

Position Paper of Indonesia for Global Justice (IGJ) "Irrelevant Fighting In Ministerial Conference (MC) 10th WTO, Nairobi"

Abstract

Indonesia for Global Justice (IGJ) as one of the institutions concerned with the issue of trade and investment, which was also play an active role in the #EndWTO campaign in 2013 together with the Alliance in Gerak Lawan, called for an end and reject the ongoing WTO Ministerial Conference (MC) 10th WTO , Nairobi, Kenya.MC

Background

Indonesia for Global Justice (IGJ) is one of the institutions concerned with the issue of trade and investment, engaged in the advocacy of economic policy both nationally and internationally. In response to the Ministerial Conference (MC) of the World Trade Organization (WTO) that will be held on 15th to 18th December 2015 in Nairobi, Kenya, IGJ issued a Position Paper, and took a position on two things: **(1) End WTO; (2) Reject MC 10 because it is not relevant for the world community.**

These claims were built by four rationalizations: (1) During the 20 years of establishment of the WTO, there was no improvement in the world trading system. What was happening is the downturn in the macro scale; (2) "Bali Package", as the highest achievements of the WTO, sharpens the problems of food in both global and national levels; (3) The WTO was run by an undemocratic mechanism; and, (4) working agenda for the meeting to the MC 10 is not arranged for the benefit of developing countries.Bali PackageMC

Thus, IGJ encourage that the Government of Indonesia does not need to follow the meeting that is unprepared and prone to being diverted by the corporations and the industrialized countries.

End the WTO

1. 20 Years of Failure of the WTO

World Trade Organization (WTO) is an international organization which took effect from January 1st, 1995 and this year has entered the age of 20 years. For 20 years running, in fact the WTO has failed to achieve a significant achievement for alleviating poverty and fair trade schemes. WTO functions more to ensure the flow of global trade liberalization runs smoothly rather than creating a fair trade.

In fact, trade liberalization encouraged by the WTO increasingly irrelevant to be maintained today. In amid of a global economic crisis which pushed the sharp decline in global trade performance, a tendency of measures taken by the WTO member countries continue to lead to protection measures for the salvation of the national economy.

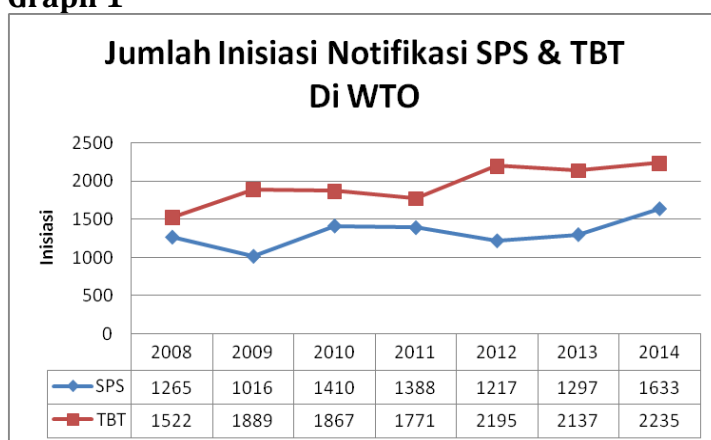
WTO trade monitoring report in 2015 mentioned that since the global economic crisis hit in 2008, an increase of the trade restrictive measures. In the monitoring period November 2012- Oct 2013 adoption of trade restrictions, there were 168 measures. Entering the period of November 2013- October 2014, trade restrictive measures have been increased to 339 actions that contribute to the import trade value amounted to US \$ 257.5 billion.

In the same report, IGJ noted that at the very least, these trade restrictive measures were contributed by the five provisions in the trade of goods, namely **First**, the acts of Agricultural support and market access; **Secondly**, the SPS (Sanitary and Phytosanitary) acts; **Thirdly**, Technical Barrier to Trade (TBT) actions; **Fourth**, supports and countervailing measures; and **Fifth**, the application of Safeguards mechanism.

