

**MARKET ACCESS
HIDING REALITY, FLOUTING COMMITMENTS**

Misleading the world community by suppressing the reality and flouting the commitments are widespread in the current Hong Kong Ministerial as the third day of the six-day long conference progressed without making any headway.

Some of these instances once again have been reflected when the US trade representative Rob Portman spoke at a briefing on Thursday. He claimed that US has one of the lowest tariff regime in the world with average tariff rates on agriculture products at 12 per cent and industrial products 3 per cent respectively against the world average of 62 per cent and 30 per cent. However, he was skeptical about the fact that products originating from developed countries face lower than the average US tariff barrier while that of originating from least-developed countries (LDCs) face much higher than the average rate.

The US reservation on not giving duty-free and quota-free market access for textile and clothing to Bangladesh and Cambodia also has reflected its discriminatory attitude of the USA

The way the USA has designed the tariff lines are anti-poor, benefiting only developed countries themselves.

Based on the US Tariff Commission statistics, the second issue of this bulletin published the pervasiveness of the US tariff barriers, which shows that the USA imposes more tariffs from the products originating from poor countries than that of developed countries.

For example, Bangladesh faces an average tariff rate 15.85 per cent and 15 per cent respectively at the US border. In contrast, import duties imposed for many of the developed countries like Norway, Canada, Sweden, Netherlands and UK range between less than one per cent and 2.5 per cent, far below the US applied tariff rate for developing and LDCs.

This pervasiveness of market access barrier has also been accentuated by the complexity of tariff structure of the US government, in which LDCs have been trailed behind in the trade negotiations as far as market access is concerned. Poor countries have been deceived by the trade policy of the US government in the semblance of the Harmonised Tariff Schedule.

The commitment in the DDA also seemed to be reflected poorly as the US, which is generous to open its market for the LDCs, has discriminated Bangladesh by not giving duty-free and quota-free market access to LDCs.

On one hand the USA pretends to be more generous to put forward the Doha Agenda, on the other it flouted the Doha commitment, virtually making the deals as meaningless for many of the LDCs that have comparative advantage on textile, cotton and sugar, which the USA terms as politically sensitive products.

Portman at the briefing argued that Bangladesh's textile have become competitive, saying that during the quota-free regime Bangladesh

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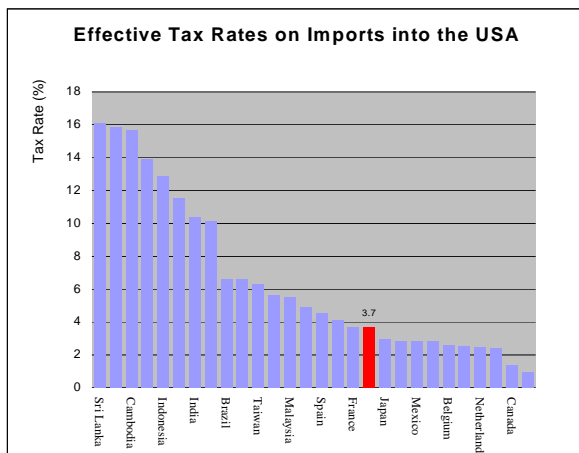
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Secretariat

Unnayan Onneshan

House: 40/A, Road: 10/A, Dhanmondi, Dhaka – 1209, Bangladesh. Tel: 880-2-815 82 74,
Fax: 880-2- 815 9135; E-mail: info@unnayan.org; Website: www.unnayan.org

has been able to increase textile exports by over 20 per cent. However, he failed to take into account the erosion of preferences that the Bangladesh would face from the possible tariff rate cuts.



The fact is that textile and clothing constitutes 94.5 per cent of the total exports to the USA, which faces average tariff rate of 16.74 per cent.

This statistics again refutes Portman's claim that USA is more generous to poor countries as far as market access is concerned.

Detailing the statistics further, Bangladesh textile exports to the USA increased by 20.48 per cent between January-July, 2005 while exports from China and India rose respectively by 65.46 per cent and 27.24 per cent. So with the possible tariff cuts Bangladesh would be in disadvantageous position in terms of price competitiveness vis-à-vis India and China.

Moreover, the 'development package' now being negotiated at the World Trade Organization summit in Hong Kong would barely scratch the surface of global poverty as it turned out to be a new trick of the developed countries to suppress the negotiations from the basic LDCs agenda.

