

MARKET ACCESS
TALL IN ORDER, SHORT IN SUBSTANCE

The rich country leaders remain intransigent over giving market access to the products originating from the least developed countries (LDCs), but are up in arms to win headlines in Hong Kong championing the cause of LDCs to 'jumpstart' the dogged trade talks.

In a change of tactics, the WTO has been trying to sell 'a special development package for the LDCs' in the backdrop of its legitimization crisis, to face save its boastfully styled current cycle of negotiations of Doha "Development" Agenda. Out of 5,350 words used in the Doha Ministerial Declaration, more than 40 per cent were devoted to developing and LDCs, but the current negotiations in Hong Kong indicate contradiction with the principle set out in Doha.

The richest countries in Hong Kong are successfully employing all sorts of ploys and constructive ambiguities to make even that reduced package ineffective and non-operational, as the package undeniably falls far short of containing measures for an economy to enhance productive capacity and improve upon the livelihood of the poor people.

The rich countries, as is transmitted from the closed door negotiations, are not agreeing to write rules to ensure and fully implement duty-free and quota-free market access (MA) for products originating from LDCs in a manner that ensures security and predictability.

The rich countries have repackaged their previous stances in ways that prima facie gives new flavour, but the proposed full access of the preferential

treatment of duty free-quota-free (DFQF) market access.

The operational part of a proposal stands out that all products will not be covered, though it was seemingly worded in way that as if all products have been covered. That would keep the products of interest of LDCs virtually outside the purview of the coverage. According to such proposal, a product will not be entitled to DFQF if such reaches certain threshold level. According to such proposal, Bangladesh's main export - textile - will be a casualty.

Such proposals clearly indicate that the DFQF-MA would neither be secured nor permanent, as carefully worded phrases would ensure certain threshold levels and scope for revocation of the preferential treatment, if the export reaches a certain levels. The proposals in the back-door negotiations also wanted to ensure provisions for phased implementation of DFQF-MA.

A powerful member has insisted, it was learnt, that the Member shall have the possibility to designate those products for which they may take recourse to the provisions of Article 5 in the Agreement on Agriculture

Each of the options lacks commitment in one-way or other and designed in more complex manner to dodge the people of the LDCs.

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CAN “AID FOR TRADE” BE SUBSTITUTE FOR MARKET ACCESS?

The Developed countries are pushing the “Aid for Trade debate” at the ongoing World Trade Organisation (WTO) negotiations at Hong Kong. EU has already declared that the EU aid package for the programme will rise to Euro 2 billion by 2010. The EU firmly believes that aid for trade is very important for the economic development of Least Developed Countries (LDCs). In this regard the EU points out that there are certain challenges that LDCs must take account of to reap the benefits of this aid for trade.

- Firstly, LDCs must improve their capacity to be able to effectively participate and implement multilateral trade agreements.
- Secondly, there will be a need for LDCs to improve and strengthen their private sector so that tangible benefits from trade may be realized.
- Thirdly, adjustment costs will need to be assessed to negate any adverse effects from import surges from richer countries.

LDCs must first craft their own national development strategy of which trade must play a key role. That is trade must fall under the ambit of national development strategy. Once this is done trade can then be put forward in the negotiations on the Doha Work Programme (DWP). However, for the DWP to be of any success this Aid for Trade programme must not be pushed as an alternative for ambitious development round that the poor countries require.

Market access negotiations must go hand in hand with the idea that LDCs must be given adequate time periods to allow their economies to adjust to any adverse shocks that may arise from trade liberalization. More importantly there must be help for LDCs to realise the successful completion of the DWP by dealing clearly with the issues of preference erosion. No one size fits all approach can be used for this as different

LDCs will have differing requirements. For this it is acknowledged that strong political will is needed to address these difficult matters. Indeed it will be paramount for LDCs on their own to be clear on what their development priorities and policies are. To this end the Integrated Framework (IF) may be used to prepare the ground work. However it must be remembered that IF is not the answer to all the development needs of the LDCs. What is important is policy coherence especially at the international level on Millennium Development Goals, Monterrey Consensus, and Sustainable Development. Moreover, the Aid for Trade should not come up with conditionalities that could go against the national development priorities of poor countries.