In an act of support and agricultural market access, throughout the year 2014 from a total of 239 countries were questioned 80 notification of this action, 76.7% of it were lead on the issue of domestic support, 16.7% for market access, and 6, 7% for export supports.

For SPS measures, in the last 15 years there was a surge notification of 468 initiations into 1,633 initiations. As for TBT, in the same period experienced a surge up to 2,235 in 2014, where in 2000 the initiation of a new notification as much as 633 initiations (*See Graph 1*).

Graph 1

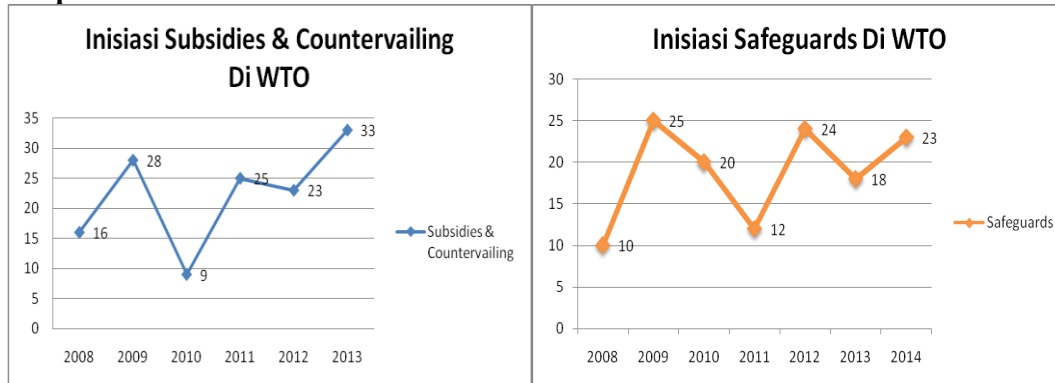


Source: IGJ's Data processed from WTO Report 2015

In terms of action on supports and countervailing measures, when viewed from its dynamics since the global economic crisis of 2008 to 2013, it was fluctuated but is likely to increase. In 2008, the initiation of this action is only recorded 16 initiations and had dropped in 2010 by 9 initiation, but rose sharply again in 2010 continues to 2013 which respectively is 25 (2011), 23 (2012), and 33 (2013) , In detail can be seen in **Graph 2**.

Global uncertainty, have an impact on the behavior of countries that implement safeguards. A trend that occurred from 2008 to 2013 was seen to fluctuate sharply, not linear. It means that this behavior illustrates the level of prudence in the open market is quite high. Safeguard the application of a very sharp spike in 2009, which account for nearly 25 initiations compared to 2008, which amounted to only 10 initiations. But entering the 2010-2014 fluctuating initiation occurs but the average touched the figure of 20 to 23 initiations in 2014 (*See Graph 2*).

Graph 2



Source: IGJ's Data Processed from WTO Report 2015

2. Irrelevance of “Bali Package”

“Tiga isu Bali Package”

Pertanian, yang mencakup masalah penimbunan stok cadangan pangan untuk ketahanan pangan, persaingan ekspor produk pertanian, dan administrasi *tariff rate quota*;

Fasilitasi perdagangan (terkait aturan pergerakan barang di kepabeanan); dan

Masalah pembangunan untuk negara kurang berkembang seperti *duty free-quota free*, ketentuan Surat Keterangan Asal, dan kemudahan akses pasar jasa ke negara-negara maju.

The dynamics of MC 9th 2013, which was often held proud as the highest achievement of the WTO to date (Foreign Policy, 2013) did not actually resolve the differences that exist between the interests of the advanced industrial countries and the developing countries. Instead the "Bali Package", as a result of the MC-9, became the worst deal in the WTO to protect farmers and food sovereignty of developing countries and less developed.

