

Project Review Meeting

WTO Doha Round & South Asia: Linking Civil Society with Trade Negotiations (SAFIT-II)

New Delhi, December 21-22, 2006

A Report

Introduction

CUTS Centre for International Trade Economics & Environment (CUTS CITEE), Jaipur, organised a two-day Project Review Meeting under the phase-II of the project entitled, "WTO Doha Round & South Asia: Linking Civil Society with Trade Negotiations". The project is named as 'South Asia Forum for International Trade' (SAFIT-II) in New Delhi on December 21-11, 2006. This Project Review Meeting was organised to review the progress in Component-I of this project and to review the situation of the Doha negotiations. The meeting attempted to identify key issues that are hampering the progress in generating negotiating inputs and thus assisted the negotiators and policy makers in the project countries. This meeting also formulated recommendations for future actions by the project partners. These actions were classified according to strategies of policy and management, financial support and research.

Background

CUTS Centre for International Trade Economics & Environment (CUTS CITEE), Jaipur, India is implementing phase-II of the project entitled, "WTO Doha Round & South Asia: Linking Civil Society with Trade Negotiations". The project is named as 'South Asia Forum for International Trade' (SAFIT-II). It aims to establish linkage between the civil society organisations (CSOs) and research institutions while conducting advocacy with the governments. Thus one of the objectives of this project is to generate negotiating inputs and assist the South Asian trade negotiators and policy makers while taking into account the position of civil society (including NGOs, business bodies, trade unions, women groups, particularly those working on gender and trade linkages) for the successful completion of the Doha Round.

Like SAFIT-I that was initiated in January 2005, SAFIT-II is being implemented in five South Asian countries, viz. Bangladesh, India, Nepal, Pakistan, Sri Lanka, in partnership with various organisations. The project focuses on the issues identified from the Hong Kong World Trade Organisation (WTO) Ministerial Declaration held in December 2005. The duration of phase-II of the project is 15 months i.e. from April 2006 to June 2007, and is divided into two Components. The Component-I of the research was limited to those aspects covered under the WTO Hong Kong Ministerial Declaration, while, the Component-II of the research would focus on domestic preparedness of the countries to face the challenges of trade liberalisation and globalisation. Component-II will, therefore, commence after the completion of Component-I, which focuses on issues related to trade negotiations.

Under Component-I based on the Hong Kong WTO Ministerial Declaration, five cross cutting core issues were selected for further research work to be carried out by the five research partners in the five South Asian countries. The researchers were assigned the task to analyse the possible changes that could take place in the negotiating position of a country in light of the Hong Kong Ministerial Declaration, which would help to further consolidate the positions of the South Asian countries. On each issue covered in a particular topic, the research has to take into consideration concerns and perceptions of different stakeholders (NGOs, trade bodies, industry bodies, trade unions, WTO experts, women group, etc). The organisations from five South Asian countries are undertaking the research on the following areas:

- Services
- Non Tariff Barriers
- Preference Erosion and Aid for Trade
- Agriculture: Special Products and Special Safeguard Measures
- Duty and Quota Free Market Access for least developing countries (LDCs)

This research study presents some key messages and lessons learnt from the feedback process by trade officials, providers and other stakeholders.

Objectives

The specific objectives of the Review Meeting were as follows:

- to provide issue-wise presentations on the draft research papers prepared;
- to identify major innovative approaches and strategies that have been adopted in the project; major changes and their impact on the project; and major issues/problems concerning project implementation;
- to discuss strategies regarding how to further generate negotiating inputs and assist the negotiators and policy makers in the project countries;
- to develop country-specific future action plans concerning the work of the projects in participating countries, particularly relating to the dissemination of the outcomes of the innovative project.
- to bring together the project stakeholders (five partners and three experts) to review the preparatory phase activities of the project that have been carried out till date;
- to provide an opportunity to the respective partners to present their draft research paper prepared under the project and thus have a thorough discussion.

The contributions of all invited participants were of great value and provided an opportunity to exchange views on project activities and create positive momentum in mobilising the participation of all the key stakeholders.

In addition, this would help in finalising the draft research papers and simultaneously ensure the coordination and coherence of the second phase of activities, taking account of the priorities and circumstances of the participating countries.

