From Cancún to São Paulo: The Role of Civil Society in the International Trading System

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#0412

From Cancún to São Paulo: The Role of Civil Society in the International Trading System

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Contents

Preface

The geopolitics of the post-World War II period witnessed many profound changes in various fields and the international trading system is one of them. Without going too much into history, two events stand out amidst all developments. One was the initiation of the General Agreement on Tariffs and Trade in 1947, which, through an evolutionary process, was transformed and institutionalised as the World Trade Organisation in 1995. The other was the formation of the United Nations Conference on Trade and Development, which has completed 40 eventful years and will be organising its 11th Session in São Paulo, Brazil in June this year.

These institutions are playing decisive roles in shaping the future of the international trading system. While the WTO is regarded as the institution to take forward the rules-based international trading system, UNCTAD is discharging its responsibility towards making the system more balanced, in particular for the poor.

There is no doubt that international trade is an important means for countries to achieve better economic growth. The moot question is whether increasing cross-border exchange of goods and services can lead to better standards of living for the poor. There is no simple answer. While one has to look at the current international trade regime (with the WTO being a major driver, but not the only one) critically, other equally important issues should be taken on board.

National development strategies are fundamental and one needs to find out not only the linkages between such strategies and the international trade regime but also how to achieve better coherence between different policies impacting economic growth and development, and poverty.

Here lies the importance of the role of and coherence between the activities of four pillars of the international trading system:

- WTO being the institution of the rules-based system;
- UNCTAD to direct the system towards a more balanced outcome;
- National governments to see to it that national development strategies are compatible with the emerging international trade regime; and
- Civil society, in particular NGOs, many of whom act as “drivers for change” and “voices of the poor” to intervene in the governance of the system.

Indeed, today the international trading system is at a crossroads. One doesn't require much analysis of what happened at Cancún and immediate developments, as the time has come to find out the missing links in order to take the Doha Development Agenda forward, keeping the 'development' upfront. This is, however, not to say that one should not learn from history.

But if one looks at history as a sequence of events, there is hope that the international trading system can be brought back to the right track. Seattle was a failure, which was followed by the successful UNCTAD X conference in Bangkok. Next, Doha was a success, followed by another failure in Cancún. Now, UNCTAD XI, with its theme "enhancing coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries" is about to be held. Will this be a good omen for a successful WTO Ministerial to be held in Hong Kong in 2005?

One cannot guarantee this, unless different stakeholders act now to take forward the rules-based international trading system, while preserving its sanctity and judging the outcomes in terms of the benefits to the poor. The civil society (non-state actors) has a major role to play in this regard.

Keeping in mind these developments, CUTS Centre for International Trade, Economics & Environment organised an Afro-Asian Civil Society Seminar – *From Cancún to São Paulo: The Role of Civil Society in the International Trading System* – in New Delhi. Over 150 participants representing NGOs, academia, research institutions, media, governments and inter-governmental organisations participated in the debates and discussions. It was designed to optimise cross-fertilisation of ideas and experiences, linking macro aspects with micro issues.

One of the major successes of the event was that it produced an agenda for future action (by the civil society and other stakeholders), including an Afro-Asian Civil Society Statement on Trade. It also clarified the role of the civil society in regard to the pivotal position it occupies in the system, with an urge to utilise this position in a more meaningful manner. In order to do so systematically, the Afro-Asian Civil Society Network on Trade (ANCSOT) has been formed, which will strive to take forward the agenda.

No doubt, this is going to be a long and arduous road, having both milestones and bumps, which the Seminar attempted to find. Case studies from different countries and covering various aspects of the functioning of the international trading system were taken on board. However, a major lacuna was that there were not many case studies from Africa. This is a cause for concern but, at the same time, presents us with the challenge to ensure better and more focused capacity building of civil society organisations and other stakeholders. In future, UNCTAD should have a better and cogent focus on this aspect. A major observation was that many in the civil society movement do not know what inter-governmental organisations, like UNCTAD and UNDP are doing on trade and development issues, and also vice-versa, i.e. the knowledge and information gathering system of these organisations should be more robust.

Thus, one of the recommendations of the Seminar is that the fundamental objective of manifesting the role of the civil society in the international trading system should be based on the tenet that one has to look into the history (with its vicissitudes) as dialogues between the past and the present, while addressing the future.

This publication attempts to place this tenet on the proscenium of the international trading system, i.e. before the trade community at large. It not only includes the papers and proceedings of the Seminar, but also provides a roadmap to the civil society and other actors to look into the linkages between the international trading system and national development strategies, with development and poverty reduction as the ultimate goal.

The structure of the book is as follows: The Seminar's sessions have been divided into chapters. Each chapter summarises the proceedings and includes up to four papers that were presented during that session. It was difficult for many presenters to submit a paper for inclusion in these proceedings due to the tight timeframe. For this reason several interesting presentations have been omitted, although we hope to do them some justice by presenting a short abstract of the main points. The Rapporteurs' Report has been included as an executive summary.

The overarching theme of the papers is their concern in one form or the other with the international trading system. All papers, except for the one by Valérie Engammare and Jean-Pierre Lehmann and the speech by Colin Ball have been written by experts from developing countries. Therefore, almost all represent "a view and a voice from the South".

The annexes comprise the Afro-Asian Civil Society Statement on Trade, an Agenda for Future Action, a description of the Afro-Asia Network of Civil Society Organisations on Trade, the UNCTAD Pre-Conference Negotiating Text, the Seminar's Programme, a List of Participants, a Pictorial Annex, and a List of CUTS-CITEE Publications.

We urge the international community to discuss, debate and take forward the recommendations outlined in this publication. CUTS will continue to play a catalytic role in strengthening, widening and deepening the process of civil society interventions in the international trading system.

Finally, let me acknowledge the support from the Commonwealth Foundation, International Development Research Centre of Canada, Oxfam GB in India and the Norwegian Agency for Development Coooperation to organise this Seminar and for publishing this document. I am also grateful to my colleagues, particularly CITEE's Director Bipul Chatterjee as well as Diana Montero Melis, Purnima Purohit and Aparna Shivpuri for their hard work in designing and organising the event and publishing this document.

Jaipur, India
May 2004

Pradeep S. Mehta
Secretary General

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We gratefully acknowledge the contributions of all Afro-Asian Civil Society Seminar participants and distinguished speakers who despite a crowded agenda found time to attend the Seminar. We would like to especially thank those who contributed a paper and were able to submit the final draft within a very tight timeframe for it to be included in these proceedings.

We further acknowledge Blackwell Publishing for permission to reprint the paper "The G20 at the Cancún Ministerial: Developing Countries and their Evolving Coalitions in the WTO" by Amrita Narlikar and Diana Tussie. This paper was published in the journal *The World Economy*, July 2004, Vol. 27, No.7, pp 947-966 (20). We also acknowledge Consumers International Regional Office for Asia and the Pacific (CI-ROAP) for consent to publish the executive summary of Sudaryatmo's presentation "Nightmare in a Spoonful of Sugar". CI-ROAP will publish the complete study of Indonesia's sugar sector.

The Ministry of Commerce & Industry of the Government of India deserves a special mention for their cooperation and support. We also would like to express our gratitude to the Commonwealth Foundation, the International Development Research Centre (IDRC) of Canada, Oxfam GB in India and the Norwegian Agency for Development Cooperation (NORAD) for providing financial assistance.

We trust that these proceedings will contribute to a better understanding of the views and concerns of developing countries in the international trading system.

Abbreviations and Acronyms

ACP	African, Caribbean and Pacific Group of States
ADI	Acceptable Daily Intake
ADMARC	Agricultural Development and Marketing Corporation (Malawi)
AGOA	African Growth Opportunities Act
AMS	Aggregate Measures of Support
AoA	Agreements on Agriculture
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles & Clothing
AQSIQ	State Administration of Quality Supervision and Inspection and Quarantine (China)
BEI	Bangladesh Enterprise Institute
BOP	Balance of Payments
CAMA	Consumers Association of Malawi
CAP	Common Agricultural Policy (EU)
CARICOM	Caribbean Community
CEC	Commission of the European Communities
CEESP	Commission on Environmental, Economic & Social Policy
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale (Economic and Monetary Community of Central Africa)
CET	Common External Tariff
CI	Consumers International
CITEE	Centre for International Trade, Economics & Environment
CoA	Committee on Agriculture
COMESA	Common Market for Eastern and Southern Africa
CSO	Civil Society Organisation
CTD	Committee on Trade and Development
CTE	Committee on Trade and Environment
CTG	Council for Trade in Goods
CTS	Council for Trade in Services
CUTS	Consumer Unity & Trust Society
DDA	Doha Development Agenda
DFID	Department for International Development (UK)
DPGs	Domestically Prohibited Goods
DSB	Dispute Settlement Body
DSM	Dispute Settlement Mechanism
EAC	East African Community
EBA	Everything But Arms Programme
EC	European Community

EEC	European Economic Community
EIAS	European Institute of Asian Studies
ENT	Economic Needs Test
EPZ	Export-Processing Zone
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FDI	Foreign Direct Investment
FLACSO	Facultad Latinoamericana de Ciencias Sociales
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GS	Growth Strategy
GSP	Generalised System of Preferences
HIPCs	Heavily Indebted Poor Countries
IBSA	India-Brazil-South Africa Dialogue Forum
ICRIER	Indian Council for Research on International Economic Relations
ICT	Information and Communication Technology
IDA	International Development Association
IF	Integrated Framework
ILE	Institute of Law and Economics (Jamaica)
ILO	International Labour Organisation
IMD	International Institute of Management Development
IMF	International Monetary Fund
IOCU	International Organization of Consumers Unions
IPR	Intellectual Property Right
ITA	International Trade Administration
ITC	International Trade Centre
ITO	International Trade Organisation
JITAP	Joint Integrated Technical Assistance Programme
LAFTA	Latin American Free Trade Association
LDC	Least Developed Country
LMG	Like Minded Group of Developing Countries
LSE	London School of Economics & Political Science
MDC	Malawi Development Corporation
MDGs	Millennium Development Goals
MEAs	Multilateral Environmental Agreements
MERCOSUR	Mercado Común del Sur (Southern Common Market)
MFA	Multi-Fibre Arrangement
MFN	Most Favoured Nation
MLP	Market Liberalisation Policy
MNC	Multinational Corporation
MOICS	Ministry of Industries, Commerce and Supplies (Nepal)
MOFCOM	Ministry of Commerce of the People's Republic of China
MOFTEC	Ministry of Foreign Trade and Economic Cooperation (China)
MPRSP	Malawi Poverty Reduction Strategy Paper
NAFTA	North American Free Trade Agreement
NAMA	Non-Agricultural Market Access
NASFAM	National Smallholder Farmers' Association of Malawi

NCAER	National Council of Applied Economic Research (India)
NGO	Non-governmental Organisation
NIC	Newly Industrialised Country
NIE	Newly Industrialised Economy
NTB	Non-tariff Barrier
NTM	Non-tariff Measure
ODI	Overseas Development Institute (UK)
OECD	Organisation for Economic Co-operation and Development
Oxfam	Oxford Committee for Famine Relief
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
QRs	Quantitative Restrictions
R&D	Research and Development
RIS	Research and Information System for Non-Aligned and Other Developing Countries (India)
RTA	Regional Trading Agreement
S&DT	Special and Differential Treatment
SAARC	South Asian Association for Regional Cooperation
SACS	State Administration of China for Standardisation
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFTA	South Asian Free Trade Area
SAIIA	South African Institute of International Affairs
SAP	Structural Adjustment Programme
SAWTEE	South Asia Watch on Trade, Economics & Environment (Nepal)
SBA	Strategic Business Alliance
SEATINI	Southern and Eastern African Trade Information Negotiations Institute
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
TCI	Trade Complementarity Index
TNC	Transnational Corporation
TREMs	Trade-Related Environmental Measures
TRIMs	Agreement on Trade-Related Investment Measures
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff Rate Quota
TUAC	Trade Union Advisory Committee
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UPOV	International Union for the Protection of New Plant Varieties
USA	United States of America
USTR	United States Trade Representative
VER	Voluntary Export Restraint
WB	World Bank
WG	Working Group
WHO	World Health Organisation of the United Nations
WTO	World Trade Organisation

Rapporteurs' Report

Peter Draper and Julius Sen

Introduction and Background

Consumer Unity & Trust Society has been active in the United Nations Conference on Trade and Development process since UNCTAD IX, held in Midrand, South Africa in 1996. It has been especially engaged with debates relating to the multilateral trading system and its impact on developing countries. As per its philosophy, CUTS has played a constructive role in this process, in terms of exploring possibilities that could work to the advantage of developing countries and also from the perspective of finding productive solutions to problems with the system, i.e. both in terms of trade promotion and trade policy.

With the 11th Session of UNCTAD to be held in São Paulo, Brazil in June 2004, CUTS hopes to build on this tradition and contribute meaningfully and effectively to the debate on trade and development issues. This fits with the stated theme of UNCTAD XI, which is to "enhance policy coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries".

By bringing together policy-makers, civil society groups, academia, media persons, UNCTAD and UNDP (United Nations Development Programme) representatives, mainly drawn from Sub-Saharan Africa and Asia, CUTS has succeeded in furthering the debate on possible areas of coherence between trade and development policies, and hence possible policy co-ordination between these two very different regions that otherwise share so much with respect to their general problems of engaging effectively with the international trading system.

This unique contribution of CUTS to the deliberative process in and amongst societies that often feel marginalized by the multilateral process was widely complimented and commented upon by all Seminar participants.

Seminar Objectives

The stated objectives of the Seminar were to:

- Take stock of the various aspects of the international trading system, which are of special interest to developing countries in Asia and Africa;

- Discuss concerns and necessary actions of civil society organisations, governments and other stakeholders for achieving better coherence between the international trading system and national development strategies;
- Provide a networking platform to civil society organisations and others to discuss issues of mutual interest and build partnerships between and among different stakeholders; and
- Adopt the Afro-Asian Civil Society Statement for taking the Doha Development Agenda forward and develop a research agenda and advocacy inputs for civil society organisations.

Seminar Agenda

The agenda was ambitious in both its range and expectations. Four themes were identified for detailed exploration and discussion in a plenary format, in addition to a general discussion of the key post-Cancún issues dealt with in the Inaugural Session. In each topic area, a chairperson introduced the subject, and presenters then set out their thoughts and ideas. These were often supplemented with the circulation of papers in advance. The time remaining was used to open the discussion to the audience, to which panellists were invited to respond. The chairperson then concluded the session with their observations. The plenaries addressed the following four topics:

- Assuring development gains from the international trading system
- Does the international trading system promote the interests of the poor?
- Building and strengthening capacity in trade policy
- The role of UNCTAD in assisting national trade and development strategies

These were supplemented by two workshops. A variety of case studies were presented on a wide range of experiences in how trade policy reforms actually play out in practice, and on how civil society groups have been able to influence the policy debate in different societies.

However, the discussions were at times a little unfocussed, perhaps because of the sheer size of the agenda, the scale of its ambition, and the multiplicity of objectives. But then this reflects the complexity of the international trading system.

The Seminar thus covered three aspects:

- The UNCTAD agenda for policy coherence;
- The seminar objectives; and
- The seminar topics.

Seminar Achievements

The range of presentations and the nature of the debates reflected a wide range of views on the first issue, i.e. in taking stock of the current situation and of its implications for developing countries. The broad impression was that debates and discussions tended to revolve around two approaches.

The first was to question the basic paradigm of the neo-liberal model, while the second was to seek improvements to the way the system functioned within the structure of that paradigm. The latter view appeared to be more broadly held than the former, but there was often a sense that disastrous policy choices in policy reform (as in the Indonesian sugar privatisation case) suggested that deeper questions needed to be asked about the paradigm itself.

Moreover, frequent references to non-trade issues (such as animal rights, ethical economics, humanist principles, etc) suggested that there was deep dissatisfaction with the largely economic terms of reference of the neo-liberal model.

There was, however, less clarity on how to achieve greater coherence between the activities of stakeholders (business, etc), national governments and civil society groups. There was a similar lack of general clarity on how the issue of policy coherence between domestic development plans and the international trading system were to be addressed. This perspective seemed to emerge from many sessions, even when the chairpersons asked specifically for interventions or suggestions on this issue. The whole question of policy coherence, either as a process or in substantive terms, and horizontally as well as vertically, would thus appear to be rich with extensive research possibilities, particularly in the context of what UNCTAD is seeking to achieve at the international level.

On the objective of providing networking possibilities for developing country civil society groups to share ideas and positions on a range of issues of concern to them, it was not apparent from the formal proceedings, but was certainly in evidence in the informal gatherings that took place outside the structure of the Seminar. Moreover, networking possibilities and their outcomes cannot be measured. Nevertheless the wide array of civil society interests from the Afro-Asian region, and the range of issues and interests they represented was itself remarkable and would suggest that this objective was generally achieved. But as with all systems that rely on networks, these have to be sustained over time if they are to be effective.

And on the issue of agreeing a final statement on behalf of Afro-Asian Civil Society, the draft text was widely welcomed but delegates wanted more time to study and respond to its specific contents. Achieving this objective is therefore something that can only take place in the lead up to São Paulo.

One theme that emerged from the Seminar was that UNCTAD and the UNDP could actually play a more productive role in the international process of trade negotiations if national governments from developing countries, together with civil society groups and business associations, recognised both their strengths and limitations, and worked within those limitations.

Another key feature emerged from comparing the sorts of concerns expressed by civil society groups and the sort of work being done by UNCTAD and the UNDP was that these institutions were addressing many of these issues but that civil society groups remain largely unaware of this. Developing networks between civil society groups and these institutions would also thus appear to be one of the key challenges facing both sides. The Seminar did, however, succeed in providing greater clarity regarding their role and potential, and also in identifying possible areas for further research.

Overall Assessment

The overall impression of the Seminar was that there was less than sufficient focus, clarity or coherence in its structure or choice of topics, and hence its outcome. However, it was far more productive and successful in creating an awareness of just how complex the task of building networks and policy coherence across two major components of the developing world really was. Both these outcomes were perhaps inevitable given the vast range of topics and interests affected by the multilateral process, and by the unique nature of this particular gathering.

At the same time the Seminar raised, both directly and implicitly, a number of very important issues about the link between trade and development, the issue of policy coherence, and the role of civil society in the broader scheme of things, which are worth reviewing. Perhaps the first and most important observation was that two debates continue to run in parallel in the domestic context of many developing countries: one relating to development issues as traditionally understood, and the other relating to dealing with the international trading system. These two discussions appear to take place in considerable isolation from one another and suggest that this policy challenge is yet to be addressed in any systematic manner.

A question posed repeatedly through the Seminar was whether this relationship has been fully understood and its implications recognised, and whether developing countries have adjusted their systems and procedures to meeting this new policy challenge? To this the response appeared to be that the importance of linking trade and development issues in a common policy framework was indeed well understood in theoretical terms, but no institutional or procedural mechanism has yet been devised that would manage to address the two simultaneously and/or coherently. Even the Poverty Reduction Strategy Papers framework sponsored by the World Bank was found to be inadequate in this regard.

It appeared that the problem is largely procedural. Trade agreements are negotiated for the most part by commerce ministries, while domestic development strategies are the product of a domestic consensus involving many ministries and led by the head of government. The role of civil society in bridging this gap and in bringing greater focus and clarity to this debate within the domestic situation of many developing countries would thus appear to call for engagement at several levels:

- Getting national governments to recognise that they need to reorganise internal processes and procedures to achieve this (perhaps by highlighting policy disasters when this is not the case, as with the Indonesian sugar privatisation case).
- Supporting this approach through sectoral research and analysis of policy proposals and their impact.
- Through advocating policy approaches based on their research findings.

Whichever of these activities a particular NGO happens to be active in at the moment, it would appear generally to be rich with research and advocacy prospects.

We heard how civil society groups in Bangladesh (especially the Centre for Policy Dialogue), and indeed CUTS in India, were playing just such a role. However, it was equally clear from their presentations and from references to their role by government representatives that their emphasis was on shaping and influencing external trade policy more than on influencing development decisions in the domestic context that built considerations of an external trade policy context into the process.

We also heard examples from Sub-Saharan Africa where the decision-making process relating to some macro-economic management priorities depended on Structural Adjustment Programme conditionalities and Heavily Indebted Poor Country initiatives, whereas trade priorities and domestic development considerations were handled by other ministries, with all three groups frequently working at cross purposes.

This rather mixed, though generally gloomy picture, points to three important considerations:

- Developing countries still have a long way to go in managing this complex policy area, and it is doubtful that solutions can be brokered through external agreements or interventions.
- The further developing countries go down this route the greater will be the recognition that each of them has very differing negotiating priorities at the multilateral level. What implications does this hold for the question of developing country coalitions, or for questions of negotiating solidarity?
- Where does this leave South-South NGO co-operation and co-ordination?

Perhaps the agenda of civil society groups needs to be revised to consider these issues? Thus it would appear at first sight that prospects for co-operation could be vastly overstated. However, the experience of Cancún, and before that of the public health debate on TRIPs (the WTO agreement on trade-related aspects of intellectual property rights), would suggest that some issue-specific alliances and co-operation could be very successful and productive.

Looking at the medium to long-term, it would appear that co-operation would be strongest in areas where common issues are explored and their implications evaluated, but rather weaker in contributing to national policy responses domestically or at the multilateral level, where obviously differing national perspectives and priorities would be brought to bear. It is certainly worth considering this issue in far more depth as so much rides upon it.

A curious feature of this situation would appear to be the relative advantage that smaller developing countries have both in terms of bringing their trade and development policies into some sort of alignment (as would appear to be the case in Bangladesh), and pursuing their interests at the multilateral system. From this it appears that larger developing countries need these coalitions for largely defensive purposes, while smaller developing countries can manage with single-issue advocacy coalitions in policy areas of interest and concern to them.

If this were true it would have significant implications for South-South co-operation, and for South-South trade agreements where smaller developing countries resent (as in the case of Bangladesh-India relations) the indifference of the larger partner to their very specific concerns.

Another major observation relates to a point that was raised by at least two of the Seminar chairpersons. Namely, if civil society groups are to be active and influential on behalf of developing country interests at the international level, then they would need to get involved in the policy process of developed countries. This, in turn, suggests that they need to understand the process, create networks with interests with similar objectives, and work through their systems to shape appropriate negotiating mandates.

The rewards of this approach could be far more significant than a bottom-up approach through developing-country structures, it was pointed out. It was evident from the lack of discussion on this issue that the civil society community had perhaps given insufficient thought to this approach. Part of the reason for this would appear to go back to the fundamental point mentioned above: that many developing countries do not really know what to ask for at the multilateral level because they do not really understand how these agreements will play out in practical terms on the domestic economy. This is because they do not have systems in place to provide them with this assessment in the first place.

Nevertheless, this is a suggestion that would appear to be of crucial importance to the well being of developing countries, and would appear in need of serious attention by the NGO community and by developing country governments. A third major observation is built on the presentations and observations of the UNCTAD and UNDP representatives. Many developing countries' NGOs, and indeed governments, apparently do not know the strengths (and limitations) of these and other inter-governmental institutions in specific issues of capacity building and of being able to generate a wider international debate particularly where issues of trade and development are concerned. This was evident from the nature and content of questions and interventions at different times throughout the seminar.

It also fits with the scenario suggested above. Developing countries' systems are weak in domestic policy processes relating to trade and development issues, and are weak in forging alliances with interests in developed countries that could help shape policies in those countries to developing country advantage. Shadowing this governmental weakness is that of NGOs in those two situations.

And now we have a third level of weakness. Developing country governments apparently are not fully aware of the potential benefits of utilising the networks and institutional advantages of inter-governmental organisations to press their cases at the multilateral level and with other international institutions (for example the World Bank and the International Monetary Fund). This is again mirrored in the situation of NGOs. This would suggest that substantive and specific benefits are yet to be accessed by many developing country governments and civil society groups.

Finally, there were debates on regional trading agreements (RTAs). From the various presentations made, it seems clear that RTAs between developing countries make little economic sense unless accompanied by a customs union of the Southern African Customs Union (SACU) or the European Union (EU) variety. Yet politically there is a strong instinct to go down this route, perhaps because of the importance of emerging developing country coalitions, such as the G-20, and the perceived additional thrust that a regional grouping could provide to this process. But there are at least two issues that need to be considered carefully while going down this route. The first relates to capacity.

If it is the case of many developing countries, particularly the least developed countries, that they find it difficult to dedicate resources and manpower to the multilateral process, then it is difficult to see what advantages there could be in diverting these very resources for agreements, which yield marginal economic and trading benefits. Unless of course, the political advantage of a regional grouping centred on an RTA that is essentially devoid of substance, is compensated for by stronger results at the multilateral level. It is possible to see this happening, but policy-makers should be clear of the costs and benefits of this approach, and this is something that civil society can help assess.

The second point relates to the cost of policing an RTA and enforcing rules of origin provisions. One of the features of a developing country customs administration is that it finds it difficult to cope, is under-resourced, and is vulnerable to a variety of pressures. In this situation it would be counterproductive to load further responsibility on such a system for marginal economic benefit. A multiplicity of customs schedules would further expand opportunities for corruption and abuse of power and would probably achieve very little in terms of improving the performance of economic sectors in participating countries.

This problem is further compounded in the case of Sub-Saharan Africa by the large number of overlapping RTAs, some with customs unions and some without. Policing this system effectively would be well nigh impossible.

Overall, therefore, the political advantages of a South-South RTA would have to be significantly positive if it is to more than compensate for the disadvantages described above.

Perhaps this whole area is also rich in research possibilities that civil society groups could get involved with, particularly in the context of a point that came out repeatedly in the seminar: that large developing countries like India and South Africa in particular could demonstrate their commitment to South-South cooperation by providing better market access to their smaller neighbours. This would provide greater credibility and legitimacy to their 'leadership', while also contributing to the solution of pressing market access problems of their neighbours.

Large developing countries may have their reasons for not providing such access, but the rationale, logic and implications of not doing so, particularly in the context of building developing-country coalitions for the multilateral process, is something that civil society groups could explore in greater detail.

Peter Draper is Research Fellow at the South African Institute of International Affairs, South Africa. Julius Sen is Consultant at the London School of Economics & Political Science, United Kingdom.

Inaugural Session

Welcome:	**Pradeep S. Mehta**, Secretary General, CUTS International
Chair:	**Arjun Sengupta**, Chairman, Centre for Development and Human Rights, New Delhi
Speakers:	**N. K. Singh**, Member, Planning Commission of India **Magda Shahin**, Egypt's Ambassador to Greece **K. A. Azad Rana**, Deputy Director-General, World Trade Organisation **Lakshmi Puri**, Director, Division on International Trade in Goods and Services, and Commodities, UNCTAD **Colin Ball**, Director, Commonwealth Foundation **S. N. Menon**, Special Secretary, Department of Commerce, Government of India

Mr. Pradeep S. Mehta, Secretary General of CUTS International, inaugurated the Afro-Asian Civil Society Seminar by welcoming all delegates to three days of fruitful discussions. Mr. Mehta expressed his delight to see over 30 countries represented. "This Seminar", he said, "has brought together participants from Asia and Africa to deliberate on pertinent issues in international trade". He also mentioned that the WTO Ministerial at Cancún had been a new beginning in international geopolitics. "Although some people labelled Cancún a failure, I look at is as a changing point not only in the history of trade but also in the history of international geopolitics." He explained that the Seminar was being carried out in the context of UNCTAD XI to be held in São Paulo in June 2004. The objectives were, amongst others, the adoption of a Civil Society Statement on the International Trading System and the launching of an Afro-Asian Network of Civil Society Organisations on Trade Issues (ANCSOT). He then introduced Dr. Arjun Sengupta, Chairman of the Centre for Development and Human Rights in New Delhi, who was to chair the Inaugural Session.

Dr. Arjun Sengupta, leading Indian economist, congratulated Pradeep S. Mehta and CUTS for the organisation of an "entertaining and illuminating session". In his brief introduction, he spoke about the role of Civil Society in the international trading system. He praised CUTS' continuous efforts and successes in linking advocacy and research and thus contributing towards a better understanding of trade issues. "This seminar", he stated, "is specially devoted to the changing and dynamic role of Civil Society in international trade." Sengupta identified the role of Civil Society in influencing international trade policy in three areas:

1. Civil Society should influence their national governments.
2. Civil Society should influence civil societies in other countries and thus indirectly the governments of other countries.
3. The role of Civil Society should be to persuade governments to implement whatever was agreed during trade negotiations.

Mr. Sengupta remarked that the third area of work usually receives less attention than the other two. He also raised several questions, namely: What should governments do to empower people? How should governments provide a level playing field? And what kind of level field should be produced? “Reforms”, he concluded, “should be well designed and sequenced.”

The Chairman then introduced **Mr. N. K. Singh**, Member of the Planning of Commission of India, who was to deliver the inaugural address. Mr. Singh avowed the important and pioneering role in many areas of trade and economic policy that CUTS is playing. “Especially its cooperation and collaboration with organisations at an international level stand out”, he said. Often governments may not represent the mainstream, and non-governmental organisations (NGOs) provide the necessary grassroots inputs. As a consequence, the importance of the role of NGOs in international trade has raised several questions. Should NGOs provide country specific positions? Should they try to build cohesion? Or should NGOs try to join hands across regional boundaries to establish middle grounds in contentious issues? “This is an evolutionary process”, he clarified “and the role of the NGO community should deal with transparency.” As issues become more complex and affect the lives of many individuals the processes need to become transparent.

Mr. Singh’s concerns with regards to the international trading system and the role of Civil Society relate to the following issues:
1. Are international institutions adapting themselves in a manner that provides them with legitimacy in international trade policy especially since the differences between trade policy and macroeconomic policy have become more blurred?
2. Over the last few years accepted definitions for services, manufactures and capital have changed. Is this threefold definition therefore still relevant? Should we still operate under the same classification?
3. Since definitions are changing and covering more ground, should the charter of the WTO be allowed to go beyond goods and services?
4. What kind of differences in economic policies and strategies will emerge out of skewed and changing demographic profiles of different countries? For example in Japan about 30 percent of the population is between 62 and 65. In Italy the situation is similar. On the other hand South Asia has a young demographic profile. What impact does this have on the segregation of economic activities in nations and more importantly on government policies with regards to migration and outsourcing? According to an UNCTAD study a country like Japan would need the injection of a million people a year between 2008 and 2020 if it intends to engage in meaningful economic activity and factor efficiency is to be maximised. There are 175 million people who are registered migrants, and this figure is most probably grossly underestimated. Out of these millions, 40 percent are in developing countries and 60 percent in developed countries. What will happen when people start moving at

speeds and sizes never seen before? Today, remittances to developing countries are approximately US$ 95 billion a year, four times the total overseas development assistance.

5. The US continues to pose huge current account deficits to the tune of US$ 1.1 billion a day. Other countries absorb the US deficits by increasing their reserves, or increasing US investments as well as investing in US bonds. Is this US-centric growth model sustainable and how long will it remain so?
6. Since growth is generally productivity led, is the movement of multinational and American firms from zones of low productivity to zones of high productivity not resulting in a hollowing effect in developed countries?
7. An important concern is with regards to the "seamlessness" by which global money flows between nations with the help of technology (multiplier effect of the ICE economy) and financial innovation.
8. Since economic activity is disaggregated all economic activities are extending beyond economic boundaries. There is a new challenge in the context of the WTO, that of redefining the concept of sovereignty. Sovereign nations have looked upon sovereignty differently. Would this lead national policies in different nations to look increasingly similar?

Following the inaugural oration five distinguished speakers addressed the gathering. **Ambassador Magda Shahin**, Egypt's representative in Greece, focused on the recent and rapid changes in the international trade scenario. She remarked that NGOs played an instrumental role in Cancún, unlike during the Uruguay Round where they were practically absent. Indeed, NGOs had much influence in the results of Cancún. Moreover, NGOs can serve as element of 'continuity', which developing country delegates in national capitals and in Geneva sometimes lack. In that sense, work between developing country delegates and Civil Society should be based on trust and understanding that they are working together for the same objective.

One of the successes of the Cancún Ministerial, Ambassador Shahin remarked, was that it "unveiled the truth" and the Machiavellian way of negotiations of the European Union was brought to the fore. What was important, she emphasised, was that developing countries stood firm to defend their interests. They resisted yet another attempt by the developed countries to renege on their promises and undermine their demands. Moreover, Cancún allowed developing countries to regroup themselves into "coherent" groups, thus enabling them to coordinate more closely. Cancún was an eye-opener, which showed how the Doha Agenda had been purposefully overwhelmed with linkages. The conference showed the increasing frustrations in developed countries for differential interpretation of legal texts by developing countries.

One of the big limitations of Cancún was that it overlooked the Implementation Issues. By neglecting these issues and with all the linkages and twisted interpretations, it became clear that the developed countries wanted to go back on their promises in Doha. In Doha, the decision to implement and operationalise Special and Differential Treatment followed the reinsertion of Paragraph 50 in the Mandate.

Ambassador Shahin drew attention to the fact that the fear that the EU and the US would move away from multilateralism towards regionalism after the Cancún debacle had proved incorrect. In fact, both the EU and the US are pushing for the early resumption of a new round. Though most calls are empty, they still adhere to the principles of multilateralism as the best policy. The Cancún Ministerial also re-emphasised the integrated approach to trade and development, which was designed at Doha. The world trade scene, political scene and development scene became more interlinked.

The next speaker, **Dr. K. A. Azad Rana**, Deputy-Director General of the World Trade Organisation, pointed out that civil society plays a very important role, a role that is valued and appreciated by governments. It plays the role of a beacon. The WTO is aware of the role that Civil Society plays and has been increasing its interaction with NGOs. This year the WTO Public Symposium, which has become an annual affair, will attract 800 NGOs. However, at the same time Civil Society must keep the fact in mind that negotiations take place in the realm of international politics and invariably involve a certain amount of give and take.

Dr. Rana also said that there are new changes emerging in a developing countries' perspective on trade. Inclusion has become a priority. Developing countries have also realised the importance of cooperation amongst themselves. The Cotton Initiative by the West African countries and the G20 initiative after Cancún bear proof of this. What is also noteworthy is that at times this cooperation is amongst a rather heterogeneous group of developing countries, for instance in the G20 India is looking for some protection for its subsistence farmers, while Brazil wants maximum agricultural liberalisation.

In recent times there has been increasing talk of regionalism. And yet, regional cooperation can only be a complement, not a substitute of multilateral liberalisation. Regional trading arrangements can help countries liberalise through a step-by-step approach. People may feel that the multilateral system is not perfect. However, like democracy, there are no better alternatives to spur global trade and development. There are very few instances where developing countries have prospered in spite of keeping their economies closed. Globalisation is not an entirely painless process. Nevertheless, countries that have adopted the route of liberalisation have achieved large-scale growth. The main concern of the poor is not globalisation but being left out of the benefits that come out of globalisation. This is where national governments and Civil Society have an important role to play.

Dr. Lakshmi Puri, Director of the Division on International Trade in Goods and Services, and Commodities of UNCTAD, began her speech by referring to the role and mandate of UNCTAD in relation to the international trading system and stating "UNCTAD is a natural partner of the NGO community." UNCTAD, she explained, is the United Nations' focal point for the integrated treatment of trade and development and inter-related issues. The three pillars of UNCTAD's work are:

1. Research and analysis,
2. Technical cooperation and capacity development,
3. Intergovernmental policy dialogue as well as consensus building.