Further, the undue emphasis placed on targeting agriculture subsidies and industrial tariffs in the Hong Kong ministerial alleged to have left out some of the critical development and trade related concerns of the developing and least developed countries. This has caused alarm among the civil society organizations. They argue that the various non tariff barriers (NTBs) being put up by the rich countries in the form of standards, especially for the agriculture and processed goods exports of poor countries have not received adequate attention in the Hong Kong talks.

Many representatives of the Civil Society Organisations (CSOs) believe that non tariff barriers including some of the infamous and unscientific sanitary and phytosanitary standards are deliberate creations of the rich countries, which keep blocking the trade expansion of poor countries irrespective of the reduction in farm subsidies and tariffs. Many delegates felt that in order to bring key development concerns such as livelihood security, employment creation through trade on the negotiation table, the poor countries need to do a lot more efforts.

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TRADING AID

Yet another phoney face of the WTO surfaced at the Hong Kong Ministerial when its developed members have become more vocal to integrate the aid for trade mechanism to expand the export of poor countries while suppressing the LDCs prime concern of duty-free and quota-free market access.

The USA and Japan, which has deviated from its earlier commitment to give full duty-free and quota-free market access to LDCs, have chosen a new technique to 'jump start' the stalled talk. .

On Wednesday the United States said it would double its aid-for-trade grants to developing countries to \$2.7 billion per year by 2010, and Japan has already promised to provide \$10 billion to help resource scarce countries develop their export capacity. Meanwhile, the EU also announced that it would boost its annual contribution of the so-called aid for trade by euro 1 billion (US\$1.8 billion) by the year 2010, bringing its total to euro 2 billion (US\$ 2.4 billion) a year.

The new approach of the developed countries is incoherent of the draft text, which said that the aid for trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access.

It is not clear how the stalled trade talks would jumpstart by increasing the aid for trade when the floaters have not provided any concrete mechanism about how the aid for trade would work. It seems that these countries are engaged in window dressing in order to cover up their decision of refusal to provide duty-free and quota-free market access to the LDCs. If the aid for trade is reduced to that of another trade related mechanism, such as IF (Integrated Framework), JITAP (Joint Integrated Technical Assistance Programme) and TIM (Trade Integration Mechanism), the verdict is unambiguously unhelpful for the LDCs.

A lot of enthusiasm was generated among LDCs when the IF came about. As a direct result of that, almost 40 countries prepared their need assessment papers. For example, Bangladesh prepared its need assessment paper with the active involvement of private sector, civil society and government line ministries. The financial commitment needed, as prescribed in the paper, was to the tune of US\$ 300 million. After several reviews of the need assessment paper, Bangladesh requested for a roundtable meeting. When the roundtable was finally scheduled (with representatives of the country's donors, core agencies etc), the experience was bitter to say the least.

The first evaluation of IF, completed in June 2000, identified several weaknesses of the approach at that time: poor links of the process of trade capacity building with overall development strategies, weak ownership, inadequate coordination and inadequate funding. On this basis, it was decided that a revamped IF should be put in place, whose major aim was to help countries integrate trade within their poverty reduction strategies or development strategies.

To finance the activities of the IF itself, a trust fund has been created with two Windows – Window I finances the DTIS, and Window II serves as an interim bridging mechanism for priority capacity-building activities. As of 31 March 2004, Window I had total pledges amounting to \$12.5 million and disbursement amounting to \$10.8 million. Window II had total pledges of \$8.6 million and total disbursements of \$5.5 million. Though the allocation of funds is increasing over the years, the IF has not been able to address the supply-side constraints.

The Trade Integration Mechanism (TIM) was introduced in April 2004 by the International Monetary Fund (IMF) to assist member countries to meet balance of payments shortfalls that might result from multilateral trade liberalization. The TIM is not a special lending facility, but rather a policy designed to make resources more predictably available under existing IMF facilities.

