

Proactive Agenda for Trade and Poverty Reduction

Background

During 9th to 13th November 2001, trade ministers from all over the world will meet at Doha, Qatar on the occasion of the 4th Ministerial Conference of the World Trade Organisation (WTO).

Mike Moore, director-general of the WTO cautioned members “to get real” over agreeing an agenda for new trade talks. A second failure to launch a global trade round, following the failure in Seattle in 1999, “would certainly condemn us to a long period of irrelevance”, he warned. His speech at a meeting of the WTO’s General Council was intended as a “reality check” on the prospects for agreeing at Doha to an agenda for a new round of trade talks. Still, there is no consensus on an agenda. Once again agriculture seems to be a major bone of contention between the two trading giants – the EU and the US.

If one could foresee an agenda, implementation is surely going to be at the top of it. In case a new round is launched, the agenda may include competition policy, investment and other Singapore issues like government procurement (a plurilateral agreement already exists) and trade facilitation. At present, apart from traditional differences on agriculture, launching of a new round of multilateral trade negotiations is by itself an important issue on which members are divided. Many developing countries are strongly against the launching of a new round unless implementation issues are resolved satisfactorily.

However, the issue is not whether to support a new round of multilateral trade negotiations or oppose it. What would a country do if a new round is launched? Can a country afford to sit outside the negotiating room in that situation? Today’s realpolitik demands that it cannot as a country’s interests lie in the progress of the rules-based multilateral trade regime under the WTO.

At the same time, a number of hard facts are to be addressed if it is decided that a new round of trade negotiations will be launched at Doha. The Doha meeting should be looked at as an opportunity to get beyond rhetoric, static positions, and make progress on a substantive, proactive agenda.

Future trade negotiations should be based on by looking at the link between trade and the reduction of poverty. The moot question is how countries can use trade to make faster progress in the reduction of poverty? To approach this question in a substantive, proactive manner the existing international trade rules, the capacity of poor countries to take advantage of new trade opportunities, and the role of developing countries within the WTO need to be looked into.

It is to acknowledge that there are substantial inequalities in the existing international trading system. Developed countries have long preached the virtues of openness but practice lags behind the rhetoric. Despite progress over the last 50 years, developed countries maintain significant tariff and non-tariff barriers against the exports of developing countries.

With this as background, the following are some thoughts on how one could construct an agenda for a new round by taking into account various ground realities for development and concerns for the poor.

BRIEFING PAPER

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Implementation Issues

Implementation is at the core of the debate on the future of the multilateral trade regime

Implementation issues have got enough push for being an important item on the agenda. Before the Seattle Ministerial Conference, a group of like-minded developing countries submitted two documents containing lists of implementation issues. These issues figure in paragraphs 21 and 22 of the text of the Draft Ministerial Declaration of 19 October 1999 prepared by Chairperson of the WTO's General Council. Recently a group of seven developing and developed countries have submitted a paper on implementation issues to the WTO General Council.

There has to be a practical approach on implementation. The list is a huge one. All cannot be resolved at one go. They need to be categorised and prioritised. Some of them, which can be resolved quickly, are issues related to textiles, anti-dumping practices, sanitary and phyto-sanitary measures, and green box flexibility in the Agreement on Agriculture to address non-trade concerns such as food security and rural employment.

Agriculture

Progress in agriculture negotiations holds the key to the future of the WTO

There is disagreement between the Cairns Group of agricultural exporting countries and Least Developed (LDCs) & Net Food Importing Developing Countries (NFIDCs) on the issue of agricultural subsidies, particularly in the EU. The latter group fears possible negative effects of the EU agricultural reform on them, i.e. that prices of farm products in the international market may go up at least in the short run.

However, in the long run NFIDCs will also gain if agriculture sector is liberalised. In fact, these countries should put more emphasis in the implementation of the Special Marrakesh Declaration concerning food security. Article 16 of the AoA says "Developed country Members shall take such action as is provided for within the framework of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food Importing Developing Countries".

Services

Developing countries be convinced that they could gain from services liberalisation

Agreements on Basic Telecommunication, Information Technology and Financial Services have so far helped developed countries in increasing their market share in developing countries.

There is hardly any progress on trade in services through mode 4 (movement of natural persons), where developing countries hope to gain. The agenda for a new round may include a call for negotiations on a stand-alone agreement on movement of natural persons.

TRIPs

TRIPs Agreement goes against the principle of trade and the reduction of poverty

The developing countries could very well choose 'competition' as a trade-off to renegotiate the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

Developing countries should press greater protection for traditional knowledge and geographical indications. They should resist patents or any other intellectual property protection to life forms.

Standards

Unnecessary standards are hindering market access opportunities

Standards, particularly those emanating from sanitary and phyto-sanitary measures and technical barriers to trade, are posing one of the greatest barriers to developing countries in getting proper market access in the developed countries. Already on several occasions these rules have been misused.