The main difference between the World Trade Organisation and a body like UNCTAD is the fact that the latter is a negotiating body. It therefore has a bigger agenda and provides a more strategic view of the international trading system that goes beyond the

WTO. Dr. Puri went on to talk about the important trends in the international trading system and noted three messages expected from UNCTAD XI in São Paulo. Firstly, trade as an engine for development, secondly, the need for coherence and thirdly, the value of multilateralism. Dr. Puri then noted the development gains and identified several steps that would lead to their realisation. She specifically mentioned the necessity to deliver the expected gains from the Uruguay round, as well as to address developing countries' adjustment costs and own policies. She pointed out the issue of policy space, liberalisation and globalisation, the importance of synergies between the state and the market and last but not least fair competition. Dr. Puri concluded by arguing that according to UNCTAD's estimates the expected gains would be significant and the benefits would accrue to developing countries throughout the world.

Mr. Colin Ball, Director of the Commonwealth Foundation, quoted John Holt, an educationist of the 1960s: "We live in societies that make no sense, do not work, and are headed towards disasters we have no idea how to avert." The international trading system today, Mr. Ball declared, reflects the same. Indeed, the entire international trading, financial and geopolitical system is a complex web of agreements and institutions that are alleged as not working. If we are to take the Doha Development Agenda forward, the role of Civil Society should focus on the following fundamental questions:

- What is it for?
- Whom is it for?
- How should it then work?

Often there is lack of conformity between the entire policy processes. As Martin Khor from the Third World Network has pointed out, negotiations are going on without further clarifications and decisions are being taken without negotiation. It is the task of Civil Society to provide an answer to these questions and make sense of the processes.

Mr. S. N. Menon, Special Secretary at the Department of Commerce, Government of India, declared that the multilateral trading system has seen some major advances since the original GATT-25. Today, the bulk of world trade takes place among the 148 WTO members. He remarked that the importance of the WTO is to be found in the Dispute Settlement Body, which has created a rules-based international trading system.

Mr. Menon identified the role of Civil Society in drawing a linkage, in being a bridge between the world of reality and that of negotiations. Civil Society should help governments to keep an ear to the ground. Recently new issues have come onto the discussion-table of the WTO in the form of labour rights, human rights, environment, etc. In this context, Civil Society has a vital job: It has to articulate stakeholders' views. Issues in the trade agenda such as TRIPs and public health and the cotton issue have emerged due to the role of Civil Society. What we are looking at in international trade is equitable trade and predictable trade.

Mr. Pradeep S. Mehta concluded the inaugural session by saying that for NGOs to ask for a seat on the negotiation table is an impractical idea. The size of the table would be that of a football field. He further declared that "linkages" would lead to the contamination of the current trade agenda. For this reason and although CUTS supports and upholds human rights and environmental consciousness, the WTO is not the right forum to include these issues. The TRIPs, which is simply a royalty collecting mechanism, is already part of the WTO. Other organisations should be empowered to look at non-trade issues. Whilst the ILO looks at labour, the WTO should look at trade.

From Doha to Cancún and Beyond

K. A. Azad Rana

Ladies and Gentlemen,

I would like to start by expressing my appreciation to CUTS Centre for International Trade, Economics and Environment for organising this seminar. I am particularly grateful for this invitation since this seminar has given me an opportunity to visit India, something that I have wanted to do for a very long time.

In keeping with the topic of the seminar, I would like to focus my talk today on two broad elements. Firstly, I would like to present a brief overview of the Doha Ministerial Declaration adopted in November 2001. The Doha Development Agenda, or the DDA as it is more commonly referred to, is one of the most used phrases in current economic analysis of the multilateral trading system. But very often there is lack of clarity about what it stands for, including its developmental component. I would therefore like to first touch upon the main elements of the Doha Ministerial Declaration; its underlying principles and objectives; and elaborate upon the 'development related issues' in the Declaration. Thereafter, in the second part of my talk, I would like to touch upon the progress made after the Cancún Ministerial Conference, including the current status in some of the key areas.

One way of taking a schematic overview of the Doha Development Agenda is to divide the issues set out in the Doha Declaration into four main components. The most important component of the Declaration is obviously its development dimension, including proposals for technical assistance and capacity building issues. The second broad element of the declaration is the market access negotiations, which encompasses trade in services, agriculture and non-agricultural tariffs. Thirdly, the Doha Work Programme includes many rule-related issues. Negotiations have been mandated in the areas of Anti-dumping; Subsidies and Countervailing measures, TRIPS; Environment; and on the full range of Singapore issues; even though on the latter the nature of any negotiating process was subject to an explicit consensus decision to be taken at Cancún. And finally, dispute settlement, which I have put as a separate fourth element, because in many ways it is this component that ensures the embodiment of enforceable rights and obligations and keeps the system together as a coherent whole.

Development related issues have been placed at the centre of the Doha Declaration. Consequently, development concerns suffuse the entire text. However, at the same time a number of developmental issues were also specifically referred to in the Declaration. These include:

- The Work Programme on Special and Differential Treatment;
- The on-going redressal of the pending Implementation issues;
- Work on the Declaration on TRIPS and Public Health;
- The Work Programme on Electronic Commerce;
- Launching of Work Programmes on Small Economies; Trade, Debt and Finance; and Trade and Transfer of Technology; and
- Finally, the more horizontal elements in the declaration, relating to technical assistance and capacity building, and the need to give special attention to less developed countries (LDC) concerns.

At the Doha Ministerial meeting, the name coined for the entire work programme was the Doha Development Agenda. I may add that in the eyes of many, this description not only reflects the pervasiveness of the development dimension in the Declaration and associated decisions; but is also a benchmark against which the results of the negotiations should be judged.

Progress was difficult to come by in the initial period but as we came closer to Cancún the areas where convergence seemed possible increased. Apart from the historic agreement on TRIPs and Public Health, Members could also agree in-principle to recommendations on 28 Agreement-specific proposals on the special and differential treatment provisions. Another major achievement was the conclusion of the accession processes of Cambodia and Nepal. These were the first two LDCs to complete their accession negotiations under the procedures established in 1995 and their accession packages were adopted by Ministers at Cancún. Nonetheless Ministers were unable to reach agreement on an agreed text which would have served as a framework for guiding the negotiations to a conclusion by the mandated deadline of 1 January 2005. Instead, it was agreed that consultations should continue under the auspices of the General Council.

While it would be wrong, and perhaps also not possible, to determine the exact reason why Cancún as a Ministerial Conference failed, it is true that a growing World Trade Organisation (WTO) Membership of highly diverse countries and broadly defined groups are unlikely to share common positions beyond a rather general level of specificity. Divergent experiences, needs, priorities and realities make it much more challenging to find common positions. Moreover, in a negotiation covering so many issues there will invariably be implicit linkages between the various areas as a result of which progress in the early stages is likely to be slow.

As I had mentioned earlier, since the ongoing round of new negotiations is now commonly referred to as the "Doha Development Round", the results of the negotiations will no doubt be judged against the progress made on development issues. It is therefore important to look at the key issues and challenges that Members face in fulfilling the Doha Development Agenda?

First and foremost, it is very important that the promised, and therefore anticipated, benefits are delivered. Take the example of the Uruguay Round. At the time of its conclusion it was said that developing country trade would increase by US$ 1,200 billion, half of these benefits coming from Agriculture and Textiles itself. A large number of WTO Members feel that these benefits have not accrued. Similarly, there were some anticipated benefits – which developing countries assumed would accrue on the basis of the text that they signed onto in the various Agreements, such as in the areas of market access, implementation issues, S&D treatment provisions, etc. which did not materialise. It is important that the current round of negotiations deliver on the promises that have been made. The World Bank and the International Monetary Fund (IMF) have recently estimated that elimination of barriers to merchandise trade in the ongoing negotiations could result in welfare gains of US$ 250 – 620 billion annually.

Secondly, and I think that the real challenge, is to find ways to genuinely respond to the development needs of developing countries. In addition to ensuring that 'development' remains the benchmark of judging progress in critical areas, this also means avoiding the twin traps of giving mere lip-service and an attitude of tokenism to development issues, on the one hand, and a misguided assumption that disengagement and minimal commitments are the best recipe for supporting the development process.

And finally, and this is one of the other reasons that I am here in India, is to ensure that the system provides meaningful, well directed and demand driven technical assistance. In the context of the DDA, the WTO has taken on an unprecedented level of commitment in providing technical assistance and capacity building to developing countries. Translated into specific objectives, this means helping developing countries exercise their rights and obligations so as to maximise the benefits that they can get from the multilateral trading system, as well as empowering them to understand the implications of proposals in key areas, without prejudice to the outcome.

Now coming to the second element of my talk, relating to developments after Cancún, let me begin by saying that in the last few months we have seen renewed efforts and cooperation among our Members. There is a strong sense of commitment to the multilateral trading system and the Doha Development Agenda and a willingness to move forward. There is also now a detectible higher degree of urgency to come forward with concrete manifestations of individual Members flexibility. Cancún was no doubt a wake-up call and hard lessons were learnt. In the aftermath of the Conference, there was an important period of introspection and reflection. More recently, however, and more positively, delegations have recommitted themselves to the process and concrete steps have been taken to get the negotiations back on track. For instance the appointment of new chairs to the various negotiating bodies has been completed and directions have been given for the resumption of work in all these bodies. Concrete proposals aimed at taking the process forward have also been received in a number of areas. I have only recently returned from a WTO Regional African Workshop on Cotton, which was held in Cotonou on 23-24 March, and in which we made significant progress in identifying means to address some of the major problems of cotton producing African countries. The

Agriculture committee has also just concluded its week long deliberations in Geneva, which were unique in the sense that a much larger percentage of the time was spent in consultations amongst Members and their various groupings, rather than being limited to only consultations initiated by the Chair.

In addition, the regular work of the WTO, something that is often lost sight of, has continued unabated. In particular, I would like to mention that the WTO again took on a high level of commitment in providing technical assistance and capacity-building to developing countries. This is in recognition of the considerable expertise all countries need in order to exercise their WTO rights and obligations, to reap the benefits of membership in the multilateral trading system, and to participate fully in the negotiations – defining their interests and understanding the implications of proposals by other players. In 2003, this commitment was backed by the necessary financial pledges by Members to a trust fund for technical assistance. This enabled the WTO to undertake 451 activities over the course of the year. Important progress was also made in 2003 in two key joint programmes: the Integrated Framework for Least-Developed Countries (IF), and the Joint Integrated Technical Assistance Programme to Selected Least Developed and other African Countries (JITAP). Inter-agency cooperation in technical assistance and capacity building is to be continued and strengthened. Assistance is needed to help developing countries address supply-side constraints to enable them to better benefit from the opportunities arising from participation in the multilateral trading system. This involves action that goes beyond the mandate and competence of the WTO.

The WTO continued to perform its surveillance of Members' trade policies and practices. Between January 2003 and the end of March 2004, 20 Trade Policy Reviews were conducted by the Trade Policy Review Body. This exercise continues to be highly appreciated and valued by Members as one of the main elements providing transparency to trade regimes and in bringing greater understanding of, and hence providing improved adherence to, the rules and principles that underpin the multilateral trading system. Attention was also focused on policy coherence between the WTO, the IMF and the World Bank in support of the DDA negotiations and also co-operation between the WTO and other agencies in the delivery of technical assistance activities. The WTO Secretariat also upgraded its outreach activities with a new programme of specific activities focused on parliamentarians. The WTO's annual Public Symposium held in June last year attracted more participants than ever before. The WTO's dispute settlement system continued to be active with an increasing number of members seeking recourse to it, a fact that is reflective of the confidence that Members have in the system.

In terms of objectives, it is hoped that following the April TNC, delegations will have a clear sense of the critical issues still to be addressed and that by July they will be able to reach agreement on a framework. Notwithstanding some external events which are likely to take place in the second half of this year, such as the US elections and the change of EU Commissioners, governments are determined that 2004 will not be a lost year. Work in the WTO has started and delegations are being urged to advance the negotiations as far as possible in the first half of the year; they will give particular attention to the market access side of the agenda - agriculture, services, NAMA, etc, but will also continue work on other important aspects such as special and differential treatment, implementation, and rules. To this extent, July will be the time for a reality check; if delegations decide the end-2004 deadline for concluding the Round cannot be met and more time is needed, they will have to spell this out clearly and plainly.

In conclusion let me say that we have come a long way from the disappointment of Cancún. Common ground is emerging on some important issues. On others we have not yet arrived at the level of specificity we had envisaged at Cancún. But as I have said this is not an easy task, including because of the fact that negotiations today are conducted amongst an unprecedented number of governments. As a result, the differences between the participants, in terms of their size, economic development, trade interests and negotiating capacity are greater than ever. For many small developing countries - which have joined the WTO recently and were not members of the GATT - this is their first negotiating experience in a multilateral context. Others have limited resources to proactively pursue the developments in the various negotiations. These limitations too have to be borne in mind as the negotiations proceed because inclusiveness and participation are as important as efficiency in arriving at a consensus. I like many others remain confident that progress will be made and that an early conclusion of the Doha Development Agenda would contribute to a stronger and more even expansion of world trade and sustained global economic growth.

I thank you ladies and gentlemen.

Dr. Kipkorir Aly Azad Rana is Deputy Director-General at the World Trade Organisation.

From Cancún to São Paulo: Developing Countries in the International Trading System Why UNCTAD Matters

Lakshmi Puri

It gives me great pleasure to participate in this pre-UNCTAD XI event which attempts to chart the course of the multilateral trading system (MTS) from Cancún to São Paulo and to focus on the role of, and implications for, developing countries.

I would like to begin by referring to the role and mandate of UNCTAD in relation to the international trading system and how that makes us a natural partner of the NGO community.

The role of UNCTAD

UNCTAD is, as you know, the focal point of the United Nations for the integrated treatment of trade and development and inter-related issues in the areas of finance, technology, investment and environment. The three pillars of UNCTAD's work relate to research and analysis, technical cooperation and capacity development, and intergovernmental policy dialogue as well as consensus building. UNCTAD provides a strategic view of the international trading system that goes beyond the WTO to regional and bilateral levels. This is because the latter trade and economic integration arrangements on a North-South and South-South basis have gained strength, depth and momentum, and now account for nearly half of world trade. Moreover, UNCTAD's view covers inter-regional, regional, national, and sectoral and multi-sectoral dimensions, as well as crosscutting themes such as trade and poverty, culture, gender, health, migration, etc. We examine government policies and entrepreneurial strategies within both macro- and micro-economic contexts, and we cover the entire gamut of North-South and South-South economic and trade relations. Our strong suit is to present the ground reality in these areas so that negotiations on trade and development issues – wherever and whenever they take place – are based on and address these realities. We also try to inject the development dimension into all trade issues – both systemic and emerging.

As you can see, our mandate and role gives us reason to have a special affinity with the work and mission of the NGO community that has been playing a valuable role in consciousness-raising about many of the issues that UNCTAD as an intergovernmental organisation, a think-tank and an advocate of development deals with. In fact, I very much look at UNCTAD as a forum for bringing together governments and civil society on the whole host of trade and development issues so that a common ground can be found and development considerations better mainstreamed into the international trading system and trade negotiations.

Agenda and programme for UNCTAD XI

Let us review some of the main issues that will be discussed and highlighted at the UNCTAD XI Conference that have relevance for the MTS and for trade and development more broadly. The overall theme of the UNCTAD XI Conference, Enhancing the coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries, will be addressed through four Conference sub-themes: development strategies; building productive capacity; assuring development gains from trade; and, partnerships for development.

Apart from plenary debates on the theme and sub-themes of the Conference, a number of pre-, side- and parallel events are planned, including during the UNCTAD Trade Week in Rio de Janeiro from 7 to 11 June 2004 and the main Conference itself in Sao Paulo from 14 to 18 June 2004. The programme details have been separately circulated and are also attached. We invite our friends from the NGO community to participate in these events and inform the contact persons.

Messages expected from UNCTAD XI

Trade as an engine for development

UNCTAD XI is expected to emphasise the importance of trade for accelerated economic growth and development. Equally, it will underline the salience of development and the economic progress of developing countries for world trade dynamism, expanding markets and spreading prosperity.

The share of trade in the GDP of developing countries has been high and increasing over the past decade, and was valued at 58 percent for developing countries as a group in 2000. Developing countries have undertaken unprecedented liberalisation in the last fifteen years, often at considerable cost. Implicit in their participation in global trade liberalisation, has been the premise of increased trade delivering welfare and efficiency gains for their economies and enabling them to achieve the Millennium Development Goals including poverty reduction. Many developing countries, particularly in Asia, have indeed followed trade-led development strategies with success, but the Latin American and African experiences indicate that the full potential of trade for development remains to be realised. Developing countries therefore have much to gain from trade whilst becoming more dependent on and vulnerable to opportunities and challenges in the economic and trading environment.

That developing countries now represent a force to reckon with in international trade is borne out by their increasing participation in world trade and their growing membership in the WTO where they now constitute the majority. Though their share accounts for 30 percent of total world trade, it is growing at twice the average rate of growth of world trade (9 percent as against 4.7 percent in 2003), with the trade of countries like China increasing at 30 percent and India at 20 percent. Though at a slower pace, the trade of Latin American and African countries is also growing significantly. Manufactures now represent 70 percent of developing country exports indicating increased diversification. Services exports of developing countries account for 23 percent of world services exports. Many developing countries have the potential of becoming regional or global growth nodes for international trade. This is illustrated by the way they have become prominent trading partners even in developed countries' trade. For example, US imports from developing countries exceeded those from developed countries for the first time in 2003 and exports to developing countries from the US represented more than 40 percent of total US exports. In Japan and the EU this latter figure is also over 40 percent.

These figures demonstrate the dynamic role of developing countries as destination markets as well as sources of imports for developed countries, as well as other developing countries. It is not only a question of China emerging as a hungry importer and vigorous exporter, but of the possibilities that replication of such trade success can provide towards resolving key development and poverty-related problems of the world. And it is not only through increased trade with the North that trade is driving development in developing countries; South-South trade is emerging as a fundamental component of world trade. In fact, with over 40 percent of developing countries' exports now destined for other developing countries, there is a silent revolution taking place in South-South trade. Developing countries are engaged in substantial sub-regional and regional trade liberalisation, and through the Generalised System of Trade Preferences (GSTP), developing countries are poised to significantly increase their inter-regional trade, including through the possible launch of a new round of negotiations in São Paulo at the time of the UNCTAD Conference. A strengthened GSTP will further reinforce the new trade geography that the dynamism of developing countries has given rise to.

This interdependence between international trade and the development of developing countries underscores the global importance of nurturing developing economies, strengthening their production, trading capacities and purchasing power as a contribution to sustained and widely distributed global prosperity. I must emphasise that increasing gains from trade for developing countries is in the interest of developed countries too, especially as one considers that future demand growth in some developed countries is likely to level off due to their high degrees of consumption saturation. In contrast, developing countries constitute an immense reservoir of untapped demand, which, if realised, could provide an exponential impetus to the growth of international trade and expansion of the world economy, with beneficial effects on the welfare of developed country economies, consumers and businesses.

The need for coherence

Another key message expected from UNCTAD XI relates to the issue of coherence between national development strategies of developed and developing countries and global economic processes so as to deliver economic development, particularly in developing countries. In the first instance, as far as trade is concerned, and as part of UNCTAD's unique contribution, this would imply establishing a virtuous circle among:

a) Building up of productive and supply capacities and trade supporting infrastructure in developing countries;
b) Enhancing the competitiveness of developing countries' productive sector and their enterprises; and,
c) Providing developing countries with increased and effective market access, as well as fair and equitable conditions for their participation in international trade.

Another aspect of coherence relates to that among the different institutions, systems, and policies for global economic governance and support to developing countries efforts to glean benefits from the international trading system. In this context, the functioning of global financial, monetary, technological and others systems and policies need to be made mutually-supportive. It has been amply demonstrated in the annals of development, that the best laid development strategies of developing countries could be thwarted if this coherence is lacking.

We must also recognise that no amount of market access will benefit developing countries if their supply capacity or competitiveness is inadequate or their development strategies are not geared to seizing global trade opportunities. Further, trade related opportunities could also be lost if exchange rate or debt-related policies of the majors is not sufficiently development oriented.

The value of multilateralism

The Conference can serve as a forum for governments to reaffirm the value of multilateralism and their determination to uphold the integrity, viability and development dimension of the MTS embodied in the World Trade Organisation (WTO) Agreements and the Doha Declaration. Despite the increasing role and relevance of regional trade agreements and bilateral agreements, the MTS remains the central pillar of the international trading system. Apart from seeking to emphasise the goal of achieving an open, rule-based, non-discriminatory, equitable and predictable multilateral trading system, the WTO provides the best shelter for all countries, particularly developing countries, against arbitrary and unilateral actions, and offsets their lesser or absence of bargaining power. UNCTAD XI would, in various ways, expect to send positive impulses for the resumption and success of the stalled Doha negotiations and reinforce its call for delivering on the Doha Declaration's development agenda. This agenda should help maximise the development potential of trade in goods, services and commodities for developing countries so as to enable them to achieve sustainable growth, broad-based development and poverty reduction.

I would now like to turn to sub-theme 3 of the Conference, assuring development gains from trade.

What constitutes development gains?

Improved trade performance of developing countries can contribute to higher levels of domestic and foreign investment, diversification of the national economy, and enhanced resource efficiency through greater competition. Trade can provide an important impetus to strengthening a country's scientific and technological base and promoting innovation and entrepreneurship, which are among the key determinants of increasing local content and raising returns to national factors of production. By increasing productive employment, trade can create new work opportunities for the poor and dramatically increase their purchasing power to facilitate their access to food, essential medicines, and basic human services.

However, we cannot overlook the fact that developing countries continue to face significant difficulties in realising these gains from the international trading system, and more specifically, from the multilateral trading system. Many of these difficulties result from their limited capacities, competitiveness and infrastructure for international trade. Considerable imbalances in the international trading system also result in high implementation and adjustment costs of trade agreements and correspondingly high costs for market entry.

Delivering expected gains from the Uruguay Round

Substantial gains were anticipated and promised including from the 'grand bargain' that was struck from the most ambitious round of multilateral trade negotiations – the Uruguay Round – which led to the creation of the WTO. Annual income gains of $116 billion were projected for developing and transition economies as a group by 2005 out of a total $510 billion increase in annual world income. From developing countries' perspective, the unfinished business of the Uruguay Round needs to be completed for their expected gains to materialise.

To help deliver these gains, the Doha Declaration placed the development needs and interests of developing countries at the heart of its Work Programme. Many developing countries now stress the need to urgently address specific development provisions and mandates of the Doha Declaration to ensure that gains will accrue to them by allowing them to secure a share in the growth of world trade commensurate with the needs of their economic development.

Faith in the MTS as a principal vehicle for enabling development gains from trade needs to be reinvigorated through concrete progress and actions, especially after the setback of the Fifth WTO Ministerial Conference in Cancún. Priority should be given to consolidation of the MTS, with focus on the substantive and core trade and development issues, allowing manageability and prioritisation of the Doha negotiations and implementation of its development agenda.

Addressing developing countries' adjustment costs

Trade liberalisation under the Uruguay Round and further liberalisation under the Doha work programme does imply substantial adjustment costs for developing countries. For example, LDCs, small economies and net food-importing developing countries, which face problems of attaining food security and developing their own production and supply-side responses will face adjustment costs and will need to be supported such as through market-based mechanisms to make operational the Marrakech "Decision Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-importing Developing Countries" and for WTO members to act to implement the Decision.

In addition, developing countries may also experience loss of employment, displacement of local production, erosion of preferences, and heightened exposure to structural, short- and medium-term price volatility in world markets. If the benefits of international trade and trade liberalisation are to be maximised and the costs minimised, clearly focussed and coherent trade and development policies at the domestic and international levels as well as supportive mechanisms and social safety nets are prerequisites. There is therefore a need for future negotiations to take this into account and to provide for it in a systematic manner. Synergy and proper sequencing – in the light of the capacities of developing countries, the level of obligations they are to take on, and the costs of implementation – is therefore called for at all stages of negotiations. Developing countries also require concrete assistance to build supply capacity and put in place safety nets, both to meet adjustment costs and to help cushion erosion of trade preferences.

Developing countries' own policies

Notwithstanding the greater weight and impact of developed countries' policies on the MTS, it must be stressed that assuring development gains from international trade also depends critically on effective national trade and development policies of developing countries themselves. An enabling and positive international economic environment and coherent, complementary and supportive developed country policies are critical determinants.

Developing country policy-makers must therefore work to achieve strategic liberalisation on a sector-by-sector approach, while enhancing supply capacities in main export sectors and establishing an effective national competition policy to protect the interests of national firms and entrepreneurs. Key problems outside the trade field also need to be addressed urgently by national policy-makers and the international community. These include, for instance, optimum resource management, debt sustainability, poverty reduction and environmental protection.

The issue of policy space, liberalisation and globalisation

Far reaching globalisation and trade liberalisation over the past 10 years, both within and outside the context of the WTO and regional trade agreements (RTAs), has brought to the fore an old issue in a new form. The broad scope of international trade and economic agreements – influencing all sectors of economic activity and even touching social and cultural policies – has underscored the dilemma in developing countries of exchanging national policy space for their increased economic integration into the global economy. There is, therefore, considerable concern among developing countries that the narrowing range of national policy options permissible under the WTO Agreements and RTAs may limit their ability to design and implement mutually supportive trade and development policies.

Where does national policy space end and where does international policy space begin? The Conference will seek to strike a balance between what kind and degree of policy space developing countries need in order to deliver public goods to their population; achieve national Millennium Development Goals (MDGs); meet their international engagements, commitments and obligations; and support national economic growth and development more broadly.

Synergies between the state and the market

I would like to stress that developing countries' demand for adequate policy space does not in any way imply a break from globalisation, liberalisation and multilateral commitments. Nor do developing countries advocate a return to their state-run or state-dominated economies of the past. Rather they seek to ensure governments' ability work in partnership with private enterprise.

Experience shows that the state is central to economic and social development, not as a direct provider of growth, but as its partner, catalyst, and facilitator. Governments that encourage and complement the activities of private business are an essential ingredient in economic development. Their policies and actions that support national industries through grants, subsides, preferential loans and selected tariff barriers when needed, are important drivers of national enterprise development. The development-oriented competition policies they establish also have a significant role to play in promoting a competitive and dynamic enterprise sector. At the national level, the establishment of fair competition is critical for the success of sequenced trade liberalisation, deregulation, privatisation, and FDI openness.

Fair competition

The increasing concentration of market power in a larger trans-national corporations (TNCs) with global reach and control, poses significant challenges for producers, especially smaller enterprises, and consumers in developing countries. Cross-border monopolisation and cartels and anti-competitive practices in international distribution networks adversely affect market entry for developing countries exports. Their prevalence, along with oligopsonistic conditions in key markets and sectors, diminish the bargaining power of the developing country producers and enterprises, reduce their value retention and participation in value chain, and restrict their market entry. Developing countries need national competition laws and frameworks best suited to their needs and stage of development. A development-oriented competition policy, involving intergovernmental cooperation and enterprise level disciplines has a significant role to play in promoting a competitive and dynamic enterprise sector in which small and medium sized enterprises in developing countries can grow and develop.

A role for global enterprises

Increasingly, TNCs seek to promote economic, social and environmental objectives in all of the markets – both in developed and developing countries – where they produce and sell goods and services. Their voluntary codes of conduct, ethics and corporate social responsibility build good relations with their global investors and with the local communities where they operate. They are of course welcomed, however, care has to be taken to ensure that these codes and initiatives do not become a formal conditionality for trade for all firms; barriers to exports by developing country firms; or a disincentive for major corporations to invest in, and source goods and services from, developing countries.

What are the expected gains?

I have argued that there is no better alternative than an effective development-oriented MTS in promoting international trade and assuring development gains from it. Let me now share with you some of UNCTAD's estimates of how significant we expect these gains to be.

Agriculture: Estimates of the contribution to global welfare gains from completely removing trade barriers in agriculture vary greatly but could be as high as US$ 165 billion annually, of which developing countries would receive about one quarter. Tariff reductions on non-agricultural goods are estimated to yield similar gains for developing countries – about $40 billion annually – by opening opportunities for developing countries to increase their participation in dynamic and new sectors of world trade.

Non-agricultural goods: Developing countries have important commercial stakes in non-agricultural market access (NAMA) negotiations, in terms of market access, market entry and development flexibility. Market access is a prerequisite for market entry to occur, but it is not a sufficient condition and therefore there is need to address actual market entry conditions. Therefore to really capture gains from NAMA liberalization, innovative measures are required to upgrade substantially developing countries' technical levels and capacity, particularly in standard setting in accordance with respective international standards and scientific criteria.

Textiles and clothing: This is one example of expected gains from liberalised trade in non-agricultural goods. Liberalisation of textile trade under the Agreement on Textile and Clothing in 2005 is expected to generate income gains of $24 billion per year, export revenue gains of $40 billion and employment generation of about 27 million jobs for developing countries.

Services: More liberalised trade in services through the movement of natural persons under Mode 4 is estimated to yield $80 billion per year for new developing country workers securing jobs in developed countries if the latter increase their quota of foreign workers to a level of 3 percent of their workforce for all skill levels. Already, the officially recorded remittances by foreign workers to developing countries amounted to $93 billion in 2003 – nearly double Official Development Assistance and exceeding annual FDI inflows to developing countries. Moreover, it has been estimated that when flows through informal channels are accounted for, the actual magnitude of remittance flows to developing countries may be two or three times this amount. Trade in services under Mode 1 is also expected to yield significant gains for developing countries through the cross-border supply of services without movement of either supplier or consumer from one country to another. Projected growth in demand for foreign outsourcing services and the competitive advantage enjoyed by a number of developing countries by virtue of their economic, linguistic and technical capacities, points to an unbounded potential for developing countries to enter the outsourcing industry. The global outsourcing market is predicted to value at $300 billion in 2004 following annual market growth rates of 23 percent since 1999, making it one of the fastest growing services sectors. It is estimated that developing countries will soon increase their participation in off-shoring to levels approaching 25 percent of this world market.

Commodities: Commodity production and trade have significant bearing on sustainable livelihoods of the poor, as well as on export and growth performance of the large number of commodity-dependent developing countries. Half of all developing countries depend on non-fuel commodities for more than half of their export earnings, two thirds if fuels are included. Price fluctuations have continued to be a characteristic common to almost all commodity markets, and if anything, the amplitude of the fluctuations appears to have increased. Over the past several decades, real prices of some important commodities have continued to fall. For instance, in 2002, the price index of agricultural commodities was only one half of the same index in 1980. The period from 1998 to 2002 witnessed major falls in the prices of some commodities of major export interest to developing countries, such as coffee and cotton. Vanishing revenue from these two commodities alone illustrate the dramatic loss of expected gains from trade that developing countries continue to witness. For example, coffee producing countries and West African cotton producing countries would have earned respectively US$ 19 billion and US$ 1 billion more between 1999 and 2002 if prices had remained at their 1998 levels. Coffee producers now receive roughly a third of the price they used to get in the mid-1990s.

The time has come to accord high priority to commodities in international trade and development cooperation. UNCTAD's work points to several recommendations that are relevant in this context, including providing enhanced, equitable and predictable market access for commodities of key importance to developing countries; addressing the problems of oversupply; making compensatory financing schemes user-friendly and operational; strengthening capacity and institutions; and establishing a diversification fund to assist developing countries lessen their economic dependence on commodities production and export.

Regional Trade Agreements: Both the proliferation and deepening of RTAs have been significant during the past decade. Today, a total of 215 RTAs are in force and together they cover some 40 percent of world trade in 2000 and are estimated to cover over 50 percent in 2005. Many RTAs increasingly cover not only trade in goods, but also 'beyond the border' areas – including trade in services, investment, competition policy, intellectual property rights, government procurement, labour, environment and development cooperation – often going beyond MTS disciplines and thus constituting 'WTO-plus' commitments. This raises the question of coherence between trade liberalisation and trade policy reform through RTAs and MTS. The proliferation of RTAs has raised concern among developing countries over the relative deterioration of their MTS conditions of access to regionally integrated markets, and over the potential fragmentation of the MTS in the presence of an intensifying array of RTAs. Challenges facing developing countries are the needs to design an appropriate degree and pacing of regional liberalisation; integrate sufficient SDT within RTAs to account for their limited economic capacity and negotiating resources; and negotiate RTAs that are coherent with relevant MTS disciplines and decisions in the ongoing Doha negotiations.

Preferences: The Generalised System of Preferences (GSP) – which owes its existence to UNCTAD – and other unilateral trade preferences can play a much more significant role in delivering gains from trade to developing countries by providing them with enhanced access to developed country markets. The total value of actual trade under GSP schemes was $71.4 billion in 2001, as against the estimated total value of product coverage under them of $183 billion, suggesting a utilization rate of only 38 percent. This indicates substantial scope to enhance their utilization, particularly by countries in Asia and Africa, while preserving the original non-discrimination and non-reciprocity objectives of the GSP. The low utilization of preferences is mainly due to the requirements attached to them, especially rules of origin and market entry barriers. To improve the value and utilization of trade preferences, further efforts are needed to provide greater stability, develop realistic rules of origin matching the industrial capacity of developing countries, and extend the country and product coverage. Furthermore, as noted above, the erosion of preferences has raised concern among preference-receiving countries. Initiatives, particularly by the international financial institutions and donor community, to provide adjustment for the erosion of preferences would help to allay anxieties about MFN liberalisation and projected losses there from.

Special and Differential Treatment (SDT): The Doha Work Programme has re-emphasized the importance of SDT for developing countries to deliver gains from trade to developing countries. SDT should be strengthened and made more precise, effective and operational. In line with the Enabling Clause, it should also be designed to respond positively to the development, financial and trade needs of developing countries. Agreement on a package of SDT provisions, both cross-cutting and agreement-specific, which have practical commercial value either in terms of providing greater flexibility or preferential treatment, would move the development agenda forward and enhance the confidence of developing countries in the MTS. A broad-based, non-discriminatory and development-oriented SDT would need to reflect the following key elements: (a) strengthening MFN and non-discrimination, while upholding the principle of less than full-reciprocity for developing countries and preferential treatment, wherever possible; (b) enhanced market access and market entry for commodities, manufactures and services of export interest to developing countries and redressing the imbalances thus far; (c) adequate flexibility and space for developing countries in regard to inside-border issues and resource-intensive agreements; and, (d) full consideration of development dimension in new and emerging issues.

Ways forward

Given the manifold benefits of trade, we must all be occupied with the task of identifying ways through which greater development gains can be derived by developing countries from the MTS and trade negotiations. The positive impact of the MTS and trade negotiations on employment and living standards of people everywhere, underscore the importance of prioritising development in trade and trade negotiations.

So as we proceed from Cancún to São Paulo, and as Doha negotiations are picking up again, we must redouble our efforts to build an MTS that is supportive of the development aspirations of developing countries. To build such a system, which can maximise the benefits of international trade and trade liberalisation, the objectives of policy coherence and broad participation must be pursued.

Building greater policy coherence requires progress on several fronts. Firstly, there is a need to clearly elaborate focussed and coherent trade and development policies at the domestic and international levels as well as supportive mechanisms and social safety nets are prerequisites. In particular, there is a need for future negotiations to take these necessities into account and to provide for them in a systematic manner. Secondly, the multilateral trade negotiations should be consolidated, with focus given to substantive and core trade and development issues, allowing manageability and prioritisation of the Doha negotiations and implementation of its development agenda. And thirdly, attention should be given to building synergy and proper sequencing of negotiations and agreements in the light of the capacities of developing countries, the level of obligations they are to take on, and the costs of implementation.

Broad participation in decision-making on trade related issues must also be ensured. Most developing countries are democracies wherein participation in government decision-making is both valued and encouraged. Governments are accountable to their people for their assumption of commitments, especially in the area of trade, which is becoming all pervasive and crucial for the very survival of people and their social and economic well-being. Broad multi-stakeholder participation in decision-making on trade requires instilling inclusiveness, ownership, transparency and democracy of negotiating processes and decision-making, nationally and internationally. NGOs have a particularly important role to play in awareness-raising on key issues, assembling stakeholders and promoting consultations among them to reveal national development needs and priorities, and transmitting the latter to national and international decision-makers.

