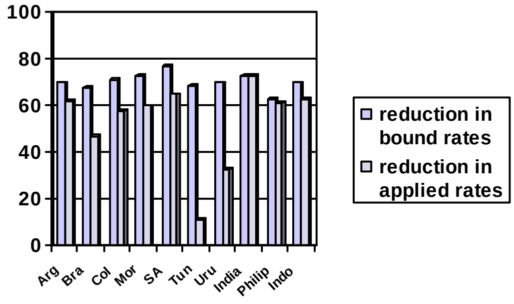
Textiles



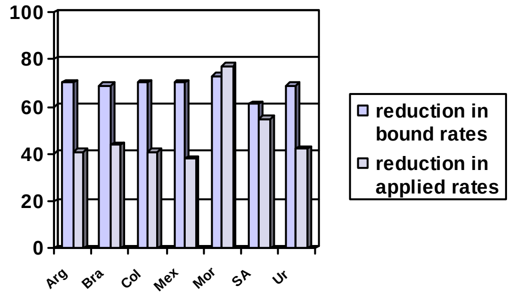
Clothing



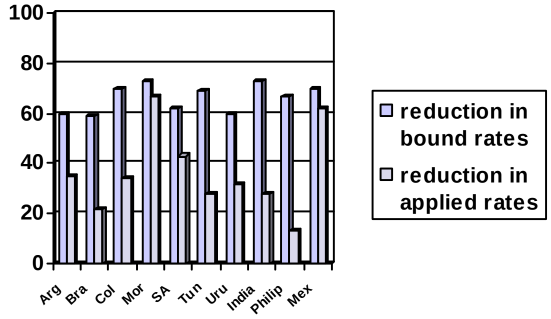
Automobile



Furniture



Plastic



The simulations have shown that tariff reductions on the basis of a Swiss formula with a coefficient of 15 and even a coefficient of 30, will have substantial effects on the bound and applied rates and therefore have substantial employment effects and adjustment costs.

C. Employment impacts

Two studies have looked into the employment effects of NAMA negotiations under different Doha (Swiss formula) scenarios. One of the studies was done by UNCTAD, and a second one by the Carnegie endowment. Although there are serious shortcomings in the models used by these studies and the assumptions made in these models, they do provide some insight in the direction and level of the impacts of NAMA negotiations.

A study by UNCTAD[12] has looked at the implications of tariff liberalisation in developing countries, using a global CGE model, the Global Trade Analysis Project (GTAP) model. The study presents the results of ten different liberalising scenarios. It looks at three different formula (Swiss (harmonising) formula, Girard (harmonising) formula, and a capping formula (across the board tariff reduction)), and for each formula at three different scenarios: ambitious, moderate and flexible (i.e. with exemptions for developing countries, variations for tariff cuts, sectoral elimination, binding coverage, and low/nuisance tariff reduction). The tenth scenario is a complete free trade scenario.

Whilst keeping in mind that the results have to be taken with caution because of certain shortcomings and assumptions of the model, one of the main outcomes is that the different scenarios all increase export revenues for developing countries in aggregate, with the ambitious scenarios bringing most revenues. However, the increase in revenues is unevenly distributed, with major beneficiaries (in percentage terms) being China, India, Brazil and the rest of South Asia, whereas gains for Bangladesh and Zambia, for example, are minimal, with gains in some industries and losses in others. Also the increase in imports into developing countries is higher for all three ambitious scenarios. With regard to tariff revenues, the ambitious Swiss formula will lead to a global reduction in tariff revenues for developing countries of 50%.

Changes in output tend to change in the same direction as changes in labour use. The use of national unskilled labour, which is mostly engaged in leather, lumber, paper products, apparel, light manufactures and electronics, is positive but small in response to liberalisation. Some sectors are very sensitive to the use of labour and to changes in the use of labour due to liberalisation. These are textiles, wearing apparel, leather and motor vehicles. Changes in total employment differ from country to country and from sector to sector, so it is difficult to generalise. A separate approach for each country has to be taken. Looking at the tables[13] on changes in the use of unskilled labour, it can be noted that depending on the level of ambition of the formula, substantial changes in labour use may take place. Finally, adjustment costs have to be taken into account and can be substantial, especially in some sectors.

