

LDC Trade & Development Perspective

A Bulletin of Unnayan Onneshan and Third World Media Network (TWMN)

Vol. I, Issue I

Hong Kong, 13 December 2005

ALERT

TRADING AWAY THE UNIVERSE

Tanim Ahmed, IFI WATCH Bangladesh

The WTO has indeed progressed on the basis of the Doha 'Development' Agenda and the July Framework. Progressed in terms of rhetoric, that is. The consecutive versions of draft declaration for the Hong Kong ministerial, the LDCs, it would seem, have been promised the world, and a bit more.

The text proper promises to provide 'duty-free and quota-free market access for products originating from LDCs by the end of the Round in a manner that ensures security and predictability'.

The relevant annex on SDT, dealing with the provision, however renders it absolutely ineffective. There are three options, none of which even begins to guarantee what seemed to have been already promised.

With the gradual recution of tariffs all over the world, LDCs would be the hardest hit by an erosion of preferences. But the text, quite conveniently, evades the issue and does not even so much as mention the phenomenon.

Instead, global trading powers will try to convince the LDCs with some minor 'rewards' that are both inconsequential and trivial without concerted efforts to bring about the development of the poorest WTO members.

These expectedly include the extension of full implementation of TRIPs by 7.5 years, the provision of 'Aid for Trade' besides the apparently full market access.

These 'concessions' will be hailed as groundbreaking and much more than the LDCs could expect. They would be badgered and, if that does not work, warned in no-ambiguous terms — quite unlike the draft text — to accept whatever there was on the table. In exchange the LDCs will be asked for the universe and most things beyond.

NEWS ANALYSIS

AID FOR LDCs: ONLY A FACE SAVING DEVICE WITHOUT SUBSTANCE?

Martin Khor, Third World Network

At a press conference attended by Trade Ministers of the US, EU, Japan, Australia, Brazil and India held in Geneva on 4 December, the six WTO members said that a meeting they just held discussed how the WTO's Hong Kong conference should produce some specific outcomes for least developed countries, tackle the effects of preference erosion, and define an "aid for trade" programme.

This prompted a journalist to enquire whether the Ministers were trying to come up with a "development package" containing nothing of great significance, as a face saving device for Hong Kong, to cover up the expected failure of not achieving results in agriculture.

This has in fact become almost the conventional wisdom in many Geneva diplomatic circles and among NGOs: that there will not be any outcome on modalities in agriculture and NAMA in Hong Kong, and that Pascal Lamy and the developed countries will try to escape the embarrassment by spinning to the world media that there is instead a breakthrough for poor countries in the form of a "development package."

At the African Ministers' conference in Arusha in November, Lamy as well as the Hong Kong Trade Secretary John Tsang (who will chair the Ministerial) and a USTR official all proclaimed that Hong Kong will produce a "development package." The elements spelled out include specific special and differential treatment

(SDT) decisions for LDCs; possibly another 28 SDT decisions as an "early harvest"; an extension of the TRIPS Agreement transition period for LDCs; and the star of the package - an aid-for-trade initiative.

The panel of speakers promising this were in for a surprise because some of the African leaders present denounced what they called an attempt to define for the poor countries what their development priorities were, instead of seriously addressing the real development issues as the Africans saw it.

These included the problems of preference erosion, the lack of solution to the substantial SDT and implementation proposals, the cotton issue, and the erosion of policy space caused by pressures during the present negotiations to get the developing countries to liberalise in all three sectors at an excessive pace that will adversely affect their development.

Since then, many potential elements of the "development package" that the WTO establishment was trying to cobble together have become wobbly or looking less promising.

There has been little progress on cotton (leading to angry words from a cotton-producing country in the Geneva Green Room); still no solution to the most important of the SDT proposals for LDCs; not that much to celebrate in the 7.5 year extension of the TRIPS transition period for LDCs (since conditions attached to it significantly offset its value).

As for the TRIPS and Health "permanent solution" adopted on Tuesday, it does not signify any progress, being only the "temporary solution" of August 2003 trans-

formed into an amendment of the TRIPS agreement. That same system has been criticised by health authorities, generic drug producers, development NGOs and patients' organisations for being cumbersome in procedure and unworkable in practice.

And the preference erosion problem seems as intractable as ever. The Ministerial meeting of the six members discussed this issue at some length, and spoke about it at their press conference. But they did not come up with anything new or concrete, and it would be a miracle if they can do so in the short time remaining. This problem can be expected to loom quite large in Hong Kong.