Transmitting the development needs and priorities of developing countries to decision-makers is a responsibility which I am sure each NGO representative here today holds dear. UNCTAD recognises and greatly values the contributions you are, and will be making to the UNCTAD XI process.

I thus strongly encourage each of you to actively participate in UNCTAD's Trade Week, the many pre-, side- and parallel events we have planned, and sessions of the Conference itself.

Moreover, each of your organisations will undoubtedly have special contributions to make to new multi-stakeholder partnership initiatives between UNCTAD and civil society that will be launched during the Conference. Partnerships for which your participation is encouraged will be in the areas of information and communication technologies for development; solving the problems of the commodities sector; maximising the benefits of foreign direct investment; and Internet-based capacity building and training.

Surely there is a lot to do and by getting involved we can work together to make a real difference for development, not only in your home countries in Asia and Africa, but in developing countries throughout the world.

Lakshmi Puri is Director at the Division on International Trade in Goods and Services, and Commodities, United Nations Conference on Trade and Development.

What is it for?
Who is it for?
How then should it work?

Colin Ball

Your Excellencies, distinguished speakers, guests and participants.

Early in my life I was a teacher, in the United Kingdom, Malaysia, Nigeria and Ghana. Then, and subsequently, I read the books of other educationalists; mostly the books that good young teachers are not meant to read, books that argued that education systems and processes are irrelevant to the real needs of societies and humankind and indeed favour and promote the interests of the few at the expense of the many. In what I have just said change the word "education" to "trade" or indeed "development" and you will begin to understand, I hope, where I stand on the issues we are addressing here this week. One educationalist whose works I read was John Holt. Forty-plus years on from the time I read his work, I have no need to go to my library to recall these words of his. He wrote: "We live in societies…" (Indeed, I would add, a world)…"that make no sense, do not work, and are headed towards disasters we have no idea how to avert…." Again I hope the relevance is clear.

Holt made this observation, which seems to me as, if not more, correct in today's world as it was in the 1960s in the context of the wider subject he was addressing. Again, as I recall without having to re-consult my source, this wider subject was about the role, or rather the lack of it, that young people play in modern societies. Holt wrote: "For most of human history, and today in the poorer countries and in the poorer parts of rich countries, young people grow up and take their place in society as fast as their growing strength and competence allow. In recent times, in rich countries and the richer parts of poor countries, this is no longer true. There, young people are cast out of society, forbidden to play any useful role in it…". From that point, Holt went on to argue that what was needed to address this problem was not tinkering with details such as how much of the curriculum should be devoted to this, that, or the other subject, but a fundamental rethink: what is education for? Who is it for? How then should it work? And Holt added, the young themselves need to be part of the rethink, not the subject of it.

Again, I hope the parallel with what and who we are talking about this week is clear: for the exclusion of young people from playing useful roles in society, read the exclusion of civil society from playing useful roles in the evolution of the international trading system! But it goes further than that. If, as appears to be the case, the doors to the discussions about that system appear to be opening to civil society, what should its role be?

Ladies and gentlemen, I would humbly suggest that that role should be to ask the same questions of the system – what is it for? Who is it for? How then should it work? – as Holt asked of education. Indeed the questions need to be asked in all discussions, among all stakeholders and interested parties, not just about the trading system, but about the complex web of international trading, financial, development and geo-political institutions, which to repeat Holt's words "make no sense" to most of us. Indeed, I would argue that that complex web, again to use Holt's words "*does not work*" and is demonstrably not just failing to deal with "*disasters we have no idea how to avert*" but indeed is constantly producing new disasters – including the growth of pernicious, arrogant unilateralism and intolerance among those who already have more than their fair share; monstrous inequalities; persistent poverty; rampant injustice.

Ladies and gentlemen, if we are to take the Doha Development Agenda forward, I am arguing that the role of civil society, in the light not just of Singapore, Geneva, Seattle, Doha and Cancún, but of all the wider world political events that form their context, must be to focus on those basic questions: what is it all for; who is it all for; how then should it all work?

Yes, by all means civil society is right to seek to get involved in such matters – which are hardly of detail – as TRIPS, TRIMS, "S and DT", tariffs and subsidies. But across the complex web I have referred to there are systemic "big picture" faults – too many things as Martin Khor has put it are being "negotiated" before they are "clarified"; then, I would add, too many decisions are being made before such negotiations are concluded; and then too much is being implemented before even decisions are concluded. It is down to civil society to engage to bring sense, here, in the big picture where no sense is apparent at present. If it does not, who will?

Ladies and gentlemen, the Commonwealth Foundation is pleased to be a major sponsor of this important conference. We wish it every success.

Colin Ball is the Director of the Commonwealth Foundation.

Plenary I
"Assuring Development Gains from the International Trading System and Trade Negotiations"

Chair: **Maxine Olson**, Resident Representative, UNDP, India

Speakers: **Anwarul Hoda**, Professor, Indian Council for Research on International Economic Relations
S. N. Menon, Special Secretary, Department of Commerce, Government of India
Debapriya Bhattacharya, Executive Director, Centre for Policy Dialogue, Dhaka, Bangladesh
Amrita Narlikar, Lecturer, University of Exeter, United Kingdom
John Ochola, Programme Officer, Institute of Economic Affairs, Nairobi, Kenya

The first plenary of the Seminar was chaired by **Dr. Maxine Olson**, Resident Representative of the United Nations Development Programme (UNDP) in India. Dr. Olson began the plenary by asserting that human development is about expanding the choices of people. Trade, she stated, is a means towards this aim, not the goal in itself. She then introduced **Dr. Anwarul Hoda**, who delivered the keynote address. Dr. Hoda applauded the role played by Non-Governmental Organisations (NGOs) in building the international trade regime by providing a physical and social infrastructure. He praised the role played by NGOs in helping developing countries build their capacity especially with regards to agriculture, citing the example of cotton. The role of NGOs in the future would also be important, he said.

Dr. Hoda further argued that the international trading system is not "the all and end all of" development. Development is a multifaceted process and trade takes care of only one dimension of development. For sustainable development to take place it is important that there is social and political stability as well as sound macroeconomic fundamentals. Dr. Hoda reasoned that not much should be expected from the Doha Development Agenda. He emphasised on the principle of special and differential treatment (S&DT), which is important to developing countries. However, according to Dr. Hoda, the design of the system and making the rules of the game fair is more important than S&DT.

Dr. Hoda drew attention to the example of agriculture to demonstrate how developed countries are using unfair rules to the prejudice of developing countries. Two basic problem areas were identified: High level of subsidisation and market access barriers. In major industrialised countries, the tariff on temperate foodstuff is in the multiples of 100 percent. Similarly, the level of subsidisation goes up to 30-40-50 percent of agricultural production. On the other hand, developing countries do not even maintain the *de minimis* margin of subsidisation. S&DT is therefore important, as there cannot be any equality amongst unequals. However, rectifying the rules of the game is of outmost importance. The basic rules, he stated, need to be right.

Dr. Hoda then highlighted the example of textiles. In textiles, there is a need to get rid of discriminatory restrictions on all textile products. He then pointed out the issue pertaining to the reduction of tariffs. Tariffs are one of the major revenue sources for developing countries. Any tariff reduction formula must take this into account.

On the issue of technical assistance being given by developed nations to developing countries, Dr. Hoda emphasised the necessity to look beyond capacity building. This latter is important, rules need to be understood and issues of measurement. However, there is an urgent need to develop the industrial capacity of developing countries and to attract foreign direct investment (FDI).

Dr. Hoda then expressed his views on globalisation and Regional Trading Agreements (RTAs). He claimed that globalisation is a process that has been fostered by technological development and the liberalisation process. Globalisation is a reality and as such we have to live with it. On Regional Trading Agreements, he said that the world has witnessed two waves of regional trading arrangements. The first wave originated in the 1960s and 1970s. This wave failed because developing countries used to maintain high tariff barriers. However, developing countries can gain enormously from the current wave of regional trading agreements. Participating effectively in regional trading agreements would help developing countries achieve the economies of scale. Just like globalisation, RTAs are also a reality and developing countries have to live with it.

The second speaker at this session, **Mr. S. N. Menon**, Special Secretary at the Ministry of Commerce and Industry, differed with Dr. Hoda's assertion that nothing much could be gained from the Doha Development Agenda. Mr. Menon argued that India's endeavour should be to gain as much as possible from the Doha Development Agenda. It is necessary, he maintained, to maximise the gains and minimise the losses from the Doha Development Agenda.

Mr. Menon further argued that development is a complex paradigm. There could be several indicators of development like poverty reduction, economic growth etc. He remarked that development is a process, which expands the choices of the people. If we were to look at the Millennium Development Goals (MDGs), we would find that development is not just limited to economic growth but extends beyond. The effort of developing countries has been to ensure fairness and equity in the international trading system. At Cancún, developing countries demonstrated their resistance against the interests of developed countries. This resistance was unprecedented and much unlike the resistance shown at Doha where developing countries had been pressurised by developed countries.

Trade, Mr. Menon continued, is welfare enhancing. However, the flip side of trade should not be ignored either. In trade liberalisation individuals could be losers and would need to be redeployed. This transition may take time. Trade theory works on certain assumptions: flexible labour mobility and no infrastructural bottlenecks among others. However, the reality is quite different. Trade liberalisation could lead to abject poverty. Thus, there is a need to have corrective domestic policy in place. It becomes therefore pertinent for the government to interact with all stakeholders. In this interaction the role of NGOs is crucial.

During the Uruguay Round developing countries lacked the competence to negotiate. Today the situation has changed, developing countries are more aware and have developed better negotiating strategies. At the same time, it is of utmost importance to implement agricultural reforms at the domestic level. Private investment in rural infrastructure should be bolstered. In his concluding comments Mr. Menon emphasised on the need to have transparency at the World Trade Organisation.

Dr. Debapriya Bhattacharya, Executive Director at the Centre for Policy Dialogue in Bangladesh, began his talk by pointing out that all deadlines set out by the Doha Ministerial have been missed at the World Trade Organisation (WTO). However, victory at the Cancún Ministerial, he opined, had not been lost, but delayed.

Bhattacharya identified, in the context of the multilateral trading system, three important roles which the Civil Society is destined to play:

(i) As the source of valid information and knowledge for analysing the issues related to multilateral trading regime;
(ii) As an advocate of the interests of the marginalized stakeholder in the trade policy framing process; and
(iii) As a builder of capacity within and beyond the civil society for dealing with challenges of the international trading system.

Regarding the disappointing outcome of Cancún, Bhattacharya said that usually two major sets of reasons are mentioned. First, a substantive one. The agenda of the Ministerial was so overburdened that it was destined to fail to reach a satisfactory conclusion. Second, a tactical one. Once the developed countries were ambushed by the impromptu unity of the developing countries, some of them looked for space to retreat.

Now going beyond the conspiracy theory, the question is how do we look at Cancún with hindsight. Dr. Bhattacharya maintained that there are two basic propositions regarding the outlay of international trade talks: As per the first proposition, and as articulated by Joseph Stiglitz, “No deal is better than bad deal”. The second proposition on the contrary maintains, “Something is better than nothing”. During the Cancún process, developing countries focused on the first proposition and ensured that no agreement was better than a bad agreement. However, we may ultimately have to build on incremental success.

After Cancún the EU has been varying its stand on agriculture. Today, the only concession that the EU is ready to make is to cut its agricultural subsidy programme. Similarly, the approach of the USA on the "Singapore Issues" is also changing. As stated by the USTR Bob Zoellick in an open letter, the approach favoured would be 2+2, including Trade Facilitation and Transparency in Government Procurement and leaving Investment and Competition Policy aside to begin with.

Dr. Bhattacharya raised several issues for discussion. He was of the opinion that a political understanding would give a "big push" to the multilateral trade negotiations. He argued that there is an immediate need to bring multilateralism back on track and suggested that there is a conflict between multilateralism in trade and unilateral political action, which may overshadow the former. Dr. Bhattacharya questioned how a multilateral trade body was expected to deliver if multilateral political organisations are unable to. Dr. Bhattacharya also argued for developing a better interface between multilateralism, regional trading agreements and bilateral agreements. He advocated for a more pluralistic approach. He maintained that the strategic situation of a country would dictate its optimal mix of different types of agreement.

In preparation for the unfinished agenda of Cancún he mentioned three main topics: Agriculture, NAMA and the Singapore Issues. Agriculture should occupy the top slot. The issues pertaining to the Peace Clause and the Green and Amber Boxes should be given priority. He stressed on the need to have a "blended formula" for tariff reduction so that no discriminatory cuts are made in tariffs. Regarding NAMA he raised the question of which sectors to open up and also refered to negotiation on services. On the Singapore Issues, Dr. Bhattacharya said that some compromise would have to be reached. Whether it would be a Trojan Horse or a Red Herring he could not answer, but he hinted at a possible compromise around Trade Facilitation.

Dr. Bhattacharya insisted that advanced developing countries should give greater market access to the least developed countries (LDCs) and added that a process of differentiation is also on among the LDCs. He highlighted the cotton issue and said that even before an understanding on agriculture there should be an agreement on cotton, although cotton as an agricultural commodity may very well be absorbed under Agreement on Agriculture.

On non-trade issues Dr. Bhattacharya said that these should not be brought in the WTO. But, he also said that it would be difficult to keep the trade issues segmented from non-trade issues for a longer period of time.

Civil Society, Dr. Bhattacharya concluded, would generate two types of confrontation. First, core trade issues vs. non-trade issues (e.g. human and animal rights etc). Second, domestic support to trade barriers vs. market access to others. Civil society will have to think hard before taking positions on these matters.

He finally underscored the need for good governance, as without controlling corruption and discrimination in the respective economies, the benefits from trade will not percolate down to the poor.

Dr. Amrita Narlikar presented a paper co-authored with Diana Tussie from FLACSO, Argentina, on developing country coalitions and portrayed her views on how the G20 managed to preserve such high levels of cohesion at Cancún, when many other such coalitions in the past had failed. Dr. Narlikar explained the problems related to the formation of a coalition and argued that developing country coalitions face two problems: Minimal external weight and risk of fragmentation. The cause for minimal external weight is the relatively small shares of developing countries in the world economy. The cause for risk of fragmentation depends on the credibility of threat to block.

Dr. Narlikar then described the cohesion within G 20. The first important point in within G 20 was the structure: A coalition is difficult to ignore with implications for its own membership. The other important point in understanding the cohesion within G 20 is to study the negotiating strategies that took place amongst the members.

Dr. Narlikar concluded her presentation by stating that G 20 shows that strict distributive strategy can be used and fragmentation avoided if the coalition is able to engineer deals among its own members and thereby avoids defection and the associated dominoes effect.

The final presenter, **Mr. John Ochola**, Programme Officer at the Institute of Economic Affairs in Nairobi spoke of Kenya's situation in the international trading system. He emphasised the fact that the majority of Kenyans are dependent on agriculture. For this reason, if Special and Differential Treatment in this sector is not feasible, at least fair and equitable trade rules are needed. Initiatives like the EU's Lomé Conventions and the present Cotonou Agreement or the US' African Growth and Opportunity Act (AGOA) have had a mixed impact in Kenya. Mr. Ochola called for greater coherence between domestic policies and aid and trade policies. It is the role of the Civil Society to draw attention to these issues and ensure a sound and consistent trading environment, both inside the country and at the international level, he said.

The following discussion emphasised the division not only between developing and least developed countries, but also within these countries. In wrapping up, Mrs. Olson drew attention towards the necessities within each country and the need to increase stakeholder participation.

The G20 at the Cancún Ministerial: Developing Countries and their Evolving Coalitions in the WTO*

Amrita Narlikar and Diana Tussie

Reactions to the collapse at Cancún as well as targets in the blame game have been mixed. But irrespective of these differences, most observers agree that the role that developing countries played at Cancún was unfamiliar and innovative. In good measure, the voice that developing countries were able to exercise in Cancún was a result of their effective coalition formation. Not only did developing countries use these coalitions for an exchange of information and discussion, but they were able to adhere to their joint positions in the endgame. Further, despite the differences in the agenda of different coalitions, a successful effort was made to coordinate their positions so that they did not enter into direct conflict with each other. Particularly against the backdrop of some of the problems that developing countries have historically encountered in the World Trade Organisation (WTO) and its predecessor institution, the General Agreement on Tariffs and Trade (GATT), these are no mean achievements.

In this paper, we address the question: How did developing country coalitions at Cancún manage to preserve such high levels of cohesion, when many other such coalitions in the past had failed? We argue that the answer lies in some of the structural features of the coalitions. But many of these structural characteristics derive from the previous experience of developing countries with coalitions as well as the negotiation process,

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and suggest a process of social learning. Empirically, while we devote some attention to the interplay between coalitions, our main focus in this paper is the so-called G20 on agriculture.[1] In Section 1, we present a map of the various coalitions that were in operation at Cancún. We further explain our reasons for focusing on the G20 and present a brief account of its formation, membership and agenda. In Section 2, we discuss some of the theoretical writings on the subject of bargaining coalitions to illustrate the problems of coalition formation and maintenance. In Section 3, we draw upon the historical record of coalitions in the GATT & WTO, to suggest that the G20 is a product of almost two decades of learning by developing countries. On the basis of our theoretical and historical analysis, we are able to highlight certain features of the G20 that facilitated intra-group cohesion, as well as the impact of external conditions, in Section 4. While our central dependent variable is the cohesion of these coalitions, we also address the derivative question of the costs and benefits of maintaining such coalitions. The Cancún coalitions give us an excellent case of coalitions that managed to retain their cohesion, but also ended up with a situation of no agreement rather than a fulfilment of even some of their demands. The costs of impasse are probably heaviest for developing countries, which have limited alternatives (such as regional or bilateral solutions) outside the WTO. As such, even though the efforts of the G20 and other coalitions were unprecedented and commendable in preserving the unity of the coalition until the very end of the conference, we cannot deem these coalitions as outright successes. In the fifth and concluding Section, we discuss alternative negotiating strategies that the G20 could have used, which may have helped in overcoming the impasse at Cancún and greater gains for developing countries.

Coalitions at Cancún

In the preparatory process leading up to the Cancún Ministerial, developing countries engaged in several joint initiatives that involved an exchange of information as well as the formulation of joint proposals. Many of these already had a history in the preparations for the Doha Ministerial in 2001, if not earlier. Examples of these included the African Group, the African Caribbean Pacific (ACP) Group, the Group of Least Developed Countries (LDC), the Small and Vulnerable Economies (SVE), and the Like Minded Group (LMG).

None of these coalitions were issue-specific; rather, they were blocs that adapted their agenda according to the pressing needs of the day.[2] However, if we were to seek some of the key issues that these groups have been associated with, the first four of these groups have had at least some overlapping membership and have shared some similar concerns about Special and Differential treatment (S&D) and the erosion of preferences as a result of liberalisation. The LMG, which came to comprise 14 countries by the time of the Doha Ministerial, pushed for the so-called "implementation issues", development issues, and systemic reform, and opposed the inclusion of the Singapore issues.[3]

All these coalitions had had varying degrees of success in getting their issues onto the Doha Development Agenda. The ACP had managed to get an extension of the WTO waiver for trade preferences from the EU under the Cotonou Agreement. This counted as a success for the African Group as well, although the agenda of the group had also covered several other issue-areas. Paragraphs 42 and 43 of the main Doha Declaration, even though comprising largely promises and good intentions, are devoted exclusively to the concerns of the LDCs. Paragraph 35 recognised the concerns of the SVEs. References to S&D are dotted throughout the text and appear specifically in Paragraph 42. And as per the agenda of the LMG, promises to address their implementation concerns appear in Paragraph 12 of the main Declaration and are discussed in detail in the "Decision on Implementation-Related Issues and Concerns."

Having managed to get at least some of their concerns onto the Doha Development Agenda, these five coalitions continued to meet in the two years between Doha and Cancún to ensure that the promises of the Doha Development Agenda would be kept in the new round. But as the Cancún Ministerial approached, many developing countries became aware that some of their key concerns risked being sidelined, especially in the possible event of the US and the EU colluding on several issues, particularly agriculture. In a series of interviews that we conducted with delegates from developing countries in May 2003, several of our interviewees repeatedly expressed the fear of the EU and the US "pulling another Blair House Accord on us."[4] As a result, in the summer leading up to Cancún, several new coalitions swung into action. Among these were the Core Group of developing countries resisting the Singapore issues, the coalition on cotton, the coalition on Strategic Products and Special Safeguard Mechanism, and the G20 on agriculture.

The Core Group of developing countries initially comprised 16 members: Bangladesh, Cuba, Egypt, India, Indonesia, Kenya, Malaysia, Nigeria, Pakistan, Venezuela, Zambia and Zimbabwe. In response to a paper by the EU, which had assumed that the negotiation on Singapore issues would commence after Cancún, the Core Group submitted a joint statement in July. The text stated, "Explicit consensus on the modalities is required for negotiations to commence not consensus on how to classify and group the different procedural and structural aspects of the Singapore issues."[5] The group proposed that the four Singapore issues should not be grouped into a single basket. It further cited the fact that the African Group and the LDC group had adopted positions similar to the Core Group's in meetings at Dhaka and Grand Baie respectively. Members of the group continued to work jointly in Cancún, and attracted many new recruits. A letter by the group addressed to Minister Pierre Pettigrew, Facilitator for the Singapore issues at Cancún, dated 12 September 2003, had 29 signatories (with Bangladesh signing on behalf of the LDCs).[6] On the final day of the conference, the African group, and LDC and ACP groups (and members of the SVE which also belonged to at least one of these three coalitions), working together, took a similar position. On the final day of the Cancún conference, the Singapore issues emerged as the apparent deal-breaker. Botswana, speaking on behalf of the (African Union) AU, announced that they could not agree to any deal that included even one of the Singapore issues. South Korea retaliated by stating that it could not accept a deal without all four Singapore issues. Hence, even though countries had shown major differences over different issues throughout the conference, the intractability of the Singapore issues provided the immediate cause for the Chairman of the Conference, Luis Ernesto Derbez, to finally throw in the towel.

Another coalition that came into play in the run-up to the Cancún Ministerial was the group of four West and Central African countries (Mali, Benin, Chad and Burkina Faso) that proposed a complete phase-out of subsidies on cotton and financial compensation for the LDCs until the subsidies were phased out.[7] Also in the run-up to Cancún was the Alliance on Strategic Products (SP) and Special Safeguard Mechanism (SSM). Reports about coalition activity among 16 countries over this proposal go back to at least late July.[8] At the beginning of the conference, the coalition comprised 23 members including Barbados, Dominican Republic, Honduras, Indonesia, Jamaica, Kenya, Mongolia, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Trinidad & Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe, Tanzania and Ecuador. The group, particularly under the leadership of Indonesia and Philippines, proposed that developing countries be allowed to self-designate certain strategic products that would not be subject to tariff reductions or new commitments. A special safeguard mechanism would be established to protect the domestic markets of developing countries against import surges. By 13 September, this coalition had expanded to 33 members.[9] Both the coalitions on cotton and on SP/SSM represented a response of developing countries to the fact that developed countries had, so far, shown few signs of improving market access while S&D provisions were proving highly inadequate. Developing countries would have to act in concert to somehow get these issues onto the negotiating table, often with the help of original and creative proposals.

The fourth coalition that emerged in the process leading up to Cancún was the G20. According to some sources, the origins of this coalition can be traced to the Brasilia Declaration signed between Brazil, India and South Africa in June 2003.[10] But the coalition that we saw at Cancún really arose as an immediate response to the EU-US text on agriculture (even though cooperation among some of the G20 has precedents in the both trade and other issues). Until the EU-US text came out on August 13, according to one member, the Cairns Group members had hoped that the US would support their position.[11] Similarly, countries with a more defensive interest in agriculture had hoped that they would find an ally in the EU. Developing countries from both sets of interests came together when they realised that the EU and the US had joined forces and come up with a text that was highly unsatisfactory. Explaining the rationale behind the coalition, Minister Amorim of Brazil who was also coordinator for the G20 wrote:

"The real dilemma that many of us had to face was whether it was sensible to accept an agreement that would essentially consolidate the policies of the two subsidising superpowers – with very modest gains and even some steps backward (the new broader definition of 'blue box' subsidies to accommodate the US for instance) — and then have to wait for another 15 or 18 years to launch a new round, after having spent precious bargaining chips."[12]

Brazil and India drafted the first text together, and then collaborated with other countries who also became members of the group. With China aboard, the group became one that combined (arguably) all the emerging powers from the developing world. The alternative framework proposal put forth by the group, dated 2 September, was signed by 20 countries: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela. With the addition of Egypt and Kenya, the group acquired the name of the G22.

The coalition went beyond being a simple blocking coalition, but one with a proactive agenda.[13] It proposed more radical cuts on domestic support measures provided by developed countries (than the EU-US draft had proposed), including a capping or a reduction on domestic support measures used by the developed countries in the Green Box. On market access, the coalition proposed a blended formula under which "each element will contribute to substantial improvement in market access for all products, in an effective and measurable way."[14] Here too, it sought greater commitment from developed countries, e.g. "All developed countries shall provide duty-free access to all tropical products and others mentioned in the Preamble of the Agreement on Agriculture as well as to other agricultural products representing at least []% of imports from developing countries."[15] It called for the discontinuation of the Special Agricultural Safeguard for developed countries and supported the establishment of a special safeguard mechanism for developing countries. On export subsidies, the G20 proposed the elimination "over a [x] year period" of export subsidies for the products of particular interest to developing countries, and further that "Members shall commit to eliminate over a [y] year period export subsidies for the remaining products."[16] References to S&D appeared in all three areas of domestic support, market access and export subsidies. Even though all the proposals on agriculture were framework proposals at this stage (rather than tabling exact figures), the G20 framework required the developed countries to commit to significantly higher levels of liberalisation than the EU-US proposal had envisaged.

All the coalitions discussed so far played specific, independent roles in different phases of the Cancún process. Just as important was the role that they played together. A careful effort was made to maintain coordination between groups, and at least prevent outright opposition when support for the other's position was not possible. Hence, for instance, members of the G20 expressed support for the Alliance on SP and SSM. Consultation and coordination between the ACP, LDC, African Group, the G20 and the Alliance on SP and SSM continued into the penultimate day of the conference when the Chair produced a second draft. The African Group, LDC and ACP groups similarly coordinated their positions to become the G90 on the final day of the conference. Among all the cases discussed so far, however, the G20 in particular demands attention.

The G20 was a new actor in the negotiations. Its appearance was momentous, especially as it was the first coalition in which China played a leading and committed role since it became a member of the WTO. In its resistance against the EU and the US, it captured a great deal of public attention. It presented a new exemplar of the proactive diplomacy of the emerging powers, especially with Brazil, China and India at its helm. The coalition constituted a major weight in economic terms, especially as it contained 69 percent of the world's farmers. As such, it presented a credible threat to block consensus. It also possessed some moral weight, which it exercised to its great credit, by emphasising that it represented the interests of over half of the world's population. Unlike some of the older coalitions involving developing countries, the G20 did not have a blocking agenda but a proactive one, which was typified in its technically substantive proposal. Irrespective of the final machinations on the last day when the lack of agreement over the Singapore issues was presented as the ostensible reason for the end of the meeting, agriculture had in fact been the bête noir through most of the conference as well as in the run-up to it. To use a counterfactual, even if the Singapore issues had been resolved on the last day,[17] consensus would still have been unlikely due to the G20's dissatisfaction with the various drafts that still made minimal commitments on agriculture. Here was a coalition that was capable of making a difference, through the logic of its argument but also the sheer strength of its weight.

For analysts of coalitions and trade negotiations, the G20 presents a fascinating puzzle. The G20 is important to us, not simply because it comprised such a major mass of the developing world, but because it brought together some extremely unlikely candidates. The biggest potential fault-line within the group was between the Cairns Group exporters and the defensive food importers. It combined some of the largest and most powerful members of the developing world with some of the smallest. Observers and several of our interviewees (from international organisations and non-member countries) repeatedly predicted the likely collapse of the group, particularly in the endgame when the Quad would wield bilateral carrots and sticks on the group. The LMG at Doha had already lived through such a fate of fragmentation in the endgame;[18] the G20 potentially had even more serious sources of fracture. And yet, the group survived.

Problems of Coalition Formation and Maintenance: The Theory

While theoretical writings on the subject of inter-state bargaining coalitions are few, a diverse body of literature (including negotiation analysis, theories of International Relations and International Political Economy) points to two central problems that coalitions of developing countries encounter: minimal external weight and the risk of fragmentation.[19] The first problem is an inevitable result of the smaller shares of developing countries in the world economy. The vulnerability of a coalition to the second problem depends on several factors including the structure of the coalition, the interests that coalesce, its negotiating strategy, and the response it generates from other parties.

Coalitions unable to overcome the first problem risk marginalization in the endgame, partly because they may find it harder to block consensus in the face of pressure from their more powerful counterparts.[20] But this structural constraint can be overcome in several ways. First, the coalition can be re-constituted so that it includes some larger economies, e.g. the Cairns Group in the Uruguay Round.[21] Second, the coalition of small and weak countries can improve its bargaining strength by relying on larger numbers. Large numbers may help enhance the collective market size of the coalition and also the legitimacy of its agenda. But most important, in the endgame, countries find it easier to refuse a sub-optimal deal if they are not isolated in their resistance. When the ACP, LDC and African Group came together in the endgame at Cancún to constitute the G90, they illustrated an effective use of this strategy. Third, even if coalitions comprise some of the weakest countries, they can still exercise a powerful influence in the negotiations by conducting detailed research on the subject and thereby finding a niche in the negotiation. Most of the recent coalitions involving developing countries, e.g. at Doha and Cancún, have in fact involved considerable commitment to research and information-sharing. To take two concrete examples, the coalitions of LDCs and SVEs comprise some of the weakest and smallest economies in the world. Despite these structural liabilities, their imprint on the Doha Development Agenda is clear. It could be argued that several factors, not least divide-and-rule tactics by the Quad and the post 9/11 context may have contributed to these 'victories' (and limited substantive gains in other areas). But it is difficult to imagine that Paragraph 35 on the small economies and Paragraphs 42 and

43 on the LDCs would have formed a part of the Main Doha Declaration without the consistent and collective agenda-setting efforts of these two coalitions.

The second problem that coalitions encounter, the risk of fragmentation, has several causes. Irrespective of the causes, however, the effect of fragmentation is the same. As soon as it becomes evident that one country is defecting from a coalition, the fear of other members of being isolated in the endgame increases. A dominoes effect ensues.[22]

While all coalitions risk fragmentation, some are more prone to it than others. Coalitions of the weak, by definition, run this risk because the ability of developing countries to withstand pressure is lower than that of developed countries.[23] Coalitions that combine differing priorities of member countries, by their very structure, are easier to fragment, especially if selectively targeted, bilateral carrots and sticks are used against some members to prompt defection. As a result, bloc-type coalitions that address a diversity of issues are vulnerable to this risk. Such coalitions are often maintained through logrolling of a wide variety of interests, and prove friable when outsiders offer to address the particular priorities of certain members either bilaterally or in other groups. The G10 in the Uruguay Round typified these problems (to be discussed in the next section).[24]

The susceptibility to fragmentation also depends on the type of negotiating strategy that the coalition uses.[25] Coalitions of developing countries that use a distributive strategy, i.e. claim value from the other side and offer no concessions in return throughout the negotiating process, tend to attract divide-and-rule tactics from the opposing parties. Rather than give in to the high demands placed by the coalition, the opposing parties choose the cheaper alternative of offering bilateral deals to the members of the coalition. Should some members accept these deals, a dominoes effect is like to ensue leading to the collapse of the coalition. This undermines the credibility of the coalition and results in sub-optimal gains or even losses for the isolated members who continue to adhere to that collective position in the endgame.[26] Especially if the coalition has a strong leadership (e.g. India in the case of the LMG), and if bilateral deals improve in the face of a collective distributive strategy, the coalition will come under even greater risk of fragmentation due to free-riding. Smaller members would be tempted to defect, especially if the leaders are likely to carry the flag of the coalition anyway.

Assuming that the use of a distributive strategy increases the risks of defection by members in favour of bilateral deals, the obvious solution would seem to be the use of a mixed strategy. So for instance, the coalition could start out by making high demands, but could then display some flexibility in the later stages of the negotiation by engaging in some reciprocal exchange and value creation. But here, the problem of coalition structure kicks in again. Writing about issue-specific coalitions, Hamilton and Whalley argue, "And since countries typically wish to balance their positions across all the issues that are of interest to them, they need to reserve some degree of flexibility to allow for changes in position on various issues as part of the negotiating processes. Such changes may well be inconsistent with agreements that countries have entered into in order to join the coalition. These coalitions are, therefore, very difficult to maintain. They tend to be more resilient where the issue at stake is of major importance to all the members of the coalition (such as agriculture for most of the Cairns Group countries)."[27] In fact, the same argument can be made about bloc-type coalitions that cover different issue-areas. It becomes almost impossible for the coalition to show any flexibility on any of its demands, because every issue on its log rolled agenda is of importance to at least one of its members.[28] Due to scarcity of resources, some delegates and officials from international organisations pointed out to us in interviews that it is difficult enough for developing countries to arrive at one common position, let alone a joint fallback position.

Except from the problem of minimal economic weight, the G20 potentially suffered from all the problems outlined in the previous paragraphs. First, it combined a vast mix of developing countries, including small countries whose susceptibility to bilateral arm-twisting was high and the ability to hold out against such pressures low. Second, even while focusing on the issue-area of agriculture, it brought together countries with divergent positions on the issue of agricultural liberalisation vs. protectionism, let alone differing preference hierarchies in relation to other issues. Third, it used a strict distributive strategy. It demanded concessions from the Quad and offered very little in return. All these features suggest a vulnerability of the group to a very high risk of fragmentation. The fact that the coalition stood united through Cancún, and continues to meet to the present day, demands explanation.

Social Learning and the Practice of Coalition-Building

The G20 survives in the face of theoretical insights to the contrary, and in spite of a history of coalitions of developing countries that have collapsed. A large part of the explanation for this survival lies in the fact that the G20 builds on at least two decades of coalition formations behind it. From the experiments with different coalition types, developing countries have now evolved a new coalition type.

Coalitions, over the past two decades, may be classified into two types: bloc-type coalitions and issue-based alliances. The two may be seen as representing the opposite ends of a spectrum. There are two key differences between the bloc-type coalitions and issue-based alliances. First, the former come together against a backdrop of ideational and identity-related factors, whereas the latter are formed for instrumental reasons. Second, the bloc-type coalitions combine like-minded states and try to adopt collective positions across issue areas and over time; in contrast, issue-based coalitions are directed towards specific threats and dissipate after the particular issue has been addressed.[29] While bloc-type coalitions dominated Third World diplomacy until the early 1980s, issue-based coalitions came into vogue in the Uruguay Round (partly as a reaction to the failures of bloc-type diplomacy). The coalitions of today including the G20, having learnt from the failings of their predecessors, utilise some elements of both the bloc-type coalitions and issue-based alliances.

The dialectical process of learning among coalitions may be traced back to the pre-negotiation phase of the Uruguay Round. The attempt by the Quad, particularly the US, to bring services within the purview of the GATT catalysed the emergence of a hard-line coalition of resistance, the G10.[30] The G10 had its roots in the Informal Group of Developing Countries. It took the position that it would block the launch of a new round until the older issues of standstill and rollback were attended to, and would further oppose the introduction of services into the GATT. Simultaneously, a new initiative began among developing countries to discuss the meaning and implications of including services in the mandate of the GATT. With Colombia's ambassador, Felipe Jaramillo, chairing the meetings, the initiative was sometimes referred to as the Jaramillo process.