A second study, undertaken by Sandra Polaski from the Carnegie endowment[14], which uses a GTAP model, simulates a number of scenarios. The ambitious Doha manufacturing

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[12] Santiago Fernandez de Cordoba and David Vanzetti, *Now What? Searching for a solution to the WTO industrial tariff negotiations*, January 2005.

[13] Tables A5-A7 of the UNCTAD study show changes in labour use for a selected number of countries under different scenarios.

[14] Polaski, Sandra, Winners and Losers, Impact of the Doha Round on Developing Countries, Carnegie Endowment for International Peace, 2006.

scenario, with a reduction in applied rates of 33% by developing countries, would attribute the largest gains to China followed by other South and East Asian countries. Some gains would also go to Middle East and North African countries, whereas there are only small gains for Latin American countries and South Africa. Losers would be Bangladesh and Eastern and Sub Saharan Africa. The more moderate scenario (scenario 5) with reductions of 24% in applied rates gives similar results, but at a lower level.

Table 7 Changes in real income under scenario 5

Country / region	Change in real income $
China	10.6 bn
India	2.3 bn
Vietnam	1.8 bn
Rest ASEAN	1.7 bn
Middle East And North Africa	1.4 bn
Brazil	828 m
Central America And Caribbean	702 m
Indonesia	644 m
South Africa	281 m
Rest of South Asia	268 m
Argentina	248 m
Mexico	227 m
Rest of Latin America	214 m
East Africa	- 27 m
Bangladesh	- 32 m
Rest of Sub Saharan Africa	- 84 m

Source: Winners and Losers, Impact of the Doha Round on Developing Countries, Sandra Polaski, 2006

At the same time, income gains for developed countries under scenario 5 would be US$ 6.5 billion for the US, US$ 3.9 billion for the EU and US$ 3.7 billion for Japan. Both Japan and the US would see an increase in market share of labour intensive manufactures.

With regard to gains and losses of world export market share for developing countries under scenario 6, with reduction in manufacturing tariffs for developing countries of 24%, the study shows that losses in labour intensive sectors will be found in South Asia (except India), the Middle East and North Africa, Bangladesh, Argentina, Brazil, Mexico, the rest of Latin America, Sub Saharan Africa, and South Africa.

The report further notes that “though the liberalization of manufactured goods increases the demand for labour in the developing world (with the exception of the poorest countries), wages for unskilled labour do not increase, because of both the abundant supply of labour and the fact that liberalized trade in labour intensive manufactures drives down world prices for such goods and returns to workers and firms in those sectors”. The report further notes that “significant increases in unskilled employment (from 0.6-1.4%) are realized by China, Indonesia, the rest of ASEAN and India” and that “the three poorest regions will actually lose unskilled jobs in manufacturing”.

The report notes that only a few developing countries will increase their labour intensive production in manufacturing but there will be some shifting of production among developing countries. The more significant changes are to take place in metals motor vehicles, electronics and machinery. All these changes will have substantial adjustment costs in the countries concerned and the report acknowledges that one of the shortcomings of such models is that adjustment costs are not part of the models, therefore overstating the gains.

Previous liberalization also shows substantial employment effects from tariff reductions. Research by Buffie[15] in 2001 collected results from trade liberalization in African countries, all with severe effects on employment and for Latin America liberalization in the nineties had led to large formal job losses and the worsening of underemployment in Peru, Nicaragua, Ecuador and Brazil.

