

Development Dimension of Doha Agenda *A Major Concern for South Asia*

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Background

Among the developing countries, the least developed countries (LDCs) constitute more than quarter of the total World Trade Organisation (WTO) members. These countries are at a disadvantageous position in terms of bargaining power and negotiating positions, and hence, are lagging behind in exploiting the benefits of free trade. The share of the LDCs in world merchandise exports has even declined from 0.48 percent in 1990 to 0.40 percent in 1999. Given the inequality of the WTO members in terms of differences in stages of economic, financial and technological developments, 'Development Dimension (DD)' as envisaged in different General Agreement on Tariffs and Trade (GATT) and WTO modalities, addresses the capabilities of the developing countries, including the LDCs for integration in the multilateral trading system.

This integration is utmost in reliability through the form of special & differential treatment (S&DT), which is directed towards increased market access opportunity for developing countries, less obligations, longer time frame for implementation of the obligations, transition period and technical assistance for capacity building. This will ensure that the developing countries, especially the LDCs secure a share in the growth of world trade that is commensurate with the needs of their economic development.

The developing and LDCs initially signed the WTO agreement without understanding the consequences of the agreement. They raised the issue of ineffectiveness of the S&DT provisions and implementation of the agreements in the subsequent WTO Ministerials in Geneva and Seattle. The agreement made impossible for the LDCs to reap the benefits out of the provisions. Moreover the commitments and obligations were huge burden for the developing countries.

The Doha Ministerial conference had put the concern of the developing countries at the centre of the new round of negotiation. It recognised the role of 1) enhanced market access; 2) balanced rule; and 3) well targeted technical assistance. The Cancun Ministerial failed due to lack of consensus on agriculture and Singapore issues.

Finally, a framework was adopted on August 1, 2004, called the 'July Package', which identified DD as the priority area along with the other issues of WTO negotiations and reaffirmed what was promised in Doha, and laid down the

Box1: The Development Related Outcomes of Doha Ministerial

- Ministerial recognised the implementation related issues and concerns, and also issued a separate declaration on this subject, paving the way for some serious negotiations on these issues before the conclusion of the round.
- Due to the Monopolistic tendency of the pharmaceutical producers with the patent protection and resultant rise in prices of medicines due to the provision of the TRIPs agreement, a declaration on TRIPs and public health was included in the Ministerial Declaration.
- In response to the developing countries' call for addressing the problems of conflict between (TRIPs) Agreement and UN convention on Biological Diversity (CBD), it was decided to conduct discussions on the ways and means to harmonise these international instruments
- To address the problem of best endeavour nature of S&DT, it was decided to make precise, effective and operational.
- Labour standards, which had made it to the WTO from Singapore Ministerial Conference, was dropped altogether from the WTO ambit
- To assuage the fear of the developing countries that environmental issues could not be used as a form of disguised protectionism, it is decided to narrow down discussion on this issue.
- Issues, such as trade, debt and finance, trade and technology transfer, and technical assistance and capacity building were included in WTO agenda for the first time

modalities for discussion in the Hong Kong Ministerial Conference in December 2005. The tools of addressing the DD as cross cutting issues as decided are S&DT, Technical Assistance, implementation and concerns of the LDCs.

Negotiations on Development Dimensions

Negotiations in DD, which have been discussed in various WTO fora, mainly in the negotiations on special & differential treatments within the committee on Trade and Development Special Session (CTD-SS), covers various issues. The negotiations include key elements as follows:

Special & differential treatment (S&DT)

Although the provisions on S&DT are considered as an integral part of the WTO agreements, but so far the developing countries have benefited very little from the

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agreements. The Doha Development Agenda instructs the CTD-SS to review the existing S&DT provisions and report to the GC with clear recommendations for making them more effective and operational. Several deadlines were set of the negotiation; the only progress was that the members agreed to set up a 'Monitoring Mechanism' for S&DT. 88 proposals have been submitted by different countries to strengthen S&DT provisions and make them more precise and operational. Among them 38 proposals were accepted with minor changes, 38 discussed in relevant WTO bodies and the rest 12 needed major changes.