Initially, the G10 attended these meetings, but the two groups soon went their separate ways. Eventually, the G10 came up with its own draft (which had no mention of services), and refused to even consult with the other developing countries that were participants in the Jaramillo process by claiming that their draft reflected just the views of the signatories and hence did not require consultation with anyone else. In response to this, members of the Jaramillo process came together as the G20.[31] This group further combined with the developed countries of the G9 and came to constitute the Café au Lait coalition (so named as it was led by Colombia and Switzerland).[32] The draft of the Café au Lait coalition provided the basis for the Punta del Este Declaration that launched the Uruguay Round.[33]

The success of the Café au Lait coalition stood out against the very modest achievements of the G10. In large measure, the successes of the Café au Lait coalition lay in the simplicity of its issue-based structure that contrasted with the logrolling that underlay the agenda of traditional bloc-type groupings including the G10. As the members of the Café au Lait shared a common interest over a single issue, the group enjoyed greater flexibility of positions and could engage with value-creating strategies rather than strictly distributive ones. Particularly in the Jaramillo process, the group had showed considerable commitment to research and information-sharing rather than grand posturing or ideology, and thereby came to enjoy considerable legitimacy. Further, the Café au Lait coalition was unprecedented in overcoming the North-South divide. While the Café au Lait opened up the path of issue-based diplomacy that combined developed and developing countries, the Cairns Group of agricultural exporting nations took it even further.[34] Here was an issue-based coalition, acting as a mediator between the EU and the US, whose position was based on research and analysis rather than rhetorical demands. And the very fact that agriculture was finally within GATT rules was seen as evidence of the success of the issue-based coalition as a genre.[35]

The reaction of developing countries to these apparent successes of issue-based diplomacy was extreme. In the light of the Café au Lait and Cairns Group experiences, the old bloc-style diplomacy of the G10 stood discredited. Learning from these experiences, re-calculating their odds, and modifying their behaviour accordingly,[36] developing countries swung from vesting their faith in the bloc-type alliances to the "shifting coalitions", which focused on particular issues and combined developed and developing countries.[37] But the euphoria with these new types of alliances as the panacea for the bargaining problems of developing countries proved to be short-lived.

The few issue-based alliances that enjoyed greater visibility and sustainability were a product of some irreproducible circumstances. The Cairns Group, for instance, had an agenda that conformed to the US agenda at the time: a condition that few other coalitions involving developing countries have been able to reproduce. Most experiments with issue-based diplomacy displayed short lives and minimal influence. Sometimes countries would join different issue-based coalitions, leading to an unsustainable mix of crosscutting and often contradictory loyalties. At other times, countries would simply defect to other issue-specific alliances. For instance, country X would soon defect from Coalition A to Coalition B, especially if issue B was of greater importance for country X and had been recently introduced for negotiation. The possibility of this happening further reduced the credibility of these coalitions and, in turn, jeopardised the effectiveness of these coalitions further.

Many of the coalitions of Doha and Cancún were a reaction to these pendulum swings. Memory of the failures of the old bloc-style diplomacy has persisted, and hence most delegates are quick to claim publicly that their coalitions are based not on identity or ideology but interests in particular issues. However, closer investigation reveals that many of these coalitions have also re-incorporated the key features of blocs. They are often limited to the developing world, outlive the issue of focus, frequently come to operate across issues, and are bound by a collective idea that the developing world shares several problems and needs to address them collectively. These "smart" coalitions hence combine elements of both issue-based alliances and bloc-type coalitions. Akin to the issue-based coalitions, they stress the importance of research in facilitating negotiations in the area under discussion. And like their issue-based predecessors, with whom they claim such close affinity, they may focus on one central issue even while addressing broader issues. By incorporating elements of the old bloc-style diplomacy and appealing to the shared weaknesses of developing countries (or some other such principle), they are able to acquire a longevity that the short-term "shifting coalitions" of earlier days never enjoyed.

These coalitions have also adopted some of the research-oriented strategies of the issue-based coalitions. The resulting openness to other coalitions rather than an "us vs. them" antagonism, and logrolling that is not completely random but relatively more focused on a smaller set of issues (partly as a result of the research), makes these coalitions considerably more evolved than their bloc-type grandparents. Underlying these coalitions is the sense that while developing countries may have differing interests and need to do their homework to be effective in trade negotiations, the Uruguay Round has somehow short-changed them as a group. To correct some of the past imbalances and to prevent new ones from recurring, even when they focus on particular issue-areas, they will need to retain their bloc-type identities and also friendly relations among different blocs. The G20 epitomises these smart coalitions of the third generation.

Features of the G20: Explaining Intra-Group Cohesion

It is noteworthy that even midway through the Cancún conference, delegates from developed countries and some international organisations indicated to us that they believed that the G20 was unlikely to survive in the endgame. In fact, they predicted, what would happen would be more along the lines of what had happened at Doha: the group would cohere until the penultimate day of the conference at best. But it would then break along the natural fault-lines of exporters vs. importers, plus new lines of dissent that would emerge as a result of bilateral carrots and sticks that the Quad would wield against some members.[38] The fact that this did not happen can be attributed at least partly to the structure of the group and, perhaps more importantly, the strategies that it employed.

Admittedly, the initial strength of the G20 lay in its structure. As far as the EU and the US were concerned, it would be very difficult for them to ignore a coalition that constituted over two-thirds of the world's population, comprised over 60 percent of the world's farmers, and was led by a powerful core of emerging powers (particularly Argentina, Brazil, China, India and South Africa). But recall that the G10 of the Uruguay Round had also comprised a core group of emerging powers, and had still collapsed. The reason why the G20 was able to preserve its cohesion when other coalitions had failed lay in its strategies.

Despite the use of a strict distributive strategy outside, the group employed several strategies to preserve its internal coherence. Particular attention was paid to retain coherence among the leaders of the group, that is Brazil, China and India. As per the dominoes effect that was described earlier, as long as the core group held together (particularly Brazil, China and India), it was highly likely that the coalition would endure. On the other hand, had the Big Three given any indications of differences among themselves, they would have prompted a chain of defections by the smaller countries that could not risk commitment to a potentially divided coalition. We heard accounts of at least some of the smaller members of the G20 being subject to considerable pressure at Cancún.[39] For instance, the US is reported to have offered carrots in the form of tariff quotas to some of the Central American countries and sticks that included the threat of slowing down regional integration. But the G20 held together firmly at Cancún, especially as the core of the group showed no sign of breaking.

The reason why the leading members of the group were able to hold together was not simply a matter of obvious common interests. There was an equally high possibility that rather than hold together, the group would collapse along its natural fault-lines: on one hand, the Cairns Group members and on the other, their more protectionist counterparts. The former were staunch supporters of the Swiss formula approach for agricultural liberalisation while the latter upheld the Uruguay Round formula approach.[40] India, with its population of about 650 million farmers with smallholdings had a defensive interest on the issue of market access, whereas countries like Brazil and Argentina had a strong, offensive interest. But a compromise was arrived at pre-empting these potential rivalries, and the G20 proposed a blended formula on market access. The S&D clauses on market access in the proposal, incorporating the concerns of countries with more protectionist interests, further stated "there will be no commitments regarding TRQ expansion and reduction of in quota tariff rates for developing countries."[41] In interviews, delegates also emphasized the extent of agreement among the members, particularly on the broader issue of the protectionist measures used by the EU and the US as the central cause for their unity.[42]

In another clever move to pre-empt differences within the group, the G20 managed to incorporate the concerns of the net food-importing countries and the LDCs. Hence, even with its predominantly liberalising agenda, the G20 made detailed references to S&D and non-trade concerns. By balancing the liberalising interests of some of its members with the protectionist concerns of some of its other members and supporters outside, the G20 stood out in contrast to the Cairns Group with its avid full free trade aim in the Uruguay Round.

The G20 managed to avoid antagonism not only among themselves through intra-coalition deals, but also maintained amicable relations with the Alliance on SP and SSM. Several members of the G20 were members of the Alliance on SP and SSM such as Cuba, Pakistan, Philippines and Venezuela. The G20 draft further proposed the establishment of Special Products and a Special Safeguard Mechanism (Paragraph 2.6). It also came to enjoy the support of the African Group in the endgame.[43] As such, the G20 epitomised the smart issue-based blocs of recent years, which have managed to avoid conflict with other issue-based alliances.

Another strategy that contributed both to intra-group cohesion but also the external legitimacy of the group (at least among most countries except the EU and the US) was the research and careful analysis that underlay its proposal. The result of this analysis allowed the group to recognise their potential differences and guard against them. Further, unlike the blocs of the Uruguay Round, and more akin to some of the issue-based coalitions of the 1980s and subsequent issue-based blocs of Doha,[44] the G20 was not simply a laundry list of demands.[45] As such, it was not simply a blocking coalition (despite the use of strict distributive strategy), but in fact a proactive agenda-moving one.

So far we have focused on the structure and strategies of the G20 as the explanation for the group's cohesion and durability. However, whether these were decisive in imparting the strengths to the group cannot be fully gauged without considering two other explanations based on the strategic interaction of the group with outsiders. It is true that the group survived in the endgame, but it could be argued that the endgame at Cancún was played on a different terrain than agriculture. On the final day of the conference, the Singapore issues proved to be the proximate cause for contention and the failure of the meeting. So to pose a counterfactual, had the Singapore issues been resolved and had agriculture come under discussion on the night of 14 September, would the G20 have still survived? It could well be argued that the crunch on agriculture never really came at Cancún, as it was simply not discussed on the last day.

A different explanation would be that there has been a generalised lack of interest in trade liberalisation; the US and the EU, quite simply, didn't care enough about launching the new round,[46] and hence didn't go through the complicated machinations of breaking the G20. The adverse international context had lowered the incentives for the EU and the US to push for multilateral agreement through bilateral deals. After all, a climate of low growth, the US farm bill, and the withering of the MFN through competitive regionalisation do not provide the most conducive environment for multilateral liberalisation.

To both explanations, our reply is as follows. Admittedly, the Singapore issues emerged as the apparent deal-breaker in the endgame. But the introduction of the Singapore issues on the last day, rather than agriculture, was a surprise by all accounts. In the run-up to Cancún and throughout the conference, countries had repeatedly argued that agriculture was the real deal-breaker. The EU and the US recognised this and we have at least some evidence of their attempts to break the G20 and the Alliance on SP and SSM. Various tactics were used: rumours and prognoses about division to precipitate the dominoes effect, bilateral and regional carrots and sticks at delegates' level, and calls to capitals. We also recognise that context matters, but pressures go in several directions. It is worth recalling that the new round was launched at Doha on the urging of the developed countries and to the great resistance of developing countries (whose position had been that the imbalances of the Uruguay Round had to be corrected before a new round began). The Doha Development Agenda does bring in development concerns, but movement remains essentially tied to the interests of the EU and the US. In other words, the push for the new round from the US and EU at Cancún may have been lesser than at post-9/11 Doha, but attempts to somehow engineer a deal suggest that the Quad had not been reduced to global apathy and regionalism-mania yet. It would be wrong to argue that the members of the G20 were not tempted or coerced to defect; rather, they held together in spite of it.

The resistance of the G20 to the pressures at Cancún, in spite of the use of a strict distributive strategy is commendable, but it still led to an outcome – impasse – that may turn to be adverse to developing countries. This impasse may well have been linked to an issue that was raised earlier in this paper: the importance of posing a credible threat. Even though the G20 had stuck together through the entire conference, previous experience of the EU and the US with such coalitions may well have led them to doubt the credibility of the G20 to block. This would not have been a far-fetched assumption to make. The LMG at Doha had shown similar promise of holding out, but had collapsed in the endgame. It would also explain the last-minute focus on the Singapore issues: issue-linkages would facilitate the collapse of the G20, which was not much of a credible threat anyway. In other words, misperception led the EU and the US to underestimate the seriousness of the G20 threat. The EU and the US were simply not aware that this time, in an endgame that had developed into Chicken, the G20 would break with all precedent and would not swerve as a result of fragmentation. This is perhaps a more plausible explanation to the way the events unfolded in the end and has interesting implications for the interaction of the EU and the US with future coalitions involving developing countries.

The G20 has set a precedent. The coalition has demonstrated that unlike coalitions of the past that succumbed far more easily to divisive tactics in the endgame, at least some coalitions today have devised methods of maintaining internal coherence and also external weight to be able to hold out even in the face of some tempting side-deals. To avoid another showdown in the future, given that developing countries may resist breaking ranks when such critical issues as agriculture are involved, both sides may have to swerve on certain issues in the endgame.

Conclusions

Assuming that the G20 would have held out even in the endgame (even if the Singapore issues had been resolved), and in the face of minimal concessions that were forthcoming from the EU and the US, Cancún would have collapsed over agriculture if not the Singapore issues. The G20 story suggests that a distributive strategy may work if the coalition is somehow able to engineer deals among its own members, and thereby manages to build consensus avoiding immediate defection and the associated dominoes effect. It is here that the G20 differed from the LMG at Doha, or the G10 in the Uruguay Round: it was able to maintain cohesion, even in the face of bilateral deals that were coming from the EU and the US. Where it failed was in establishing the credibility of its threat, not least because precedents suggested to the EU and the US that coalitions with distributive strategies have usually collapsed in the endgame.

The question of whether the EU and the US would make concessions in the endgame would of course depend on their perception of the credibility of the opposing coalition to block. However, equally important would be the cost of the concession, which may turn out to be very high if the opposing coalition is pursuing a strict distributive strategy and refuses to make any concessions in return. In other words, the EU and the US may still have chosen the option of no agreement had agriculture appeared in the endgame and even if the G20 had posed a credible threat. So what could be done to avoid a stalemate?

Whether or not the G20 survives and how is an interesting question, especially once the discussions move beyond the agenda-setting stage into the negotiating one, either in the WTO or in regional fora. But as far as agenda-moving coalitions are concerned, our analysis of the G20 should be relevant even if the group does not survive on a longer-term basis. Holding out has allowed members to exact a higher price for moving the agenda (be it multilaterally or bilaterally). The coalition represents a landmark and an example in the history of coalition formations by presenting a unified and credible threat to block. To ensure that such coalitions can actually exercise an influence in a resulting agreement (rather than simply blocking the negotiation), the next step would be for them to adopt mixed strategies in the endgame.[47]

Having unified itself and presented a credible threat with a distributive strategy, the coalition could then adopt an integrative strategy with much higher results than if it had an integrative or mixed strategy in the beginning of the negotiation. Integrative moves at the beginning of a negotiation may be interpreted as a sign of weakness, especially when developing countries are making such moves. But integrative moves made after demonstrating a credible threat to block are likely to yield significantly higher gains than impasse or gains that might accrue if a purely integrative strategy were used from the first instance. Depending on the substance of these integrative moves, it may be less expensive for the outside party to reciprocate with compromise rather than bear the costs of impasse. But using such integrative moves from a position of strength is conditional on the other party recognising that the coalition did present a credible threat to block in the first place. By demonstrating such an ability, and if the lessons of the Cancún experience do not go unlearnt, the G20 may have set the background for a more fruitful negotiation for both parties in the next round of moves.

The use of mixed strategies can be problematic when different priorities in a bloc-type coalition are involved, and they do require even greater research inputs from the members and identification of clear bottom-lines and fallback positions.[48] But it is not an impossible task, especially if the coalition comprises some of the most powerful members of the developing world and is sufficiently unified to be able to come up with alternative collective demands and concessions.

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Endnotes

1 Due to changes in its membership, particularly after Cancún, the G20 is also referred to as the G22 and the G20+. While referring to the group in this paper, we have adhered to the name that the group continues to be most commonly associated with today, G20, irrespective of the actual numbers in its ranks. Note that the members of the group also usually refer to themselves as members of the G20.

2 For more on the typology of coalitions and an empirical analysis of coalitions until the Doha Ministerial see Narlikar (2003). Note that there were several issue-specific coalitions also in play in the run-up to Cancun, including some that continued from Doha, e.g. on Geographical Indications and Mode 4. But towards the endgame, partly as a result of the way the conference had evolved, the major coalition players from the developing world seem to have been the LDC, ACP, African Group, SVE, LMG, Core Group, the coalition on cotton, the alliance on Strategic Products & Special Safeguard Mechanism, and the G20.

3 Narlikar and Odell (2003). The Singapore issues refer to competition policy, transparency in government procurement, trade facilitation and investment. The LMG comprises Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe, with Jamaica and Mauritius as observers.

4 Interviews with representatives of developing countries to the WTO, May 2003.

5 Comments on the EC Communication (WT/GC/W/491) on the Modalities for the Singapore Issues, WT/GC/W/501, 8 July 2003; original emphasis retained in the quote.

6 Available at http://www.ictsd.org/ministerial/cancun/documents_and_links.htm.

7 TN/AG/GEN/4, Poverty Reduction: Sectoral Initiative in Favor of Cotton, 16 May 2003.

8 Bridges Weekly Trade News Digest, Vol. 7, No. 27, 28 July 2003, available at www.ictsd.org/weekly/03-07-28/story4.htm.

9 Bridges Daily Update, ICTSD, 13 September 2003, Issue 4.

10 www.southasiamonitor.org/diplomacy/2003/sep/26dip7.html.

11 The Cairns Group comprises Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

12 Wall Street Journal, 25 September 2003.

13 Note that a proactive agenda need not contradict the use of a strict distributive strategy; all that we mean by proactive is that the group went beyond a position of simply blocking and instead came up with several alternative proposals of its own that were based on research (rather than a laundry list of demands).

14 Paragraph 2.1, WT/MIN(03)/W/6.

15 Paragraph 2.5, Ibid.

16 Paragraph 3.1, Ibid.

17 In fact, the EU in the endgame had shown a willingness to back down from its position by dropping two of the Singapore issues; at least some developing countries too, with time, may have been willing to arrive at some compromise.

18 Narlikar and Odell (2003).

19 Hamilton and Whalley (1989), Kahler and Odell (1989), Narlikar and Odell (2003), Tussie and Glover (1995), Narlikar (2003).

20 Theories of coalitions at the domestic level raise the issue of size in some depth, e.g. Riker (1962), Gamson (1964), Hinckley (1979), Frohlich *et al* (1971). Some theories of IPE also focus on the coalition size and the bearing that domestic institutions have on facilitating mass movements (e.g. Alt *et al*, 1996).

21 Tussie (1995), Higgot and Cooper (1990).

22 The domino effect argument originates in Narlikar and Odell (2003).

23 Developing on Rousseau's idea of the 'Stag Hunt', Robert Jervis (1978) wrote "If the failure to eat that day – be it venison or rabbit – means that he will starve, a person is likely to defect in the Stag Hunt even if he really likes venison and has a high level of trust in his colleagues. (Defection is especially likely if the others are also starving or they know that he is.)" Coalitions of the weak run a similar risk.

24 Kumar (1995), Narlikar (2003).

25 The arguments about the strict distributive strategy leading to coalition fragmentation, and the importance of the credibility of the threat to block originate in Narlikar and Odell (2003).

26 Of course if the coalition is able to withstand these pressures and makes a credible threat to block, then the results are either very high gains or no agreement (we saw the latter result at Cancun). On the use of the distributive negotiating strategies by coalitions, see Narlikar and Odell (2003). On a typology of negotiating strategies and constituent tactics, see Odell (2000).

27 Hamilton and Whalley (1989), p. 555.

28 Narlikar and Odell (2003).

29 Narlikar (2003).

30 The G10 in its hard line version comprised Argentina, Brazil, Cuba, Egypt, India, Nigeria, Nicaragua, Tanzania, Peru and the former Yugoslavia.

31 The members of the old G20 (and not to be confused with the G20 of Cancún) were Bangladesh, Chile, Colombia, Hong Kong, Indonesia, Ivory Coast, Jamaica, Malaysia, Mexico, Pakistan, Philippines, Romania, Singapore, Sri Lanka, South Korea, Thailand, Turkey, Uruguay, Zambia and Zaire.

32 The G9 included Australia, Austria, Canada, Finland, Iceland, New Zealand, Norway, Sweden and Switzerland.

33 Tussie and Lengyel (2002) on Café au Lait diplomacy, Narlikar (2003) for detailed case studies of some coalitions in the Uruguay Round, including the G10, the G20, and the Cairns Group.

34 Higgott and Cooper (1990), Tussie (1995).

35 On a sceptical analysis of the actual victories and influence of the Cairns Group, see Narlikar (2003).

36 Our account of learning fits in with the rationalist research agenda; for an analysis of different approaches, see Checkel (2001).

37 Tussie (2003).

38 Such views seemed to persist until at least as late as 12 September.

39 Interviews, Cancún, 9-14 September 2003.

40 For a full explanation of the formulae and their implications, see www.wto.org.

41 Paragraph 2.6 (ii), WT/MIN(03)/W/6.

42 Interviews, Cancún 9-14 September; Phone Interview with delegate from G20 country, 1 October 2003.

43 Phone interview, 3 October 2003.

44 Narlikar (2003).

45 Note however that several attempts were made to paint the G20 as belonging to the genre of coalitions that make unilateral demands. For instance, Franz Fischler is reported to have said, "They never deal with other [countries'] concerns, and that is a problem." See Inside US Trade, www.insidetrade.com, 13 September 2003.

46 Garten (2003).

47 On the use of mixed strategies, see Odell and Sell (2003).

48 These problems are illustrated with the case study of the LMG in Narlikar and Odell (2003).

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Kenya and the World Economy: Lessons and Prospects

John Ochola

Agriculture is the backbone of the Kenyan economy. The total land area of Kenya is 569,250 sq km, of which slightly over 90 percent is agricultural land. About 17 percent of the agricultural land is classified as high to medium potential. It is there that most of the intensive crop and dairy production takes place. The rest of the land is marginal agricultural land. About 80 percent of the population lives in the rural areas while a significant proportion of the urban population is engaged in activities that are in one way or the other related to rural life. The main commodities, coffee, tea, sugar, maize wheat, milk, beef and horticulture form the basis of Kenya's agriculture, which provides the livelihood to about 85 percent of the population who reside in the rural areas. Agriculture contributes some 25 percent to Kenya's Gross Domestic Product (GDP).

Manufacturing is the second largest productive sector in Kenya and currently accounts for approximately 13 percent of the country's GDP. However, Kenya is not following an industrialisation path, contrary to what could have been expected. In fact, the share of manufacturing in GDP has been steadily declining from a peak of 13.8 percent in 1993 to the current rate of approximately 13 percent last year. From a peak growth rate of 7.1 percent attained in 1988, the growth in manufacturing output has generally been on a downward trend reaching a negative rate of 1.4 percent in 2000 in 2001 there was a slight recovery and growth reached 0.8 percent. The level of poverty that continues to engulf the country together with the general slowdown of economic activity, has adversely inhibited the growth in the demand for locally manufactured goods while effective demand moves more in favour of cheaper imported manufactured goods.

The decline in output is closely associated with the stagnation in the per capita income growth over the 1993 to 2002 that reduced effective demand for manufactured products. Although liberalisation has been largely successful in terms of the reduction and phased removal of import restrictions, structural bottlenecks particularly the poor infrastructure, incidences of dumping and duty evasion by some importers and the high cost of working capital have all combined to lower the manufacturing sectors competitiveness. Key to improving the manufacturing sector and the attainment of the required competitive edge is the improved delivery of public services and modernisation and rehabilitation of the infrastructure.

On the international trade side latest data[1] for Kenya show that the African market continues to be the dominant export market followed by the European market. In 2002 the share of exports to Africa was 48.9 percent of total exports, a small decline of 0.3 percentage points from 2001. Even though exports fell, the earnings went up to shillings 87 750 in 2002 from shillings 75 513 in 2001. For Europe Kenya's share of exports was 29.3 percent in 2002 an increase of 1.1 percentage points from 2001.

Market Access Issues

Developing countries like Kenya maintain their opposition to the "blended" tariff reduction formula proposed in the Derbez Text. The view is that although the formula used obliges developing and developed countries to cut their highest agricultural duties more deeply than the lower ones, the onus is on the developing countries like Kenya to make greater effort at tariff cuts than industrialised countries. Many developing countries still view tariffs as the only reasonable policy tool to protect their domestic producers who do not have the luxury of being subsidised.

Market access issues for Kenya must be viewed in the light of the Economic Partnership Agreements (EPA) that have been settled in the ACP-EU Cotonou Agreement. There is now growing consensus that the forty years of experience of the ACP-EU Agreement under the various Lomé Conventions has been one of unequal partnership, and that the preference accorded in the agreements has tended to entrench the old forms of primary commodity production exports. This ethos makes it thus prudent to suggest that the new trade regime under the Cotonou Agreement is unlikely to yield substantial gains for African countries, especially Kenya, if preferential access to European markets with reciprocity is retained. The reason being that African countries will be compelled to reciprocate by progressively opening up their own markets to imports from Europe on a preferential basis as well. The ten years transitional period is too short a time span for Kenya to structurally change the production organisation of the economy so as to be in a position to produce manufactured products for exports, especially those of a high-value added categories. Consequently, the negotiations of EPA should entail a longer timeframe and there must be an insistence that the EU does not push hard for reciprocity and full market assess for their products until countries like Kenya are in a position to compete fairly. Within this context Kenya must push for the removal of subsidised agricultural exports taking place under the Common Agricultural Policy (CAP). Unless the EU agrees to reform the CAP, agricultural competition between the ACP and EU countries cannot be conducted on an equal basis.

Certain inherent inconsistencies already exist within the Cotonou Agreement that will make the negotiation of EPAs very difficult to achieve for Kenya. Even before the start of the negotiations, the EU has caused a rift between least developed countries (LDCs) and the non-least developed countries of the ACP through the establishment of the Everything but Arms (EBA) initiative. The EU unilaterally introduced this initiative in February 2001. EBA removes all tariffs and quota restrictions on imports from the 49 LDCs on all products except for arms and during transitional periods on sugar, rice and bananas. It is in this regard that Kenya needs to assess the key areas that guide its key interests as well as the areas where there are similar interests or convergence with other ACP countries. Indeed the prospect of differential treatment under the Cotonou Agreement requires Kenya to clarify under what circumstances a differentiated approach would be of benefit and conversely when the common approach would be more advantageous. This initiative is strengthened by the possibility envisaged by Articles 36.1 and 37.7 of the Cotonou Agreement that emphasizes reciprocal ACP-EU trade agreements. Under this Agreement Kenya will be required to open up its market to most exports from the EU while making it difficult to form an EPA with, for example, a LDC like Uganda due to the EBA initiative.

This leads to the conclusion that the proposal by the EU for EPAs "is a negotiating ploy intent on undermining ACP solidarity" as Anthony Hylton[2] puts it. In simple words, the EU agenda here is to reduce ACP collective bargaining capacity that in the final analysis will create maximum leverage for market access to ACP countries for their goods and services. Beyond this, the EU's desire to negotiate only in one phase and not adopt the two-phase approach proposed by ACP countries is evidence enough of the EU solitary dispensation. Indeed, the recent South African experience in negotiating a similar EPA with the EU is instructive. The lesson here is that a well-resourced, organised and prepared South African team proved no match when trying to safeguard and advance their key economic interests against a vastly superiorly skilled and well-resourced EU negotiating team supported by even more powerful European institutions.

The EU had at the outset considered the possibility of granting duty free access to the community market to all products originating in the ACP countries and thereby extending the EBA initiative to all ACP countries. Nevertheless, the proposed outcome is well short of making such an explicit commitment and suggests that the community should improve current market access for products that originate within the ACP countries. Furthermore, with the EBA initiative there will be diminished incentives for an ACP LDC to join an EPA.

It is well known that no country on its own has successfully developed by turning its back on international trade and long term capital flows. Indeed, very few countries have witnessed sustained growth over long periods without a reciprocal increase in the share of foreign trade in their national product. Realistically speaking the most influential mechanism that links trade with growth in developing countries is the import of capital goods that are often likely to be cheaper than those produced domestically. Therefore, prima facie policies that restrict the importation of such capital goods will increase the price of capital goods in the domestic market and so reduce real investment levels. Exports are also important as they provide the resources to purchase the imported capital goods.

It is equally true, however, that no country has developed simply by opening itself up completely to the vagaries of foreign trade and investment. The desired outcome is to balance the various opportunities offered by world markets with domestic investment and institutional building strategies to stimulate the innate ability and spirits of domestic entrepreneurs. The truism is that the benefits of trade openness need not be oversold. Especially in the ACP countries which are in the early stages of reform and where there are other more worthwhile policies that compete for scarce resources and political capital.

Trade liberalisation on its own does not deserve the overwhelming attention it gets in the development strategy.

On the Singapore issues of investment, competition policy, transparency in government procurement and trade facilitation, the generally accepted view in Kenya is that it will be difficult to raise trade facilitation in isolation from the other three issues. Notwithstanding this it has been posited that trade facilitation is the only issue where developing countries have nothing to lose. The idea put forward is that economic actors would also reap benefits from the simplified procedures that would save time while simultaneously reducing both legitimate transaction costs and the potential for illegal transactions. Even those of us in civil society working on governance, corruption, and economic and social rights agree that elements of trade facilitation can be powerful levers for the promotion of economic justice as long as their purpose is only to safeguard national interests.

Trade Profile since the Signing of AGOA

Kenya was the first country to be accredited to the African Growth and Opportunity Act (AGOA) exports of hand-loomed, handmade and folklore items. As of 2002 Kenya recorded $ 129 million in AGOA exports representing some 68 percent of the total exports to the US. The Ministry of Trade and Industry reports that the value of textiles and apparel exports to the US have gone up from $ 45 million in 2000 before the signing of AGOA to $ 123 million in 2002. Under the auspices of AGOA related investments have risen from a level of $ 15.3 million in 2000 to $ 77.1 million in 2002. Furthermore, Kenya has benefited greatly from the start up of 18 new companies exporting under AGOA, which started their operations in 2002 producing garments for export. 30,000 new jobs directly related to AGOA have been created. This positive trend has seen the revival of cotton growing, closed ginneries and opening up of new garment factories. It is believed that more jobs will be created indirectly and directly.

After Kenya was accredited to be AGOA eligible, the country became an attractive investment destination especially under the Export Processing Zone (EPZ) and Manufacture under Bond (MUB) programmes. Indeed, many investors from all over the world have already invested in the country and many other countries have expressed interest to invest in Kenya. During the AGOA Economic Forum held in Mauritius in January 2003 there was a marked increase in investor's confidence in the country. Unfortunately, all this good work was put under several strains by the series of strikes that hit various sectors of the economy especially the textile sector early on in 2002 and again in 2004. These were unfortunate incidents especially after the peaceful transition after the December general elections.

It remains incumbent upon the government to rally support with the various different stakeholders to address their various grievances especially at this crucial time when all efforts need to be directed towards reviving the ailing economy. On a positive note the Government is committed to creating an enabling environment for investors and protection of their investment. As a result of the strikes a stakeholders works committee on Industrial Relations has between constituted to address the industrial unrest at the EPZ. This has been put under the chairmanship of the Ministry of Labour and Human

Resource Development and shows the governments commitment to tackle the issues that may lead to labour unrest.

The Export Processing Zone Programme

The Kenya Government under the Industrial Sector Adjustment Programme established the EPZ programme in November 1990 to facilitate the industrialisation of the economy. It was hoped that this strategy would move the industrial focus away from import substitution industrialisation (ISI) towards export-orientated industrialisation (EOI). This policy shift was born out of the poor performance of the countries manufactured exports under ISI and the inability of industry to create more jobs and enhance efficiency. In this regard the Government set up the EPZ programme through the EPZ Act. The latter allows licensing of operating enterprises under the EPZ Act and the establishment of the EPZ Authority, which is given the mandate of administering and regulating the programme under the provisions of the EPZ Act.

The Economic Objectives of the EPZ Programme

The following are some of the economic objectives of the EPZ:
1. Stimulation of domestic and foreign investment in export orientated investments in EPZ's through establishment of manufacturing, commercial service and development enterprises.
2. Generation of direct and indirect employment through subcontracting non-core activities to domestic operators.
3. Transfer of new skills and expertise in management marketing and production technologies in Kenya.
4. Creating forward and backward linkages by EPZ's to/from domestic companies through the supply of raw materials, goods and services.
5. Boosting Kenya's export sector.

Outlook: Performance in 2002

The EPZ sub-sector has grown at an impressive rate over the last 5 years at an average of 30 percent. This has occurred despite the downturn of the domestic manufacturing sector and has made the following contribution to Kenya's economy.

Selected Key Indicators	
Gazetted Zones	31
Operating enterprises	52
Employment	Over 25,000
Private investment	Kshs 11 Billion
Output	Kshs 9.6 Billion
Exports	Kshs 8.5 Billion
Domestic sales	Kshs 1 Billion
Domestic expenditure	Kshs 3.5 Billion
Imports	Kshs 6 Billion
Investment in zones	Kshs 5 Billion

Kenya has been fortunate enough to have a good mix of products in the EPZ programme. However, it is worth noting that in recent times the number of textile plants that have set up operations in the EPZ has risen due to the preferential access to the US market that Kenya gets through AGOA. The US thus remains the main export market for EPZ products. The table below shows the breakdown.

USA	Kshs 4.3 Billion	72%
COMESA	Kshs 674 Million	11%
Europe	Kshs 517 Million	9%
Rest of the World		8%

The Challenges and Opportunities from AGOA

Even though there are challenges, the EPZ Authority looks at them in terms of opportunities they represent. The AGOA landscape beyond the year 2004 poses a challenge to Kenya as well as an opportunity because the local industries will be expected to source their fabric locally or from an AGOA certified Sub-Saharan African country. There is a need to re-examine and assess whether the local cotton industry can supply cotton more cheaply or perhaps if Kenya would be better off obtaining the required cotton from within the region. The aim would be to rejuvenate and modernise the stalled textile plants that would enable the apparel factories in the EPZ to source the fabric locally at competitive prices in order to continue enjoying the US preferences under AGOA.

Access to the US market under AGOA now presents a new challenge for Kenya to diversify the product range that is being exported to the US. The AGOA protocol offers some 2500 items other than garments that Kenya may export to the US. The COMESA market remains an important component for Kenya's trade policy and is another avenue from which investors in the EPZ may exploit. Furthermore, under the EPZ Commercial License there are opportunities to have the country develop further as regional trade centre that may take full advantage of the East African Community (EAC).

Based on the gains that have been made in the previous years the EPZ Authority aims for the following targets by the year 2005.

Gazetted Zones	31
Operating enterprises	118
Employment to double the current figure	38 558
Investment	Kshs 20 Billion
Output	Kshs 14.9 Billion
Exports	Kshs 15 Billion
Domestic expenditure	Kshs 6.5 Billion
Domestic sales as a percentage of output	9%

With the changes to come in the textile and clothing sectors the challenges and risks involved will be daunting particularly for the smaller exporters like Kenya. To stave off these challenges a comprehensive strategy must be employed.

The strategy will require a closer working relationship between private and public sector to develop a more effective response. The government will need to provide the enabling environment for the business sector to thrive and produce the effective supply response to the AGOA market.

Investment in human capital and machinery will be needed to improve productivity and reduce costs and prices. Together with this, training institutions and schemes must be encouraged to enhance their training capacities that will translate into better workmanship.

As a strategy it will be very important to avoid mass markets even though they may be large and easy to target and sell in. The key is to target niche markets such as the leather sector. Competition in such markets is less cutthroat but there will be a need to develop design and fashion skills to take advantage of these niche markets.

Materials used for the textile sector must be sourced from a wide sourcing base, which will lead to flexibility that can lead to fabrics being obtained from the cheapest sources. The government can facilitate this by supporting regional initiatives such as the East African Community or the Common Market for Eastern and Southern Africa. This will allow Kenya to take advantage of preferential market access initiatives.