UNCTAD country studies (2006)[16] show experiences from Malawi, Zambia, Brazil, Jamaica, Bangladesh, India, the Philippines and Bulgaria. Especially the rapid growth of imports of industrial products led to the closure of some local industries and to stagnation or low growth in industrial jobs. For example in Zambia, tariff reductions led to job losses, due to relocations and closures. In the period 1981–1990, formal employment as a percentage of the labour force averaged 23 per cent. It fell to an average of 12 per cent in 1991–2000, due to the liberalization, and by 2003 it had fallen further to 8.1 per cent. Countries like Malawi and Jamaica also showed a decline in the manufacturing sector and in employment. The study on India showed a decline in wages as a proportion of total value added for manufacturing as a whole, due to increased capitalisation and growing casualisation of contracts.

Both, the models and the previous experiences with trade liberalization therefore show the likely negative effects liberalization will have on employment and job losses. At the same time, negotiations continue on a basis where exact impacts of the tariff reductions on job losses are not known, the gender dimension of job losses is not known, where no mechanisms for adjustment are in place in the countries concerned, and where job shifting to other sectors is questionable, given previous experiences, with workers likely to end up unemployed given the already high unemployment and underemployment levels, or in informal employment and casual or precarious employment relationships.

D. Industrial Policy

The previous sections showed that the current NAMA framework and proposals within this framework will have substantial impact on the applied tariffs and therefore on employment in the selected developing countries. Moreover, besides the effects of these reductions on applied rates and employment, the reduction of bound rates to low levels will have serious impacts on industrial development and the use of tariffs as an instrument for industrial development.

Tariffs are used creatively to develop and diversify industries and supply capacities as developing countries undergo various stages of development. Akyüz[17] describes this industrialization process as follows: “The early stages are characterised by sectoral specialization in exploiting endowments of natural resources and unskilled labour. This is followed by diversification into a wide spectrum of technologically more advanced activities, accompanied by increased internal integration through a dense set of linkages among sectors.

[15] Buffie, Trade Policy in Developing Countries, Cambridge University Press, Cambridge, 2001
[16] UNCTAD, Coping with Trade Reforms: A Developing-Country Perspective on the WTO Industrial Tariff Negotiations, 2006
[17] Akyüz, the WTO negotiations on industrial tariffs: what is at stake for developing countries, TWN Trade and Development Series, 2005

With industrial maturity there is again a move towards sectoral specialization, this time at the top end of the technology ladder".

Shafaeddin[18] specifies that "trade and industrial policy should be selective, performance linked, mixed, dynamic and predictable. Identification should start on a selective basis. Some consumer goods could be chosen as a first group of industries for capacity building, with gradual exposure to competition, followed by penetration of export markets which again could require support such as tax incentives or export subsidies. The proceeds of exports can be channeled to a second layer of industry development, such as intermediary products or machinery".

Ha Joon Chang[19] notes that "As a country climbs up the ladder of international division of labour, tariff protection needs to go down in some of the old infant industries that have now matured, while protection needs to be accorded to new emerging infant industries". He further notes that "the reduction of tariffs on a line by line basis as proposed by the Swiss formula will not allow countries to do so and that such an infant industry protection would be impossible with a Swiss formula with a low coefficient".

Similarly, Martin Khor and Chien Yen Goh[20] note that "what is of importance to developing countries is to maintain and develop their industrial sector". They also argue for modalities in NAMA to allow for policy space and for developing countries the flexibility to be able to modify their tariff levels. They argue for this on the basis of two examples, one is the need to be able to change tariffs over time when moving up from low tech to high-tech products. The second one is the need for developing countries to be able to ration out their limited foreign exchange earnings for the import of essential products.

Tariffs can also be used to develop industries in early phases of production, when industries lack competitiveness. Ha Joon Chang[21] notes "that developing countries have much greater need for trade protection than do the developed countries because they need to develop new industries in order to diversify and upgrade their economic activities so that they can increase standards of living". He further notes that "the flexibilities are not real flexibilities, as once tariff lines are bound and reduced there is no way back, they cannot rise again. Real flexibilities would allow countries to raise tariffs if there are reasonable grounds for doing so, for example if adjustment costs would be too high. Moreover, countries need to verify tariff rates for individual industries in the future to a far greater extend than developed countries".