Topics for Discussion

Topics for discussion among the participants included five cross-cutting core issues identified from the Hong Kong WTO Ministerial Declaration that includes:

- Agriculture – Special Products and Special Safeguard Measures,
- Services,
- Duty and Quota Free Market Access,
- Non-Tariff Barriers in NAMA,
- Preference Erosion and Aid for Trade.

Participants

The meeting was graced by important dignitaries, including G K Pillai, Commerce Secretary, S N Menon, Former Commerce Secretary, Vandana Agarwal, Director (Agriculture - Trade Policy



Division) and Amit Yadav, Director (Services) - Trade Policy Division) -- all from Ministry of Commerce, Government of India. Also present were representatives from Trade & Commerce Ministries of other South Asian countries. Other dignitaries included project partners, project advisory committee members, donor representative and other relevant stakeholders working at grass root level.

Inaugural

S N Menon, opened this two-day long Review Meeting with his inaugural address. In his address, Menon highlighted the fact that the suspension of the Doha Round negotiations in July 2006 has brought into focus not only the substantive issues which are the subject of discord, but also the institutionalised asymmetries which continue to pervade the WTO after its emergence from the General Agreement on Tariffs and Trade (GATT). While it's professed objective is observed in a highly selective manner that reflects the predilections and concerns of developed countries.



He cited examples of this selective openness:

- National borders should matter less and less for merchandise trade and capital flows, but there should not be any talk about technology flows and labour flows.
- Subsidies are bad for industrial sectors, but on agricultural subsidies, the only thing we hear is that we will get back to you.
- Tariffs should be transpired and *ad valorem* in the industrial sector. In agriculture, now, that's something else!
- Private interests of intellectual property rights (IPRs) holders are sacred and issues of public interests regarding IP are of a second order.

He also stressed the importance of the WTO to resolve the issue of inequitable integration through both political and institutional measures. At the political level, there is a need to recognise the current asymmetries, and agree to do away with them in the present Round of negotiations. This would involve in agriculture, for instance, a clear understanding, both on the removal of distortions caused by developed countries measures as well as an understanding on Special and Differential Treatment (S&DT) required by developing countries to manage their concerns regarding subsistence, small and low-income farmers, food security and livelihoods in their agricultural sectors.

Similarly, in manufactures the concerns of small-scale and labour intensive production as well as of in fact industries must be addressed through effective flexibilities. In services, developing countries have acquired skills in the delivery of a number of services, for example, through cross border trade (Mode I) and movement of natural persons (Mode IV) that are critical to their trading partners. For globalisation to entail win-win scenarios, the comparative advantage of developing countries should not be stifled by protectionism in their developed partners.

Further, speaking on the institutional measures, Menon highlighted the need for greater emphasis on capacity building and technical assistance to enable smaller developing countries to participate meaningfully in the negotiations. Supply side constraints in such countries have to be tackled through an effective Aid for Trade (AfT) Programme that ensures additionality of resources, predictability and need-based programmes that improve the capacity of the recipient countries to take advantage of increased opportunities. In order for AfT to be effective, it needs to be channelled multilaterally and integrated into country development strategies. In terms of decision-making, this implies greater emphasis on transparency and openness. Consideration of efficiency alone cannot be allowed to prevail over the need for inclusive decision-making procedures to ensure equity and sustainability of the decisions.

However, as someone who has been deeply involved with the current Doha Round of negotiations, he quoted that he cannot assert with any degree of confidence that these changes are being incorporated in the WTO. Moreover, judging from the progress so far, talk of a Development Round remains largely rhetorical. Issues of serious concern to developing countries like cotton, ushering in fair and undistorted agricultural world trade, Duty free Quota Free (DFQF) Treatment for LDCs, Implementation Issues, etc., remain unresolved. The fundamental principle of S&DT for developing countries to address their concerns of policy space in the major areas of negotiations remains deadlocked. There is as yet, no recognition by some developed countries that the basic premise of a Development Round is primacy for the development needs of developing countries, and not market access for developed countries. Under these circumstances, much needs to be done to maintaining the confidence and optimism of the developing countries in this Development Round.

Addressing the gathering, Menon also opined that though India is forging links through regional trade, free trade and comprehensive economic cooperation agreements, it does not diminish the country's firm belief in the benefits that can potentially accrue from a fair and strengthened multilateral trading system.