Currently, there is debate on which issue needs to be addressed first i.e. either the agreement specific or the cross cutting issues. Developing countries proposed to look at agreement specific proposals beginning with LDCs. The WTO GC Chairman proposes four thematic groups, but the members could not agree on the modalities. Members agreed to address five LDCs proposals, however, there were differences in the perception about the nature and extent of flexibility. Moreover, European Union (EU), the US, Canada and Japan were unwilling to give exemption to the LDCs from Trade-related Investment Measures (TRIMs). However, the report of the Chairman of the Trade Negotiation Committee (TNC) in July 2005 called for providing the LDCs with predictability and security through duty free and quota free market access and to address the agreement for specific issues.

Implementation-related issues and concerns

Implementation issue arises due to 1) non-fulfillment of commitment in reducing trade barriers and 2) regulation and processes at the national level. Although LDCs were given certain transitional period for implementation of most agreements, but there exists lack of capacities among these countries to carry out such measures. Several agreements implemented by the developed countries like anti-dumping, Sanitary & Phytosanitary measures (SPS), Technical Barriers to Trade (TBT) etc are not in the interest of LDCs. The progress on the implementation issues has also been disappointing with only few resolved (three out of 99).

On other issues, members just took note of it and needs to find solution by specific deadlines. However, issues, which were referred to relevant WTO bodies missed all deadlines. There is divergence of views on TRIPs, Balance of Payments (BoP), TRIMs, TBT and Customs valuation and the Director General (DG) suggested continuing consultation. On market access and safeguards. Regarding the geographical indication extension, opinion differed on its desirability and implication. The trade negotiations committee Chairman in its July 2005 report requested to make efforts to allow progress.

Capacity building and Technical Assistance (TA)

Several developing country members consider the technical assistance and capacity building (TACB) provided by WTO as the heart of DD of the Doha Round. The issues related to

trade-related technical assistance are getting complicated with new issues, such as TBT, trade facilitation (TF) etc. Problems with the TACB: were 1) focused more on quantity than quality; 2) lack of national ownership and short duration of many activities; and 3) failure to take into account the needs of beneficiary countries.

The 2005 technical assistance and training plan is more quality oriented than earlier plans. There is also a need to move away from seminars toward building local capacity. Technical assistance and capacity building must address the broad range of steps needed to ensure proper participation by developing countries, particularly by the LDCs. The WTO member countries have pledged Swiss Francs (CHF) 30 million (US\$22.9mn) for a new Global Trust Fund. Joint WTO/Organisation for Economic Development and Cooperation (OECD) database suggest that TA for TF has increased while for SPS has declined. But TA for enhancing supply capacity is still lacking.

Concerns of least developed countries

So far, some progress has been made such as: 1) adoption of work programme for LDCs in 2002; 2) Extension of waiver of TRIPs agreements until January 2016; and 3) adoption of modalities in Services negotiation.

Market access for goods: Already 28 developed (except USA) and developing countries have provided duty free and quota free market access on autonomous basis. These are voluntary and uncertain and not WTO obligations. These includes excluded sector of General System of Preferences (GSP), which covers all export and administrative requirement. South Asian LDCs have been left out from deeper preferential treatment in USA.

Market access for services: Special priority to LDCs should be granted in service negotiation at sectoral level. LDCs accounted for 0.4 percent of world trade in commercial services. LDC modalities refer to market opening in Mode 4, but implementation of the provision is far from satisfactory. During the special session of the service council, there is little progress. Revised offer by the US and EC has not improved commitments on Mode 4. LDCs are asking for adequate and targeted technical assistance for the assessment and strengthening S&DT proposals to address supply side constraints.

Flexibility in rules: Accession of LDCs in WTO must provide flexibility. The accession schedule has been termed as WTO plus and has been discriminatory. Nepal had to forgo most of its rights to S&DT during the process of its accession. The transitional periods had mostly expired. WTO members should refrain from placing excessive demands on applicants from LDCs. There is need for a transparent, streamlined and accelerated accession process in keeping with the WTO rules and discipline.