That leaves "aid for trade". At the Arusha meeting, the African Ministers and officials were suspicious that this would be just a public relations gimmick lacking in substance or benefit. Worse, it would be used as a carrot to lure poor countries to commit to reduce their tariffs with the promise that there would be aid for them to tide over "adjustment costs."

The aid-for-trade initiative would, the Africans feared, be donor-driven rather than meet the recipients' needs. There would not be new funds, only the shifting of existing funds from other baskets to "trade." And much of the funds for trade would not be to assist the countries develop their supply capacity (which is what is ultimately required if they are to benefit from trade) but to get them to implement their new trade facilitation obligations, which would be to facilitate imports, not exports, and thus benefit the producers of other countries.

The African Ministers placed their own understanding of "aid for trade" in their Arusha declaration. But the section on aid for trade in the draft Ministerial text has nothing concrete, its only commitment being to convene a meeting at the WTO before July 2006 to consider how aid for trade might contribute to concluding the Doha negotiations.

FFEATURE SLIPPING ON THE SLOPE LDCs IN INTERNATIONAL TRADE

The LDCs share in the world trade has declined over last 50 years as the rules of world trade are rigged in favour of rich countries and transnational corporations. It is now becoming increasingly evident that within the era of globalisation, these countries have not been able to participate effectively in global trade commercial activities, and that consequently they have failed to prevent their declining relative importance in world trade.

The trends set it all: The number of people living in extreme poverty will increase from 334 million people in 2000 to 471 million in 2015 in LDCs, if the present trends persist. Twenty years ago, the ratio of average income in the LDCs to average income in rich countries was 1:87. It is now 1:98. If current trends continue, only one country will reach the US 900 dollars per capita income threshold for moving out of LDC status in the next 50 years.

Merchandise Exports and Imports

During the last 53 years world merchandise exports grew by more than 120 times from around US\$62 billion in 1950 to \$7443.7 billion in 2003. Exports of developed countries grew by 127 fold whereas developing countries grew by and 118-fold. The performance of LDCs was, however, much lower than their developed and developing counterparts, with exports rising by 25 times from US\$ 1.8 billion in 1950 to US\$44.2 billion in 2003.

- Between 1950 and 2003, the share of LDCs in global merchandise exports declined at 0.59 per cent from 2.9 per cent. The share of developed countries

rose to 64.5 per cent from 60.7 per cent. Developing countries have maintained 32 per cent shares of global exports.

- During the same period, the share of LDCs in global merchandise import declined to 0.73 per cent at the end of 2003 from 2.35 per cent whereas the developed and developing countries raised their share respectively to 68.2 per cent and 29.3 per cent from 65.5 per cent and 28.8 per cent.

- In 1990s, when global export volumes expanded at the staggering rate of \$295 billion per annum, with developed and

Figure 1: Share of LDCs in Global Merchandise Exports

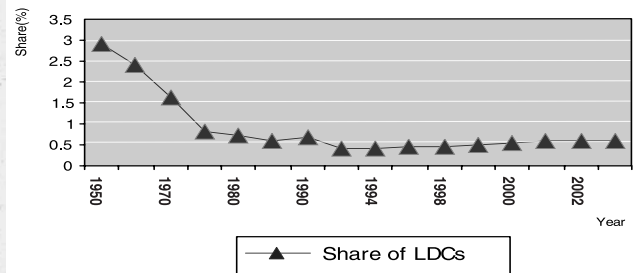
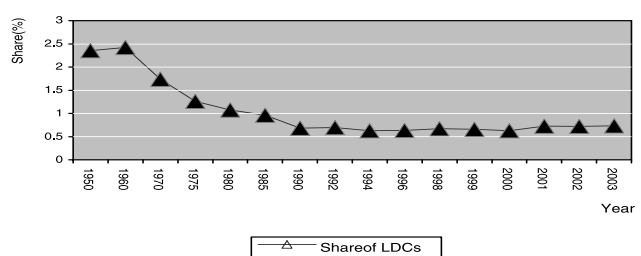


Figure 2: Share of LDCs in Global Merchandise Imports



Source: Compiled from UNCTAD and WTO data base

developing countries controlling respectively \$168 and 127 billion, LDCs witnessed their export basket growing by an average of just over \$ 1 billion each year.

The rate of growth of merchandise exports and imports of LDCs for most periods have been lower than those of the world trend as well as that of developed and developing countries, reflecting a lower integration of LDCs in global export trade.

- Between 1970 and 2003, on an average, while world merchandise exports increased at a rate of 8.9 per cent, the comparable figures for LDCs was 5.75 per cent while that of developed and developing countries grew by respectively 8.7 per cent and 10 per cent.