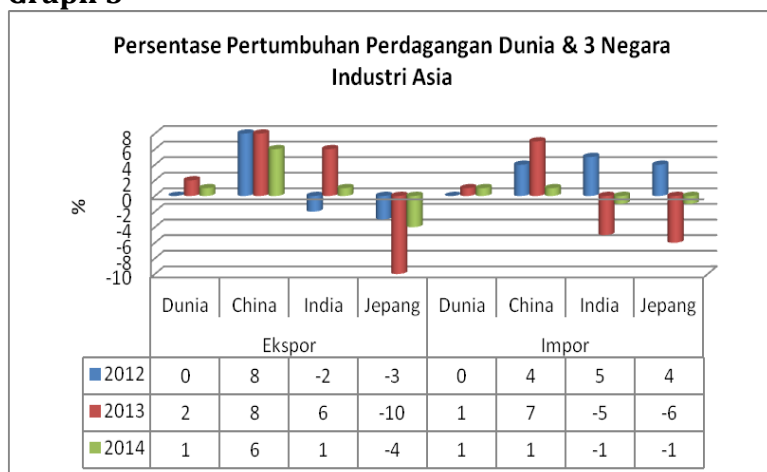
"Bali Package" consisting of three issues reached by a trade-off to solve two proposals: Agreement on Trade Facilitation which was encouraged by the industrialized countries and Proposal of Public

stockholding for Food Security in Agreement on Agriculture (AoA) which was driven by the developing countries that were also members of the group of 33 (G-33). Bali Package take these three issues of the 17 of Doha Development Agenda (DDA) in the hope of gradually resolve the Doha Round of 14 years dead end.

If we agree that the biggest achievement of the WTO is Bali Package, actually strengthens the argument about the "failure of the WTO" because what happened was the hope to improve the performance of the global economy in times of economic crisis proposed by the Bali Package seems far from expectations. Even trade in goods and the growth of world trade has decreased post-Bali Package 2013.

WTO data mentions that with the growth of the world steadily declined from 2011 to 2013, respectively, which was 2.8% (2011), 2.3% (2012) and 2.2% (2013), world trade performance continued to have corrections. WTO monitoring results to the percentage changes in the performance of export-import reinforce this argument. As from 2012-2014, the percentage change tendency to stagnate and even continued to decline, particularly in the three major industrial countries in Asia such as China, India, and Japan. More detail the percentage of the decline can be seen in the **Graph 3**.

Graph 3



Source: IGJ's Data Processed from WTO Report 2015

The decline data shows that WTO's prediction that said that the success of Bali Package will boost world trade is not proven. In fact, this situation was exacerbated by the decline in world commodity prices, particularly food, which in turn adversely affect the national food situation.

UNCTAD's data in 2015 states that along the year 2014, commodity price index fell by 6.1%. This decline was driven by the drop in the price of some commodity groups such as: **First**, agricultural raw materials 9.9%; **Secondly**, minerals, iron ore, and the metal 8.5%; **Third**, food 5.9%; and Fourth, vegetable oil 5.8%¹.

Supposedly, the decline in food commodity prices in the macro can be seen as a positive thing, assuming that if food prices declined, the poor have the ability to buy food commodities. But the fact is, the price reduction generally occurs due to the abundance of supply that is not offset by increased demand.

When prices are declining due to the abundant supply, local farmers who bear the cost of production will be the subject of the losers. Drastic reductions in some food commodities besides this happen because of the global economic crisis, also due to the large supply of food commodities into the market through imports.²

National food import value throughout 2014 amounted to US \$ 15.86 billion, equivalent to 22.53 million tons, an increase of the value of imports in 2013 were only US \$ 12.73 billion, equivalent to 17.48 million tons. This increase contributed by the imports of food crops (rice, wheat, soybeans, and corn) amounted to 18.16 million tons, 1.64 million tons of Horticulture and Livestock Products at 1.48 million tonnes.³

These nationwide conditions have raised the issue on Indonesia's agricultural sector, especially local farmers, and make food commodities is worthless. The direct consequence of that of course is the welfare of small farmers and local.

For example, not long ago the media was flooded by the phenomenon of dumping tomatoes in the roadside ditch Cikajang, Garut, West Java by tomato farmers that are upset when the price of

¹ UNCTAD Report Commodity Price Index April 2015.