In practice, the TIM has been forcing the countries to give in to further liberalisation. For example, in Bangladesh, the IMF and the World Bank have been pressurising to liberalise the RMG sector. Statistics show that in recent years, ODA from countries belonging to the Development Assistance Committee (DAC) has been decreasing, both in real value and as share of the GNI of donor countries. It dropped from US\$1.24 billion (0.28% of GNP) in 1996 to US\$1.02 billion (0.22% of GNP) in 2001. ODA to the least developed countries also fell from 0.06% of donors' GNP in 1996 to 0.05% in 2001. This is far from the target of 0.7 and 0.15%, respectively; set as the MDG requirements for these indicators.

There is growing evidence at the field level that if these low-income countries are to compete in global markets, the problems are largely on the supply-side. The problems are to do primarily with generating surpluses for export of marketable products. This requires investment and infrastructure at the farm and enterprise levels, and therefore, apart from technical assistance, what is required is capital investment. Technical assistance needs to be more strongly geared towards establishing the linkage with capital assistance. However, none of the mechanism did adequately deal with these issues.

Official Development Assistance Flows

	1996		2001	
	US\$ bn	% GNP	US\$ bn	% GNP
Total ODA from DAC members	61.32	0.276	57.91	0.220
Total ODA from selected non-DAC members	1.04	0.00	1.18	0.004
Total ODA from DAC and non-DAC	62.36	0.28	59.09	0.225
Total ODA to developing countries	55.62	0.25	52.34	0.20
Total ODA to LDCs	13.58	0.06	12.94	0.05
GNI of OECD countries	22,248.80		26,318.18	
Untied aid as % of bilateral ODA commitments	71.30		79.1	

Source: World Development Indicators 2003

Undeniably, the LDCs require resources to spur growth, to increase their share, but the experience with such mechanisms point out that the resources are not channelled wherein these countries needed those, rather the international creditors are much ideologically driven without looking at the ground reality and are interested to pursue their agenda at the expense of development and the people at large.

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TALKS REMAIN PARALYSED

With no great advances in any of the crucial issues on Wednesday, the second day, of the sixth ministerial conference of the WTO at Hong Kong, expectations of outcome remained at abysmally low levels.

Love Mtesa, Zambian ambassador to the WTO, said regarding the state of negotiations, 'I am not optimistic.'

The African Union intend to present a paper on services to the director general, which Rockwell said has not yet materialised. There have no discernible changes the positions of delegations regarding services.

There have been no remarkable changes in individual positions regarding agriculture, said Keith Rockwell, the spokesperson of the trade forum during his briefing in the evening. 'But delegations have demonstrated a willingness to make progress and to be flexible.'

On cotton, of a main concern for four African countries, there had reportedly been a general willingness to move forward. 'But difference remain,' said Rockwell. He said there were as many as 22 African countries that had demonstrated their interest in the cotton issue.

A number of delegates also wanted to decide upon an end date for the agricultural export subsidies agreed at Hong Kong. These delegations would presumably include the Cairns group and other developing countries that have excess food production eager to export their produce overseas.

Delegations apparently recognised the 'importance of narrowing their differences' in domestic subsidies, market access besides the rules governing special products, sensitive products and special safeguard mechanism.

The last three issues have been the focus of proposals from the G33 and also supported by the G20.

The G33 proposed that arbitrary selection of sensitive products by the developed countries should be changed, that they should in turn be allowed select certain number of special products, which would be partially exempt from reduction commitments along with the provision of emergency safeguard measures triggered by either price fluctuations or import surges.

In non-agricultural market access members basically stuck to their guns. According to sources in several delegations, the NAMA meeting broke off 'within a minute' since none of the delegations had changed their positions.

The facilitator for the group minister Humayun Khan of Pakistan reportedly observed, 'It was time to break the ice if we are to move at all.'

Regarding development issues, Rockwell said most of the efforts would focus on the portion regarding duty-free and quota-free market access for the least developed countries where a number of countries had strong sensitivities. He said the facilitator of the development group, minister Clement Rohee of Guyana, reported the issue of preference erosion proved to be 'very divisive.'

There has already been several green room meetings and one scheduled Tuesday night presumably to be followed by more of them in the coming days. Bangladesh has not been present at any of them but delegates presume that Zambia, coordinator of the least developed countries, had been invited.

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