Iqbal Ahmed, Unnayan Onneshan

MAKING A REAL CHANGE IN THE LIVES OF MILLIONS

Most of the world's 50 Least Developed Countries (LDCs) depend on one or two primary commodities for the bulk of their export earnings. Anything that reduces their earnings from such commodities leaves them in extreme economic difficulties. It drives the millions of people who derive their livelihood from the commodity into deeper poverty without any safety net, as the already limited capacity of the country to provide social services is constrained further. This is the situation millions of small-holder farmers in the African LDCs are facing as a result of cotton dumping on the world market.

Cotton accounts for 30 - 45% of the total merchandise exports of four West African LDCs - Mali, Benin, Burkina Faso and Chad. It is the primary source of income for more than two million households in those countries. However, while the quantity of cotton exports from these countries has been growing, they are increasingly earning less foreign exchange revenue as a result of declining world prices.

One of the principal causes of the depressed cotton prices are the domestic and export subsidies provided by the developed countries to their cotton farmers. In 2004 - 2005, the United States spent about \$ 4.2 billion in support to its cotton farmers. That is more than the GDP of each of the four West African countries. In 2003, the United States was exporting cotton at 47% below its production cost. As a result of the market distorting policies, the four West African LDCs are losing about \$250 million per annum.

A World Bank study has shown that removing subsidies would expand cotton exports from Sub-Saharan Africa, home to 34 of the world's 50 LDCs, by 75 percent.

WTO members have the opportunity - and more importantly the power - to make a real change in the lives of millions of poor men, women and children by heeding the call for a complete and speedy elimination of cotton subsidies and by granting duty-free and quota-free market access to cotton and cotton products from LDCs. A specific time frame and adequate compensation structure should be agreed upon at this Hong Kong Meeting. This is the point that should not be lost in the horse-trading of the coming days.

Anwarul K. Chowdhury, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, United Nations

FOOD SECURITY ON THE BACKBURNER

The row over food aid – cash and/or kind - between the EU and the USA at the WTO trade negotiations has effectively put the other concern of the net-food importing countries such as compensation mechanism to balancing the food security and the livelihoods of the poor farmers on the backburner.

Playing their LDC (least developed countries) card, the rich nations are continued to bidding to outdo each other on the contentious issue of food-aid surpassing the implications of commercial displacements of the net food importing LDCs.

The focus is absolutely away from increasing farm productivity, enhancing capacity building increase through technological advancement and infrastructure development and ensuring price stability with lessening input costs.

Riding on the humanitarian issues, the USA rather wants to continue its existing food aid donations in the form kind, but EU that preferred aid in cash said it is another means of subsidization and thus detrimental to trade with European Trade Commissioner Peter Mandelson calling for "radical reform" to the US system of food aid for poor countries.

The EU has accused of procuring food at half the price to flood the poor nations.

The US, on the other hand, refused to budge, saying this was food supplied to the poorest of countries in emergency situation like drought and floods. The US Trade Representative Rob Portman on Thursday at a briefing vowed to continue its food aid programme adding that Washington had put forward a proposal to ensure food aid does not skew local commerce.

As the third day of the conference has been progressing, none of the members are concerned about the livelihood of the millions of poor farmers as well as the food security problems of the net food importing countries.

The point that food aid would be an inappropriate response, as it would tend to lower producers' price, providing a disincentive to local producers who are often the poorest but the least vocal politically. In this regard, it is important to note that the proposed generalized increases in food aid in Marrakash Ministerial Decision would be antithetical to the interests of agricultural producers and farmers in the net food importing countries as the lower domestic price would hurt the rural poor.

Thus the net food importing countries face a two-edge difficulty in the negotiations with WTO. On the one hand, subsidised cheap import and food aid would hurt the small

and poor farmers' livelihood due to consequent effect of lower domestic price. On the other hand, reduced subsidy of the major agricultural producers would cause the food price to increase, which indeed would fatten the import bill of the country. This as a result would surface various macro economic consequences including pressures on inflation and exchange rate.

Moreover, when millions of poor around the globe living below the poverty line it would be a quite injustice to supply foods to the millions of impoverished population at a higher price. So, the major area of intervention in rice sector should be (a) productivity increase through technological advancement and infrastructure development, (b) institutionalised mechanism by which the small farms can get incentive in farming e.g. lessening input costs, insurance for price volatility, support mechanism for natural disaster etc, (c) a real balance between poor producers and poor consumers.

Therefore a comprehensive package is needed. Elements of such package could be, amongst others: correction of inequities in access to irrigation; bringing all cultivators into the ambit of institutional credit, including tenant farmers; augmentation of farming through technology, extension, price and other incentives; encouragement of cheaper and more sustainable input use, with greater public provision and regulation of private input supply and strong research and extension support; protection of farmers from high volatility in output prices; and enhancement of rural economic diversification to more value-added activities and nonagricultural activities.