² <http://www.republika.co.id/berita/nasional/daerah/15/07/09/nr7nl9-sudah-sebulan-harga-tomat-di-tingkat-petani-anjlok>

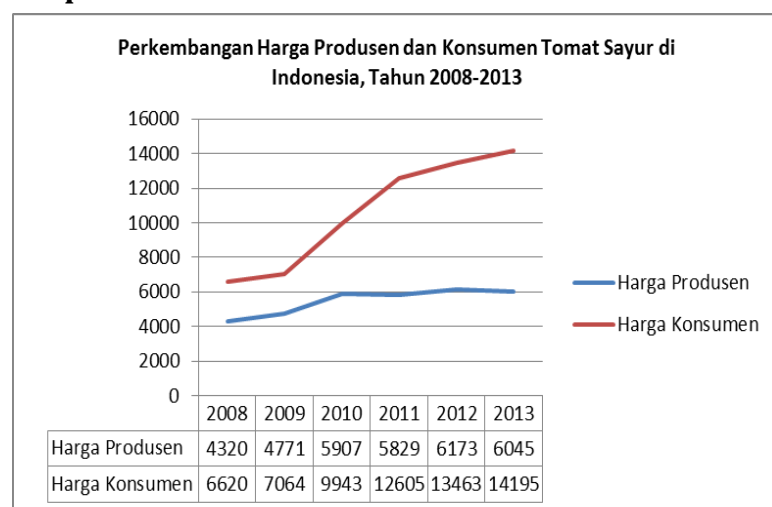
³ Data Ekspor-Impor Komoditas Pertanian 2014, Pusat Data dan Informasi Kementerian Pertanian Republik Indonesia, Vol VII No.1 Tahun 2015.

tomatoes per kilogram that previously had reached Rp6.405 in price dropped dramatically to Rp200. Tomato production price developments in Indonesia in 2005-2013 tended to increase with an average growth of 12.08% per year (Graph 4).⁴



Source: BBC.com

Graph 4

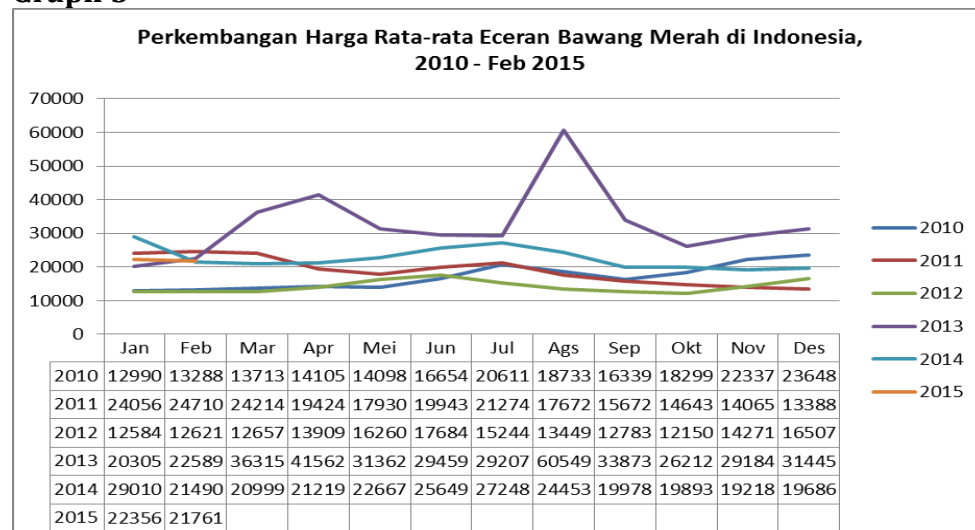


The onion and red pepper commodities experienced the same decline. Food prices rose and then decrease drastically. Prices of onion experienced a sharp degeneration into Rp4,000 per kilogram in August 2015. Oversupply was the cause of this decline.