Plenary discussions on a roadmap and action plan for future activities

Component-I of the project covered during the first nine months (April-December 2006) was principally research work focusing on issues, identified from the Hong Kong WTO Ministerial Declaration. In addition to carrying out research through in-depth literature review and broad interaction with trade policy officials, business bodies, civil society groups etc., in national capitals of each of the five countries, the project partners shared their respective country's positions and perceptions of different stakeholder's *vis-à-vis* a particular topics.

Agriculture – Special Products and Special Safeguard Measures

Sustainable Development for Policy Institute (SDPI), Pakistan, undertook research study on the above topic. Mehnaz Ajmal Paracha, Researcher on behalf of SDPI attended the meeting and made a detailed presentation on the study. The session was chaired by Veena Jha, Programme Coordinator, United Nations Centre for Trade and Development (UNCTAD), India.

Presentation: According to WTO, agricultural products are the tradable commodities but in the developing and LDCs, they are the main source of people's livelihood and food security. With a brief introduction/background about the topic, the presentation highlighted the importance of special products and agriculture, the need for South Asian common position and the importance of Trade & Agriculture. Presentation also outlined the tariff on agricultural products, policies & import surges and the position on special products (SPs) and special safeguard mechanism (SSM). The presentation, to a larger extent, analysed the trade and agriculture of the individual countries in South Asia, specifically on SPs & SSMs that would easily assist in the analysis for a consolidated common south Asian position.

Discussion: A number of points emerged during the presentation and the subsequent exchange of views on this topic. Major points have been highlighted, which the researcher needs to consider and incorporate suitably in the paper for further upgradation and improvement of the draft research paper to be presented. The points below are by no means exhaustive and it simply presents some of the issues raised during the meetings that need to be considered during the preparation of the final draft of the research paper.

- The study needs to look into the gender dimension in identifying the special products as women have a sizable stake with reference to particular crops.
- Need to look into skill development aspect particularly when we look into economic impact of trade liberalisation.
- All export products, primary and processed, originating from the LDCs to be included in the "Sensitive and Special Products Lists" should be accorded DFQF market access.
- Regarding the offensive and defensive interest, government of Pakistan would go for lower volume of SPs because it has offensive interests.
- How does tariff quota going to help our farmers and enhance our marketing? And how do we react on target export countries specific product and sensitive product regime? These are two areas that paper needs to concentrate on.
- There is a need for working out SPs (percent coverage) for the region. If sensitive products are not helpful for our farmers then there is no need for it as it affects our exporters.

- Criteria have already fixed which are: rural development, food security and livelihood security. These three criteria's are not open for negotiations. What is open is how these criteria translate to selection or identification of products within each country without undermining self-selection. G-33 has come out with a list of indicators to guide self-selection.
- How do we really reach stakeholder and elicit what are the SPs for you is the real challenge? There is a big trade off posed by G-33 regarding the number of SPs and designation of SPs at the moment.
- Pakistan civil society needs to work with the government to identify the common interest for two reasons. First, because the concepts of SPs are undermined as they are proposing a consolidated text. Second, because Pakistan is preparing a paper with Cairns group when it is already a member of G-33. Thus, it is going against the spirit of G-33 alliance.
- Regarding linkage between sensitive products and special products, this is what India is opposing as both are distinct from each other.
- Regarding TRQs, it is a treatment prescribed for sensitive product and has no relevance for SPs. Hence, when we are seeking entry into country where TRQs already exist we need a deep-seated TRQs treatment.
- Apart from product coverage, SSM should be more flexible than Special Safeguards (SSG).
- There is another nexus that needs to be broke (ie) linking both defensive instruments with the tariff reductions for the formula. If you are forced to accept deeper formula cuts then we can perhaps give you more SPs or SSMs.
- Broader issue is to identify our real infirmities/vulnerabilities of our region.
- SPs and SSMs are core development instruments for South Asia and no compromise should be made on these.
- UNCTAD divided tariffs into four bands. Then came up with a list of products.
- Oil seed is one area where we could assign it as SSMs. In Indo-Sri Lanka trade agreement textile is included as TRQ.
- Need to identify what formula cuts are required.
- If export product of LDCs were included in the sensitive, list then exporters from LDCs would be considerably affected. So can it be possible to exempt LDCs even if their export interest products are included in the sensitive list?
- It is not possible to call this round a Development Round without substantive progress in agriculture.
- Intensive dialogue is going on between EU and US.
- Technical discussion are important but more important is the political decisions. Hence here comes the role of the civil society. Government and civil societies need to work together for outcomes, so that there are no major surprises in the expected outcomes.