The importance of tariffs can be shown by the fact that developed countries have used tariffs at the initial stages of development. Shafaeddin[22] notes that "the history of industrialization indicates that, with the exception of Hong Kong, no country has managed to industrialize without infant-industry protection". Rodrik[23] notes that "most of today's rich countries embarked on economic growth behind protective barriers, which they subsequently lowered". Furthermore, he notes that "even after substantial tariff reductions, other instruments were used such as subsidies and Non Tariff Barriers".

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[18] Shafaeddin, S.M., towards an alternative perspective on trade and industrial policies, TWN, Trade and Development Series 30, 2006

[19] Chang, Ha Joon, Why developing countries need tariffs: How WTO NAMA negotiations could deny developing countries' right to a future, South Centre and Oxfam, November 2005

[20] Khor, Martin and Chien Yen Goh, The WTO negotiations on Non-Agricultural Market Access: A development perspective, TWN Trade and Development Series, 29, 2006

[21] Chang, Ha Joon, Why developing countries need tariffs: How WTO NAMA negotiations could deny developing countries' right to a future, South Centre and Oxfam, November 2005

[22] Shafaeddin, S.M., towards an alternative perspective on trade and industrial policies, TWN, Trade and Development Series 30, 2006

[23] Rodrik, Dani, The Global Governance of Trade, As if Development really mattered, UNDP, October 2001

Akyüz[24] further shows that developing country applied tariffs are already very low compared to their income levels. Much lower than the developed countries when they had similar income levels. "When the United States had the same levels of per capita income as Brazil or China today, its applied tariff rates were four times higher. When its per capita income was similar to India today (that is, around the mid-19th century), its average tariff was twice as high. Again, all Western European core economies had higher industrial protection than Brazil, China and India today when they had similar per capita income levels".

Besides this need for tariff policy, other instruments for industrial development are becoming increasingly limited. Rodrik[25] notes that "Korea and Taiwan protected their home markets to raise profits, implemented generous export subsidies, encouraged their firms to reverse-engineer foreign patented products, and imposed performance requirements such as export-import balance requirements and domestic content requirements on foreign investors. All these strategies are now severely restricted under WTO agreements". Akyüz[26] also refers to this: "A certain number of policies are no longer available to this end as they are restricted in WTO agreements in TRIPS, TRIMS and Subsidies. The policies that are still available such as competition policy, investment policy, government procurement and industrial tariffs are more and more narrowed down".

Finally, Akyüz[27] notes that "in many developing countries deindustrialization has been occurring and the share of services rising at much lower levels of industrial productivity and per capita income and that middle-income countries would not be able to get to income levels of high income countries by moving to services without achieving industrial maturity", which stresses the importance of industrial development and therefore of tariffs in developing countries.

As the tariff simulations have shown, a Swiss formula with a coefficient of 15, would lead to new bound tariffs of around 10% for all tariff lines, which is a very low level and would prevent the use of tariffs as policy instruments. Even flexibilities that would exempt 5% of the tariff lines or allow for a lesser reduction on 10% of the tariff lines would not be enough to provide governments the needed flexibility. Moreover, these paragraph 8 flexibilities are fixed over time. This means that the few flexibilities a country can chose cannot be changed over time, when industrial development requires different protections. Therefore the basis should not be the reduction of tariffs and adjustment to these arbitrary reductions, but rather to identify developmental and industrial needs and strategies for each country and liberalise accordingly, while retaining broad flexibilities to accompany the process of industrial development.