Source: *Agricultural Commodity Price Statistics, 2013, the Ministry of*

Agriculture

Graph 5



Source: *Buletin Analisis Perkembangan Harga : Maret 2015, Kementerian Pertanian*

⁴ The Ministry of Agriculture. Commodity prices Tomatoes 2014. pdf

But the crucial thing is the price is far below the price production. With Rp4,000 per kilogram, the harvest is expected to get the price Rp12.000.000. While the production cost reaches to Rp20,000,000.⁵ Farmers can only cover production costs with a minimum selling price of Rp 10,000 per kilogram.⁶ Not to mention the illegal import of onions which destroy national onion market.⁷ It is directly correlated with a decrease in national Farmers Exchange Rate by 1.37 percent in April 2015 compared to the previous month. The cause was the index of prices received by farmers (It) dropped by 1.07 percent, while the index of prices paid by farmers (Ib) rose by 0.30 percent.⁸

The failure of Bali Package to reach an agreement for Proposal of Public Food Reserves (Public stockholding) has contributed to the worsening food situation nationwide. This is due to the efforts to improve the welfare of small farmers through this proposal has failed, especially efforts to achieve food sovereignty, the possibility has also been closed. Furthermore, as a policy crucial to the survival of human beings, farming is not only seen its impact on the economic sector semata. Kondisi malnutrition also be derived directly from poor food crisis is happening today.

The World Bank is often called the Indonesian population is getting healthier as reflected in life expectancy increased from 68 years to 71 years over a span of ten years. In the same span, the number of infant deaths decreased dramatically from 48 to 31 deaths per thousand births. Although the infant mortality rate dropped, there are still many children who are malnourished. A 12 percent skinny toddlers and 37 percent of children under five smallish. Maternal deaths per 100 thousand births was still high enough to 190. This figure is much higher when compared with other countries in Southeast Asia such as Thailand (26) and Vietnam (49).

With how chaotic the crisis today, expenses incurred to attend the WTO MC indeed luxuries we all not have. According to Kenya Institute of Public Policy Research and Analysis (Kippra), each delegation of the MC 10th will spend an average of Sh97,154.25 per day (approximately Rp1.319.911.970) and the delegation will stay for at least six days.¹⁰ Is it rather not the energy and government funding allocated to attend to the MC-10, better to boost subsidies and empowerment of local farmers and public health?

Reject WTO's MC 10:

1. WTO Undemocratic Negotiations

After the WTO failed to prove its relevance as long as 20 years to create trade mechanisms that alleviate problems of socio-economic crisis that is -if not actually exacerbate the crisis itself- WTO decision-making mechanism was proven undemocratic and did not promote the principles of openness and fairness. This has an impact on the achievement of an agreement that would harm the interests of developing countries.

The democratic process is visible from the practice of negotiation that often occurs in an enclosed space and involves only certain countries. This practice is called the talks 'Green Room'. In closed meetings it was, exchange and lobbying interests held. Efforts trade-off of interest occurs in this space. This makes the WTO only be agreement among the elite whose effects hit

⁵ Ibid.

⁶ <http://www.koran-sindo.com/read/1036347/151/harga-bawang-anjlok-petani-minta-pemerintah-intervensi-1440387935>

⁷ Ibid.

⁸ <http://bisnis.news.viva.co.id/news/read/621695-april-2015--nilai-tukar-petani-turun-1-37-persen>

¹⁰ http://www.standardmedia.co.ke/m/story.php?articleID=2000171404&story_title=Over-20-countries-confirm-participation-at-2015-WTO-Conference-in-Nairobi

the interests of the common people. Also, the people and the civil society does not have control over what happens at these meetings. Package deal Bali is one example of undemocratic practices in the WTO negotiation process.

In an effort to negotiate a work program after the Bali agreement to be reached on the MC-10 to the WTO later, this practice is driven back by the Director General (DG) of the WTO, Roberto Azevedo. It can be inferred from the three events: **first**, two days before the deadline for the establishment of the Work Programme, the General Council (General Council) held a hearing to discuss the WTO Work Program Post-Bali agreement, ie on 27 to 28 July 2015. The trial took place outside the customs WTO and certainly happen behind closed doors.