Services

Unnayan Shamannay, Bangladesh undertook research study on Services. Selim Raihan, Assistant Professor, Department of Economics, University of Dhaka, Bangladesh on behalf of *Unnayan Shamannay* attended the meeting and made a detailed presentation on the study. The session was chaired by Pranav Kumar, Policy Analyst, CUTS CITEE, India.

Presentation: Presentation highlighted the significant scopes for the South Asian countries for taking common position in the case of services, especially with respect to the Mode IV. It also pointed out that, South Asian countries have large endowment of low and semi-skilled labour, and the remittance incomes from the low and semi skilled labour have significant shares in their national incomes.

However, a few critical issues are needed to be explored with respect to service trade liberalisation, such as LDCs modalities, market access, domestic regulation, Mode IV and the technical assistance. The presentation examined these issues under consideration, the state and the scope of the debate and the LDCs' interest and proposed stance in the case of all the aforementioned critical issues.

Discussion: A number of points emerged during the presentation and the subsequent exchange of views on this topic. Major points have been highlighted, which the researcher needs to consider and incorporate suitably in the paper for further upgradation and improvement of the draft research paper presented. The points below are by no means exhaustive and it simply presents some of the issues raised during the meetings that need to be considered during the preparation of the final draft of the research paper.

- Need to look at linkages between services liberalisation and other manufacturing and agriculture presentation.
- How do we evaluate or formulate requests and offers? For this, there is a need to look into the kind of capacity available in the ministry and the technical assistance needed.
- There is a need for greater cooperation within South Asia on Mode IV and this to an extent can be achieved through implementing LDCs modalities.
- South Asia should have an agreement on services. There is a need to come out with a negotiating agenda on rules on services liberalisations.
- Plurilateral negotiations is a positive development
- Need to customise our own interest as per the requirement of our countries.
- Need to decide what kind of approach should be taken with respect to GATS. Up to plurilateral, it is fine. But if it goes to formula approach, then it would be a problem for LDCs, as there will be a need to make binding commitments.
- Minimum benchmark for each country (developing and LDCs) should be different. It should be determined based on the development of the country.
- There is a need to tag AFT with Services.
- Since November 19, 2006 informal negotiations have been started at various levels/groups. There is also a services week at Geneva, WTO from January 29, 2007.
- We need a domestic regulation document, which is a communality of texts that take forward. Hence, if a stand is not taken, India along with its neighbouring countries may stand to lose. We cannot let this opportunity to go by with respect of domestic regulations.
- More bilateral requests for India are likely to come up in the beginning of coming years.
- Mode IV is more important particularly for India. It is critical and pressure is on. While India is more focused on skills, Bangladesh and others are talking more about semi skilled.
- G-20 on services is more of a political issue. India is balancing its interests with developing countries and LDCs.
- If proper attention to negotiations is not given at the current stage, we may end up giving more than gaining.
- During recent times India has not received any request from LDCs on services.

- South Asian Association for Regional Co-operation (SAARC) secretariat had done/doing some studies on services recently.
- As India itself is struggling to come up with a domestic regulation document, it is in no way to assist LDCs with respect to domestic regulation document and technical assistance on services.
- As human development aspect is more important, service liberalisation should be seen through the prism of human development.
- There is a myth that Services are more urban based, they benefit only rich class etc.
- Disciplines in WTO Member's domestic regulation should facilitate Mode IV commitments, ensuring that technical standards and licensing procedures were not unnecessarily burdensome, and establishing effective mechanisms to recognise foreign qualifications.
- GATS LDCs Modalities must be acted upon in parallel to NAMA and agricultural market access negotiations and Member countries should adopt measures accordingly and notify respective schedule of commitments on Mode IV within a specific period.
- Bangladesh and LDCs and SAARC in general should also conduct study and submit request list and country specific strategy and action plan for movement of natural persons under Mode IV.
- To offset supply side constraints and bottlenecks, LDCs and SAARC in general should develop New Trade Policies (NTPs), request lists and the schedules of commitments on prioritised sectors of trade in services. Arbitrary or *ad hoc* FDI is highly detrimental to the national economy.
- LDCs and SAARC in general should ask for technical and financial assistance to conduct studies for the development of NTPs on specific sectors of trade in services, prepare offer and request list and schedule of commitments. Targeted technical assistance should be provided through, *inter alia*, the WTO Secretariat, with a view to enabling LDCs to participate effectively in the negotiations.
- In addition, such assistance should be provided on, *inter alia*, compiling and analysing statistical data on trade in services, assessing interests in and gains from services trade, building regulatory capacity, particularly on those services sectors where liberalisation is being undertaken by the LDCs.
- GATS transparency rules, which simply require publication or public availability of measures, are not adequate to meet procedural problems. We strongly urge that Member countries assume additional commitments under GATS Article XVIII that reflect "best practices" of greater transparency and predictability.
- The following must be included in a "best practices" set of commitments by all parties, regardless of the level of market access and national treatment obligations they have assumed, including:
 - Public availability of a full and complete set of procedures that describe in sufficient detail the data and supporting documentation associated with a visa application, along with a description of the complete process for obtaining a visa. Authorities, where possible, should make this information available electronically in consolidated form.
 - The establishment of deadlines for the completion of applications, together with written explanations for the denial of visas or the absence of required data associated with the application.
 - A full description of the limitations to market access, and other procedures, such as wage parity requirements, quota restrictions, and economic needs tests.