All these measures need extensive support to agriculture. However, LDCs are not capable enough to support its agriculture. The growing concern for NFICs is that while they have not been able to give the support at the de minimus level, the developed and developing countries have extended their agricultural subsidy. This has further marginalized the small and poor farmers of the food importing countries. So within the WTO there should be a "compensatory mechanism" to overcome the negative impact of trade liberalisation on the livelihood of millions of poor.

Actually, what the small farmers of the NFICs need is to make them competitive at least at the domestic level so that they can compete with the imported products.

Therefore, funding the domestic producers is the safeguard for NFICs from cheap import surge.

Iqbal Ahmed, Unnayan Onneshan

STATE OF PLAY ON THURSDAY

Development issues are being flaunted as having made the most progress on Thursday.

Keith Rockwell, spokesman of the trade organisation, said although members are positive about providing the LDCs duty-free and quota-free market access in a secure and predictable manner, they were reluctant about 'binding' their commitments. But the market access would be provided 'on a lasting basis' said Rockwell, referring to minister Clement Rohee of Guyana, the facilitator for the development issues.

Rockwell said members would be negotiating on the basis of the third option of the relevant annex of the draft declaration. He said although there had been an agreement among members that while all members of the LDC group may be accorded market access, some products would be left out of the provision. The third option as referred to provides exactly that leverage, stipulating a fully free market access for 99 per cent of LDC products. According to quarters close to the negotiations, a new text along those lines will be up for consideration at the green room meeting on Thursday evening. The United States, Japan and two other countries had indicated their reservations to provide the full market access to LDCs. Apparently Pakistan had also objected to providing the LDCs with the preferential market access to the developed countries saying that its own interests would be harmed, while India had reportedly provided full support to the LDC cause. Experts point out that such a provision would actually be beneficial to India because it would gain from exports out of Indian owned enterprises based in Bangladesh or other neighbouring LDCs.

During a green room meeting that ran from late Wednesday night, US trade representative Robert Portman and minister Deepak Patel of Zambia, representing the LDCs, had a serious altercation. Patel had apparently submitted a 'very emotional' letter to conference chair John Tsang referring to the incident, in the morning.

According to the sources a hollow development was being put together rather hastily to 'demonstrate' the commitment of WTO members and after all vindicating the name Doha Development Agenda.

The services issue has suddenly come to the fore with Kenya, South Africa, Philippines, Venezuela and Cuba outright rejecting the relevant text in the draft declaration. According to quarters these countries have already submitted the rejection in writing to the conference chair, John Tsang, the commerce secretary of Hong Kong.

The G90, a coalition of the African Union, African Caribbean Pacific and the LDCs, is supposed to propose an alternative text on services making it less aggressive.

Insiders expect a daylong green room meeting on services on Friday and have also questioned WTO director general Pascal Lamy's bid to impose the text on the African group claiming that it did not have much problems and should be accepted as it was to rally support behind the text.

The outright rejection of the five countries have come as a big blow to the current talks, since it essentially means that there would have to be a new text on services or the talks would be stalled.

Insiders said the bid to 'frontload' on agriculture and non-agricultural market access and hide services behind them, had failed with the sudden developments in services issue.

Besides the regular green room meetings where most of the crucial negotiations are taking place, the Hong Kong ministerial has witnessed an unusually high number of unofficial bilateral meetings between the group facilitators and delegations. This apparently is preventing delegations to gauge the true bottom line of their trading partners.

Tanin Ahmed, IFI Watch Bangladesh

Bangladesh makes its case to USA

Bangladesh, with dashed hope of getting duty free access to US textile market, strives to influence a change in Washington's policy, as a top US official Thursday rejected the chance of giving such facility to Dhaka in the sector.

Bangladesh Commerce Minister Altaf Hossain Chowdhury had lengthy meeting on the issue with US USITR Rob Portman in the evening of the third day of the Ministerial without any success.

During talks with Portman, Chowdhury tried to convince him that Bangladesh need duty-free access to the US market for all its products to ensure that the country is integrated successfully into the global trading system.

He also referred to discrimination in terms of giving duty-free access for products from LDCs. All the LDCs should get this facility for all their products, he asserted.

Portman, however, assured, Chowdhury that there will be no discrimination, although the textile sector would remain out of the duty-free facility.

Sohel Manzoor, TWMN



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