Technical assistance (TA): The integrated framework (IF) of Technical Assistance has two windows. Window I is for diagnostic studies and mainstreaming and window II for specific and clearly identified programmes. Among South Asian countries, Bangladesh was included in old IF and Nepal has undertaken diagnostic study for trade

Box2: Development Dimension – July Package

Agriculture

- Flexibility to designate an appropriate number of products as Special products based on food security, livelihood security and rural development needs.
- Special safeguard mechanism for use in the developing countries only.
- Developing countries will have lower reduction coefficients and higher implementation period on domestic support pillars, longer implementation for phasing out export subsidies, lesser tariff reduction commitments
- The LDCs are exempted from reduction but the non-binding language and unbounded commitments of duty free and quota free market access have weakened their bargaining position.

NAMA

- Less than full reciprocity in reduction commitments for developing countries
- Longer implementation period and LDCs are exempted from tariff reduction commitments

Services

- Treated as if not related to market access
- Developing countries would benefit from liberalisation of Mode 4
- In the July Package members only note the interest of the developing countries, as well as other members, in Mode 4

Trade Facilitation

- This is the only text which contains strongly worded technical assistance language
- Developing countries are not to implement commitments in the absence of technical assistance

integration strategy. Consultants conduct these and there is no country ownership. Due to low level of development many LDCs cannot exploit trade opportunities because of supply side constraints. But physical infrastructure projects are excluded from window 2. As of March 2004 window 1 pledge was US\$12.5mn and window II was US\$8.6mn. TA has been unhelpful as they focused on software rather than hardware. Window 2 has allocated a budget of US\$1mn for each LDC, which is extremely low to address its supply side constraints.

Negotiation Positions of the LDC

The LDCs adopted the Dhaka Declaration prior to the fifth Ministerial Conference and recently adopted Livingstone Declaration ahead of the Hong Kong Ministerial conference. In both the Declarations the main concerns and negotiating position of LDCs, highlighted are:

Enhanced market access

- Binding commitment on duty free and quota free market access for products from the LDCs with realistic, flexible and simplified rules of origin to raise the LDCs market share in world trade.
- Strengthening the existing preference schemes.
- Incorporation the provisions to address the erosion of preferences.
- Providing a moratorium on safeguard measures and antidumping actions against the LDCs to facilitate exports from the LDCs.

Issues related to services

- Full implementation of modalities for the Special Treatment for the LDCs in the negotiation on Trade in Services.
- Full market access and nationality treatment to LDCs in the sectors and modes of supply of export interest to them, including less skilled and non professional services providers on Mode 4 on temporary and contractual basis.
- Adequate targeted technical and financial assistance to the LDCs, including to carry out sectoral assessments and take part in the request /offer process in a beneficial and meaningful way.
- Developing and applying domestic regulation disciplines including recognition of qualifications, simplification of administrative practice and visa requirements, no economic needs tests.

Flexibility in rules

- Complete exemption for the LDCs from any reduction commitments.
- Flexibility for LDCs to determine the levels of binding commitments of their tariff lines consistent with their trade, development and financial needs.
- Operationalising the flexibility agreed in the modalities for Negotiations on TF, which stipulates that LDC Members will only be required to undertake commitments to extent consistent with their individual development, financial and trade needs or their administrative and institutional capabilities.

Concerns of the net food importing countries

- Establish a special safeguard mechanism to respond to the needs of the LDCs in order to address import surge and price decline for safeguarding food and livelihood security and rural development.
- Full implementation of the commitments made in Marrakesh Declaration and Ministerial decision in favour of LDCs and the Ministerial Decisions on measures concerning the possible negative effects of the reform programme on LDCs and net food importing developing countries (NFIDCs).
- Ensure food aid available at all time to meet the needs of the LDCs and NFIDCs.

Technical assistance and capacity building

- Binding commitments on targeted and substantive technical assistance programmes in favour of LDCs to enhance their capacity, to meet SPS measures standard requirements, Rules of Origin and other non-tariff barriers in the importing countries.
- Full implementation of the guidelines for the LDCs.
- The need for all development partners to assist LDCs in attaining the MDGs.
- Full implementation of the Modalities of Negotiations on TF that ensure adequate financial and technical assistance and capacity building including support for infrastructure development for the LDCs, through coordinated and sustained flow of funding.