- The ability of interested parties to comment on regulations prior to their entry into force, for Member countries which have procedures governing prior comment of regulations.
- Removal or substantial reduction of economic needs tests as agreed in Annex C of Hong Kong Declaration. Where economic needs tests are entered as a limitation to market access, the Member country must establish and make available the conditions governing economic needs, including quantitative or qualitative criteria that establish the basis for economic needs.



Duty and Quota Free Market Access

South Asia Watch on Trade, Economics & Environment (SAWTEE), Nepal undertook research study on DFQF Market Access for LDCs – South Asian Perspectives. Shiv Raj Bhatt, Economist, SAWTEE, Nepal on behalf of SAWTEE attended the meeting and made a detailed presentation on the study. Atiur Rahman, Chairman, *Unnayan Shamannay* Bangladesh chaired the session

Presentation: The presentation analysed the value and utility of the proposal of duty DFQF market access agreed in the Hong Kong Ministerial meeting from the perspectives of South Asian LDCs, in particular Bangladesh and Nepal. It recommends the negotiating position for these countries in the process of defining modalities of the initiative. The second part of the presentation analysed the export structures and directions. The third one assessed the market access conditions in developed and developing countries.

Presentation also discussed the system of non-reciprocal preferences enjoyed by South Asian countries and highlighted the trade structure of South Asian developing countries so as to assess the implications of DFQF market access preferences to these countries. Finally, the presentation concluded with some relevant recommendations.

Discussion: A number of points emerged during the presentation and the subsequent exchange of views on this topic. Major points have been highlighted here, which the researcher needs to consider and incorporate suitably in the paper for further up gradation and improvement of the draft research paper presented. The points below are by no means exhaustive and it simply reports some of the issues raised during the meetings that need to be considered during the preparation of the final draft of the research paper.

- What are the interests of Bangladesh and Nepal in DFQF market access?
- Should focus be more on the Generalised System of Preferences (GSP) and link it with supply side constraints and other systemic issues?
- Developed countries may go for quantitative restrictions instead of excluding products from DFQF market access.
- Needs to look at India's offer of DFQF for Nepal and Bangladesh.
- Comprehensively explores the implications of DFQF on South Asian LDCs, in particular Bangladesh and Nepal.