On-Going Activities under AGOA

The National Rainbow Coalition (NARC)[3] government is very keen to support the AGOA initiative and hopes to see more Kenyans taking advantage of it. To this end there are several activities going on under the AGOA. This is a sensitisation programme for AGOA jointly with other stakeholders in all major towns in the country to ensure that all business people are well informed of the opportunities under AGOA. Continued private sector participation in addressing the issues relevant to AGOA. The government is also doing a follow up to the fast track approval for some selected products. This would ensure that some of the products would not have to go through interminable delays. It would also imply that producers would easily be able to access the technical assistance available through the Food Drug Administration (FDA) as well as the various other US Department of Agriculture (USDA) regulatory bodies, which have to be complied with when exporting food products to the US. President Bush acknowledged the concerns of SSA countries in Mauritius and promised that they would raise technical assistance for businesses and institutional support. In Kenya’s case support will be given to Kenya Plant Health Inspectorate Service (KEPHIS) among others, while the American Plant Health Inspectorate Services (APHIS) will send experts to carry out research on our fresh produce and other fruit and vegetables to enable Kenya to better access the US market.

Conclusion

Kenya has made bold attempts to benefit from international trade by liberalising its domestic economy and undertaking reforms to make production more efficient. Key to this continued improvement in the Kenyan economy would be the agricultural sector. Improvements in infrastructure will be vital if this sector is to recover. Trade perhaps remains the one area where Kenya may continue to take advantage of domestic liberalisation and multilateral negotiations to reap economic benefit. The various agreements Kenya is party to such as AGOA, the WTO, EPAs or regional integration in terms of the Common Market of Eastern and Southern Africa (COMESA), the East African Community (EAC) and Eastern and Southern Africa (ESA) must be exploited fully. However cognisance must be taken to develop policy consistency to avoid duplication or bottlenecks in these agreements. For this, the government must take a lead and be the prime mover if economic development is to be translated to the Kenyan people.

John Ochola is Programme Officer at the Institute of Economic Affairs in Nairobi, Kenya.

Endnotes

1 Central Bureau of Statistics: Economic Survey 2003 (note 1 dollar = 78 shillings).

2 Hylton, G.A. (2002) "The Challenge of Integrating ACP States into the International Trading Regime: Venturing Outside the Lomé Framework", CA International Seminar Brussels.

3 NARC came to power on 27th December 2001. They campaigned on a platform of zero tolerance on corruption and good governance vital to revive the economy. To provide 500 000 jobs annually, provide free primary education and deliver a new constitution in 100 days of office. To date only free primary education has been achieved the war on graft is faltering and the constitution has yet to be delivered. Indeed it is safe to say an air of disappointment now pervades their leadership.

Workshop I

Chair: **Malcolm Subhan**, Vice-Chairman, European Institute for Asian Studies, Brussels, Belgium

Speakers: **Huma Fakhar**, Advocate & Expert on WTO and International Commercial Law, Fakhar Law International, Islamabad, Pakistan
Sudaryatmo, Public Interest Lawyer, Indonesian Consumers Organisation, Jakarta, Indonesia
Fahmida Akter Khatun, Research Fellow, Centre for Policy Dialogue, Dhaka, Bangladesh

Mr. Malcolm Subhan, Vice-Chairman of the European Institute for Asian Studies in Brussels, presided over the first workshop. Mr. Subhan spoke briefly about the role of Civil Society in Europe. He described the work of the EU-India Round Table, set up by the former Minister of External Affairs, Jaswant Singh, with the express aim of bringing together India and European Civil Society. The Round Table makes recommendations to the EU-India political summit on strengthening their relations. It has set up a Civil Society Forum on the Internet, with a view to promoting an on-going dialogue between Civil Society organisations. Significantly, the EU Trade Commissioner, Pascal Lamy, and his staff regularly meet with Civil Society organisations to discuss trade policy.

Ms. Huma Fakhar, Advocate and Expert on WTO and International Commercial Law at Fakhar Law International in Islamabad, presented the first case study. At the beginning of her presentation Huma Fakhar raised four key questions:

- How does South Asia's integration compare with that of other regions?
- What are the lessons to be learnt from other regions?
- Can SAFTA spur trade and growth?
- What are the key elements for moving forward?

Ms. Fakhar spoke of a roadmap for South Asia's trade policy. The focus of her presentation was on the "pros and cons" of a possible regional trade agreement in South Asia. South Asia's intra-regional trade as a percentage of total trade decreased from 20 percent in 1948 to less than 5 percent in 1998. According to a rough estimate the total number of FTAs will increase to 300 by 2005.

Since growth of intra-regional trade in South Asia has lagged behind other regions, today the region is among the least integrated of all RTAs. One reason could be the abnormally low trade between neighbouring India and Pakistan, the two largest countries of South Asia. India and Pakistan have so far not given MFN status to each other. Thus the following question arises: Who will follow whom? Will MFN follow a regional trade umbrella? Or, does any regional trade relationship need a minimum MFN basis for any kind of substantive integration?

Comparing SAFTA (South Asian Free Trade Agreement) with other RTAs, Ms. Fakhar pointed out that in South Asia there is no "hub" unlike in NAFTA, where the US acts as one. In such a scenario one can question "where we stand". Mexico gained immensely as a result of NAFTA. Mexican textiles despite being of inferior quality got a large market share in the US because of NAFTA.

On the issue of motivation behind formation of SAFTA, Ms. Fakhar focused on some of the economic and political reasons. The economic rationales are the search for a larger market, comparative advantage, technology, economies of scale, deeper integration, locking out competition, locking in investment and more secure access to developed markets than through GSP programmes. The political reasons are to increase bargaining power in global trade negotiations, and prevent backsliding on political and economic reforms.

On the issue of lack of complementarity, she said, ''At present competition is within us and that is primarily because of lack of research''. As regards GSP versus SAFTA, she was not sure whether SAFTA could even play a minor substitute to GSP. At present all South Asian countries have major markets in EU and US. Most of them are through GSP and other preferential programmes.

In concluding her presentation, Ms. Fakhar put forward some general recommendations, including the need for research complementarities. India has taken the lead in this area but others should follow. Ms. Fakhar also emphasised on ''business advocacy''; re-engineer the youth through exit policies in sunset industries; develop collective bargaining powers; and attempt to have a media policy.

The focus of **Mr. Sudaryatmo's** presentation, from the Indonesian Consumers Organisation, was on the impact of international policies on the domestic sugar market and consumers' concerns related to sugar trade in Indonesia. Sugar in this country is one of the most lucrative trade commodities. The estimated turnover is in the range of US$1.6-1.8bn. At present, however, Indonesia is a net importer of sugar. Over the last decade the government introduced market liberalisation as per the requirement of the WTO agreement on agriculture and the International Monetary Fund (IMF); it was believed that market competition would induce efficiency in production, which in turn would benefit consumers.

In Indonesia, sugar production is concentrated in Java and relies heavily on small-scale factories and small farmers. Since sugar factories belong to the government, farmers are forced to produce cane by the government. Farmers receive only 66 percent of the supposed income from their crops. More than half of the sugar mills are inefficient. As Indonesia is a net importer of sugar, the pricing mechanism tends to benefit only importers, distributors and retailers.

The policies dictated by the IMF made Indonesia heavily dependent on imports, which resulted in farmers losing their income. Further, national policies being formulated as a response to conditions for receiving financial support from the IMF have driven Indonesia beyond the commitments under the Agreement on Agriculture.

In her presentation "Trade Related Capacity Building and Policy Influencing: Experience of CPD'', **Dr. Fahmida A. Khatun** related how the Centre for Policy Dialogue (CPD) in Bangladesh has emerged as one of the leading think tanks on trade related policy issues in South Asia and more particularly in LDCs. The genesis of trade policy work at CPD goes back to the days of the Uruguay Round of trade negotiations when the lack of financial resources and technical capabilities severely inhibited the meaningful engagement of many poor countries in trade negotiations.

After the successful culmination of the Uruguay Round the demand for trade policy-related work in Bangladesh increased as domestic laws and policies had to be brought in conformity with the requirements of WTO. This required major initiatives to raise national trade policy capacity, both to design appropriate trade policies for the country and also to strengthen negotiating capability in the WTO to further interests of Bangladesh and other LDCs.

The initiatives of CPD resulted in strengthening its own trade-related research capability, enhanced role on in policy making and influencing. While undertaking the task of capacity building on trade-related policy issues CPD faced various challenges. The major test was to maintain its autonomy while working in close collaboration with the government. It was also important that CPD provided policy inputs but did not succumb to regular activities of the ministry.

During the floor discussion the following points were raised:

- How soon will India come out with a list of sensitive products? This is important to provide a boost to SAFTA negotiations.

- India is more interested in making free trade agreements with ASEAN countries rather than having it among South Asian countries.

- The official intra-regional trade figures could be higher if we were to include informal trade, which is taking place between India and Pakistan, India and Bangladesh and India and Sri Lanka. This is happening mainly because of lack of regional cooperation on trade and high tariffs maintained by SAARC members.

Nightmare in a Spoonful of Sugar*

Sudaryatmo

This literature study aims to identify the implications of structural adjustments imposed by the International Monetary Fund (IMF) and the rules of the Agreement on Agriculture (AoA) under the World Trade Organisation (WTO) on sugar supply and trade in Indonesia. In addition it addresses how consumers are affected in terms of access to, affordability and availability of sugar supply. The Institute for Global Justice and the Indonesian Consumers Foundation (Yanyagan Lambaga Konsumen Indonesia) conducted the study in 2002-2003 in cooperation with Consumers International Regional Office for Asia and the Pacific (CI-ROAP).

The sugar industry in Indonesia was started during the Dutch Colonial era that reached its peak from 1930 to 1940. Indonesia has been a net importer of sugar for long despite the National Program of Tebu Rakyat Intensifikasi (TRI), adopted in 1975 and originally designed to reach a state of self-reliance in sugar production. The increase of imported sugar volume from year to year has been brought about by the steady increase of sugar consumption but not supported by an efficient integration of sugar farming and sugar processing technology. Inadequate socio-economic incentives to farmers accelerated the decline in sugar cane plantation area, which mainly lies in Java.

The domestic price of sugar in Indonesia has always been higher than the international price. To stabilise the price and ensure availability throughout Indonesia, sugar distribution and trade is strictly controlled by a state-owned buffer stock agency called BULOG (Badan Urusan Logistik), as are other agricultural products, by setting sugar prices at farmer and sugar mills level. The monopoly of sugar trade and distribution by BULOG started in 1975, while its import monopoly started in 1981. The monopoly of BULOG in certain foodstuff including sugar was eliminated as the bilateral agreement between IMF and Government of Indonesia (GoI) in January 15,1998. The Memorandum

* This is an executive summary of a study on the Indonesian sugarcane industry conducted by Dianto Bachriadi, Hira Jhamtani (Institute for Global Justice), Indah Suksmaningsih, Sudaryatmo and Melanie from (Indonesian Consumers Organisation). CUTS would like to acknowledge and thank Consumers International Regional Office for Asia and the Pacific (CI-ROAP) for permission to publish this executive summary. CI-ROAP will publish the full paper.

on Economic and Financial Policies had pushed the GoI to gradually liberalise the domestic market and product imports as well as to release farmers from the formal and informal requirements regarding the forced planting of sugarcane. This IMF policy believes that competition policy through international rules will boost efficiency in sugar production and, in turn, benefit consumers.

As a result, farmers refused to plant sugarcane, which meant that factories stopped producing sugar and some farmers sold the sugar directly to consumers. Consequently the production of sugar went down sharply; during 1990-1995 sugar production reached 2.1 million tons/year, and in 1998 it was only 1.5 million tons. On the other hand, imports increased from 975,000 tons in 1996 to 1.73 million tons in 1998 and 1.95 million tons in 1999, accounting for more than 60 percent of national consumption.

The new sugar trade policy imposed after the IMF's Letter of Intent (LoI) led the general importers who took over the BULOG monopoly to easily distort market prices by retaining or releasing sugar stock, thus making use of the wide disparity between the domestic and the international price. It also increased the profits reaped by distributors and retailers, importers being the most advantaged actors at the expense of farmers and sugar factories deficits. More and more newcomers came into the business, which led the sugar smuggling and hoarding to come out of control and stimulated the collapse of the national sugar industry.

Despite the fact that sugar is imported in fairly large amounts, there is often a shortage of sugar in several areas, and consumers continue paying a higher price. Since BULOG is no longer obliged to ensure the proper distribution of sugar, no one feels responsible to distribute sugar to areas with geographical constraints, since the costs would be higher. High price of sugar retail occurs especially in remote areas and the east part of Indonesia or areas open to smuggling. Sugar plantations and factories are concentrated in Java and rely heavily on smallholder plantations. Since the situation has worsened it has become difficult for distributors to reach those areas.

The policy pushed by IMF has actually made Indonesia heavily dependent on imports. As a consequence farmers have lost their income and the price of sugar has not stabilised, as shown in recent months. Recently, the Ministry of Trade and Industry has again decided to involve a buffer stock agency BULOG in sugar import trade. Out of nowhere, BULOG appointed Cargill to do the task. Distribution will however be conducted in collaboration with military and police cooperatives, just as during the New Order era.

The AoA of WTO suggests that market liberalisation requires countries to eliminate trade barriers by opening domestic market to international products and gradually eliminating domestic support and export subsidy. In terms of sugar, Indonesia has committed to open up market access up to 5 percent by the year 2001 and was allowed to apply 95 percent of import tariffs until 2004. The national policies being built as a response to conditionalities in requesting financial support from the IMF have driven Indonesia beyond these commitments. Indonesia has applied 0 percent import tariff for a long time and 48 percent market access to international product during 1996-2001. In addition, it has also eliminated fertilizer subsidy and shifted from soft loan credit to commercial ones, keeping farmers away from their land. Thus, Indonesia has actually fulfilled AoA/WTO requirement way above the agreement (WTO Plus) because of IMF-imposed conditionalities. Just in 2002, Indonesia applied 20 percent for sugar.

Although BULOG has succeeded in stabilising the price at consumer level, at least until 1997, it failed to protect and support cane farmers and to some extent sugar mills. Farmers receive only 66 percent of the supposed income from their crops and 59 percent of sugar mills are reported to be economically and technically inefficient, 79 percent out of which are located in Java. Based on this study, there is an indication that competition policy through international rules does not really benefit consumers, neither the national monopoly through government policy.

To improve the sugar trade practice, a comprehensive, integrated policy has to be built among actors in trade from farmers to relevant ministries, from distributors to consumers and designed to benefit all parties proportionally. The policy should also cover areas of on- and off-farm technology improvement, development of out side Java farming, protection of domestic product by increasing import tariff and controlling sugar smuggling. The policy implementation has to be applied in a transition period and to be made operative in a transparent manner, free from manipulation by political elites and accountable to the public. Consumers are to be involved in the policy formulation, to function as a social control in the policy implementation and to participate in advocacy for sustainable consumption and production. With regards to liberalisation in international agreements and policies, government is to formulate positions and policies in anticipation of further sugar market liberalisation particularly through the WTO and bilateral trading agreements.

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Globalisation and Women: A Case Study of the Female Workers in Bangladesh's RMG Sector*

A.K.M. Masud Ali, A.K.M. Mustaque Ali and Ratan Sarkar

Background and Objectives

The economic globalisation process within the World Trade Organisation (WTO) structure has a gender dimension. This is also the case with the Multi-Fibre Arrangement (MFA) under the Agreement on Textiles and Clothing (ATC). The liberalisation process may force female workers of the Ready Made Garments (RMG) sector of Bangladesh to bear the costs of market openings. The present paper is based on a study[1] conducted by the authors on the impacts of the phasing out of the MFA on the livelihood security of the RMG sector female workers in Bangladesh. The paper also used some other relevant studies to put the findings into a broader global context. The major objective of this paper is to provide a gender-based framework of reference to identify the impacts of MFA phasing out on the workforce of the RMG manufacturing sector of Bangladesh.

The importance of the garment industry in Bangladesh's national economy has grown significantly over the last two decades. In 1998-99, RMG exports accounted for 75.67 percent of total exports. Today there are approximately 3000 RMG manufacturing units employing about 1.5 million people. After two decades of phenomenal growth, the sector is destined to make a transition under the phasing out of the MFA in 2005 through the implementation of the ATC.

At present quotas are imposed on Bangladesh's RMG exports[2] only by the United States and Canada. A large proportion of the raw materials for RMG are imported from India, China and Thailand under back-to-back letter of credit facility. With the elimination of quotas, Bangladesh is expected to loose the market share to more efficient competitors like China, India, Republic of Korea, Thailand, Indonesia, Mexico, Turkey, Vietnam and

* This paper was prepared for the Afro-Asian Seminar, but was not presented. It is based on a study presented at the Annual Conference 2002 "Globalization and Bangladesh Economy" of the Bangladesh Economic Association, Dhaka, 7 March 2002.

the East European countries. Moreover, the captivated market in the EU with the help of the schemes like General Systems of Preference (GSP) will be at stake because of the EU's compliance with the Rules of Origin (RoO)[3] requirements. Since Bangladesh's indigenous capacity in spinning is negligible (about 5 percent of total requirement), it is not possible to comply with the three-stage criterion of RoO. With the quotas phasing out, and preferential treatment for exports coming under threat, the export-led RMG sector currently stands at an important crossroads.[4]

Studies suggest that under ATC Bangladesh's RMG may loose market access that in turn may lead to job loss for the female workers of the sector. The job loss percentage has been an issue of speculation and debate, ranging between 20 to 80 percent[5].

Gender Composition of RMG Labour Force in Bangladesh

With the rapid expansion of RMG in the urban areas in the 1980's there has been a boost in independent migration by young women in Bangladesh. This gives us an idea of the social mobility with the entry of women in the formal labour market and transition from the private to male dominated public sphere. However, not only "pull" but also "push" factors played a determining role in this independent migration. Recent estimates suggest that between 85 percent and 90 percent of the garment industry is comprised of women. More than 90 percent of garment factory workers are migrants from rural areas and the bulk of them (three quarters) migrated from landless families (Afsar, 2000).

A number of studies suggest that garment workers act as an important source of income for marginal families and households that are functionally landless, under-educated and without alternative means of generating wealth. The average family size of the woman workers was found to be between 4.1 and 5. Another study estimated that around 30 percent of women are the primary earners of their families while the rest are secondary earners.

Gender Costs of MFA Phasing-out: A Case Study of Bangladesh

The paper places the entire discussion of the risks of loss of employment (at the face of MFA phasing out) from the perspective of the female workers and their status within the changing trade regime. The paper defines gender position with both economic and non-economic components. These components of empowerment of women include:

- Economic security (wage, employment status, net income, consumption, savings)
- Control over resources
- Capacity, potentiality, life options and planning (access and capacity)
- Role and participation in decision-making (access, ability and opportunity)
- Cultural transformation and acceptance
- Access to institutions (both formal and informal)
- Access to infrastructure
- Access to information
- Mobility
- Contribution to family and community
- Position in family and community (self and community perception)
- Self identity and esteem
- Physical, social, psychological and job safety

Loss of Economic Empowerment

The average income for almost three-quarter (73.8 percent) of the helpers ranges between Tk.1000 and Tk.1500. For 89.6 percent of the operators the average salary ranges between Tk.1500 and Tk.3000. In Export Processing Zones (EPZs) the nominal wage is comparatively higher, ranging from Tk.1500 to Tk.2000 for helpers and up to Tk.3500 for operators. The regularity of earning, along with the visibility of their contribution to the family, no matter how small, has worked as the major stimuli to work. But solely the level of income should not measure this economic and social empowerment.

Paid employment may be a necessary condition for challenging intra-household hierarchies, but it is not sufficient[6]. In most of the cases the wages were pooled under household budget for the married workers or the workers residing with their families. The notion, on the part of the sample workers, was not to exercise the full or partial control in the economic decision-making. Moreover, the role of the rural women (who through migration joined the sector as workers) has tended to be underplayed both in the social recognition accorded to the RMG sector as well as in the distribution of *rewards* from the explosive growth of this sector (Sobhan, 2000).

Even with all these limitations, two significant points need to be highlighted:

- Low-paid workers, who are with their families in Dhaka, pay all their money to their parents. In the case of those without a family, after paying the house rent and other expenses, they virtually do not have any surplus money to contribute to their family residing in a village. However, 46.6 percent of the sampled workers claimed to contribute a significant part of their income to their families.

- Only 28.3 percent of the sample workers reported to have minimal savings and thus have not been able to invest in asset generations. 26.67 percent of the low-paid workers have been able to generate assets after joining this sector. Assets usually include ornaments as well as investments in agricultural land or mortgage releases. The latter was seen as the most feasible option as far as productive asset generation is concerned. Almost all the *high paid workers* (85.7 percent) have been able to increase their assets. Almost all of them have bought some ornaments and some of them have bought land.

For this reason, although the quality and extent of empowerment can be questioned, one cannot but recognise the economic power originating from the employment of female workers in the RMG sector. If as projected in a study, 0.35 to 0.40 million of workers of the RMG sector become unemployed as a result of the phasing out of MFA, at least 1.6 million members of poverty-stricken households will face further economic hardship.

Loss of Acquired Identity of Industrial Workers

The female garment workers constitute a new urban workforce. Their emergence led to moral and cultural transformations at family and societal spheres. To work in the "public domain" as well as to be dominated by male colleagues has in general been accepted by their families. The previous cite study revealed the following:[7]

- Family members of almost 85 percent of female workers have a positive attitude towards work in the garments factories. The redefined role of the then economic liabilities was welcomed even at the cost of social humiliation.

- In some cases female employment changed gender relation and roles within family and marriage. One married respondent in Tejturi Bazar reported, ‘My husband cooks the food for me when I am busy at work’.

- Almost 90 percent of the respondents previously were unemployed or worked as family labourers where their labour was neither recognised nor measured in terms of cash. Only 10 percent of the respondents said that they were in another profession before, in farming activities or as housemaids. All respondents said that the small cash earnings worked as major stimuli to work even with all the unavoidable occupational hazards.

- Almost all respondents recognise the fact that a distinctive cultural transformation occurred in their lives after coming to the city of Dhaka. Respondents consider that their new productive role in society has helped them to become smarter, more intelligent, self-aware, free, concerned about the society etc. *‘Had we met in our villages, we never would have sit for discussion with some unknown men’*, said one respondent in the FGD that took place in RMG worker’s hostel in Pallabi. Many of the high paid workers who are in Dhaka for at least tree years have visited the zoo and a children’s park.

- Most of the workers expressed caution about early marriage and early conceiving. They also ascribed importance to education and expressed their strong desire to provide support for their children or younger siblings.

The study[8] further indicates that the female workforce of the RMG sectors is not primarily motivated to improve the quality of life; the employment in RMG sector is primarily viewed as a survival strategy. Given the psychic costs associated with the entrance in the formal labour market, it is extremely difficult to assess whether female workers have in any way improved their living standards. The salary structure and the dominance of family hierarchy in the economic decision-making process also impeded the attainment of the basic requirements of the urban life.

Moreover, there is no easy means of measuring urban quality of living. For example, female workers have displayed poor knowledge regarding legal rights while there are several reports on violation of human rights of garment workers. However, female workers themselves have expressed satisfaction regarding different areas on which studies reveal dissatisfactions:

- Almost all respondents claimed to be happy about there present housing;
- 95 percent of the respondents said that they have heard that hooligans often harass RMG workers but they have not yet faced such a situation;
- Despite the time constraints resulting from the long working hours, some 30 percent of respondents think that their mobility increased after joining the RMG sector. Interestingly, most of them were unmarried workers living away from their family.

> 'Our parents did not allow us to go here and there while we were in the villages', said some of the respondents in the FGD at RMG women worker's hostel in Pallabi.

The paper rests that it is not a major question whether female workers of the RMG sector have gained a higher standard of life, the concern is whether the transformation of these women into industrial workforce will sustain over time. This is important when the economic necessity that initiated this transformation is taken into consideration.

Burden of Liberalisation borne by the Female Workers

If a MFA phasing out makes it more difficult for the poor women to continue their traditional risk-coping strategies, it may increase their vulnerability to poverty even if it increases mean incomes. In this regard the prospect of alternative income sources of women who are presently employed in the RMG sector need to be looked into. Given the nature of sector-specific skill requirement in the RMG sector and the limited access to institutions and information of the female workers of the sector, the possibility of alternate employment is restricted. Moreover the majority of these workers are not aware of the options and are not taking any precaution as they lack awareness regarding the imminent risks associated with MFA phasing out.

According to the already quoted study[9] , the majority (64.2 percent) of low-paid female workers are not aware of the phasing out of MFA. Of those who have at least heard of it (49.6 percent), 75 percent came to know from co-workers. The high-paid sample workers are more aware of it (66.1 percent), for whom neighbours (27 percent) and media (8.1 percent) came out as an additional source of information. Regarding the reason behind this phasing out, 86.5 percent of the high-paid workers failed to specify and 12.5 percent of the low-paid ones were misinformed.

The same study finds that there are not many options for the workers. Tailoring, the best alternative according to 25.0 percent of high-paid respondents remains questionable given the division of labour existing in RMG production sector. Deficient skill level, along with the hugely competitive urban strata, at best enables them to go for low-paid contractual jobs in the neighbouring tailoring shops. Their vulnerability may be further increased with the projected high inflation at the aftermath of MFA phase-out.

12.5 percent of the high-paid respondents cited poultry, fishery, dairy farms and other forms of agriculture as possible options. Their *good wishes* are constrained by the capital shortage and size of the rural economy, which compelled them to migrate in the first place. Even being the breadwinner of the family, the ownership of the assets generated out of the respondents' earnings, shows a marked male dominance and the income generated from those assets may not provide the expected support to the respondents.

Female workers have univocally explained that they lack the required level of education and time for skill-development in any other sector that may demand technical or educational base. The long working hours restricts the possibility of training at this stage and even after the job loss, it would be less likely for them to explore the very idea, unless they are provided with adequate government allowance for the training period. Another possible option and probably the easiest one would be to look for a job as a housemaid. However, only 4 percent of the low-paid female workers consider this a possibility. The huge trade-off with their apparently *independent* life-style possibly could not possibly outweigh the allurement of the *secured* life as a housemaid.

Loss of job in garments factories may also lead to implications regarding the geographic location of the redundant workforce. As the majority of the workers arrived as economic migrants to city centres, loss of paid employment will take away the economic basis of urban address. This becomes clear when the option of shelter and support after unemployment is taken into consideration. From the findings of the earlier study[10] , it is seen that the perceived trend of re-ruralization is stronger for low-paid unmarried workers (62.7), as most of the married workers' husband is working in different sectors or have a higher probability of being employed immediately after the retrenchment. The re-ruralization will definitely aggravate the existing disguised unemployment in the rural sector. As most workers come from a hard-core poverty group, their return along with the loss of their income will worsen the process of economic recovery on the part of the family as a whole, even if the contribution is insignificant. Apart from that the displacement also has a high opportunity and psychic cost.

Unequal Impacts and Risks

The loss of job for female earners can be expected to result in a loss of voice, increased subordination and further marginalization of the unemployed female workers. This may lead to further aggravation of discrimination against women at family and community levels. If trade reform leads to changes in activities, there is a possibility that risks will increase. The previously cited study[11] shows that, despite the social barrier and uncertainties (such as risk of abuse and trafficking), sampled workers revealed their strong preference (73.1 percent and 53.6 percent of low-paid and high-paid workers respectively) for overseas employment. The opportunity of higher income (63.3 percent) and progress (24.1 percent) were the main factors behind their choice.

The female RMG workers, being economically poor, cannot bear risk easily. In the case of women the risks are heightened because poverty for them is also in terms of their worse access to information and options. In the context of MFA phasing out, female workers are exposed to a higher degree of uncertainty and risk factors, because of two reasons:

- As already noted, the INCIDIN-ActionAid study[12], found that the majority (64.2 percent) of low-paid female workers are not aware of the phasing out of MFA. Thus a large number of workers are either not aware of the risks or has poor quality of information regarding the risks. This decreases their capacity of coping the changed scenario in the post-MFA phase.

- The same study shows that among the sample workers, only three of the female workers have switched to brick breaking after joining a RMG factory. Sector-specific skill development impedes the provision for alternate jobs in most of the cases. More importantly, the inter-sectoral job mobility for the RMG female workers, is directed downward as far as wage and employment status are concerned.

It should also be noted that although riskier, an economically sensible option for the unemployed female workers of Bangladesh could be migration to countries where demand for their labour may expand. But this choice cannot be explored because of the restrictions that prevail on the movement of natural persons. Given the existing framework, the option of migration does not appear to be feasible for Bangladeshi female workers.

Conclusions

Female workers in the RMG sector in Bangladesh are at a crossroads; they are facing a challenge not only as oppressed workers but also as women. Furthermore, they are now facing the challenge of retaining their identity as industrial workers. The economic trade regime under the WTO as such, does not limit itself in redefining the map of global trade; it also leaves a strong impact on the power map of the sexes. This paper concludes that specifically for female workers in the RMG sector, once the MFA has phased out, if it leads to loss of employment, it will redefine the power relations of these women much more to their disadvantage.

A.K.M. Masud Ali, A.K.M. Mustaque Ali and Ratan Sarkar are the three Executive Directors of INCIDIN Bangladesh.

Endnotes

1 INCIDIN Bangladesh for ActionAid Bangladesh (2001) "A Study on the Probable Impacts of Phasing-Out of MFA upon the Livelihood Security of the Female Workers of RMG Sector in Bangladesh", September, 2001, Dhaka.

2 Bangladesh has exported RMG products to as many as 85 countries. The main destinations, however, have been USA, Canada and the EU. The average annual compound growth rate of exports from Bangladesh to the EU was 37.9 percent, while the same were 18.4 percent to U.S.A and 30.4 percent to Canada.

3 Under the ruled of origin's requirements, a two-stage transformation is required for woven RMG; for knit RMG a three-stage transformation (cotton to yarn, yarn to fabric, fabric to RMG) is required.

4 Bhattacharya, Debapriya and Mustafiz Rahman (2000).

5 "Globalization and Bangladesh Economy" of Bangladesh Economic Association, Dhaka, 7 March 2002.

6 Kabeer, N. (2000) p.50.

7 INCIDIN Bangladesh–ActionAid Bangladesh (2001) op cit. 1.

8 Ibid.

9 Ibid.

10 Ibid.

11 Ibid.

12 Ibid.

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Plenary II
"Does the International Trading System Promote the Interests of the Poor?"

Chair: **Farooq Sobhan**, President, Bangladesh Enterprise Institute

Speakers: **Magda Shahin**, Egypt's Ambassador to Greece
Jean-Pierre Lehmann, Chairman, Evian Group, Professor of International Political Economy, International Institute for Management Development, Lausanne, Switzerland
E. Olawale Ogunkola, Professor of Economics, University of Ibadan, Nigeria
Shishir Priyadarshi, Senior Counsellor, Development and Economic Research Division, World Trade Organisation

The Chair of the second plenary, **Mr. Farooq Sobhan**, President of the Bangladesh Enterprise Institute and former Foreign Secretary of Bangladesh, declared that international trade is a complex business. The weights and balances change every moment. It is also difficult to estimate whether even a seemingly gainful policy is going to benefit or harm the country. A simple example is the elimination of the textile quotas. After 1st January 2005 Bangladesh will be competing without quotas. However, each time quota systems for various products have been liberalised, China has engulfed the market. There is a greater probability of losing market share after the elimination of quotas. Thus, most policies in trade may show obvious benefit on the surface, but the outcome could eventually turn out to be negative.

In her second intervention, this time delivering the keynote address, **Ambassador Magda Shahin** expressed her feelings of satisfaction since the Cancún Ministerial, where the Doha Development Round had once again gained momentum and taken off. The US' mobilisation for world support in their fight against international terrorism was instrumental in forcing the EU into acquiescence to the Implementation Issues and the language on the Singapore Issues amongst others. However, when the EU and the US tried to deviate from the Doha Mandate, they were shunned by developing countries.

Ambassador Shahin went through the history of the debate on Non-Agricultural Market Access, which had been part of the Doha Mandate. By doing so, she showed how much resistance developing countries had put against this topic – which had not been mandated by the Uruguay Round Agreements. She then addressed briefly the reasons of developing countries' resistance in this regard. The acceptance to negotiate this agenda item on the basis of Article 28(bis) of GATT 1994 rescued developing countries interests. This not only showed the asymmetries between developed and developing countries but also argued in favour of maintaining tariffs for revenue purposes, which had been defended by the latter.

Regarding the operationalisation of Special and Differential Treatment (S&DT) provisions contained in the World Trade Organisation (WTO), Ambassador Shahin referred to the need to stick to the Implementation issues as a major agenda item included in Doha after strenuous effort on the part of the developing countries. She then addressed the earnest and honest demands developing countries wanted to draw attention to. Ambassador Shahin also stressed the fact that these issues were not presented in the Singapore Ministerial Conference to bargain against the Singapore Issues but were real concerns and need to be addressed seriously.

Ambassador Shahin then addressed agricultural trade reform as a clear agenda item where developed countries have shown reluctance for further trade liberalisation and applied tactics to win time and renege on their commitments. In responding to the question whether the WTO should harmonise or customise national trade and development strategies, Ambassador Shahin argued that irrespective of the role one would want to attribute to the WTO, trade remains today as before an essential element for development. Thus, it is incumbent upon the WTO and its membership to harmonise trade and development strategies as an integral part of the national policy space and of the multilateral trading system and deal with the two objectives in a holistic approach. Trade should be a positive sum game and not a zero sum game.

In concluding, Ambassador Shahin stated that the Committee on Trade and Development (CTD) established in the WTO takes a comprehensive view of linkages between trade and development. This committee should be used extensively and it should take up issues such as the Cotton Initiative and other supply side issues relevant for developing countries.

Professor Jean-Pierre Lehmann, Chairman of the Evian Group and Professor of International Political Economy at the International Institute for Management Development in Lausanne, provided a philosophical perspective on international trade, "You cannot have a global market if you don't have a global village." It is important for people to understand the concept of "Enlightened Self Interest", which gains from Mahatma Gandhi's philosophy "There is enough in the world for every man's need but not enough for every man's greed."

"Creating wealth is glorious" – however, trade is not only about money and profits but also about welfare. The multilateral system does not seem to be working for the poor while the benefits are substantial for the rich. There are many instances when the rich do actually directly benefit from the system. A prime example is Kenneth Lay, former Enron CEO, who receives subsidies for his cotton farm. In the North, there is little interest and commitment towards promoting the development interests of the WTO. Agricultural and textile lobbies are very strong in Europe and the US and there are very narrow and defined vested interests. In fact most of the ministers are agriculturists directly or indirectly. EU consumers suffer immensely from the cost of protection, but they are a disaggregated lot while the producers are very organised.

The multilateral trading system needs to be revived and reconstituted. Japan needs to depart from its dynamics of paralysis, whereas the EU should leave behind its dynamic of procrastination. There do not seem to be any viable alternatives to the multilateral trading system. In bilateral deals the weaker part is always going to suffer, as the most recent Australia-US deal has shown. The power of American imperialism is strong.

What is needed, Professor Lehmann concluded, is a value proposition for development and to develop a sense of commonality. Civil Society should provide the vision, the idealism, the dream. Civil Society should also propose concrete practical steps for policy implementation.

The principal question, according to **Professor E. Olawale Ogunkola**, of the University of Ibadan in Nigeria, is how to take the Agenda forward. Beginning with governments, they need a push. It is, nevertheless, the responsibility of NGOs to address government failures. In the international trading scene governments have been less successful in representing domestic priorities fully. Developing countries have not been successful in operationalising S&DT provisions in the agreements. There have been problems in implementation. In fact, developed countries have been able to gain more by reverse S&DT in agriculture and textiles via use of special arrangements as well as the Peace Clause than developing countries. At this juncture NGOs can play an important advocacy role. They should ensure that trade and domestic development policies are coherent and that the interests of various stakeholders are adequately taken care of. The Civil Society and NGOs in particular should focus more at the national trade policy making process in ensuring that this is done and possibly follow up these issues up to the multilateral level. Approaching the issues this way would show understanding and respect for the internal workings of the World Trade Organisation and possibly promote maximum impact, he concluded.