Furthermore, the ILO Global Employment Agenda (GEA)[28] which promotes the creation of decent and productive employment, in which international labour standards and workers' fundamental rights go hand in hand with job creation, would be severely compromised by the results of high tariff reductions on a line by line basis. It will not only increase the competitive

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[24] Akyüz, Yilmaz, the WTO negotiations on industrial tariffs: what is at stake for developing countries, TWN Trade and development Series, 2005

[25] Rodrik, Dani, The Global Governance of Trade, As if Development really mattered, UNDP, October 2001

[26] Akyüz, Yilmaz, Trade, Growth and Industrialisation: Issues, Experiences and Policy Challenges, TWN Trade and Development Series, 28, 2005

[27] Akyüz, Yilmaz, Trade, Growth and Industrialisation: Issues, Experiences and Policy Challenges, TWN Trade and Development Series, 28, 2005

[28] International Labour Organization, Global Employment Agenda, 2003

pressures including on wages and working conditions, but will also impede on the role trade can play to create productive and decent employment.

The first core element of the GEA, "Promoting trade and investment for productive employment and market access for developing countries" states that: "One fundamental condition for unleashing the job creation potential of trade and investment in developing countries is a shift of the export base from primary commodities to manufactures and modern services by promoting appropriate physical infrastructure and the required skills of the labour force in an appropriate trade regime in which exports are promoted. This, moreover, can extend beyond a mere blanket prescription. Indeed, a useful role of the Global Employment Agenda could be to help developing countries identify industries in which they have or could develop a distinctive comparative advantage, and to assist in marshalling the resources that countries need to move up the value chain. The ILO's main concern is to ensure that trade liberalization leads to pro-poor, decent employment growth". It is exactly this role of identification of industries in which countries have or can develop a comparative advantage and to assist countries to move up the value chain that will be severely compromised by the impacts of the current NAMA proposals.

E. Trade union strategies adopted in NAMA negotiations

Given the likelihood of far going negative effects on employment and industrial development in developing countries, a number of ITUC affiliates, the ITUC, and the IMF and its affiliates have undertaken various actions and research with an aim to avoid any unbalanced and possibly disastrous outcome in NAMA.

From the ITUC affiliates especially CUT from Brazil and COSATU from South Africa have undertaken research and actions at the national level, and have also increased the level of priority within the ITUC. Other affiliates that have become active on the NAMA negotiations are HMS in India, CGT in Argentina, KSBSI in Indonesia as well as the TUCP in the Philippines and the UGTT in Tunisia. Furthermore, the NUNW in Namibia has also identified NAMA as an issue of concern.

In South Africa, detailed research work was done by COSATU on the line by line impacts of tariff reductions under a Swiss formula with different coefficients. Furthermore, research has shown that the currently proposed paragraph 8 flexibilities (percentages in brackets) would not nearly be sufficient to shelter the sensitive lines in South Africa. In fact, the current proposed percentages would almost need to be doubled to cater for South Africa's sensitive lines. South Africa will be particularly affected by tariff reductions in NAMA, given their tariff and industrial structure, including its small average tariff overhang.

As part of the Jobs and Poverty campaign, NAMA has become a key issue in South Africa, and several demonstrations, rally's, pickets and actions, including in front of the EU and US embassies have taken place in 2006. In 2005, COSATU was part of the official government delegation at the Ministerial meeting in Hong Kong. Again in June 2006, COSATU delegates joined other trade unionists in a mini-ministerial meeting in Geneva.

COSATU is also part of NEDLAC (National Economic Development and Labour Council) in South Africa, which is a tripartite structure including government, labour, business and community, in which trade and trade policies are discussed, including the NAMA negotiations, in the Trade and Industry Chamber, one of the four NEDLAC Chambers. The Trade and Industry Chamber has subcommittees to provide mandates for trade negotiations, including non-agricultural market access, agriculture and services. COSATU and relevant affiliates have worked intensively in these committees, including on an analysis of the impact of current WTO proposals on over a thousand tariff lines[29].