- Recommends with sufficient arguments the negotiating position for the South Asian LDCs in the process of defining modalities of the initiative.
- LDC realities to consider:
 - Deficiencies in trade related infrastructure and production and cost effectiveness;
 - Disadvantageous position in international trade integration process;
 - Need for special and differential provisions that ensure market access;
 - Quota facilities;
 - Preferential (lower) tariff rates;
 - LDCs' share in world exports has declined over the years;
 - The current share is only 0.5 percent; and
 - Exports of manufactured goods have been increasing, but the shift away from primary goods into manufactured ones has been very slow compared to developing countries.
- There are a few concerns for LDCs regarding the DFQF Access: First, firm commitment from developed countries, in particular from US and Japan are doubtful. Second, two implications of at least 97 percent products originating from LDCs:
 - DCs can commit much higher than 97 percent.
 - The reference point for 'tariff line' is confusing, leaving space for negotiating the exclusion list.
- Third, the danger of three percent exclusion list which may cover too many items of LDCs' interests (e.g. ready made garment of Bangladesh).
- Also there are concerns regarding a clear time line for phasing out of the exclusion list.
- Moreover the provision of DFQF access 'on a lasting basis' is not clear enough.
- Why are we 'taking into account the impact on other developing countries at similar levels of development' rather than LDCs only in LDC-specific decisions? There is a possibility of benefits going to non-LDC developing countries.
- Advocate for precise definition of 'members facing difficulties' and clarify Bangladesh's position regarding textile & clothing (T&C).
- Use the opportunity for reviewing rules of origins (RoO) to country's benefit. For Bangladesh, follow the RoO regime of Canada requiring a simple 25 percent domestic value addition as a pre-requisite for obtaining preferential access.
- Make sure that the products that are of export interest are in the exclusion list of three percent.
- Try to include commodities already in GSP in the 97 percent duty-free list.
- Put emphasis on negotiating with the importer that matters most. For instance, US for Bangladesh (US has almost 30 percent share of total exports from Bangladesh).
- Seek low tariffs (five percent) on commodities in the exclusion list.
- If major export items are included in the exclusion list, negotiate phasing out of them on a priority basis and in an expeditious manner.
- Studies indicate that the DFQF market access of LDCs in developed countries can generate large welfare gains for the LDCs.
- Concerns of developing countries about the possibilities of their losses cannot be ruled out.
- Yet the losses of developing countries appear to be very little compared to the gains of LDCs. Subject to Concerns and Strategies discussed.

Non-Tariff Barriers in NAMA

CUTS CITEE undertook research study on the said topic. Pranav Kumar, Policy Analyst, CUTS CITEE, presented the study. Manzur Ahmed, Adviser, Federation of Bangladesh Chambers of Commerce and Industry, Bangladesh chaired the session

Presentation: Non-Tariff Barriers (NTBs) are measures, other than tariffs, that are connected with state (administrative) activity and influence prices, quantity, structure and/or direction of international flows of goods and services as well as resources used to produce these goods and services. The presentation gave a brief description about the theory of NTBs, including the definition, classification and measurement problems. Then gave a large overview of the NTBs in multilateral trade negotiations, wherein it addressed the Tokyo, Uruguay and the on-going Doha Round. However, much of the focus was on the progress on NTBs negotiations in Doha Round, its approach and notification, including the progress on NTBs notification and the notification by South Asian Countries, particularly those that are made by India, Pakistan and Bangladesh. It also gave a large overview of the composition of manufacturing exports from South Asia.

Discussion: A number of points emerged during the presentation and the subsequent exchange of views on this topic. Major points have been highlighted here, which the researcher needs to consider and incorporate suitably in the paper for further up gradation and improvement of the draft research paper presented. The points below are by no means exhaustive and it simply reports some of the issues raised during the meetings that need to be considered during the preparation of the final draft of the research paper.

- Need to look at NTBs faced by South Asian countries and also among them and then link it with livelihood concern of people, so as to generate negotiation inputs.
- Sources of NTBs are to be looked at carefully.
- Need to prepare and incorporate a case study on textiles faced by South Asian countries.
- Need to look at the NTBs faced by LDCs, in particular to health and sanitary issues. Highlight the existing infrastructure and other technical capacities needed.
- Need to look at how India and Pakistan prepared their notifications.
- Need for facilitation and harmonisation of customs procedures. Need to look at the social compliance issues of India-Pakistan specifications of port of entry.
- Public procurement and civil aviation are major NTBs.
- There is a need to identify products under HS code category.
- Need for harmonisation of database of different countries.
- There is a weak capacity to notify NTBs; hence common positions of South Asian countries are needed. Some products facing NTBs are common for all the countries in the region.
- Transparency aspects of NTBs are most important.
- Informal sectors are the main victims of NTBs.
- Reverse notification of NTBs is detrimental for business exposing it to unaccounted risks before any remedial measure may be adopted.
- NTMs/NTBs not notified in WTO should be prohibited. A code of good practice should be introduced before implementation of any new NTM/NTB.
- Certificates on Technical Regulations & Standards issued by the respective designated national agencies shall be accepted. Non-acceptability of conformity assessment certificates of any particular product, if and when arise, should be resolved by mutual cooperation programmes without restricting its trade.

- Technical and financial assistance must be ensured for capacity building in this regard. LDCs shall be exempted from NTMs that are not in conformity with and applicable for LDCs under WTO.