Speaking in his personal capacity, **Mr. Shishir Priyadarshi**, Senior Counsellor at the Development and Economic Research Division of the World Trade Organisation, reflected on the international trading system and said that there has been a prolonged and often divisive debate about the distribution of gains from global trade. He said that it has become fashionable to blame the WTO for the flaws in the system. He clarified that unlike some of the other international organisations, the WTO Secretariat has no institutional agenda and the secretariat only plays a facilitative role in the negotiations.

Responding to the question of the plenary "Does the international trading system promote the interests of the poor?" he said that from the perspective of the WTO he would like to analyse this question in two parts. Firstly, whether the WTO Rules attempt to promote the interests of the poor; and then secondly, to assess how far they have been successful.

To the first of these questions, he answered yes, and went on to substantiate his assertion with the argument that all the legal texts, assembled in the so-called "Bible", the collection of all WTO Rules and Agreements, emphasise the need to foster development. Indeed, the Establishing Agreement of the WTO emphasises the need to ensure development and standards of living. Clearly therefore the WTO as an organisation does endeavour to promote development and protect the interests of the poor, he concluded.

Elaborating, Mr. Priyadarshi said that the WTO is a democratic institution and all its members are deemed to be equal. Even though there may be some element of back stage or capital based power negotiations, but it is a fact that every member of the WTO has a veto on each and every issue. Moreover, as is well known the WTO is a consensus-based organisation. Agreements are generally negotiated so as to ensure that the largest possible number of members gains; there is an endeavour to work towards win-win situations.

Analysing the second question, that is whether or to what extent has the global community actually succeeded in this regard, he said that this question can only be answered subject to the following two provisos, namely that (i) only a macro analysis of economic gains can be done and (ii) it is often very difficult to correctly determine the causal effects of any action.

Before the Uruguay Round was launched the approximate gains were estimated to be around US$ 1200 million. A number of countries feel that these gains have not accrued. For instance, what is often quoted is that the total share of all African countries in world trade has not increased. In important areas such as agriculture and textiles, which are of primary importance to developing countries, access to developed country markets is still substantially restricted. Some people do argue that the multilateral trading system has not delivered what it intended/promised to. While there may be scope for further improvements, it would also be wrong to apportion all the blame for this on the WTO. Often domestic policies, which are a necessary complement of any global trading system, are not properly implemented.

While concluding, Mr. Priyadarshi said that another problem with such an analysis is that it is difficult to define development – there are very different views on the issue. There is an urgent need to identify indicators, which would provide the link trade with development; indicators that also adequately capture the distributive aspects of trade gains, because in the final analysis this is what will make a difference for the poor.

The ensuing discussion raised the question whether governments themselves do support the poor. Several participants pondered on the infamous European Common Agricultural Policy (CAP) and wondered to what extent the European constituencies are aware of this issue.

Does the Multilateral Trading System Promote the Interests of the Developing Countries?

Magda Shahin

At the outset a distinction has to be made between the World Trade Organisation (WTO) as an organisation and the multilateral trading system. While it is true that the WTO sets the rules, this that does not necessarily imply that countries will abide by these rules to the advantage of developing countries and the poor in the multilateral trading system. Sometimes, although rules might have been negotiated in good faith, they may be implemented in bad faith. Whereas in the multilateral trading system as well as in the WTO, developing countries have to live with the realities of power politics as the norm, negotiated rules in the latter ensure that developing countries as a whole have a say as participating players. For this reason, although Cancún may augur a new beginning for the developing countries in the WTO, it does not mean that developing countries are becoming stronger in the system. The democratisation of the WTO is still far away. Even further away is its positive impact on the system as a whole - An impact that should ensure that the accruing advantages and interests are equitable and balanced, thus benefiting both developing as well as developed countries.

To adequately assess the results of the Fifth Ministerial held in Cancún in September 2003 we have to go way back. Maybe we should start by reminding some among us that the signing of the Uruguay Round agreements came to many as merely a guarantee to be part of the system – rather than a sincere conviction of the potential benefits that might be drawn from these agreements for countries and people. As a result, as we well know, several if not most developing countries are still grappling with the implementation of various obligations in 22 agreements, approved and ratified as a "Package Deal".

The situation became even worse when during the First Ministerial Conference held in Singapore in 1996, developing countries found themselves confronted with an avalanche of new issues to be addressed and negotiated. Developing countries had to deal with environmental issues, investment, competition, trade facilitation, government procurement, and a labour clause, at a time when they had not absorbed fully the implications of the Uruguay Round agreements on their economies. Despite the fact that it was difficult to reject initiatives and/or proposals offhand, several developing countries joined by some developed ones, like Australia, New Zealand, Japan and Canada, were adamant on negating from the very beginning the competence of the WTO to deal with the labour clause. Though they succeeded in transmitting the topic for deliberations and action to the ILO, as the competent organisation, now and again we are faced with new attempts to include the social clause in the WTO agenda.[1]

As for the four so-called Singapore Issues – trade and investment, trade and competition, transparency in government procurement and trade facilitation – developing countries insisted at the First Ministerial to be given some time to study the issues more thoroughly. They also needed to be convinced of their relevancy to the work of the WTO, i.e., to trade. Though an "educational period" according to WTO jargon was granted, the EU, Japan, Switzerland and South Korea pushed the issues for negotiation. At each Ministerial thereafter the countries mobilised additional numbers of developing countries. The recruits were mainly agricultural developing countries, ready to bargain the inclusion of the Singapore Issues for further agricultural liberalisation. Having attended the first four Ministerial Conferences, I must admit, that we owe today's retreat on the Singapore Issues to the Indian delegations. At one point India single-handedly refused any negotiations on the four issues. It is true that India was able to mobilise support from Malaysia and some African, Caribbean and Pacific (ACP) countries. However, India alone carries the credit for the language obtained on the need to have an "explicit consensus" on the modalities of negotiations to be able to negotiate rules for the four topics. This language was forced in the Doha Ministerial Declaration at the eleventh hour.

Cancún Conference: A New Beginning or Unveiling the Truth

It was not until the Cancún Conference, that the naked truth behind the continued persistence of pushing the Singapore Issues for negotiations in spite of all the resistance was unveiled. During this meeting it was brought to the light what Guy de Jonquières[2] baptised as the European Union's "Machiavellian" way. Today, following four Ministerial Conferences and nearly eight years of work, we see augmenting flexibility on the part of developed countries to give up two or even three of the Singapore Issues – Although trade facilitation is being kept on the negotiating table. This sudden change, on the EU's part in particular, is not without despair. It follows the awareness of the mounting resistance against its initiatives, and moreover the denial by the agricultural developing countries, when they conceived the fact that the EU was not ready to deliver on agriculture. It is clear today that the Singapore Issues were sheer bargaining chips brought forward by the EU. The purpose was only to delay and protract the negotiations on the liberalisation of the agricultural sector, while blaming the developing countries at every corner and accusing them of obstructing any progress because of their uncompromising and hard-line positions.

It is also worthwhile noting that the Cancún Conference was important for developing countries in bringing about a new way of working together in the WTO framework. Having so far been accepted as an 'informal group of countries' contending themselves to meet on a monthly basis for a mere exchange of views, today, developing countries have regrouped themselves in smaller, more coherent groups, which enable them to co-ordinate more closely and fight for their interests. These groups have also shown keenness and readiness to support one another in each other's demands.

The G-20[3] was initiated by Brazil and India and gathered several other no less important developing countries. This group has called for substantial reductions in agricultural subsidies of developed countries and increased market access for the agricultural products of developing countries. With India as a co-pilot, the group also fought its battle at Cancún for safeguarding food security for developing countries. The Cairns Group, a mixture of developing and developed countries whose main interest was also the liberalisation of the agricultural sector was dormant in the Cancún Conference. Today, however, it is striving once again to activate itself in Geneva to obtain additional liberalisation in the agricultural sector.

Other groupings of developing countries were also formed in Cancún to defend their interests in the agricultural sector. The G33[4], also called Alliance for Strategic Products and a Special Safeguard Mechanism, is a group of developing countries, which has argued that any framework for agricultural modalities should allow developing countries to protect their own agricultural sectors through mechanisms including 'strategic products' and a Special Safeguard Mechanism. The G90[5] brought together the African, Caribbean and Pacific (ACP), Least Developed Countries (LDC) and Africa Union (AU) groupings. At Cancún it represented 91 developing countries, 60 of which were WTO members. Their objectives included protecting their preferential access to northern markets, and resisting the introduction of the Singapore Issues.

Doha Mandate Remains Intact

The Cancún Ministerial was supposed to be a straightforward conference. It was considered to be more of an organisational, mid-term meeting to take stock of and assess the progress of the Doha Development Round, rather than a conference to negotiate substance. One can, however, not undermine the importance that Cancún had in rectifying the balance with regard to a number of controversial issues in the Doha Round. Reaching Cancún, many developing countries felt frustrated as a result of the manoeuvres and twisted interpretations of the Doha mandate conducted in Geneva aiming at establishing a new *fait accompli*. Two years had elapsed since Doha, and little of the promises made then had been honoured. For many delegates the Doha Round was viewed as void of any development concerns due to the continued pressure by the developed countries to integrate issues of interest to them at the expense of the developing countries. In addition to the Singapore Issues, the EU and the US were adamant on linking liberalisation in agriculture with market access in non-agricultural products. This would put further pressure on developing countries to liberalise their markets for industrial goods. Furthermore, it became clear that developed countries were lenient and even going back on their promises in Doha to implement and render many of the special and differential treatment clauses operational.

During the Doha Round developing countries worked hard to revive Special and Differential Treatment (S&DT). The inclusion of Article 50 in the Doha Mandate succeeded in bringing back the Special and Differential Treatment provisions of the GATT system, which seemed all but forgotten. Explicit reference to Part IV of the GATT 1994[6] was made. This was likely to be ignored in spite of the fact that it always remained an integral part of the WTO Agreements. Throughout the negotiations in the framework of the Development Round, developing countries should not lose sight of this paragraph as it contains important milestones with respect to Special and Differential Treatment.

Developing countries need to monitor the implementation of these provisions. Cancún was yet another attempt to bypass them. However, developing countries this time stood firm.

Another significant milestone brought back to memory by Article 50 of Doha with respect to Special and Differential Treatment for developing countries was the agreement on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries", also known as the "Enabling Clause"[7]. This agreement had been achieved in the context of the Tokyo Round in 1979. One should also remember that the Enabling Clause recognised that developing countries are expected to take on progressively more obligations as they develop. This they have not shied away from, as can be seen in all the obligations they committed themselves to during the Uruguay Round.

In Cancún, however, it was again clear that while developing countries were working hard for more meaningful and operational Special and Differential Treatment, the US continued to coerce developing countries into additional obligations and ask them to cut their tariffs on agricultural and non-agricultural products substantively. Such calls contradict Paragraph 50 of Doha and go beyond any agreement reached in the Doha Mandate thus imposing more concessions on developing countries for liberalisation in return of already agreed upon commitments, notably the phasing out of all forms of export subsidies in agriculture.

Equitable versus Equal Treatment

Market access for non-agricultural products

Forcing developing countries into market access negotiations for non-agricultural products is one of the main examples denying developing countries an equitable and fair treatment in the system. It moreover goes against the Doha Mandate as explained below. It is evident that the basic understanding of a Development Round is that any further liberalisation of trade should be in the interest of developing countries. We view, however, that the controversial area of market access negotiations for industrial goods, irrespective of its consequences on developing economies, was set as a priority issue in Cancún where attempts for reinterpreting the Doha Mandate were made. Such action was tantamount to showing how remote the consideration of equitable and fair treatment in favour of developing countries was made in this vital area.

In fact, the issue of market access for non-agricultural products has been one of the most disputed issues since the First Ministerial in Singapore. Whereas Articles 19 and 20 of the Agreement on Agriculture and Trade in Services respectively mandated further trade liberalisation in these two areas, there was hardly any mandate for liberalisation of industrial goods. Thus, developing countries rightly argued against its inclusion in a new trade round agenda. This was refuted off-hand by the developed countries. Developed countries were of the view that there was no need for a specific mandate to negotiate additional trade liberalisation for industrial goods. They were convinced that such negotiations ought to be conducted automatically referring themselves to Article 28(bis) of the GATT entitled "Tariff Negotiations". It became part and parcel of the Uruguay Round agreements following the inclusion of GATT 1947 to WTO/Uruguay

Round agreements. Requests made by developing countries to study the implications of further reduction of tariffs on their economies remained unheeded. One cannot deny the fact that Article 28(bis) did not omit the interests of developing countries. Recognising the asymmetries between developed and developing countries, Article 28(bis) stipulated in its Paragraph 3(a) the needs of developing countries for a more flexible use of tariff protection to assist their economic development and the special needs of these countries to maintain tariffs for revenue purposes.

To understand in the first place why developing countries resisted so fiercely the inclusion of non-agricultural market access in a new round of trade negotiations, one ought to look at the topic from the right perspective. Taking into account what we perceive as autonomous liberalisation undertaken by many developing countries in the framework of their reform policies with the World Bank and the International Monetary Fund and referring to many analyses, one can state the following findings:

a. Developing countries were hardly compensated in terms of reciprocal concessions by developed countries for their autonomous liberalisation.

b. Cutting tariffs on industrial goods for developed countries has taken a period of no less than 50 years, since the establishment of the GATT in 1947 and negotiated over eight trade rounds. Such a long span of time, which developed countries refuse to developing countries, has allowed the former to move gradually as well as enabling them to protect their industries adequately.

We also have to draw attention to the fact that the low tariff rates in developed countries conceal a great deal of biases against developing country exports. These is to be seen particularly in the peak levels of tariffs and escalating tariffs on value added exports of interest to developing countries, especially in the areas of leather and leather products, food and agricultural products, and textiles and clothing.

Tariff cuts by developing countries in the Uruguay Round agreements were as broad and at the same time, deeper, than those conceded by the developed economies. As the developed countries reduced their tariffs on industrial goods from an average of 6.3 percent prior to the Uruguay Round to 3.8 percent, i.e., an average reduction rate of 40 percent, developing countries went much beyond that. The average rate of reduction for developing countries, which for the first time agreed to lower and bind their tariffs, exceeded three times the average rate of reduction of the developed countries.

The major part of what developing economies gave is due now; the major part of what they receive will not be delivered until 2005, or is yet to be negotiated. What they gave (apart from the exchange of tariff cuts) was mainly acceptance of "codes" on major areas of domestic as well as import regulation (e.g., intellectual property, technical and sanitary standards, customs valuation, import licensing procedures). What they get in return from the developed economies is Multi-Fibre Arrangement (MFA) elimination – not due until 2005 – trade liberalisation and reduction of domestic support on agricultural products – yet to be negotiated.[8]

Developing countries exporting to rich ones face trade barriers four times higher than those faced by industrialised countries – and goods produced by the poorest people face the highest import barriers of all. Shirts produced in Bangladesh enter the US market at a tax rate some 20 times higher than that imposed on goods imported from Britain. Vietnam – a country with 23 million people living in poverty – pays more US customs duties than the Netherlands, despite accounting for a far smaller share of imports. Eliminating import restrictions on textiles and garments alone could generate as many as 27 million jobs in developing countries.[9]

Today, we witness the continued insistence by some developed countries to be given more time to gradually eliminate tariff peaks and tariff escalation. These same countries did not hesitate to push developing countries ever harder for cutting their tariffs substantively. It was a surprise to see the paper tabled by the EU, the US and Canada on substantial tariff reductions in mid-August 2003 forming the basis for the Cancún first draft text – irrespective of its prior rejection by the developing countries.

How to Operationalise S&D Provisions Contained in WTO Agreements?

Implementation Issues

The Implementation Issues are one of the most prominent venues to force developed countries into operationalising and implementing Special and Differential Treatment provisions.

Implementation Issues, dear to developing countries' hearts and minds, were attached utmost importance during the Doha Declaration. One of the major deceptions of Cancún was that the Implementation Issues were hardly addressed. Why were these issues neglected? Was it because of lack of time or lack of interest? Have developed countries succeeded in overburdening the Cancún agenda with their own requests and interests with a view to bypassing the Implementation Issues, which they continue to discard? Or are these issues so complex that developing country-negotiators themselves tend to forget or disregard them because of lack of knowledge and continuity? Were, after all, the Implementation Issues only tactical issues?

To begin with, I have to stress that contrary to what many would like to project, Implementation Issues were not brought up to manoeuvre against the Singapore Issues, but were advanced as genuine and earnest demands by developing countries. As such, they have to be taken into account and pursued thoroughly to avoid the risk of being shelved. By pushing for the Implementation Issues on the agenda of work of the WTO, developing countries wanted simply to draw attention to the following:

a. The difficulties they have and will encounter in implementing their vast obligations emanating out of the Uruguay Round agreements.

b. The imbalances in the various commitments between the developed and developing countries.

In addition, developed country implementation of several of the Uruguay Round agreements including those on textiles and clothing, antidumping, agriculture, and sanitary and phytosanitary measures, to name but a few has been carried out in a disadvantageous manner from the perspective of many developing countries. The Special and Differential Treatment provisions, including the transitional periods granted to developing countries for implementation, remained "best endeavour clauses" with no attempt whatsoever on the part of the developed countries to render them operational.

Forwarding the Implementation Issues was at no rate due to any bad faith on the part of developing countries to evade their commitments as they had effectively started to implement them. Developing countries wanted to show the weaknesses inherent in their systems and the lack of capacity, including the lack of adequate financial resources that made (and makes) their prompt and faithful implementation difficult, if not impossible. The obligation to consider the principle of reciprocity – a basic principle in the GATT system – in the present multilateral trading system as a foregone principle, has done much harm to the already fragile terms of trade and vulnerable developing countries' economies. This became all the more felt during the implementation phase. Developing countries wanted therefore to treat Implementation Issues as a reminder of the burdensome and unfair commitments – including making the same concessions as developed countries and being subject to the same rules in spite of the asymmetries.

Implementation Issues are difficult and diverse, as they cover a large amount of topics in the Uruguay Round agreements. Although they were first advanced by developing countries in the First Ministerial, which made many believe that they came as a response to the Singapore Issues, they were only dealt with seriously during the Third Ministerial held in Seattle. In fact, the laxity and negligence with which developed countries treated the Implementation Issues became one of the main reasons behind the failure to agree on a new round of trade negotiations at Seattle. The US argued then that Implementation Issues would alter the delicate balance of commitments of the Uruguay Round agreements – ignoring the fact that such a balance did not exist in the first place. It was thus only during the Fourth Ministerial held in Doha in September 2001 – and because of the US' interest to draw on the support of the international community in its fight against terrorism – that the Implementation Issues prominently figured in the Doha Development Agenda.

Time and space do not permit to go here into details. Suffice to say that it was only due to the September 11 terrorist attacks, an event so remote from trade negotiations, that the US acquiesced to include Implementation as part of the work programme of the New Round at Doha. Though this should be considered as a success of the determination and persistence of developing countries, we have to caution against being lured into paying twice for what should have been "acquis" in the Uruguay Round. Negotiating the Implementation Issues as part of the Single Undertaking should not be taken as an excuse or become a pretext to make developing countries pay again for what is duly theirs, for removing the imbalances or asking for meaningful liberalisation in sectors like agriculture, and textiles and clothing. Developing countries have repeatedly pointed out that they cannot be expected to pay an additional price after already having paid an enormous price in the Uruguay Round agreements for removing imbalances and inequities inherent in existing agreements and for realising the benefits promised to them in some other agreements.

Thus, Implementation-related issues and concerns figured highly in the work programme of the new Development Round launched in Doha.[10] Members have shown keenness to address the Implementation Issues, including the outstanding Implementation Issues, which are not covered by a specific negotiating mandate. According to the Doha Mandate members were ready to negotiate Implementation-related issues and concerns in good faith so as to find adequate solutions to them. However, soon after returning back to Geneva a new kind of debate was triggered by the developed countries regarding the interpretation of the Doha Mandate. The argument revolved around the meaning of the wordings "adequate solutions" or "adequate measures" in Paragraph 12.

These and other controversies succeeded in taking the Implementation Issues off the negotiating table in Cancún. It was a pity that after all efforts, the Implementation Issues did not figure on Cancún's agenda, as if they were presented in the first place for tactical reasons. The best Cancún draft came up with was a clear deviation from the Doha Mandate by trying to insert language to the effect that "what was meant by the Doha Mandate was to look into adequate measures rather than final solutions". In other words, after having shown readiness in Doha to negotiate the Implementation Issues with a view to finding appropriate solutions, the attempt was made to ask the General Council to consider taking "appropriate action" after reviewing the progress made. What is clearly insinuated by "appropriate action" is opening up a purview of options among which 'appropriate solutions' is but one, whereas finding appropriate solutions was the sole option considered in the Doha Mandate. However, since no ministerial declaration was adopted in Cancún, there is no need to cry over spilled milk. We have to stick to the concluding remarks at Cancún where there is a reaffirmation of the Doha Declaration to the "utmost importance of the implementation-related issues and concerns" and there is a commitment to implement it fully by what was referred to as a determination to find "appropriate solutions".

Implementation Issues continue to be a necessary and sufficient condition to operationalise special and differential treatment contained in WTO agreements. Fighting to address them adequately while staying alert in order not to pay twice remains today as before a challenge for developing countries. It should be noted that Special and Differential Treatment constitutes an integral part of the balance of rights and obligations of the Uruguay Round agreements. Developing countries accepted the obligations in the expectation that some of their concerns would be addressed and dealt with through Special and Differential Treatment provisions. Hence, seeing that these were not seriously taken care of and rendered operational, developing countries felt deceived.

The Present Agricultural System does not Promote the Interests of the Poor

Agricultural Trade Reform

Turning now to the Agreement on Agriculture, which is the make or break of the Development Round, I must admit that had it not been for the determination of the newly founded group of developing countries, the G-20, we would have been subjected to a *déjà vu* Blair House effect. A bilateral agreement negotiated between the two trading superpowers would have simply been imposed on the entire membership of the WTO.

We all remember how the EU and US imposed the "Blair House Agreement" by multilateralising an agreement, which was basically a bilateral *modus vivendi* between them. In Cancún, the G-20 categorically rejected such attempts and wanted to make the US and the EU accountable for their inaction in the area of liberalising their agricultural sector.

Agriculture remains one of the most indicative examples where the multilateral trading system works clearly against the interests of the poor. This is witnessed on a number of accounts of which the following are but a few: granting additional subsidies, backtracking and new linkages through forcing developing countries into more commitments, denying demands made by the developing countries, and the reluctance observed for further trade liberalisation as mandated in Article 20 of the Agreement on Agriculture. In fact, nearly four years after negotiations started in accordance with the said Article, negotiators are not any closer to an agreement than the first day. On the contrary, we see an increase in subsidies, be it in the US or in the EU. The Bush's administration's 2002 Farm Bill provides for an $8 billion a year increase in spending. It links agricultural support more closely to production than previous legislation, guaranteeing continued surplus production and export dumping. This is an increase in the Blue Box, which deals with subsidies to the developed country farmers directly with a view to encouraging them to limit their production without incurring any financial losses.

On the one hand, the EU has followed the lead of the US. On the other hand, under the reform package adopted by the EU in June 2003, overall spending on the Common Agricultural Policy (CAP) will be maintained at current levels – around 50 billion Euro, half of the current EU budget. The dairy and sugar sectors, which between them account for two-thirds of direct export subsidies, have been left largely untouched.[11] The CAP reform, which the EU is so proud of, has managed to move agricultural support from the Amber Box (production-boosting support) and the Blue Box (production-limiting support) to the Green Box (at most minimally trade distorting support). In essence, the CAP reform was merely an exercise, which tried to hide trade-distorting subsidies in a different coloured box. The proof is that no reduction in the current levels of subsidies has been admitted. This was due to the tacit agreement reached between France and Germany[12], imposed later on the EU, allowing for the maintenance of the same level of agricultural subsidies until the year 2013. Only thereafter will the EU start gradually reducing agricultural subsidies.

On one side, the EU continues to resist the setting of any deadline after which export subsidies would be eliminated, or to negotiate a gradual reduction of the Blue Box, where subsidies are linked to limitation of production. Whereas the US, on the other side, said that they would only talk about subsidy reductions once developing countries had made a commitment to significantly cut their agricultural tariffs. This clearly means that the EU and the US before they deliver in agriculture, as mandated by the Uruguay Round agreement and subsequently by the Doha Declaration, they force developing countries into additional commitments contrary to the spirit and mandate of a Development Round. It is also an indication of developed countries backtracking on their commitments.

Furthermore, developed countries ignored the demands made by developing countries, specifically the G33 mentioned earlier, for provisions allowing them sufficient flexibility to decide their own strategic agricultural products and a safeguard mechanism. Whereas developed countries negotiated special safeguard measures in the Agreement on textiles and clothing, requests by the developing countries to restrict market access in agriculture in the event of a sudden surge in imports were far from being accepted. Moreover, calls by the G33 for the inclusion of a new concept to deal with so-called special strategic products, which gives them the right to select and to exempt such products from liberalisation commitments and additional tariff cuts was refused. This is not only denying developing countries meaningful Special and Differential Treatment in this vital area but also a clear rejection of allowing them to harmonise their trade commitments with their ability to protect their own agricultural sectors in accordance with their development strategies and priorities.

These extravagances by the developed countries have pushed for new dynamics, which appeared as a clear turning point in the history of agricultural trade negotiations. Having realised that neither the EU, in view of its expansion to 25 members, nor the US, in view of its coming elections, was ready to concede in agriculture, the G20+/- grouping, which gained in power throughout the Cancún Conference, changed the dynamics of negotiations. This they have achieved not only through reacting, or letting their "NO" be heard, but more so by making their own alternative agriculture proposal and sticking to it[13].

Developed countries were hardly prepared for the new dynamics as became evident from their constant attempts to undermine the G20. Notwithstanding the offer by the EU to unbundle and give up three of the Singapore Issues, it came far too late, thus rendering it ineffective in the course of the negotiations in Cancún. It should also be remembered that having reached no agreement, the Peace Clause[14], which lasted till December 31, 2003 in accordance with the Agreement on Agriculture, should expire. This means that developed countries are no longer entitled to grant subsidies to their agricultural products, which are not in accordance with the Agreement on Subsidies and Countervailing Measures. Otherwise they would be subjected to the dispute settlement mechanism. The G20 in its paper refused to contemplate the extension of the Peace Clause.

Should the WTO Harmonise or Customise National Trade and Development Strategies?

A last question to address is whether the WTO should harmonise or customise national trade and development strategies. One hears loud voices saying that the WTO is par excellence not a development organisation. Thus, it is by no means entitled to attempt harmonising trade and development. This line of argument stresses that in the absence of measures to address development needs and wider strategies for poverty reduction, the WTO cannot have the dual role of financing or mobilising internal and/or external resources for development as well as increasing trade. The WTO is by no means an organisation to finance development strategies. The WTO is also not merely there to assist developing and least-developed countries to adjust to its rules and disciplines and to implement their obligations. Attempting to solely attribute either one to the WTO would be an erroneous understanding of its role in harmonising national trade and development strategies.

Harmonisation of national trade and development strategies takes place when the latter is geared towards increasing the trade potential of a country and when trade is not hampering the development strategies of that same country. Trade and development strategies should not be conflicting objectives in a Development Round of trade negotiations but complementary. These two objectives should be a positive sum-game from which developing countries can extract sufficient benefits to reduce poverty and enable them to grow.

In working towards such a goal it is important to keep in mind that trade liberalisation is not an objective by and in itself but one that should help countries grow and prosper. Hence, the gradual approach to trade liberalisation cemented in the GATT system that enabled developed countries to liberalise over a span of fifty years was in the first place to help these countries adapt. Today the need to adapt trade to development is all the more vital for developing countries in the system. Trade should be liberalised to the extent that it serves development plans and objectives. Trade remains today as before an essential element of development and one that brings in hard currency for the development needs of the country. In that sense, tariffs accruing from some levels of protection are sometimes warranted in developing countries and necessary for their development strategies even though they could be in contradiction with WTO expectations of lowering tariffs. It remains incumbent upon the entire membership of the WTO to harmonise and customise such objectives by looking at trade and development as an integral part of the multilateral trading system and to deal with these two objectives in a holistic approach.

Technical co-operation and capacity building in the WTO[15], though very important to mainstreaming trade into national plans for economic development and strategies for poverty reduction are but one aspect. We need to address the issue of harmonisation in a negotiating forum where we should strive to make trade and development complementary and not conflicting targets. Creating new mechanisms is not advisable. Thus, I believe that making better use of the Committee on Trade and Development (CTD) would be imposing on us in this respect. Making the mandate of the CTD more responsive to the increasing needs of the developing countries in the WTO is essential. If we go to the website of the WTO/CTD, one would read that members are to "consider broad issues relating to the trade of developing countries", thus, a mere talking shop for undefined issues. The CTD should take up hardcore issues of relationship between trade and development. Since the CTD was never considered a negotiating committee, but was at best receiving lip service from the developed countries, very important and relevant issues to developing countries were dumped there without further attention to pursue them. Turning the CTD into a negotiating forum should help understand the relationship and interdependence between trade and development so as to deal with them in a holistic and integrated approach. This should be with a view to coming up with reasonable and realistic recommendations.

A case in point is the cotton initiative presented by four African countries: Benin, Burkina Faso, Chad and Mali and supported by another 26 African countries[16]. This initiative could well be considered as a case where an integrated approach is needed to face the challenges faced by the African countries in the cotton sector. The optimal comprehensive response lay in coherence between trade and development policies. In the recent “African Regional Workshop on Cotton” organised by the WTO Secretariat and held in Cotonou, Benin, from 23 to 24 March 2004 the trade element, the very objective of the initiative, was relegated to the backburner. A quick recollection of the areas of focus: Continued cotton sector reform, Production-related support, strengthening cotton production methods, infrastructure improvement, increasing yield with new cotton varieties, Support for quality control and standards in cotton production, Export promotion and market support services, Support for diversification and down-stream value-added production in textiles and apparels.

This initiative, which could have worked out as a clear example for harmonising national trade and development strategies in the framework of the WTO, seems to have been quickly exterminated as a standalone item and seems to have but vanished in the mainstream of the negotiations on agricultural liberalisation. Nevertheless, it remains incumbent not only upon the four initiating countries but all those with vested interests in this issue to push hard for the elimination of subsidies on cotton exports. Although mainstreaming cotton-specific financial and technical assistance into national development plans of these countries is welcomed, it is not to be forgotten that the core issue of the initiative was export subsidies, i.e., a pure trade issue. It is for the WTO to follow up this initiative and to provide appropriate action. That is also why it is relevant for the CTD to negotiate the link between the trade and development component in this important initiative so as not to prioritise one at the expense of the other. As it appears to be a clear tendency by the donors to stress the generous financial and technical assistance they provide, while contending themselves with referring the trade policy dimension to the overall framework of agricultural negotiations with no further ado. There is no doubt that aid should be used to build countries’ capacities to trade but that should not mean to undermine the trade policy measures. An effective solution for the cotton initiative should be found in the WTO.

Conclusion

The EU and the US and other developed countries must realise that the geopolitics of the WTO have changed. This is an outcome of the Cancún Conference, which increased co-ordination and coherence between developing countries’ objectives. Developed countries should be convinced of the need for a development round not only for the sake of the developing countries but also for several reasons, the following among them:

1. It is not the apparent failure of Cancún that should be considered as a setback to multilateralism. On the contrary, if the developing countries had surrendered to the augmenting pressures and succumbed to the priorities set by the developed countries in Cancún, the result would have been the breakdown of the WTO itself.
2. To date many developing countries have not experienced the promised gains from the Uruguay Round agreements and are being asked for more sacrifices to implement their commitments. A development round should present a breathing space to those countries as much as it should strive to rectify the balance between their obligations and their rights not least by operationalising the Special and Differential Treatment provisions contained in the WTO Agreements.

3. Following from the above, reviving the development round is also an important step in the war against poverty. Needless to say that extreme poverty breeds terrorism. Hence, a development round by aiming to reduce poverty would also be helping in the war against international terrorism.
4. It is no secret that consensus on the Developing Round in Doha was clearly a making of Robert Zoellick the US Trade Representative. Cancún has not only brought to the surface the loss of leadership but also a clear indication that the implications of the transatlantic rift in trade are yet to be felt in the system. A Development Round is needed to mend the fences.

Developing countries played their cards openly in Cancún. It is up to the developed countries to respond. Today, we are in a "wait and see" phase.

Dr. Magda Shahin is Egypt's Ambassador to Greece.

Endnotes

1 The latest attempt was made by Lamy, the EU negotiator in his remarks in the aftermath of Cancún.

2 World Trade Editor of the Financial Times.

3 The G20 +/- is a group of developing countries. At Cancún the group included: Argentina, Brazil, Bolivia, China, Chile, Columbia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand and Venezuela. During and after the ministerial conference, Columbia, Costa Rica, Guatemala, Ecuador, El Salvador, Peru and Thailand left the G20.

4 The G33 included: Antigua and Barbuda, Barbados, Belize, Botswana, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Honduras, Indonesia, Jamaica, Kenya, Mongolia, Montserrat, Nicaragua, Nigeria, Pakistan, Panama, the Philippines, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Tanzania, Trinidad and Tobago, Uganda, Venezuela, Zambia and Zimbabwe.

5 The G90 members include: Bangladesh, Jamaica, Botswana, China, Cuba, Egypt, India, Indonesia, Kenya, Malaysia, Nigeria, the Philippines, Tanzania, Venezuela, Zambia and Zimbabwe.

6 Part IV entitled "Trade and Development" was added in 1965 to the Articles of GATT, adding three new Articles to the original 35 Articles. These three Articles reconfirmed and stressed:

(One) The non-reciprocity flexibility by allowing developing countries not to bind tariffs;

(Two) Committing developed countries to take specific measures for the improvement of the export prospects of developing countries;

(Three) Granting developing countries tariff preferences (Generalised System of Preferences – GSP), promoting their industrialisation and accelerating their economic growth.

7 The Enabling Clause reconfirms the principle of non-reciprocity recognised in Article 28 bis and in Part IV (Article 36) of GATT 1994 and allows developing countries to:

(One) Exchange trade preferences among themselves without extending this treatment to all members on an MFN basis;

(Two) It provides the legal basis for the continuation of the GSP;

(Three) It identifies the less-developed countries as a special group that deserves particular attention.

8 Market Access Advances and Retreats Since the Uruguay Round Agreements, by J. Michael Finger (World Bank) and Ludger Schuknecht (WTO); September 1999 – page 1.

9 Oxfam Briefing Paper: "Running into the Sand", Paper No 53, August 2003, page 4.

10 Para 12 entitled: "Implementation-related issues and concerns" reads: "We attach the utmost importance to the implementation-related issues and concerns raised by members and are determined to find appropriate solutions to them. …We agree that negotiations (emphasis added) on outstanding Implementation Issues shall be an integral part of the Work Program we are establishing, and …In this regard, we shall proceed as follows: (a) where we provide a specific negotiating mandate in this declaration, the relevant Implementation Issues shall be addressed under that mandate; (b) the other outstanding Implementation Issues shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the Trade Negotiations Committee.

11 Oxfam Briefing Paper 53: "Running into the Sand", August 2003, page 16.

12 It is clear that France was able to extract such a concession from Germany, in return for agreeing to the expansion of the EU, which was politically important for Germany.