At the 9th COSATU Congress in September 2006, a resolution was adopted on trade including NAMA[30], which calls upon the government not to accept any kind of compromise multilateral 'formulas' for the reduction of industrial tariffs, with the already-evident negative effects of such liberalisation against local industry and jobs; to preserve its own internal policy-making rights and the policy flexibility required to support its own emerging and future industrial development and diversification strategies; and to support COSATU's demand that the offensive thrust of NAMA be definitively blocked altogether.

COSATU has also played an important role at the international level in raising the awareness around the impacts of NAMA on employment and development, and in prioritizing NAMA at the international level. At the sectoral level in particular SACTWU (textiles and clothing workers) and NUMSA (metalworkers) have been active in terms of research and mobilization given the substantial impacts of NAMA negotiations on employment in these sectors.

In Brazil, research[31] on NAMA and the potential impacts for the Brazilian economy and employment has had an important influence on the action taken around NAMA subsequently. One trade union person was delegated to the Brazilian mission in Geneva to work on and monitor the NAMA negotiations. Amongst other things, this resulted in a paper being prepared on the impacts of NAMA for Brazil, which was released shortly before the Hong Kong ministerial meeting in December 2005. Furthermore, several statements have been prepared and letters have been written to the Minister over the last two years in respect to NAMA. Recently a letter was sent to the Minister of Trade including demands for not trading off NAMA for Agriculture. This letter was written in response to the recent proposals for industrial adjustment plans in Brazil, suggesting that the Ministry expects serious adjustments in industry as result of the NAMA negotiations.

In India the trade union movement and labour organisations, in particular HMS along with the CEC (Centre for Education and Communication) has undertaken research on three different sectors (Fisheries, Auto and Leather). They have engaged with government on NAMA and made specific request with regard to the government position on NAMA, and recently reached out to other Indian trade union centres for campaigning around the issue of NAMA. A letter on NAMA was also sent to the Government by Indian trade unions.

The CGT in Argentina has put a team together of several people that will jointly work on different trade issues, some at the bilateral level, others at the multilateral level. They also have engaged with government on NAMA and have now started to identify sensitivities in the different industries.

Both the KSBSI Indonesia and the TUCP Philippines have recently identified NAMA as an important issue and have started to engage with the government on the issue. The TUCP is also planning a national workshop on NAMA, with an aim to identify research needs and to further engage with the government on NAMA. Furthermore there has been outreach to some of the sectors that will be affected by NAMA negotiations.

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[29] COSATU Congress Report, 9th National Congress, September 2006

[30] COSATU Resolution on Trade Policy, 9th National Congress September 2006

[31] OMC, Desigualdades Norte/Sul e a Geopolítica de Desenvolvimento: As Negociações do NAMA e os Impactos sobre América Latina e o Brasil, Observatorio Social, Dezembro 2005

The NUNW in Namibia and UGTT in Tunisia have also expressed concerns with the current NAMA proposals.

As a result of this engagement, a NAMA 11 trade union group was set up, which allows for the development of joint strategies with regard to the resumed negotiations, an exchange of information, exchange of research, joint activities, and the identification of further research needs. A NAMA 11 trade union statement has been prepared by the group, addressing the NAMA 11 governments and requesting a stronger position on coefficient and flexibilities given that the current NAMA 11 position would already have far reaching effects on their economies.

At the international level both the ITUC and IMF have been active on NAMA and NAMA campaigning. The IMF has held regional and international meetings on NAMA at which its affiliates developed statements that have been used in campaigning activities both nationally and internationally. IMF affiliates in Brazil, Argentina, South Africa and India have been most active, including research work. Solidarity calls have come from IG Metal in Germany and FLM in Italy.

The ITUC, through the TILS meetings[32] has started NAMA work in April 2005, with a special session on NAMA during that TILS meeting and the preparation of a background paper on NAMA[33]. This was followed by the distribution of a model letter for governments, which was distributed during the summer. NAMA was again a priority issue for the ITUC during the Hong Kong Ministerial meeting in December 2005.