Concerns of poor countries should be taken into account while setting standards. They should also have proportionate say in the standard setting process. Existing rules should also be reexamined.

Tariff Escalation

Tariff escalation is creating hurdles against industrialisation

The practice of tariff escalation is not confined only to exports from poor countries to developed countries but several developing countries are also practicing it.

WTO Members should work for reversing the process of tariff escalation, i.e. there should be progressive reduction in tariff rates with processing and value addition.

Trade and Competition Policy

Competition policy is essential for protecting consumers' interests

A multilateral agreement on trade and competition policy may be useful to put some checks on cross-border anti-competitive practices like international cartels, mergers and acquisitions having adverse affect on competition in developing countries' market etc.

The necessity for a multilateral agreement becomes particularly important in light of the fact that competition authorities of many developing countries are not capable of dealing with cross-border competition abuses, which in this era of free trade is causing significant harm to their economies and consumers. Developing countries should be proactive on this issue and set their own agenda, instead of reacting to developed countries' agenda only.

Trade and Investment

Strengthen national frameworks to benefit from investment

Foreign direct investment can make an important contribution to development in resource constrained countries if it takes place in the right policy framework. National governments should put in place legislation that encourages technology transfer, generation of quality employment, linkages with local firms while clarifying and protecting the rights and obligations of investors.

An agreement on investment under the WTO may benefit investors at the expense of host countries. Instead, efforts should be made to ensure that corporations comply with best practices worldwide.

Transparency in Government Procurement

Government procurement should be confined to only transparency and not extend to market access.

Transparency in government procurement will ensure that government officials are spending public funds responsibly. But at the same time commitments to transparency will add to the already heavy financial, institutional and administrative burdens borne by development countries.

At present there is no consensus in the working group and there is contention on many issues that include scope, type of procurement, definition of transparency, linkage to dispute settlements etc. Moreover, the Singapore mandate is for the working group to only develop elements for a possible appropriate agreement on transparency in government procurement.

Trade Facilitation

Multilaterally binding rules on trade facilitation would benefit global trade at large

The reduction of tariff and other trade barriers during successive GATT rounds has increased the focus of commercial attention on many practical constraints that still delay border transactions. Customs procedures have been covered by the disciplines of General Agreement on Tariffs and Trade (GATT) from their inception. But the need for further GATT/WTO rules in this area is acute.

By agreeing to new negotiations on trade facilitation, developing countries could benefit by improving the efficiency and productivity of their own domestic systems and institutions. This is an area where the WTO should work out a credible mechanism for providing technical assistance to developing and least developed countries.

Environment

International community should put more emphasis on global environmental governance

Many developed countries including those in the EU are still very vocal on trade and environment linkages. The EU has once again come forward with the three-point agenda on multilateral environmental agreements, eco-labelling and precautionary principle.

They have overlooked the concerns of developing

countries regarding market access. International community should work for the establishment of a separate world environment organisation.

Labour Standards

Raise labour standards by going into the heart of the debate on poverty reduction

There are indications that labour standards may not be a part of an agenda but the hardcore protagonists/trade unions (mostly in the industrialised countries) are still demanding their inclusion in the agenda for world trade talks. The US administration and the EU have declared that social clause should not be used for protectionist purpose. But are not very vocal about the policy of no linkage between trade and labour standards.

Linking trade with labour standards and at the same time saying that they will not be used for protectionist purposes looks contradictory. Hence any complacency on the part of those who campaigned hard for the last several years against linking trade with labour standards may prove costly. Opinions suggest that issues of social clause should be dealt in the International Labour Organisation and this must continue.

Special & Differential Treatment

A standalone agreement on S&DT provisions is essential to make them fully operational

Special and Differential Treatment (S&DT) provisions for developing countries cut across various WTO agreements. There is a growing perception that many developing countries have not benefited much from the 145 S&DT provisions of the Uruguay Round agreements, most of which do not go beyond best endeavour clause and hence can not be enforced legally.

The agreement should convert all existing S&DT provisions (and also possible new ones on the basis of experience so far) into legally binding commitments, especially to address supply side constraints, which are affecting developing and least developed countries market access opportunities.

New Round

Keep development concerns upfront (in letter and spirit) in the new round

Opposing a new round of trade negotiations may sound good in principle but a practical approach is much more desirable than a hard-line approach. It is especially in the interest of developing countries to see the progress of multilateral trade negotiations under the WTO. Developed countries will not make concessions on implementation, agriculture and other key issues if developing countries do not at least agree to talk about some of the 'new issues.'

The alternative to multilateralism is bilateral and regional trade agreements. Under such circumstances rich countries may be in a position to dictate much more stringent conditions, for example in relation to labour and environmental standards, than in multilateral agreements. Lack of negotiating capacity could be a hurdle but that can be overcome if countries cooperate among themselves and move forward in united manner.

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