Secondly, during the establishment of a work program, DG Azevedo held many small spaces and enclosed consultation inviting only a handful of member countries (United States, European Union, China, India, Brazil, Australia, and Japan).¹¹ **Third**, DG Azevedo plays very in favor of the developed countries by holding closed consultations spaces between 7 countries.

Reported that the focus of the discussion related agricultural support, competition export, and market access in agriculture and non-agricultural (NAMA) - which is where the interests of each country will be the modalities of exchange of interests (trade-offs) with Treaty Trade Facilitation and some the interests of other developed countries. Practice this swap can be ensured to return hamper the struggle of developing countries on the issue of special treatment and special flexibility (special and differential treatment) for developing and least developed countries.¹²

2. MC 10's Agenda Work Program Threaten Agricultural Sector

There were three draft agreement that will be the draft Programme of Work Post-Bali to be discussed in MC 10 WTO in Kenya, the first, the completion Proposal Public stockholding; second, the adoption of the Agreement to the WTO Trade Facilitation Agreement Marrakech Annex 1; third, Post-Bali Work Programme will draw up a priority basis to generate other Ministerial Decree Bali (LDCs package and development issues) legally binding (legally binding).

Agreed Programme of Work Post-Bali (Bali Post-work program) in the MC-10 to the WTO will serve as the culmination of the achievements of the deadlocked Doha Round agreement since 2001, after the Bali Package successful as its Stepping Stone.

In this work program setting process, conflicts of interest between the Trade Facilitation Agreement with G33 Proposal on Food Reserves Public resurfaced. Disappointment group of developing countries against developed countries over the failure to achieve a permanent solution on the Food Reserves Public Proposal again refused to agree Trade Facilitation Agreement to be adopted into Annex 1 of the WTO Marrakech Agreement.

Of course the idea to agree on agricultural issues by the US and Europe to be highly unlikely. In fact, they re-issue a bid that is unreasonable. The US and Europe called for the re-tested against the mandate of the Doha Development Programme (DDA). Retesting of the DDA mandate would only bring setbacks to the negotiation process that has lasted over the years, particularly in the Agreement on Agriculture.

G33, which is chaired by Indonesia, argues that the DDA mandate retesting want special provisions degrading products (SP) and special safeguard mechanism (SSM) in the agriculture

¹¹<http://www.twn.my/title2/wto.info/2015/ti150607.htm>

¹² Ibid.

issue that has been set in the 2008 revised modalities text draft. This provision is an exception mechanism for developing countries to defend their agricultural interests from the advancing agricultural imports from developed countries which have continued to be subsidized by the State, even the growing number.

MC-10 negotiations to the WTO in Kenya had returned to the real debate WTO, between the interests of protecting the farm with the ambition of developing countries opening of market access of agricultural products of developed countries. The real debate will be back 'hostage' the negotiation process in the interests of developing countries. Moreover, the WTO negotiation process that is not democratic and the exchange-roll interests will generate Decision MC-10 All adverse WTO in Kenya and hurt the interests of developing countries, particularly in an effort to protect small farmers and food security.

Issue is a fixed price that can not be traded or exchanged with any interest. So '**major threat**' to the destruction of the agricultural sector in the MC The 10 WTO in Kenya should be the basis for developing countries, particularly those incorporated in the G33, or for the less developed countries to decide that the MC The 10 WTO does not need to exist.

Positions and Recommendations

From all the above reasons, the IGJ take a position and provide the following recommendations:

- 1. Refuse text-Bali package deal that harm developing countries.**
- 2. MC-10, Nairobi does not need to exist.**
- 3. End the domination of the WTO.**
- 4. Continue to strengthen the solidarity of the people to build alternative economic and trade systems are sustainable and equitable.******

Compiled by:

Priska Sabrina Luvita,
Knowledge Management Officer
Indonesia for Global Justice (IGJ)
priska@igj.or.id

Rachmi Hertanti
Research & Monitoring Manager
Indonesia for Global Justice (IGJ)
rachmihertanti@gmail.com / amie@igj.or.id