13 The G20 +/- paper demanded the elimination of Blue Box domestic support, the capping of a more tightly disciplined Green Box, ambitious targets and timetables for reducing Amber Box subsidies, and a firm date for the elimination of export subsidies. (Under the current WTO Agreement on Agriculture production-boosting domestic support is classified as Amber Box, production-limiting domestic support is classified as Blue Box, and domestic support, which is at most minimally trade distorting is classified as Green Box support).

14 The Peace Clause is a provision in article 13 of the WTO's agreement on agriculture designed to reduce the threat of trade disputes during the period of agricultural trade reform, especially in industrial countries. It stipulates that agricultural subsidies permitted by the agreement cannot be challenged under other WTO agreements. Expires at the end of 2003. Unless renewed, its expiry will subject agricultural subsidies to the same disciplines as industrial subsidies.

15 Technical co-operation and capacity building are important elements in the Doha mandate. Paragraph 38 of the Doha declaration states: We confirm that technical co-operation and capacity building are core elements of the development dimension of the multilateral trading system, and we welcome and endorse the New Strategy for WTO Technical Co-operation for Capacity Building, Growth and Integration. We instruct the Secretariat, in co-ordination with other relevant agencies, to support domestic efforts for mainstreaming trade into national plans for economic development and strategies for poverty reduction. The delivery of WTO technical assistance shall be designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable, and transition economies, as well as to members and observers without representation in Geneva. We reaffirm our support for the valuable work of the International Trade Centre, which should be enhanced.

16 Angola, Cameroon, Central African Republic, Congo, Cote d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Kenya, Madagascar, Malawi, Morocco, Mozambique, Niger, Nigeria, Senegal, Somalia, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe.

Does the Multilateral Trading System Promote the Interests of the Poor?

Valérie Engammare and Jean-Pierre Lehmann

The short answer to the question set in the title of this paper has to be: "no". The multilateral system has not "promoted" the interests of the poor. Whether it can or should is another matter, which will be addressed later on. In the meantime, the World Bank figures speak for themselves: in the decade 1990-2000, during which the Uruguay Round was completed, the WTO established, trade liberalisation policies adopted on an unprecedented scale, the number of members of the GATT/WTO increasing by over 50 percent, in other words, the highpoint of multilateralism, the number of poor did decrease, though exclusively in East and South Asia. In East Europe and Central Asia, in the Middle East and North Africa, in Latin America and in Sub-Saharan Africa, the number of poor increased, in some regions quite dramatically so.[1] It follows that the multilateral system can hardly be credited with having promoted the interests of the poor; whether it has made the plight of the poor worse, or whether it has increased inequalities, is not as straightforward a matter as many of the multilateral system's critics allege.[2]

Without seeking to assess the balance of benefits between poor and rich of the system as a whole, there are very clear instances/cases where the latter have benefited at the expense of the former. Cotton is perhaps the most egregious, but by no means sole, example.[3] Kenneth Lay, former CEO of Enron, received $12,000 in subsidies for his cotton plantation[4], not a huge sum by Lay standards, but certainly better when compared to the millions of cotton producers in Africa driven out of business by American cotton subsidies. There are no examples (that we can think of) whereby the interests of the poor have been promoted at the expense of the rich.

It is for these reasons, among many others, that the multilateral trading system is going through its most serious crisis since the establishment of the GATT in 1947. The great paradox of the early 21st century is that whereas, on the one hand, the membership and applications for membership to the multilateral trading institution, the WTO, keep increasing, the institution's legitimacy, credibility and vibrancy keep decreasing. The multilateral system is in tatters.

The failure of the WTO Ministerial Meeting in Cancún last September and the failure to re-ignite momentum into the negotiations since then[5] highlight some of the potential dangers of such a crisis: fragmentation, trade frictions, pursuit of short-term benefits, inward looking and protectionist domestic policies, frenzy for bilateral agreements. The problem is not the multilateral system; it is the multilateral system as presently constituted. The multilateral system is, to a very considerable extent, dominated by a series of narrow vested interests in the rich countries. As a result, what was already obvious before Cancún has only became clearer over the last couple of months: those who are most likely to suffer from a downturn of the multilateral trading system are the poorest countries, and – consequently – the poor in the poorest countries, but also the poor in rich countries.[6]

Why is that so? In the aftermath of World War II, the multilateral trading system was built on an *ideal* – increasing global welfare through enhanced economic interdependence – and equipped with *principles*: non-discrimination, liberalisation, predictability, fair competition and development. Much has been achieved by the multilateral trading system over the past fifty years. Many of the rich countries today were relatively poor fifty years ago.

There is little disagreement with the view that the open trade environment fostered by the GATT has played an enormous role in the unprecedented wealth that the countries of the European Community, the United States and Canada, Japan, Australia and New Zealand have enjoyed and was a major driving force in the emergence of the NIEs – newly industrialised economies[7] – from pauperism to prosperity.

However, the environment, the actors and the driving forces of the system have changed over time. Today, more than three quarters of WTO members are developing countries, to which the appellation "Doha *Development* Agenda" rightly sounded like a promise. They want and *need* that the authors of the Doha Development Declaration should keep to the letter and spirit of their word – that the "system" should deliver as intended. Failure to do so might relegate the multilateral system to irrelevance and impotence.

The multilateral system, as re-constituted, is by far what is best suited to defend the interests of the poor. Promoting the interests of the poor depends more on policies adopted at national rather than international level. An open multilateral system can provide the opportunities; whether the poor can seize these opportunities depends on the extent to which their domestic policies are geared towards the creation of enterprise, jobs, wealth, and trade.[8] The multilateral system needs to be revived, re-invigorated, reconstituted; for that to happen, developing countries must take the initiative and provide leadership.

Why do poor countries need the multilateral system?

A very frequent argument against the multilateral trading system is that full liberalisation at a global scale would only benefit a few big developing countries, notably Brazil or South Africa, and that small countries would on the contrary risk becoming even poorer. Whereas the argument must be taken seriously – and justifies in particular Special and Differential Treatment (SDT) – it is not a sufficient reason for poor countries to give up on the multilateral trading system.

First, the multilateral trading system is a *process that requires continuous improvements.* Poor countries must not take the system as granted, but must engage actively to reshape it and improve it. In this regard, positive outcomes came out of the Cancún Ministerial: developing countries formed alliances, such as the G20 and G90 groups; big developing countries such as Brazil and India proved that they could be efficient spokesmen of the developing world; with their cotton initiative, Burkina Faso, Chad, Mali and Benin gave a positive signal for smaller economies, showing that by forming alliances and joining forces, their concerns could no longer be ignored.

Second, for poor countries, there is *no viable alternative* to the multilateral system. Apart from a few exceptions – such as Thailand – poor countries are not attractive partners for bilateral trade agreements. Their markets are too small to be of interest to big trade partners such as the United States. And, in addition, they often have a comparative advantage in sectors that are very sensitive in OECD countries, namely agriculture and textiles. This would mean that even if an agreement was proposed to them, one could expect that the sectors that matters most to these countries' economies would be excluded.

Third, in a bilateral agreement, the powerful party is in an even much stronger position to dictate the terms to its advantage. The recent bilateral agreement between Australia and the United States, whereby the latter excluded or severely curtailed, sugar, dairy and beef is a flagrant example. Australia is not a poor or helpless country; yet its government saw fit to accept the humiliating terms imposed by Washington.[9]

If the multilateral trading system fails to deliver its promises and if the trend towards bilateralism continues, poor countries are very likely to be the perpetual orphans of global economic integration.

Why is the multilateral trading system no panacea for development?

Even though the multilateral system represents by far the better option for poor countries and especially the poorer members of their population, it would be a mistake to think that global trade liberalisation alone stands to solve the world's miseries.

Whereas the multilateral trading system is the best possible form of global economic governance, it is no panacea and in particular it is *no guarantee for development*. The multilateral trading system is about providing frameworks, opportunities and incentives for development. It can contribute – even significantly – to poverty reduction and growth, but only if other conditions are met *domestically*. For instance, improvements of access to OECD countries' markets would not change anything in poor countries if entrepreneurs were impeded locally to take advantage of this opportunity, because entrepreneurship is discouraged by corruption, excessive bureaucracy or the unavailability of financial or human capital. Thus, even though the multilateral system is the best alternative for the poor, even if it worked perfectly it would still require the right domestic policies to be in place for the poor to take advantage of the opportunities offered.[10]

A tendency emerging in and since Cancún has been the reiteration of third world rhetorical slogans rehashed from previous decades that seek to put the blame for the plight of the poor countries exclusively on the rich countries and/or the system they control. The main cause of poverty in poor countries lies in the problems of governance and leadership they have experienced over the last several decades. Until and unless that reality is faced and necessary reforms implemented, the poor in the poor countries will remain poor no matter how much the multilateral system is revived and re-constituted.

Why is the human dimension of development so important?

Today's political reality is characterised by "short-termism" and myopia. OECD countries do not seem to have drawn lessons from what happened in Cancún, as they do not seem to accept the implications of the fact, which they assented to, that the Doha Round was called a *Development* Round. The reason for such a lack of concern is two-fold: first, in the past, having greater bargaining power, they have always obtained what they wanted from trade liberalisation. Thus, it is difficult for those countries to see what could be for them the "value proposition" of a *Development* Round. Second, rich countries' negotiating positions are determined by narrow vested interests at the local level, which overshadow the long-term interests of the majority. Such a position results in ignoring the fact that the long-term interests of the majority in rich countries often go in the same direction as development concerns.

For instance, at the domestic level, few linkages are made between the problems caused by aging populations and the potential solution that could be brought about by more open immigration policies. Opening up EU doors wide to, say, Kenyan nurses, will benefit Kenya considerably through the remittances they are able to send home and of course benefit greatly the ill and old in Europe.[11]

In addition, policy makers – and probably the general public – tend not to consider the situation in poor countries as "their problem". However, in the long run, such an attitude can only prove misleading. The challenge for rich societies is thus to think and act in a longer-term perspective, in order to realise that the development of poorer countries could prove their "value proposition" as well.[12] Ultimately, the global market can only be constructed on a global village. A functioning village requires not only material support, but also the proper spiritual conditions, including a deep sense of solidarity.

In an increasingly integrated world economy, whose ideal is to provide wealth and well being to everyone, poverty, lack of access to health, to education and to sanitation cannot be ignored or solved via transfers of capital only. Capital in various forms – investment, trade, transfer of funds or aid – is indeed essential; however, it is not sufficient. Ultimately the key to development is *empowerment*, i.e. giving to the poor the means to seize opportunities, improve their standards of living for the long term and to voice their expectations and aspirations. Global welfare goes much beyond GDP statistics. It is about improving the daily life of people. And it will not be delivered unless global and national policies consider the *human dimension* of development.

An important lesson can be drawn from what happened in Europe especially during the second half of the 20th Century. Throughout the 19th century, as a result of industrialisation the gap between the rich and the poor kept growing, as the latter were exploited and mistreated by the former. Not only did this outrage inspire the works of revolutionary writers such as Marx and Engels, but indeed three years before the publication of the Communist Manifesto, the British conservative statesman and author published his novel Sybil in which he articulated the concept of what he referred to as the "two nations" co-existing within one country, the UK:

Two nations between whom there is no intercourse and no sympathy; who are as ignorant of each other's habits, thoughts, and feelings, as if they were dwellers in different zones, or inhabitants of different planets… The rich and the poor.[13]

In time, and especially after the traumatic travails of the years of depression and two world wars, a moral "social obligation" was acknowledged towards the poor, not out of charity, but in order to increase the welfare of society as a whole. Better education, better sanitation, and increased participation in the political process translated into more security, more efficiency, and ultimately into better living conditions for everyone. If what has been achieved not so long ago at the European level was repeated at the global level, there is every reason to believe that the result would be the same: an increase in global welfare and peace.[14]

What must be changed in the multilateral trading system for it to better promote the interests of the poor?

Taking the human dimension of development into account is an objective that must be set at every level of the decision-making process of global economic governance, i.e. at the level of international organisations and at the governmental level in both rich and poor countries.

Global governance today is characterised by a lack of coherence and a lack of coordination. Whereas the numerous interfaces between economic and social issues are acknowledged – such as those between trade, investment, growth, and poverty reduction, health, sanitation and education – there is very little coherence and coordination between the existing policies (e.g. development projects) and the different institutions concerned. As an example, if the SARS and the Avian flu showed that health issues can have an enormous impact on trade and investment flows, there is still little cooperation between the World Trade Organisation (WTO) and the World Health Organisation (WHO). Similarly, whereas the UN Millennium Development Goals (MDGs) and the Doha Development Agenda pursue similar and complementary objectives, the MDGs were hardly ever mentioned either in the WTO negotiations or in the public debate. At Cancún the rich countries sent (literally!) armies of bureaucrats from their agricultural ministries to defend the vested interests of their small agricultural communities, while officials responsible for development were conspicuous by their absence.

Considering the human dimension of development is a prerequisite for the Doha Development Agenda to achieve its objective. Governments of rich countries must realise that the Doha Round goes beyond "gains" and "concessions"; it is about providing a framework that could contribute to reduce poverty. It should be kept in mind when requiring reciprocal commitments from developing countries, when negotiating matters crucial for development such as agriculture and when drafting SDT clauses. Such concerns go well beyond charity or altruism; it is about increasing sustainable global welfare in the 21st century.[15]

Finally and perhaps most importantly, governments of poor countries must enable the poor to take advantage of the opportunities offered by the multilateral trading system. At the international level, what is now at stake for developing countries – individually or in groups – is to go beyond negative opposition and engage more constructively in the negotiations. Poor countries can become the champions of the multilateral system by creating *coalitions* and by assuming leadership in a Round that was meant to promote development.

In this regard, regional integration initiatives – such as BIMST-EC[16] in Asia or the New Partnership for Africa's Development (NEPAD)[17] – can contribute positively and should reveal very important factors of cohesion. The recent summit meeting in Arusha, Tanzania, whereby the EAC[18] – the East Africa Community, comprising Uganda, Tanzania and Kenya – will form into a custom's union is a good step in the right direction.

Thus, if coherence and cohesion are achieved at the international level and if the human dimension of development is better taken into account, there is every reason to believe that the conditions will be created for the multilateral system will serve far better to promote the interests of the poor. And if the right domestic policies are in place to enhance the *empowerment* of the poor, the poor will in turn be in a better position to take advantage of the opportunities offered by the multilateral trading system.

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Endnotes

1 World Bank, Global Poverty Monitoring, http://www.worldbank.org/research/povmonitor/.

2 For example: although we find ourselves pretty much in agreement with much of what has been written in Oxfam's excellent report, "Rigged Rules and Double Standards: trade, globalisation, and the fight against poverty" (2002), we also are of the opinion that the major impediments to development, hence of poverty reduction, are found in bad domestic policies, weak institutions and too often the rapacious behaviour of the rich and powerful.

3 Olivier Cattaneo and Valérie Engammare, "Agriculture: Extracts Arising from the November 2003 Evian Group Plenary Meeting Session VI – *Why is Agriculture so Important and What Must be Done?*", Evian Group Communiqué, February 2004, http://www.eviangroup.org/p/455.pdf.

4 "Facts About Agriculture", Harper's Magazine, June 2002.

5 Valérie Engammare, "What has happened since the WTO Ministerial in Cancún – and what does it mean for the Doha Round", Evian Group Communiqué, March 2004, http://www.eviangroup.org/egc.php.

6 The Progressive Policy Institute (http://www.ppionline.org/) has an extensive collection of data demonstrating the discrimination suffered by both poor countries and poor consumers in rich countries arising from subsidies and other forms of trade distortion. As one of out a multitude of examples, the fact that United States imports from France are roughly ten times the level of imports from Bangladesh, but that more tariff is collected from Bangladeshi imports than from French imports, reflects not only discrimination against one of the world's poorest countries in contrast to one of the richest, but also the fact that Bangladeshi imports (mainly cheap garments) are destined more to poor than rich American consumers.

7 Singapore, Taiwan, South Korea, Hong Kong and Ireland.

8 Jean-Pierre Lehmann, "Global and Domestic Governance & the Challenge of Peace and Prosperity in the 21st Century", Evian Group Compendium Policy Brief, October 2002, http://www.eviangroup.org/p/13.pdf.

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11 "Recognising the value of migrants", Editorial, Financial Times, 23 January 2004; Moises Naim, "The diaspora that fuels development", Financial Times, 10 June 2002; Doreen Carvajal, "Untapped Potential of the Money Lifeline", International Herald Tribune, 21 February 2004.

12 On the opportunities that low-income markets represent, see C.K. Prahalad and Stuart L. Hart, *The Fortune at the Bottom of the Pyramid*, Strategy and Business, 2002.

13 Benjamin Disraeli, *Sybil*, 1845.

14 Literature played an important role in capturing the imagination, hearts and minds of the populations of the West to improving the overall social environment and specifically in respect to the poor: Dickens, Zola, Steinbeck, to mention only three out of so many writers, contributed to the sense of moral obligation. Dickens, Zolas and Steinbecks are today necessary to achieve a similar result in respect to the global village. This will provide the spiritual cement for the institutional edifices of multilateralism.

15 Michael Garrett, Jean-Pierre Lehmann, Rachel Thomson & Valérie Engammare, "signposts for the Road out of Cancún", Evian Group Communiqué, October 2003.

16 Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation, created in 1997.

17 But also see, "Enough Promises, Africa Needs to Set Priorities", E-Africa, The Electronic Journal of Governance and Innovation, February 2004.

18 "Hopes and fears dog East African Customs Pact", *Business Times*, Dar Es Salaam, 12 March 2004.

The Multilateral Trading System and the Interests of the Poor

E. Olawale Ogunkola

Introduction

For the effective working of the multilateral trading system, its different parts should all be in a cordial state. The role played by the states on the one hand, but also by economic actors such as producers and consumers and the Civil Society on the other hand is widely recognised. While economic actors will emphasise their different goals and objectives – with producers aiming for the maximisation of profits and consumers demanding value for their monies without being necessarily concerned about the origin of the products – the need arises to take care of externalities. Governments' objectives in the trading system usually go beyond revenue collection through taxes on international transactions, to welfare gains in terms of efficiency of production and utilization of resources. This includes ensuring a high level of employment and sound environmental conditions. Civil Society has assigned itself different roles; indeed, they could be regarded as "guarding angels" of their chosen areas. Consumer Unity & Trust Society (CUTS), for example, focuses on ensuring social justice and economic equity in international trade.

The purpose of this paper is to examine the place of the poor in the multilateral trading system with a view to charting appropriate and more beneficial participation of this group in multilateral trade negotiations. There is no doubt that Civil Society plays a significant role in ensuring that the poor are not marginalized and that their interests are protected and guaranteed. The rest of this paper is organised into four sections. Section II dwells on special and differential (S&D) treatment, a traditional way of accounting for different levels of development in the process of multilateral trade liberalisation. In this section the genesis of S&D treatment is traced, especially its metamorphosis from the General Agreement on Tariffs and Trade (GATT) era to its current status in the World Trade Organisation (WTO). Since the current status of S&D treatment is concerned with its operationalisation, the paper suggests an active role for NGOs. NGOs should not only ensure that S&D treatment is put into practice but also that the drafting of such an agreement or decision takes into consideration steps to implement it. This is based on the experience with the implementation of several Uruguay Round agreements.

The various means of balancing the trade agenda with the social agenda as manifested in "non-trade concerns", such as trade and environment, trade and labour standard etc. are addressed in Section III. Section IV focuses on the role of the WTO in shaping national trade and development strategies. The workings of the WTO, the process of participation in the multilateral trade negotiations with emphasis on the role and interest of various stakeholders are consequently examined. The paper closes with charting a way forward for the trading system that is adequately and effectively geared towards poverty alleviation.

Special and Differential Treatment of Developing Countries in the Multilateral Trading System

Special and differential treatment (S&D) in the multilateral trading system witnessed significant changes during the Uruguay Round of negotiations. Prior to the Uruguay Round, and especially after the Tokyo Round's framework agreement (Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, also known as Enabling Clause), S&D treatment contained the following important elements:

- Quantitative restrictions to protect infant industries and combat balance of payments problems;
- Exemption from the obligation to offer reciprocal concessions as a condition for benefiting on a most-favoured nation basis from concession made by developed countries;
- Preferential market through generalised system of preferences (GSP); and
- Preferential treatment among developing countries.

The content and coverage of these elements has changed although the principles still hold. Developing countries, however, were not prepared for the changes as the Uruguay Round launch statement contained an explicit promise of maintaining the status quo of S&D treatment in the negotiations along the terms of the framework agreement established in 1979 (Tokyo Round). Nevertheless, the adoption of the Single Undertaking changed this promise and hence changed the status quo of S&D treatment (Oyejide, 1998).

Changes in S&D treatment with respect to market access affected both the binding of tariffs and reciprocity. Binding of tariffs became mandatory for developing countries under the Uruguay Round. Developing countries also made significant concessions during the Round. Changes in S&D treatment involved the inclusion of developed countries – the use of instruments that was hitherto only granted to developing countries was from then on not excluded for developed countries. Moreover, while developing countries were not allowed to use quantitative import restrictions, the use of these instruments in textiles and as safeguard actions was permitted for developed countries.

Significant changes were also effected in S&D treatment of developing countries in the multilateral trading system with respect to the use of quantitative restrictions, export subsidies, and domestic support. The agreements on technical barriers to trade and safeguards appear to have survived the onslaught meted out to S&D treatment during the Uruguay Round.

Similarly, preferential market access was to be made available to all developing countries and not on a selective basis. In effect, at the end of the Uruguay Round and till date, S&D treatment of developing countries in the Uruguay Round can be classified as:

- Rights to weaker discipline in certain respects;
- Transitory and permanent exemption from certain rules; and
- Promises of technical and financial assistance.

A major change in the multilateral trading system is the participatory approach to negotiations. Implicit in this approach is that countries are expected to know and pursue the best trade policy for their economic development. The granting of weaker discipline as against almost no discipline in the pre-Uruguay Round is to ensure convergence in trade liberalisation. While developing countries in most cases were granted transitory exemption the least developed were granted permanent exemption from certain rules.

Country classification into developing and least developed has received some attention in the literature. The adoption of the United Nation's list of least developed countries and self-declaration by developing countries has been the subject of debate. Linked to this are the appropriateness of the extended period and the lower rate of implementation granted to the developing countries. The questions are: What are the factors that determine the implementation period and rate of implementation? How consistent are these parameters with the level of development in these countries?

Based on the fact that the administrative capacity of developing countries to fully understand, and participate (negotiate and implement) is limited, differences in implementation periods and thresholds are to be complemented by technical and financial assistance for effective participation and to address possible negative effects of the reform. The "Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries" contains types of food aid for addressing the envisaged problems. Meanwhile, the promise of financial and technical assistance remains largely unimplemented. The language of the Decision and the language of the provisions relating to concession from the developed countries to the developing countries are weak and lack enforceability and thus made it impossible to enforce implementation. Thus, "best endeavour" clauses have worked against the promised technical, financial and capacity development assistance and hence have limited the participation of developing countries in the multilateral trading system.

Trade and Social Agenda

Purposeful and effective trade liberalisation is bound to have net positive effects on growth and development and hence should aid poverty alleviation. Thus, while trade liberalisation may generate losers and gainers, the gains should outweigh the losses to generate net gains. Consequently, an appropriate redistribution mechanism should be instituted. At the national level, fiscal policy becomes handy and not trade policy. The major problem is at the international level (i.e. whereby a group of countries gained and some lost). There is the need to ensure that the net gains from international trade at this level, which according to the theory and empirical evidence accrue to the developed countries, is redistributed to the developing countries. There is the need to ensure that developing countries gain from international trade.

A pertinent question at this juncture is to what extent should trade policy be directed at poverty alleviation. Focussing trade policy on poverty alleviation may be sub-optimal as trade policy is not a cure-all treatment. Besides there are better instruments than trade policy that should be used to address issues relating to the poor. Viewed this way, trade policy should be situated within the context of overall development strategy. This way, trade policy should focus on promoting trade through efficient use of resources and fiscal policies such as tax policies, government revenue and expenditure, in general, should aim at redistributing income, monetary and exchange rate policies to focus on stabilization etc. Put differently, different policies are best suited for different set of issues and they should concentrate on those issues. However, the design of the various policies should take cognisance of other issues that are not under their jurisdiction.

A holistic approach to developmental policies holds the ace for growth and development of developing economies. Just the way multilateral trading system is expanding vertically and horizontally (i.e. in issues for and depth of liberalisation), complementary policies are required for optimal benefits from trade policy reforms especially in addressing supply response constraints. Complementary policies are required in area of general and trade infrastructure, market institutions, credit and financial market and in fuller mobility of all factors of production including labour.

The emerging multilateral trading system takes negotiations beyond their natural confines to include "non-trade concerns" some of which border on the social agenda. They are generally seen as trade-related issues and currently they include trade the environment, trade and labour, trade and competition, and trade and investment among others. While these issues are tangential to trade, they can indirectly have significant effects on trade. Thus, without multilateral harmonisation and discipline on issues such as the environment and labour, different countries will be at liberty to set different standard with some of them amounting to trade barriers.

At the forefront of non-trade issues in the multilateral trading system are the non-governmental organisations (NGOs), which became prominent after the Uruguay Round. While NGOs can be broadly classified into "conformers", "reformers" and "radicals", the major NGOs that have been following the multilateral trading system are those that either seek for modifications of the system (reformers) or those that advocate for weaker or complete abolition of WTO (radicals). Table 1 provides a list of active WTO-related NGOs and their main interest. It should be noted that NGOs pursuing the interest of the producers are not prominent in the table. Indeed, most of the NGOs argue that the WTO is the creation of the multinationals and hence profit maximisation at the expense of social (including environmental and labour standards) welfare. Clearly these issues are too important to be neglected. However, the question is what is the appropriate handle for social agenda in trade negotiations.

Table 1: Major NGOs on WTO-related Issues	
Issues	***Major NGOs***
Labour and human rights	American Federation of Labor – Congress of Industrial Organizations (AFL-CIO) International Confederation of Free Trade Unions (ICFTU) Public Citizen Global Trade Watch
Environment	World Wildlife Fund (WWF) Sierra Club Greenpeace Friends of the Earth
Consumer Protection	Consumers International (CI) Trans Atlantic Consumer Dialogue (TACD) Consumer Unity & Trust Society (CUTS)
Economic Development	International Centre for Trade and Sustainable Development (ICTSD) Christian Aid World Development Movement Oxfam Third World Network (TWN) South Centre
Source: Hoekman and Kostecki (2001)	

As there are no specific roles for NGOs in the current dispensation and the WTO may hold consultative and cooperative discussions with NGOs (Article V.2 of the Marrakesh Agreement Establishing the WTO), NGOs may need to push for more roles in the WTO process or work through the national governments.

The WTO and National Trade and Development Strategies

There is an important misconception about the workings of the WTO. In most cases, the Organisation (especially, the Secretariat) is equated with other Organisations that have executive powers such as the World Bank and the International Monetary Fund (IMF). The WTO is an intergovernmental organisation with the Secretariat having very little power to take initiatives (Hoekman and Kostecki, 2001). It is only a vehicle for decision-making among national governments. Article III of the Marrakesh Agreement Establishing the WTO listed five functions of the Organisation. These are:

- Facilitating the implementation and operation of the multilateral trade agreements;
- Providing a forum for negotiations;
- Administering dispute settlement mechanism;
- Providing multilateral surveillance; and
- Cooperating with the World Bank and the IMF.

The decision making process usually rests with national governments either as a reaction to proposal by others or as a demand for a change for the purpose of addressing trade and developmental goals. Geneva-based negotiators and their counterparts at the capitals are usually involved in the process of negotiations. These officials are to ensure, during negotiations, that national trade and development strategies are promoted, or at least, not jeopardised.

The crux of the matter is how national trade and development strategies are derived: Is it tilted towards demand by the producers/consumers? What are the levels of involvement of NGOs in the articulation of these strategies? First, development strategies must be articulated to represent the views of the different groups in the economy. The second stage involves the role of different policies including trade policies in achieving the developmental goals and objectives. For greater effects, NGOs should target national policy-making process. Countries' National Focal Points are expected to bring various stakeholders together for the purpose of arriving at a mutually benefiting position by all.

Since the establishment of the WTO, national trade and development strategies have come under closer scrutiny. This is because of the need to ensure transparency in the conduct of members' trade policies. Trade policy review mechanism provides surveillance on trade policy of members. The Secretariat, however, only provides the necessary information and does not engage in seeking for redress. This is the legitimate action of the member(s) who may be negatively affected by the action or inaction of other particular member(s).

Some Concluding Remarks

The developing countries emerged from the Uruguay Round with the challenges of effective participation in the multilateral trading system. This graduation from "passive" and almost "free rider" status holds the potential for directing trade policies to address their areas of critical need. Although the existing S&D treatment of these countries have changed, there is the need to ensure that the promised technical and financial assistance by the developed countries are met to enable these countries to effectively participate. There is also the need for NGOs to help in building capacity at the national level to take advantage of the multilateral system.

Social concerns have been tangentially taken on board partly because of the existing WTO agreements and partly because of the approach adopted by the NGOs that are active on trade-related issues. Rather than concentrating on the WTO Secretariat, NGOs should intervene in trade policy right from the national level and possibly follow issues up to the multilateral level.

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Trade, Growth, Poverty Reduction and Human Development: Some Linkages and Policy Implications*

Kamal Malhotra

The Relationship and Linkages

Conventional wisdom holds that the link between trade, poverty reduction and human development is through economic growth. Trade can be a powerful source of economic growth and trade liberalisation is the common policy prescription for increasing trade flows. The voluminous literature on the positive relationship between trade liberalisation and economic growth forms the basis for often-heard claims about the benefits of trade openness. But that literature is far from unequivocal. There is no convincing evidence that trade liberalisation is automatically or always associated with economic growth, let alone poverty reduction or human development.

Indeed, a close study of the empirical literature shows no compelling evidence that trade liberalisation is systematically associated with higher economic growth. So what does the evidence reveal about the links between trade liberalisation and economic growth? The best-known literature that claims trade liberalisation promotes higher growth has important flaws and the problems are many and widespread. In a review of the best-known literature (Dollar, 1992; Ben-David, 1993; Edwards, 1998; Frankel and Romer, 1999; Sachs and Warner, 1995), Rodriguez and Rodrik (2001) found major gaps between the policy conclusions drawn and what the research actually showed. A common shortcoming is the misattribution of macroeconomic phenomena (overvalued currencies or macroeconomic instability) or geographic location (in the tropical zone) to trade policies. The classification of countries as 'open' or 'closed' in the Sachs-Warner study, for example, is not based on actual trade policies but largely on indicators related to

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exchange rate policy and location in Sub-Saharan Africa. The authors' classification of countries conflates macroeconomics, geography and institutions with trade policy. The classification is so correlated with plausible alternative explanatory variables – macroeconomic instability, poor institutions, location in Africa – that one cannot draw any strong inferences about the effects of openness on growth from the empirical analysis (Rodriguez and Rodrik, 2001). Once these problems are corrected, any meaningful cross-country relationship between trade barriers and economic growth evaporates.

Moreover, cross-national comparisons reveal no systematic relationship between countries' average levels of tariffs and non-tariff barriers and their subsequent economic growth. If anything, evidence for the 1990s indicates a positive (but statistically insignificant) relationship between tariffs and economic growth.

The experience of Viet Nam can be contrasted with a number of Sub-Saharan African and Latin American countries that have either closely or literally followed the economic orthodoxy to illustrate this. Since the mid-1980s Viet Nam has taken a gradual approach to economic reform, following a two-track programme. It engages in state trading, maintains import monopolies, retains quantitative restrictions and high tariffs (30–50 percent in a number of areas) on agricultural and industrial imports and is not yet a member of the World Trade Organisation (WTO). Yet it has been phenomenally successful, achieving average GDP growth of more than 6 percent a year since its declaration of 'doi moi' (economic renovation) in the mid-1980s, sharply reducing poverty, expanding trade at double-digit rates and attracting considerable foreign investment. And despite high trade barriers, it has rapidly integrated with the global economy.

Meanwhile, a number of Sub-Saharan Africa or Latin American WTO members undertook comprehensive trade liberalisation in the early to mid-1990s, slashed import tariffs to very low levels and removed all quantitative restrictions. Yet their economies have gone nowhere, their social indicators are deteriorating, and many of these countries have made little progress in integrating with the global economy.

These contrasting experiences highlight two points. First, leadership committed to development and supporting a coherent growth strategy counts for a lot more than trade liberalisation – even when such a national strategy departs sharply from the current standard view on reform (i.e. even the "enlightened" post-Washington Consensus). Second, integration with the world economy is an outcome, not a prerequisite, of a successful growth strategy. Relatively protected Viet Nam is integrating with the global economy much faster than many Sub-Saharan African and Latin American countries because Viet Nam is growing and they are not.

Viet Nam, PR China and India are all recent examples that empirically demonstrate this, while the history of almost all the current industrial countries also confirms this. With a few exceptions, they also demonstrate the empirical finding that trade liberalisation most often follows rather than precedes sustained periods of national economic growth. For example, a rarely discussed fact is that PR China and India both implemented their main trade reforms about a decade after the onset of higher economic growth.

The example of Viet Nam also illustrates a common misdiagnosis i.e. trade outcomes over which governments have little control are often confused with trade policies such as tariff reductions over which governments have control. A conventional exercise consists of classifying developing countries into 'globalisers' and 'non-globalisers' based on their rates of growth in trade volumes. The analyst asks whether globalisers (those with the highest rates of trade growth) have faster income growth, greater poverty reduction and worsening income distribution (see Dollar and Kraay, 2000). Their answers tend to be yes, yes and no. But as Viet Nam shows, this approach is misleading. Trade volumes are the outcome of many things – including, most importantly, an economy's overall performance. They are not something that governments control directly. What governments control are trade policies: levels of tariff and non-tariff barriers, membership in the WTO, compliance with its agreements and so on. The real question is (or should be) whether open trade policies are a reliable way of generating self-sustaining growth and poverty reduction – evidence for which is far from convincing as just illustrated.

In reality, the relationship between trade openness and growth is likely to be contingent on a host of internal and external factors. That nearly all of today's industrial countries embarked on their growth behind tariff barriers, and reduced protection only subsequently, surely offers a clue. Moreover, the modern theory of endogenous growth yields an ambiguous answer to the question of whether trade liberalisation promotes growth – one that depends on whether the forces of comparative advantage push an economy's resources towards activities that generate long-run growth (e.g. conducting research and development, expanding product diversification, upgrading product quality) or divert them from such activities.

No country has developed successfully by turning its back on international trade and long-term capital flows. And few have grown over long periods without experiencing an increase in the share of foreign trade in their national product. But it is also true that no country has developed simply by opening itself to foreign trade and investment. The trick has been to combine the opportunities offered by global markets with strategies for domestic investment and institution building, to stimulate domestic entrepreneurs. Nearly all the cases of successful or positive development in recent decades – East Asia since the 1960s, PR China and India since the early 1980s and Viet Nam since the mid-1990s – have this experience in common and have involved partial, gradual opening to imports and foreign investment.

PR China and India are particularly noteworthy. Both countries are huge, have done extremely well economically, and are now often cited as examples of what openness can achieve. But again, the reality is more complicated. PR China and India implemented their main trade reforms about a decade after the onset of higher growth. Moreover, their trade restrictions remain among the highest in the world. The increase in PR China's growth started in the late 1970s. Trade liberalisation did not start in earnest until much later, in the second half of the 1980s and especially in the 1990s – once the trend growth rate had already increased substantially.

India's growth rate increased substantially in the early 1980s, while serious trade reform did not start until 1991–93. Tariffs were actually higher in the higher growth period of the 1980s than in the low-growth 1970s.