Preference Erosion and Aid for Trade

Institute of Policy Studies (IPS), Sri Lanka undertook research study on Preference Erosion & Aid for Trade. Janaka Wijayasiri, Research Economist, IPS, Sri Lanka on behalf of IPS attended the meeting and made a detailed presentation on the study. The session was chaired by Bipul Chatterjee, Deputy Executive Director, CUTS International & Director, CUTS CITEE.

Presentation: Presentation highlighted that the erosion of trade preferences is a central issue in the on-going efforts to negotiate further multilateral trade liberalisation in the Doha Round. The text of the WTO's July Framework Agreement and the Hong Kong Ministerial Declaration made explicit reference to preference erosion, recognising it as an issue that needed to be addressed in the Doha Round. However, presentation pointed out that the preference erosion is not a new concern. In fact, erosion of preferences has been going on for decades as a result of unilateral and multilateral reforms in preference granting countries and pursuit of regional trade agreements, which have proliferated recently.

Presentation identified the non-reciprocal preference programmes of the major developed countries and assesses their importance to countries in South Asia. Second, it identified countries in South Asia, which will be vulnerable to preference erosion as a result of trade liberalisation in the context of a successful Doha Round and sectors/products that are most likely to be affected. The examination was limited to those of the US and EU GSP schemes. It also summarised the results of various simulation exercises in which the impact of partial/full erosion of preferences is estimated, highlighting the likely effects on South Asia. It also discussed the possible options available, both trade and non-trade related measures, to mitigate the adverse effects of preference erosion. More importantly, it focused on 'aid for trade' mechanisms while dealing with preference erosion, as compensatory trade solutions to preference erosion are temporary in nature – that is, unless trade liberalisation is permanently withheld, which is not a practical and efficient means of addressing the problem.

Discussion: A number of points emerged during the presentation and the subsequent exchange of views on this topic. Major points have been highlighted here, which the researcher needs to consider and incorporate suitably in the paper for further up gradation and improvement of the draft research paper presented. The points below are by no means exhaustive and it simply reports some of the issues raised during the meetings that need to be considered during the preparation of the final draft of the research paper.

- Need to look into the political economy of GSP Schemes.
- Regarding EU-GSP Scheme there is a need to look into the scope and need for alliance building between consumers and producers.
- Strict applications of rules, RoO, standards, etc., could be included as a measure of preference erosion.
- For South Asian countries utilisation and utility rate are high but for US utilisation is high whereas utility rate is less. So what are the implications due to the difference between these two rates?
- Employment in sectors vulnerable to preference erosion.
- Who is benefiting actually from such schemes – the producers or the exporters?

- Refer to the WTO TRTA study uploaded in our CUTS CITEE website, please access the link: <http://www.cuts-citee.org/PDF/WTO-FinalReport.pdf>
- LDCs should be given preferential market access.
- Paper makes a recommendation that utilisation should be increased to avail more preferences. This may send a wrong signal to readers. So better to clarify that this is short-term distinction.
- What would be the common positions of South Asian countries on preference erosion and AfT?
- Why are South Asian countries unable to achieve high utilisation rate in EU?
- Preference Erosion: Bangladesh and LDCs must strive to protect and safeguard their interest of maintaining not only the present level of market access and margin of preference but must also demand right full and stable global market share, commensurate with their development needs, as a matter of commitment accepted by the contracting parties under the WTO (GATT Article 1 sub-Para 2, 3 and 4).
- AfT initiative must not preclude trade based solution for the loss of tradable market because of erosion of preference erupting from another trade policy incursion under NAMA negotiation against the LDCs.
- Preference erosion and Tariff Cut: All export products both primary and processed originating from the least-developed countries will not be subject to the tariff cut or otherwise most-favoured nation (MFN) tariffs shall be frozen maintaining a 15 percent preference margin for LDCs which ever is higher.
- The LDCs must call for the adoption of a tariff reduction formula that provides sufficient flexibility and scope to enable them to continue to have adequate and effective levels of preferences necessary for the maintenance of their competitiveness in their export markets. Only such an approach guarantees balance, equity and benefits for all WTO members in the outcome of the Doha Round.
- One possibility could be to identify specific tariff lines of products exported by the LDCs under preferences and then exclude such products and/or accord them a different treatment such that the margin of preference is not affected as a result of MFN tariffs reduction.
- Bangladesh and other LDCs should strongly urge rationalization rather than reduction or elimination of tariff (causing erosion of preference) and should ask for two tier MFN tariffs in all notified MFN and preferential tariff schedules for developed and developing countries and zero MFN tariff for LDCs with minimum (15 percent) margin for products originating from the LDCs to rationalise and remove prevailing anomalies in tariff preferences in favour of the developed countries. Products originating from LDCS must also be exempted from all other charges and duties other than service charges.
- Developed Countries must contribute generously, as the TRTA is an integral component of each of the WTO Agreements and a commitment accepted by the contracting parties of the WTO to countries around the world as they seek to build their economic infrastructure, but AfT initiative must not preclude trade based solution for a loss of tradable market erupting from another trade policy incursions under NAMA negotiations against the LDCs.
- AfT should not be seen coming as a repackaging of the facilities and existing initiatives in or outside WTO.
- The funds for this new initiative should be additional and should be sustainable and adequate.
- AfT should not be subject to any conditionality.
- AfT should be in granted form and non-debt creating.