The TILS meeting of April 2006 again called for increased ITUC and affiliates action on NAMA. Concerning specific policy matters, the TILS meeting concluded that NAMA developments were going in an unacceptably inequitable direction for developing countries following the decision in Hong Kong to adopt a Swiss formula, so that the union movement should oppose the negotiations on their present basis. After the TILS meeting, the ICFTU issued a circular and model letter calling on all affiliates to take action on NAMA, and a number of affiliates from industrialised and developing countries took up the trade union demands with their governments. The ICFTU took a position strongly critical of current negotiations in its media releases. During this period, the ICFTU also undertook NAMA tariff simulations for 13 developing countries (see also section B of this paper)[34].

At the ICFTU's Executive Board meeting in June 2006, the Board further reinforced the TILS conclusions, calling on all ICFTU affiliates to take effective action to influence the WTO Doha Round by supporting higher coefficients and increased exemptions for developing countries in the NAMA negotiations and genuine concessions by industrialised countries in the agricultural trade negotiations. The Board directed the General Secretary to coordinate trade union action to oppose completion of the NAMA negotiations on their current basis, ahead of the end of July deadline.

Accordingly, over the June-July WTO negotiating period, the ICFTU undertook intensive actions on the basis of the Executive Board's decisions, including a call for action on NAMA with a model letter to assist affiliates in their lobbying efforts on NAMA; a "Q&A" guidance for

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[32] Trade, Investment and Labour Standards

[33] Global Unions Trade, Investment and Labour Standards (TILS) Taskforce**,** Geneva, 11-13 April, 2005, Briefing Note on Non-Agricultural Market Access

[34] NAMA simulations for labour intensive sectors in developing countries, ICFTU, June 2006.

affiliates on the technical aspects of NAMA; and facilitation and technical assistance for developing country unionists' lobbying at WTO meetings in Geneva over that period. Again a model letter was developed for governments, and a press release on the simulations was sent out to all Geneva based missions. Simulations of the 13 countries were also shared with affiliates in these countries and led to increased work on NAMA in some cases. Many of the ITUC statements and interventions at international level also stressed the potential very disruptive effects of NAMA negotiations for employment, working conditions and future development.

A workshop on NAMA (and GATS) was organized in September 2006 in Geneva, together with the FES. This workshop was attended by some 30 trade unionists and has led to follow up work in a number of countries.

At the regional level the ICFTU regional office in Latin America, ORIT, has taken up NAMA as an important issue in its work, initially by sensitizing some of the Latin American trade unions, and more recently by mobilizing a number of Latin American unions beyond Argentina and Brazil, and including Mexico, Peru, Colombia, Costa Rica and Uruguay.

All in all, the NAMA Trade Union campaign has continuously developed over the last two years, and is still growing. It has become clear though that effective pressure is important when it comes to key decision making moments in the WTO, and that trade unions need to be prepared for such moments. The recently developed engagement in NAMA has to be reinforced, both in countries that have been campaigning on NAMA for several years now, but also in the countries that have recently started the work on NAMA. Of great importance will be the support that needs to be given to the trade unions in countries that are targeted in the NAMA negotiations, in particular the NAMA 11 trade unions. The NAMA negotiations will not lead to tariff reductions in LDCs and Paragraph 6 countries, nor will the tariff reductions in Small and Vulnerable countries and Recently Acceded Members be of a similar ambitious level as in the other developing countries (if at all they will be subject to tariff reductions), nor will the tariff reductions in developed countries with reductions of around 20-25% lead to serious adjustment costs. It therefore seems that a few developing countries that are facing huge unemployment and poverty challenges at the moment, will have to pay a high price in terms of adjustment costs and future industrial development, which is contrary to the spirit of a development round. Given the pressure coming from the developed countries, in particular the EU and US, trade unions in those countries could play an important role by questioning the demands made by their governments.