RICH COUNTRIES FORESADOWS HONG KONG

Sohel Manzur, *Third World Media Network*

- The growth trend of merchandise imports shows that when the world import grew on an average by 8.86 per cent between 1970-2003, LDCs import grew by 6 per cent whereas that of developed and developing countries grew by respectively 8.6 per cent and 10.3 per cent during the same period.

Exports and Imports of Services

The salient feature of the globalisation is that there has been notable growth of trade in commercial services, including travel, transport, communications, and financial and professional services. The rising importance of the trade in services resulted in the inclusion of the General Agreements of Trade in Services (GATS) in the Uruguay Round.

- The share of LDCs in world imports services declined by 48 per cent over the same period and stood at 0.91 per cent in 2003 against the shares of 72 per cent and 24 per cent respectively of developed and developing countries.

The dominance of the developed and developing countries in the world trade is also perceptible from the following graphs. Developed countries' merchandise exports as a percentage of their total imports were over 90 per cent in the last three decades while developing countries' merchandise imports were more than their exports. However, LDCs' merchandise exports were relatively lower than their imports.

Figure 3: Share of LDC in Global Export of Services

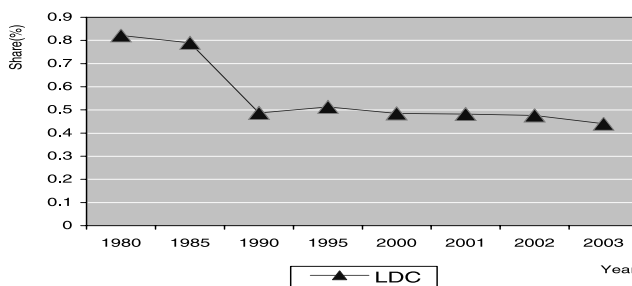
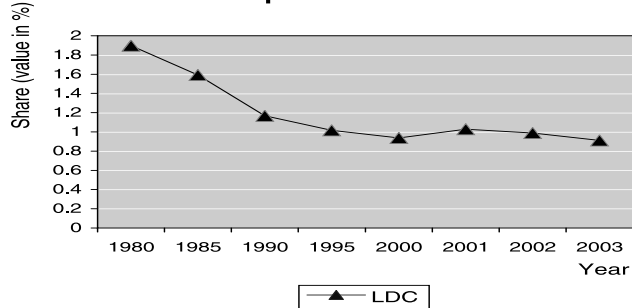


Figure 4: Share of LDC in Global Import of Services



Source/Compiled from UNCTAD and WTO data base

- Between 1980 and 2003 the exports of global services increased by about five times to US\$1860.35 billion at the end of the year.

- Throughout the decades developed countries maintained on an average of more than 75 per cent shares of total global exports of services. In 2003, its share was about 76 per cent.

- The share of developing countries rose to 22 per cent in 2003 from 19 per cent in 1980.

- However, the scenario is quite depressive for the LDCs, which lost its share from global exports of services during the period by 46 per cent to 0.44 per cent in 2003.

The trend is worse in case of service sectors. Exports of services from LDCs were less than half of their imports of services between 1980 and 2003. On the other hand developed countries were net service exporters during the period and exports of services from developing countries increased remarkably relative to their imports.

Source: Titumir R. A.M, Ahmed A and J Hossain (2005) *Riding on the Road: Options for LDCs in the Hong Kong WTO Ministerial Conference*, Dhaka: Unnayan Onneshan, www.unnayan.org

If the speeches are milestone, the round is to continue beyond Hong Kong as a status quo in the global trade talks is more convenient for the developed nations than reaching out a compromised solution to move ahead. The indications are loud in the recent accounts of Pascal Lamy, the politician-turned-trade diplomat-turned-trade mandarin and top trade officials of the rich nations. There is no hush-hush about "Hong Kong Plus" in Green Room and the photo sessions in different capitals.

"It was important to keep in mind that although we may have 'recalibrated' the specific level of ambition for the meeting in Hong Kong, it must nonetheless provide the launching pad for finishing the Round in 2006," Lamy sermons the General Council on December 2.

The proverbial 'we do not take lesson from the history' will not see a summerrault as Uruguay went beyond its deadline. Many a commentators pens all the missed deadlines and bickering are deliberate move to keep on the prolonged sufferings of the poor as lack of new trade rules continue to dish out bounty to the privileged in the rich countries.