- Donors should report on funds dedicated for AfT , how they intend to meet their announced AfT targets, the AfT categories covered, and their progress in mainstreaming trade into their aid programming.
- An assessment of AfT – either as a donor or as a recipient – should be included in the WTO Trade Policy Reviews.
- The amount payable as debt service by Bangladesh and other LDCs should be converted into annual grant for trade-related technical and financial assistance for the development, strengthening and diversification of production and export base, as well as for institution and capacity building.

Closing Session

G K Pillai, Secretary, Department of Commerce, Ministry of Commerce and Industry, Government of India speaking at the closing session said: “It is crucial for countries like India that trade-distorting domestic subsidies in the rich world are reduced. We are not calling for complete elimination of all agricultural subsidies as that’s not the Doha mandate but substantial reduction. Development dimension of trade-distorting subsidies is strong.” The G-20 group of developing countries has asked US to reduce its trade-distorting domestic subsidies from the current level of US\$20bn to US\$12bn. He said that there are such five or six development dimensions, which are key for the Doha Round of negotiations to proceed towards its conclusion. “Coming four months are very crucial and civil society should play a more vigilant role to see to it that development dimensions of the Doha Round are achieved,” he added.



The following selections of points are the some of the main issues that emerged during this session:

- Due to US’ position on market access in agriculture, the Doha negotiation is at logjam. Now agriculture is the key to unlock the negotiations.
- Development dimension of trade distorting measures are very strong.
- It is critical that for countries like India that trade distorting domestic subsidies are reduced. We are not calling for complete as that’s not the Doha mandate but substantial reduction.
- G-20 has asked it to come down from US\$21bn to US\$12bn. It is particularly distorting trade in cotton. America cannot produce cotton without subsidy. Development dimension of trade distorting subsidies is strong.
- No bilateral deals (RTAs/FTAs) touch subsidies only WTO agreement can address this issue.
- Green Box subsidies even have huge welfare effects.
- EU has significantly reduced trade-distorting subsidies. The weakest link of Doha is that Green Box is only up for review.
- EU has offered 75 percent reduction in trade distorting subsidies. EU is not interested in tariff cuts.
- Sensitive products come first then comes the special products.
- If peace clause comes into then it means developing countries have lost the Round.
- From mid January to end March 2007 it is very crucial for CSOs.
- There is a fifty-fifty chance for Round to succeed.
- All LDCs need to take part in negotiations though the topic is of least interest to them

- Civil Society's lacks knowledge on technical aspects, e.g. with respect to Green Box, blue box etc.
- Meeting at Davos may not come up with any solution. If G-6 meets before Davos, then it may lead to something concrete. Now G-6 is a sort of Lamy text; there is a need for something very concrete by April, given the USTPA, which means agriculture and NAMA needs to be completed by end February.
- Services negotiations are not a major stumbling block. Both Mode 1 and Mode IV are crucial for developing countries. However, strong regulatory system is required to get benefits from services liberalisation, including the domestic preparedness. Regulatory system can have some non-tariff type measures to have checks and balances.
- Real and fictitious development dimensions are to be looked at.
- Current status on negotiations will be on the site on a monthly basis.
- If talks fail, South Asian Free Trade Area (SAFTA) is to be deepened with inclusion of services. We need to iron out small issues. India should move forward and take leadership.
- There is a need to discuss Doha issues at the SAARC forum.
- LDCs should get involved with services negotiations.