Box3: A Case Study of Bangladesh

- Textile is a labour intensive sector in Bangladesh. The readymade garment industry is important for the poor. It has created a social space for woman. Ready made garment industry accounts for 75 percent of the exports in Bangladesh.
- If Bangladesh gets duty free and quota free access to the markets of the US, the EU, Canada and Japan its export revenue would increase by 45 percent. Export of textiles and clothing to Canada and the US would rise by more than US\$ 700mn.
- Bangladesh faces mainly non-tariff barriers in the Indian market. The Bangladesh Standard Testing Institute certification is not accepted in India.
- In services, Bangladesh has opened only telecom and five star hotels. Received requests from nine members of the WTO in opening business, finance, insurance, telecommunication, construction, architecture, audio visual, maritime, environment.
- Agriculture subsidy in Bangladesh is much below the de minimis level. It accounted for 0.48 percent in 2002/03 and 0.51 percent in 2003/04.
- Bangladesh has autonomously liberalised tariff. Tariff has been reduced by 25 percent and there are three slabs of tariffs.
- Agriculture products in Bangladesh were bound at a ceiling of 200 percent, except for 13 items. The average tariff rate in agriculture was 23.92 percent in 2003.
- There is no effective measure in place in Bangladesh to deal with the livelihood issues of the workers who are likely to lose jobs.
- So far, only one firm in Bangladesh invested in anti-dumping case against India for export of batteries.
- Bangladesh provides cash incentives for export of non-agriculture products in some sectors.
- T & C, fish and fish products, leather and leather products are the main export of Bangladesh, and hence accelerated reduction of tariff in these sectors will lead to loss of preferences in these areas.

Negotiation Positions of other South Asian Countries

Agriculture is the main developmental concern in the negotiations for the South Asian Countries, followed by services and TF. In agriculture, the provisions for S&DT for developing countries needs to be spelt out in terms of concrete obligations considering experience in implementation of the Agreement on Agriculture (AoA), the differing levels of economic development, the role of agriculture in economies with a large rural population and the need to preserve food and livelihood security taking into account the vulnerability of their agriculture sector. Given this, negotiating positions of the South Asian developing countries are as follows:

- Appropriate level of tariff bindings allowed to be maintained as S&DT measures, keeping in mind their developmental needs and priorities.
- A separate safeguard mechanism on the lines of the Special Safeguard Provisions, including the provisions for imposition of quantitative restrictions under specified circumstances should be made available to the developing countries.
- Flexibilities to be given to developing countries in the manner of providing subsidies to key firm inputs.
- In addition to the provisions contained in AoA, in relating to agriculture investment and input subsidies, product specific support given to low income and resource poor farmers should also be excluded from AMS calculations.

Conclusion

To successfully conclude the Doha Round of negotiations, the developed countries have to deliver their commitments, such as improving market access and removing all types of barriers for goods and services of export interest to the developing and the LDCs, and increase their trade related technical assistance. This will help these countries to alleviate poverty and integrate their economy with the global economy.

Along with this, it is required to address the supply side constraints through resource mobilisation in the form of financial & technology transfer and strengthen and diversify their productive capacity to increase export volume. At the same time there is need for capacity building, which will go beyond addressing the normal WTO obligations.

The conflicting interest of the developed and the developing countries needs to be reconciled and fair compromise needs to be worked out in the forth-coming negotiation. This must be complemented by clear commitment and political will to make the new round a development round. The modality for negotiations on different issues needs to be accepted by December 2005 and the LDCs also must push for making the provision of duty-free and quota free market access for all products binding.

This is the priority of the South Asian LDCs in the present round of negotiations. However, at the same time, it needs to be ensured that progress in the negotiation is made in all the specific proposals, especially the LDCs proposals and in that context to effectively address the issues of increased flexibility, market access and capacity building for the LDCs and the developing countries.

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