Lamy is though in his diplomatic twist is upbeat about a sense of emerging convergence, but his fellow compatriots in the European Union (EU) is adamant on current text while the powerful US is embroiled in its campaign-financed oriented trade diplomacy.

Side Events in Hong Kong

December 13, 2005

12:00 – 14:00, Room 407, NGO Centre,
Key Issues facing the HK Ministerial
Organiser: Third world Network

14:00-17:00, Room 407, NGO Centre,
Synergising LDCs' and Developing Country Priorities at WTO Hong Kong Ministerial

Organisers: CUTS-ARC, ODCMT, Both Ends, Malawi Economic Justice Network, Southern Africa Regional Poverty Network

December 14, 2005

10.15-12.45, Room 404, NGO Centre,
Advancing LDC Interests in the Doha Negotiations

Organisers: Centre for Policy Dialogue, Southern and Eastern African Trade Information and Negotiations Institute, South Asia Watch on Trade, Economics And Environment.

12:00 - 14:00, OWINFS Tent, Victoria Park
Another Future: Alternatives to the WTO and the Bretton Woods Institutions

Organisers: Focus on the Global South, Pacific Asia Resource Center, Alliance for a Responsible, Plural and United World, 50 Years is Enough Network, and Asian Migrant Center

December 15 2005

10:00 – 12:00, Room B, NGO Centre,
SERVICES, NAMA and AGRICULTURE: What is at Stake? DEVELOPMENT: Where are we now?
Organiser: Third World Network

16.45-19.00: Room 404, NGO Centre
Does Trade Lead to Poverty Reduction: Voices from Grassroots

Organisers: Consumer Unity & Trust Society Centre for Trade, Economics and Environment, Economic Institute of Cambodia, Network of Entrepreneurship & Economic Development, Consumer Unity & Trust Society Africa Resource Centre.

17:00 - 20:00, Room C, NGO Centre,
Trade and Development Agenda of LDCs: Preferential Treatment and Policy Space

Organiser: Unnayan Onneshan

December 16, 2005

10:00 - 13:00, Room D, NGO Centre
Trade Negotiations and Livelihood of the People: Role of CSOs in LDCs
Organiser: Unnayan Onneshan

December 17, 2005

14:00 – 16:00, Room B, NGO Centre
Review of the HK Ministerial: How will it end and What to do After?
Organiser: Third World Network

16:00 - 19:00, Room 408, NGO Centre
Trade, Development and Rights - Grassroots Voices of LDCs
Organiser: Unnayan Onneshan

Editorial

TIME TO DELIVER

The people of the least developed countries (LDCs) are told many a time that free trade creates opportunity for all, speeds up growth and unchain the shackles of poverty and despair. They are promised again that the Doha round of trade negotiations will, for sure, deliver on this promise. The practices in the international trading system are far from the rhetoric: rich countries tilt the playing field against the poor.

The trends set it all : the number of people living in extreme poverty will increase from 334 million people in 2000 to 471 million in 2015 in LDCs- if the present trends persist. The forecast of increase in poverty bags questioning the effectiveness of the current paradigm, its derived mechanisms and instruments.

Nowhere are too many broken promises than trade. As of 2004, LDCs share in world trade stood at 0.68 per cent of total world exports of \$9.46 trillion. The LDCs have been increasingly marginalized in world trade. Unlike the pattern of growth in world trade, as LDCs' merchandise export structures remain dominated by primary commodities, a natural process of marginalisation is in force in these countries. Their share in world agricultural exports has dropped steadily. The LDCs remain passive recipient of commercial services.

The steering of the wheel towards development is long overdue in the multilateral trading system. The preferential treatment for the LDCs is not a matter of altruism: justice and fair deal make economic sense. Dismantling existing protection should be considered as a necessary though not sufficient condition for improved LDC export performance. Measures aimed at improving technical and institutional infrastructure is required to make better market access effective, yet the size of the gains to LDCs, although significant, is not sufficiently large to lift them out of their current level of development. In this regard, market access openings, if they are to occur, should be viewed as elements of a broader strategy for development not within the confines of trade policy. The development strategy has to travel beyond capabilities and choices which are constrained by institutional structures that perpetuate injustice, to address the sources of injustice – the market, the social structures, the institutions of state and globalisation process within an asymmetrical world order.



This daily bulletin is published during Hong Kong WTO Ministerial Conference jointly by Unnayan Onneshan and Third World Media Network
Contact No. in Hong Kong: 950 32602, E-mail : rtitumir@gmail.com



উন্নয়ন অন্বেষণ
Unnayan Onneshan
The Innovators
centre for research and action on development