From the strategies that have been used so far it seems that research is important in engagement with governments, together with mass mobilization around the issue. It is important to build up pressure and to be in close contact with the government on the issue, but also to identify which are the sectors and tariff lines that need protection and require present and future flexibilities, based on the employment levels and the potential for the creation of productive employment and decent work. The identification of tariff lines that will be exempted or subject to lesser tariff cuts will become an important issue once negotiations move forward, and require serious attention from trade unions, taking into account the gender dimension in specific sectors and subsectors. More research in this area is required.

F. Conclusions and Recommendations

NAMA tariff reductions on a line by line basis, with a low coefficient and limited flexibilities do not take into account the different tariff and industrial structures of countries, nor does it take into account the different stages of development countries are in and the development challenges and industrial developmental needs of the countries concerned, or the currently high levels of unemployment and underemployment and the high adjustment costs these reductions will entail. A low coefficient will not only lead to cuts in applied rates as has been shown by the simulations, it also leads to high reductions of bound tariffs to levels that are very low and without the possibility to adjust these levels upwards, therefore limiting countries in diversification and in moving up the value chain. The paragraph 8 flexibilities as currently on the table are very low and too rigid. They allow for certain tariff lines to be exempted from tariff cuts or to be subject to lower tariff cuts, however, they do not allow for the necessary changes over time. As a country develops over time it will have different tariff needs. The current NAMA framework does not take this into account.

Therefore there is a need for a differentiated approach in NAMA negotiations given the differences in tariff structure and industrial structure of the countries for which simulations have been undertaken. Preferably by using an average reduction, and not a line by line reduction, but, if the current mandate is to be respected, a sufficiently high coefficient should be applied to the tariffs of developing countries, which allows them future policy flexibility. Moreover, paragraph 8 flexibilities should be substantially increased and allow for current and future sensitivities to be fully respected. In particular with respect to employment challenges, such flexibilities should allow for labour intensive industries and the creation of productive employment and decent work to be taken fully into account.

NAMA negotiations as part of the Doha Development Agenda should start from a domestic development perspective that is based on what is needed in terms of trade policy measures and not the other way around, in which trade liberalization commitments determine the national development outcomes.

Beyond these employment and developmental concerns, the tariff reduction demands by developed countries are not in line with the Doha mandate and the principle of less than full reciprocity. The current proposals on the table (EU, US and even NAMA 11 proposals) do not respect this principle. Moreover, the HK Declaration paragraph 24 states that there should be a similar level of ambition in the Agriculture and NAMA negotiations, which is not respected either. A number of NAMA 11 communications clearly sets this out and shows that the principle of less than full reciprocity and the similar level of ambition are not respected in the NAMA negotiations[35]. Moreover, the push for new market access does not take into account the unilateral liberalization that many of the developing countries have undertaken.

Given the far going impacts of NAMA negotiations and the unbalanced approach in the negotiations, trade unions need to step up the campaign against the current NAMA framework, both in the countries that will be affected by the tariff reductions, as well as in other countries as a sign of solidarity. Trade unions in countries that are subject to tariff reductions should also work on the identification of tariff lines that are sensitive in terms of current and future employment. They should however bear in mind that a broader strategic approach is required. The work in these countries should include the identification of priority sectors as part of an

[35] TN/MA/W/68; NAMA 11 submission comprehensive proposal on NAMA modalities 15 June 2006; NAMA 11 statements of 2 February, 20 March and 30 June 2006; NAMA 11 ministerial communiqué of 29 June 2006

industrial development strategy, and such a strategy should also take into account the positions governments take in bilateral trade agreements these countries are negotiating. There is a strong need to avoid commitments that restrict industrial policies and broader development policies. It is furthermore important that trade unions understand the link between the reductions in tariffs now and the impacts for future industrial development. Even if there is not an immediate impact on employment, such future effects should not be underestimated, especially as decisions are taken now. And finally the issue of adjustment has to be addressed in greater detail, as this is an issue of great importance to smoothen the effects of liberalization and to distribute pains and gains of liberalization more equally.

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