The real debate is not over whether integration is good or bad, but over policies and priorities. 'It isn't at all obvious either (1) that further external liberalisation ('openness') is now in every country's interest and in all dimensions or (2) that in the overarching sweep of global economic history what the world now most requires is a set of global rules that promote or ease the path to greater freedom for global market actors, and are universal in application' (Helleiner, 2000). The relevant questions are about the correct sequence of policies and how much priority deep trade liberalisation should receive early in the reform process. PR China and India suggest both the benefits of a gradual, sequenced approach and that import and trade liberalization are not likely to be the highest development priority, at least in the early reform period.

What Really Matters?

Despite a voluminous literature, very little is known about which kinds of trade policies are conducive to growth. In the least developed countries (LDCs), for example, standard policy prescriptions over the past two decades have advocated trade liberalisation as a way out of poverty. But there is little evidence to back that claim.

According to UNCTAD's 2002 LDC Report, there is little correlation between trade liberalisation and poverty reduction in LDCs: poverty appears to be increasing unambiguously in the least developed countries with the most open and the most closed trade regimes. But between those extremes, poverty is also increasing in countries that have liberalised trade more. While these findings do not prove that trade liberalisation increases poverty, they do show that it does not automatically reduce poverty.

The least developed countries that experienced economic growth in the 1990s also became more export oriented. But that does not mean that increased export orientation was associated with growth: GDP per capita declined or stagnated in 8 of the 22 least developed countries with increasing export orientation between 1987 and 1999. And in 10 of these countries poverty increased. Sustained economic growth was the key to reducing poverty in the least developed countries: 14 with rising GDP per capita saw poverty fall. So, unless accompanied by sustained growth, greater export orientation was not associated with reduced poverty.

On the other hand, the East Asian 'tiger' economies are often presented as examples of countries that predominantly relied on export-led growth, where opening to the world economy unleashed the forces for powerful industrial diversification and technological advancement. But this conventional account overlooks the active role played by the governments of the Republic of Korea and Taiwan, province of China, (and Japan before them) in shaping the allocation of resources and the fact that while export-orientation was an important aspect of their overall development strategy, it was only one aspect (not necessarily the most important) while import liberalisation was not part of their early development strategy at all. Indeed, neither economy undertook significant import liberalization early in the growth process. Most of their trade liberalisation occurred in the 1980s, after high growth was already firmly established.

Key to the success of these and other East Asian economies was a coherent strategy of raising the returns to private investment through a range of policies that included credit subsidies, tax incentives, education promotion, establishment of public enterprises, export inducements, duty-free access to inputs and capital goods and government coordination of investment plans. In the Republic of Korea the main investment subsidy was the extension of credit to large business groups at negative real interest rates. Banks were nationalised after the military coup of 1961, giving the government exclusive control over the allocation of investible funds in the economy. Investment was also subsidised through the socialization of investment risk in selected sectors. This approach emerged because the government implicitly guaranteed that the state would bail out entrepreneurs investing in 'desirable' activities if circumstances later threatened the profitability of those investments. In Taiwan, province of China, investment subsidies took the form of tax incentives.

In both South Korea and Taiwan, public enterprises played important roles in enhancing the profitability of private investment by ensuring that key inputs were available for private producers. Public enterprises accounted for a large share of manufacturing output and investment in both economies, and their importance increased during the critical take-off years of the 1960s. Singapore also heavily subsidised investment, but it differed from South Korea and Taiwan in that its investment incentives focused on foreign investors.

Although trade policies that spurred exports were a part of the arsenal of incentives in all the East Asian tiger economies, their role should be put in proper perspective since many other parts of the arsenal were equally if not more important and investment and its promotion were the primary goals. To that end, the governments of the Republic of Korea and Taiwan resorted to unorthodox strategies: they protected domestic markets to raise profits, provided generous export subsidies, encouraged firms to reverse engineer foreign-patented products and imposed so-called trade related investment measure (TRIM) requirements on foreign investors (when they were allowed in) such as export-import balance requirements and domestic content requirements. Most, if not all of these strategies are now severely restricted under WTO agreements.

Key Messages and Some Policy Implications

1. The only systematic relationship between countries' economic growth and their average tariffs and non-tariff restrictions is that they dismantle trade restrictions as they get richer. With few exceptions, today's rich countries embarked on modern economic growth behind protective trade barriers but now have low barriers. The experiences of industrial and successful developing countries also provide two other lessons. First, economic integration with the world economy is an outcome of growth and development, not a prerequisite. Second, institutional innovations – many of them unorthodox and requiring considerable domestic policy space and flexibility – have been crucial for successful development strategies and outcomes.

2. As a result, the design of the multilateral trade regime needs to shift from one which over-emphasizes a market access perspective to one which prioritises enabling (or at least not disabling) the domestic policy space available to developing countries to make a range of diverse, including unorthodox, policy choices and pursue the concomitant strategies. It should also be evaluated not on the basis of whether it maximises the flow of goods and services but on whether trade arrangements –

current and proposed – maximise possibilities for human development, especially in developing countries. A world trade regime friendly to human development would provide domestic policy space and give developing countries flexibility to make institutional and other innovations. Such policy space should take precedence over market access considerations, even as the trade regime continues to recognise that market access can make an important contribution to human development in specific situations and for specific sectors and issues.

3. An implication is that multilateral trade rules will need to seek peaceful co-existence among national practices, not harmonization, especially if this takes the form of a 'one-size-fits-all' that only fits a few powerful members.
4. There are other obvious implications for the framework of global trade governance, not least the need to permit asymmetric rules in favour of the weakest members, especially the least developed countries. In the long run, such rules will be beneficial for both developed and developing countries.

A vision for the future should start with four simple principles of international trade:

- Trade is a means to an end, not an end in itself.
- Trade rules have to allow for diversity in national institutions and standards.
- Countries should have the right to protect their own institutions and development priorities.
- No country has the right to impose its institutional preferences on others.

A trade regime friendly to poverty reduction and human development is possible if these four principles are genuinely and consistently implemented. Such a trade regime must give governments the space to design appropriate policies and it will need to include the following elements if it were to seriously take such a development perspective:

Human development assessments: There should be research and analysis on the human development implications of each of the WTO agreements in different country settings and for countries at different levels of development. Estimating the costs of implementing each agreement, current and proposed, for all member nations should be part of such assessments. A credible and independent research program established with the consent of all WTO members should conduct the assessments. It should present the implications of current and proposed agreements for human development under different scenarios of technical assistance, phased implementation and other important variables. While not binding, the results of such a research program should inform the agenda for future negotiations.

*Diversity in development strategies***.** The trade regime is a means of serving larger national goals and should therefore focus mainly on facilitating international trade within the development context. All members of the multilateral trading regime are confronted with both costs and benefits; a development friendly regime should not systematically benefit or harm any one set of countries or interests over others. This will be possible only if it facilitates the development agendas of different countries and provides the maximum policy space to enable them to design appropriate development strategies. This will require a trade regime that primarily manages diversity rather than one that unifies and harmonises national policies.

Market access. The multilateral regime was established to facilitate a greater flow of goods and services between countries in a predictable, fair and rules-based manner. The trade regime needs to ensure participation by as many countries as possible. To this end, the participation of developing countries, including LDCs, through their access to developed markets will be important if these countries are to realise the gains from trade in the immediate term.

Asymmetric rules. "One-size-fits-all" does not work. Extending identical rules to inherently unequal members locks weaker countries into existing unsatisfactory relationships, which fail to address their developmental problems. Given economic and capacity disparities, asymmetry needs to be more systematically built into the regime as a starting point for the rules. The principles of reciprocity and non-discrimination should be linked to the economic capacity of countries and restricted to groups of countries at similar levels of human development.

Reconciling asymmetric rules with market access. Market access is important for developing countries to enable them to reach a level of development where they can compete on an equal basis. But it is not enough. Developing countries gain relatively less from trade, partly because of their specialisation in relatively low value added export activities and declining commodity prices. They also lack the capacity to compensate those adversely affected by greater trade liberalization. Developed countries, by contrast, gain significantly more from trade overall, and also have more evolved internal mechanisms to cope with the vulnerabilities of opening up. WTO rules should reflect these differences in capacity by allowing developing countries more flexibility in compliance.

A sustainable regime. An asymmetric trade regime will benefit all its members if its short-term cost to particular sectors in developed countries (in lost markets and increased competition from imports) are less than the general efficiency and substantive gains it produces in both the short and long run. Many of the costs, both in the short and long run, can be mitigated through carefully designed economic policy packages at the national level in both developed and developing countries. By balancing costs and benefits, an efficient and effective multilateral regime will provide enough incentives for countries to enjoy its fruits, while reflecting the inherent and current inequalities and different stages of development of countries in the policy options it offers.

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Plenary III
"Building and Strengthening Capacity in Trade Policy"

Chair: **Suman Bery**, Director General, National Council of Applied Economic Research, New Delhi

Speakers: **Pradeep S. Mehta**, Secretary General, CUTS International
David F. Luke, Trade, Debt & Globalisation Advisor, UNDP
Veena Jha, Coordinator, UNCTAD India
Rosalea Hamilton, Chief Executive Officer, Institute of Law and Economics, Kingston, Jamaica

Dr. Suman Bery, Director General of the National Council of Applied Economic Research in New Delhi was the Chair of the third plenary. **Mr. Pradeep S. Mehta**, who presented the paper "Capacity Building on Trade Policy Issues", delivered the keynote address. He started his presentation by giving a contextual overview of capacity building. He explained that definitions of both capacity and capacity building have differed. Diverse phrases like capacity development, capacity strengthening, organisational strengthening etc have been used to explain capacity building. However, the definition of capacity, which takes into account the complexities of the South, largely remains elusive.

Mr. Mehta then dwelled on the principles of capacity building. He argued that the term 'building' has acquired a distorted connotation, implying that something from the scratch has to be initiated. One set of capacity may require enforcement and here the capacity actually means augmenting the existing capacities. The above understanding of capacity building leads to the expectation that it would follow certain principles. Capacity building should underpin the following desirable principles: local context, continuous and ongoing process, evolutionary and incremental learning processes, futuristic in approach, etc.

A distinction between the traditional approach and the desired approach of capacity building was made. In the traditional approach, the provider essentially conceives the service whereas in the desired approach the service is envisaged by the beneficiary – driven and adjusted to specific needs of the countries and public concerned. In the traditional approach the focus is more on market access issues and there is little concern for implications of trade policy on the environment, social protection or cultural identities. Under the desired approach trade policy issues are analysed within a broader perspective of economic and sustainable development. Mr. Mehta said that under the traditional approach there is a lot of focus on the bureaucratic imperatives. Bureaucracy often focuses more on the process than on the real substance.

Mr. Mehta reiterated that trade policy issues need to be analysed and understood within a broader perspective of economic and sustainable development. It is important to understand that trade policy is not limited to the World Trade Organisation only. The role of Civil Society organisations is very important in making the international trading regime development friendly. There is an urgent need for stakeholders and Civil Society organisations to understand the implications of not just the WTO but also of other regional and bilateral trade agreements. There is also a need to dispel misunderstandings on trade policy issues.

Capacity building programmes have to be targeted at several levels. There is a need to sensitise the government, business chambers, members of the voluntary organisations, academia, research organisations, and legislators. Such capacity building programmes could be undertaken through awareness generation, specialised courses in universities, seminars on trade policy issues, and research.

Mr. David F. Luke, Trade, Debt & Globalisation Advisor at UNDP presented his views on assessment of aid for trade capacity support in Sub-Saharan Africa. He stressed on the need for coherence between rich country's trade and development assistance policies. Further, he maintained that there was much scope to expand trade capacity building support to least developed countries (LDCs) in particular and Sub-Saharan Africa countries in general. Mr. Luke declared that aid for trade capacity support is restricted to a very small number of developing countries. There is also concentration of aid for trade support in just a few countries, Uganda being the only Sub-Saharan Africa country in this category according to the WTO/OECD Second Joint Report on Trade-Related Technical Assistance and Capacity Building (Paris, 2003). In addition, Mr. Luke mentioned that only a very small share of aid for trade support goes to trade policy and regulation in African and least developed countries according to the same source. The need for coherence between trade support initiatives and a country's level of development and poverty reduction initiatives is also imperative.

Dr. Veena Jha, coordinator of UNCTAD-India reflected on the points raised by Mr. Mehta. She said that it is of great importance to identify the problematic areas that exist in capacity building. She further stressed the need to update legislation and to this end she emphasised on the building of legal skills. Dr. Jha proposed the establishment of specialised institutions and a proper regulatory framework.

Dr. Jha drew attention towards the proposals of developing countries today, which reflect the utilisation of capacity built over years and also awareness of the issues at stake. She argued that in the present framework of the World Trade Organisation, a built-in mechanism to take care of adjustment costs is missing.

Dr. Rosalea Hamilton, Chief Executive Officer of the Institute of Law and Economics in Jamaica started her discussion by elucidating the meaning of capacity building for Jamaica and the Caribbean Islands. She emphasised the importance of understanding the purpose behind capacity building. Given the history of Jamaica and the Caribbean

Islands, capacity building on trade issues has not the purpose of achieving integration in the world economy or greater trading capacity. Changes in the world economy have meant that terms of integration have changed. Capacity building issues must take this into consideration.

Dr. Hamilton was of the opinion that meaningful capacity building for Jamaica and the Caribbean Islands must seek to transform the inherited structure of the economy. The focus should change from traditional import-intensive sectors to capital-intensive sectors. In other words, the focus must shift from trading low value-added products to trading high value-added products.

Dr. Hamilton then proceeded to narrate the Jamaican experience where a taskforce was established to study the impact of the Cotonou Agreement on the Caribbean countries. This led to the establishment of a new trade policy. The new trade policy shifted its focus from market access issues to facilitating more competitive market penetration. The new trade policy also focused on domestic capital formation. Dr. Hamilton concluded that in achieving trade policy objectives, the involvement of Civil Society organisations is fundamental.

Capacity Building on Trade Policy Issues

Pradeep S. Mehta

Contextual Background

Before we delve into the ABC of capacity building specifically for a development friendly trade regime, it will be useful to examine the background and context of capacity building. Both capacity and capacity building have been defined in various ways. A review of literature reveals that donors usually employ the term capacity building to cover several divergent concepts. There is a range of different phrases used by different donors like capacity development, capacity strengthening, organisational strengthening, institutional growth, institutional development and so on. In some cases capacity building has been equated with the essential infrastructure. Some also look at not only the provision of training and consultancies for the institutions but also for the interlocutors, as the methodology for delivering capacity building.

A careful analysis of these definitions reveals that the emphasis is either on the project or on infrastructure as the 'object' and planning, monitoring or evaluation as the 'process'. None of these definitions satisfactorily takes into account the salient identity of institutions in developing and transition countries. These are generally resource starved, and lack political commitment and public acceptance. As a result, these definitions have largely remained inadequate to explain the multi-dimensional and complex attributes of capacity.

The definition of capacity which is rooted in the Southern context and which takes into account the complexities of the Southern development context is by and large elusive. Tandon (2002)[1] defined capacity from the vantage point of Southern institutions as: "…it covers the *totality* of an organised effort of an organisation to fulfil its mission". This process has reinforced that three types of capacities are the most relevant for Southern, as well as transition country institutions.

Principles of Capacity Building

In recent years there has been debate and discussion on the phrase 'capacity building' itself. Some have argued to replace the world 'building' with 'development' or 'enhancement'. To them the latter terms were coined to distinguish between the initial creation/building of capacity, and a larger concept, that goes further to look at the subsequent use, updating and retention of capacity once it is built (UNDP, 2001).

It is indeed true that many a time capacity that has been created or built is not used effectively. Therefore, proper utilization of existing capacity is as important as building new capacities. The term 'building' has acquired a distorted connotation, implying that something from scratch has to be initiated. But there is hardly any situation when one has to begin from the scratch. One set of capacity that exists may require reinforcement and here the capacity actually means augmenting the existing capacities (Tandon, 2002[2]).

The above understanding of capacity building leads to the expectation that it would follow certain principles. It is suggested that capacity building should underpin the following desirable principles:

1. ***Local context:*** It is essential to build capacities related to a locally based, locally articulated and locally originated capacity for critical reflection, learning, documentation and dissemination. The local bodies know and understand their constituency and their needs better than anyone else. Most of the developing and transition countries are going through a process of economic, social and political change. Capacity building initiatives should be looked at in this context and related to the work they are involved in. Therefore, interventions towards building capacity of stakeholders of trade policy should be rooted into the changing global context as well as the requirements of people who have significant stake in developments in the global trade regime.

2. ***Continuous and ongoing process:*** This view implies that capacity formation is an ongoing and long- term process. Thus the meaning of capacity may change as purposes undergo re-statement and re-articulation. The ongoing nature of capacity building encourages the acknowledgement of its dynamic and procedural nature as opposed to mere events and structure.

3. ***Evolutionary and incremental learning process***: The formation of capacity is a learning process. A lot of this learning is evolutionary, continuous and does not depend on external inducements. The capacity building through an external intervention can only be a facilitative process, which builds new or additional capacity on top of the capacity that already exists within.

4. ***Synergistic total:*** Capacity building means development of both individual and the collective. It involves all individuals, systems (organisations) and resources and will need to be pursued at different levels (individual, organisation and sector). It is essential to focus not only on the individuals in an organisation, but also on the organisation itself as well as on the whole sector linked to international trade. A capacity building initiative should have inherent human potential as its focus. The focus of capacity building should be a combination of skill up gradation and enhancement of potentials. Growth of individuals is key to any meaning of capacity. Building relationships with other actors, locally, nationally, regionally as well as globally, becomes important for effective functioning and sustainable impact. Alliances, partnerships, networks provide the necessary platform for sharing and learning information, experiences and ideas.

5. Futuristic in approach: Capacity building has to be in relation to a search for relevance, identity, and clarity of roles and perspective building. There is a need for it to be more futuristic in its approach. It is important to look at the future needs of the group of stakeholders and see how best one can use different methodologies to enhance existing capacities as a whole.

6. A systemic approach: Capacity building should be looked at from a systemic approach. There is a growing realization that the institutions in developing and transition countries are only one component of the set of actors involved in promoting an orderly marketplace. There are other sets of actors whose capacities have to be enhanced to strike a balance. This would operationally mean building effective linkages, coalitions and alliances between the range of economic and development actors. This would also require promoting, engaging and sustaining dialogues across all sets of actors.

Approaches to Capacity Building

In the following table we tried to draw a distinction between Traditional Approach and Capacity Building in Technical Assistance Programmes, which are of recent currency following the WTO Doha Declaration deliverables.

Traditional Approach vs. Capacity Building [3]

Traditional Approach

- The service is essentially conceived by the provider. Low degree of diversification and responsiveness to the beneficiary's particular needs
- Emphasis on transferring solutions from developed to developing countries.
- Focus on market access issues and little concern for implications of trade policy for environment, social protection or cultural identity.
- Beneficiaries essentially include governments and semi-public industry associations.
- Programmes are mainly conceptualised as single agency services is little scope for partnership. Limited use of human resources in the recipient country.
- Service offer is segmented essentially on the basis of location i.e. on a regional, sub-regional or national level.
- Emphasis on discretionary events. The provider's time horizon is limited and follow-up is not fully integrated into the programme concept.
- Little attention is paid to cross-cultural differences and to psychological or social distance between beneficiaries and providers.
- Too much administration and not enough management. Bureaucratic imperatives are often given priority over beneficiary-orientation.

Capacity Building

- Service is beneficiary-driven and adjusted to specific needs of the countries and publics concerned. Needs monitoring and programme's responsiveness to satisfy those needs are encouraged.
- Building capabilities, i.e. creation of local skills, relationships and institutions capable of dealing with trade policy matters in developing countries.
- Trade policy issues are analysed in a broader perspective of economic and sustainable development.

- Beneficiaries comprise governmental agencies, private sector, academic institutions and members of civil society.
- Multi-provider service is truly encouraged to exploit synergies and provide value to the beneficiaries. Partnership with local institutions, and beneficiaries is encouraged. Local human resources are used whenever possible.
- Services offered are more geography free and segmented according to the beneficiaries' interests, similar approaches in problem solving, scope for coalition building, etc. Distance learning and Internet are extensively used.
- More emphasis on relationships and durable interaction. The TA programmes are expected to develop progressively and to 'grow like a tree'.
- Cross-cultural differences are recognised and integrated into the service concept. Teamwork is based on trust and human partnership and involves both beneficiaries and providers. Efforts are made to reduce cultural and social distance between partners and participants.
- Pressure to reduce bureaucracy. Flexibility and enthusiasm are considered as essential ingredients of the programme success. When tensions between bureaucratic rules and common sense occur they are arbitrated in a manner that benefits the overall programme objectives.

The Development of the Know-What?

As mentioned above the trade policy discourse often concentrate on market access issues and little concern is given towards the implications of trade policy for environment, social protection or cultural identity. Trade policy issues need to be analysed and understood in a broader perspective of economic and sustainable development. However, this is a difficult task and will require sustained and systematic efforts on the part of the stakeholders. The WTO being a mercantilist body, it may be natural for the national governments and their primary lobby groups, the business, to concentrate on market access issues. However, the civil society organisations cannot ignore the responsibility of making the trade regime development friendly. The developments at Doha and beyond have amply shown that they indeed can do a lot in this regard.

Along with the progress on trade liberalisation through the multilateral trade regime under the WTO, countries have been liberalising their trade regime through bilateral trade deals as well as regional integration. However, these developments do not attract the attention of the stakeholders including the civil society organisations the way the developments at the WTO do. Interestingly, many such deals call for deeper liberalisation and integration, and hence have far reaching implications. Thus it is important that the stakeholders understand not only the WTO issues but also the issues related to bilateral or regional trade agreements.

There is also much misunderstanding on trade policy issues. For example, GATS is very often mixed up with WB/IMF conditionalities, when utilities have to be privatised and these are then taken over by western companies. Liberalisation without regulations has created problems in many countries, which very often mistakenly attribute it to GATS/WTO. Not only that GATS is often misunderstood by people, they also confuse TRIPs with UPOV which seeks much higher commitment in certain areas. Often domestic vested interests deliberately try to divert attention of the people by blaming the WTO for what may be attributed to failures of domestic governance. Globalisation and trade liberalisation offers both challenges and opportunities. Developing countries also need to put their own house in order to frame appropriate policies at home to face the challenges and seize the opportunities. This is an important area, which has been quite ignored in capacity building activities so far.

The Nuts and Bolts

As noted before, capacity building on trade policy issues will require a strategic and comprehensive approach, while the capacity building programme will need to be targeted at several levels:

- Staff of government departments/agencies at national and sub-national levels
- Staff of businesses and their chambers
- Staff and members of voluntary organisations, including consumer groups
- Staff and members of trade unions
- Staff of professional associations
- Media persons
- Academia and research community
- Legislators at the national and sub-national levels

The Tool Kit

Following are a few ideas through which such capacity building programmes can be undertaken to build effective trade regimes in developing countries:

1. Awareness generation

a) *Media:* One good method of creating public awareness is through media interaction, advertising and publicity. Besides, publication and distribution of literature through various targeted means is also desirable. Writing regular periodical columns can also be very helpful.

b) *Public meetings:* Well-designed public meetings with simple reader-friendly literature, which has demystified the complex issues, can be very effective in raising basic awareness. Such meetings can be organised under the banner of social organisations such as Rotary Club and Lions Club, university and college teachers associations and so on. The meets can also be organised as sessions during other meetings in an organisation. There are several such opportunities, such as professional association meets, trade union and staff association meets, and even staff annual meetings.

c) *Vehicles:* It is important to identify a raft of institutions (vehicles) that can carry out these activities. For example, business chambers, professional associations, bar associations, civil society organisations etc should be roped in to assist the awareness generation programmes.

2. Specialised courses

Some universities and their economics and law faculties need to offer specialised course on trade policy issues. In developing countries we do not come across many universities offering such courses for degree or under-graduate programmes. Thus trade policy issues need to be part and parcel of both the law and economics curriculum at universities and other institutes of higher education.

3. Institutional development

Establishing institutions, particularly regulatory and enforcement bodies, while updating legislation and simultaneously building legal skills. This will help in using the trade agenda to enforce compliance as well identify rights and obligations in the context of existing and potential international trade agreements.

4. Seminars on trade policy issues

The awareness on trade policy issues in general is at an extremely low level in most of these countries. Thus regular seminars need to be organised for all stakeholders. Another good way forward is to organise international well-designed and structured seminars where the relevant stakeholders are exposed to good and bad practices or successes and failures from other countries. UNCTAD, WTO, OECD etc are already doing such programmes depending upon their available resources. It would be good, if more professionally organised outfits that have experience of delivering trainings on economic issues do such seminars.

5. Training workshops

Increasing resort to anti-dumping, safeguards, subsidies and countervailing measures have resulted in these trade remedial measures providing less remedy and more distortion to trade. As the cost of defending in DSB of WTO is quite high, the increasing use of such trade remedial measures have put an extra burden on developing countries. Therefore, more training workshops should be provided by intergovernmental organisations.

6. Research

Some research is being done in countries like India, Brazil and South Africa, but it is insufficient for the huge capacity building needs. Overall, there is a lack of research in the areas like impact of trade policy issues on local communities. This often leads to articulation by stakeholders based on apprehensions or empty rhetoric rather than facts on the ground.

7. Awareness at the sub-national level

It is extremely important to build awareness and capacity at the sub-national level, especially in large countries like India, Brazil, and South Africa etc. Many of the decisions taken by sub-national governments may have significant bearing on trade performance of the country. On the other hand, many of the developments in the international trade regimes need to be complemented with appropriate policies that fall in the domain of state governments. This particularly the case when some aspects of international trade policy regime may have adverse impact on some particular groups or local communities, the appropriate measures for tackling them need to be taken by sub-national governments.

8. International and regional cooperation

International cooperation is an essential element of any capacity building programme to provide resources for coping with financial problems, training needs. In order to build a constituency the same approach also needs to be taken at the regional level, as many countries are integrating regionally.

The Way Ahead

Many bilateral donors are providing generous funding and technical support to many developing countries. International organisations such as UNCTAD, OECD, the World Bank, regional banks, the Commonwealth Secretariat and other developed country agencies are providing technical support too. All these initiatives need to be systematised, tailored and enhanced to promote awareness and understanding on trade policy issues in the developing world.

However, trade capacity building is not value and ideology free. Hence often it is alleged that these agencies pushing for a particular type of capacity building. It may not always be the case that they are selling a particular type of ideology. However, many experts based in the developing world suffer from the syndrome, "it has worked here quite well and hence it is the best practice". It is also the case that developed country based stakeholders very often are not well aware of developing country realities. To that extent it is necessary that their capacity building is also essential. For developing countries, financial assistance needs to be de-linked from the technical assistance component of capacity building. What is more important is the sharing of experiences among developing countries themselves, i.e., south-south cooperation.

This paper may not have covered everything, which is desirable to build capacity on trade policy issues. Furthermore, one will need to tailor the programmes according to resource availability and priority in each country. But the imperative is to provide tailor-made capacity building programmes in developing countries.

Pradeep S. Mehta is Secretary General of CUTS International.

Endnotes

1 Tandon Rajesh (2002); Voluntary Action, Civil Society and the State; Mosaic Books, New Delhi

2 Ibid.

3 Adapted from a presentation by Ricardo Meléndez-Ortiz of the International Centre for Trade and Sustainable Development, Geneva: "Contribution to the discussion on capacity building in the WTO", 8 March 2001.

Trade Capacity Support: A Note

David F. Luke[*]

Aid for trade, or technical and financial assistance granted by development agencies to improve the capacity of poor countries to trade, has emerged as a specialised activity in international development assistance. Virtually all donors have extended their country programmes on trade.[1] Civil society organisations have also become increasingly active on trade capacity issues among their constituencies and networks; especially on research and advocacy on fair trade matters and pro-poor outcomes in international trade negotiations. According to the World Trade Organisation (WTO) and the Organisation for Economic Co-operation and Development (OECD), commitments from 39 bilateral donors and multilateral agencies going to trade-related capacity programmes (or trade-related technical assistance/capacity building, TRTA/CB) amounted to 4.8 percent of total aid commitments in 2001-2002.[2] This was "on a par with the share going to population programmes and more than the shares going to basic education, or basic health".[3] In 2002, the WTO and the OECD established a database on trade-related technical assistance and capacity building to track commitments, activities and performance in this area.[4]

This note summarises the main findings from a research paper assessing recent trends in trade capacity support in Sub-Saharan Africa (SSA).[5] The assessment points to the following conclusions:

First, there is a need for coherence between rich countries' trade and development assistance policies. An essential aspect of this is to get the Doha negotiations back on track following the Cancún debacle. One of the objectives of the Doha Round is to reduce the barriers facing SSA and other poor countries in using trade opportunities to promote their development including poverty reduction strategies. The Doha Round holds great promise for achieving the globally agreed MDGs. But the lack of progress in the negotiations calls into question the seriousness with which rich countries are addressing the global deal of the Monterrey Consensus.

There is also scope to scale up trade capacity support to least developed countries (LDCs) in particular and SSA countries in general. According to WTO/OECD data, LDCs are receiving relatively low shares of trade capacity support in terms of both

[*] The views expressed in this paper are the author's and do not purport to represent the position of UNDP.

volume and value, notwithstanding the efforts of key agencies such as the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD) and the WTO, to give priority to these countries in their respective technical assistance programmes. Although only broad trends can be established from the information provided by the WTO/OECD database, the relatively low level of support to physical infrastructure and for overcoming related supply side constraints is particularly worrying. Yet the breadth and depth of poverty in SSA places severe constraints on resource availability for investment in major public projects such as roads, clinics, schools, water, sanitation, power and telecommunications, all of which are critical to the processes involved in developing trade capacity.

There is evidence of concentration of aid for trade capacity support in a very small number of developing countries, namely China, Indonesia, Thailand and Vietnam – with only one SSA country, Uganda, in this group. It is a bias that requires attention from donors.

Second, there is need for coherence between trade capacity support initiatives and country level development/poverty reduction plans. Here, leadership in exercising ownership and direction over the policy process is required from national policy-makers. In many SSA countries, the Poverty Reduction Strategy Paper (PRSP) is a key input in national development strategies and an important tool for mainstreaming trade. But experience has shown that there has been too little trade capacity development content in PRSPs. Mainstreaming trade in these plans is proving to be an elusive objective to realise.

The global WTO/OECD data on trade capacity support provide an additional perspective on this issue. The data specifically show a relatively low share of aid for trade support going to trade policy and regulation in African and LDC countries. Trade policy is of course central to actions required for diversification, investment etc., using national plans/PRSPs as a planning and policy tool. The critical link that should be provided by trade policy is therefore also a weak link requiring both national leadership to overcome this problem and greater coherence between donor development assistance activities and country level trade and development policies.

Third, regarding the activities of the major multilateral agencies concerned with trade capacity support, the WTO in practice has concentrated on technical aspects of policy and regulation without getting into strategic linkages between trade and development policies. Even WTO country trade policy reviews tend to take a clinical approach to the technical side of regulation, hardly focusing on synergies with development policies and poverty reduction impacts. The WTO has barely been involved in any credible way in 'mainstreaming' trade, although it is generally accepted that its technical assistance products are helping poor countries to meet the requirements of participating in the multilateral trading system.

Similarly, the contributions of UNCTAD to trade capacity support in African countries are recognised with appreciation. But this agency's lack of field presence limits the extent to which it can take national specificities into account in the design of trade and investment regimes and its contribution to other national policy challenges.

For ITC, too, there is no controversy over its prioritisation of competitiveness and the practical value of its technical assistance in SSA countries. But ITC like UNCTAD is mostly absent from the national policy process.

Country level work is, on the other hand, a major focus of the World Bank's operations and activities. But experience shows that the Bank's trade capacity support tends to be poorly coordinated and scattered across several projects and programmes. This is also reflected in the weak trade content of most of the SSA PRSPs (and interim PRSPs) that have emerged through a Bank supported process. In addition, the Bank's work at country level encompasses joint advocacy – with the International Monetary Fund (IMF) – of aggressive trade liberalisation measures, which often undercut national positions in trade negotiation and/or reduce national policy space and choices. This further underscores another subset problem of coherence between the Bretton Woods institutions and the WTO.

Fourth, of the two programmes – the Integrated Framework (IF) and Joint Integrated Technical Assistance Programme (JITAP) – established to respond to African and LDC trade capacity deficiencies, the latter is regarded as having been generally successful in rolling out its well-focused clusters although its reach has been restricted to only eight African countries, seven of them in SSA. There are plans to extend the second phase of the programme to eight SSA countries. A 2002 evaluation concluded that the linkage between trade and poverty issues was not an explicit feature of JITAP, underscoring the limited contribution of the collaborating agencies in JITAP – ITC, UNCTAD and WTO – to national planning and policy processes. In terms of this limitation, the three Geneva agencies may be said to be PRSP "lite".

The IF, like JITAP, continues to face severe problems of process including establishing a solid connection with national development and poverty reduction policies and of substance including funding limitations for much needed infrastructure improvements. While efforts are being made to overcome these difficulties, it has also become clear that the IF will not be a major funding mechanism for trade capacity support as total IF expenditure per participating country is not expected to exceed US$2 million.

The inescapable conclusion from this assessment of trade capacity support to SSA countries is that the two challenges for coherence define the critical tasks that require adequate and appropriate responses from SSA national leaders, policy-makers and stakeholders on the one hand and development partners on the other.

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Endnotes

1 See, e.g., Australia, Trade, Development and Poverty Reduction (2002); Denmark, Trade and Development: Tackling Poverty (2003); European Commission, Trade and Development: Assisting Developing Countries to benefit from Trade (2002); France, French Plan for Contributing to Trade Capacity Building (2002); New Zealand, Harnessing International trade for Development (2003); Sweden, Trade and Development: A Coordinated Swedish Policy to Combat Poverty (2002); UK, Trade Matters: Eliminating World Poverty (2003); USA, Building Trade Capacity in the Developing World (2003).

2 See WTO/OECD, Second Joint WTO/OECD Report on Trade-Related Technical Assistance and Capacity Building" (Paris and Geneva: WTO/OECD, July 2003), p.1.

3 Ibid.

4 http://tcbdb.wto.org.

5 See David F. Luke, "Trade Capacity Support – Two Challenges for Coherence in Sub-Saharan Africa" (forthcoming, African Economic Research Consortium).

Plenary IV
"The Role of UNCTAD in Assisting National Trade and Development Strategies"

Chair: **Sanjaya Baru**, Editor, The Financial Express, India

Speakers: **Veena Jha**, Coordinator, UNCTAD India
Nagesh Kumar, Director General, Research and Information System for Non-Aligned and other Developing Countries, New Delhi
Abid Suleri, Head of Programme, Oxfam GB, Pakistan
Davis Ddamulira, Senior Researcher, SEATINI, Uganda Chapter

Mr. Sanjaya Baru, Editor of the Financial Express, India, chaired this session, which had Dr. Veena Jha, Coordinator of UNCTAD India as the keynote speaker. Dr. Jha dwelt upon the Report of the UNCTAD Secretariat on technical cooperation for 2003. Nagesh Kumar of Research and Information System for the Non-Aligned and Other Developing Countries, India, Abid Suleri of Oxfam GB, Pakistan and Davis Ddamulira, Senior Researcher, SEATINI, Uganda were the discussants for the session.

Dr. Veena Jha started her address by pointing out the growing gap between the needs and resources of developing countries. Indeed, it took three months at the last Needs Assessment Exercise conducted in Geneva until the governments sent their responses. The need is growing because of the increasing commitments made at the multilateral trading system. The challenges faced by UNCTAD so far have been manifold. One of the most serious ones is the fact that if "needs based" many people are not be able to articulate the actual problem and their needs. UNCTAD's approach, Dr. Jha said, was novel and useful since it makes use of local experts and organisations, instead of hiring external consultants. In this groundwork UNDP can also help to articulate needs. Ultimately, Dr. Jha stated, the objective of capacity building is to end marginalisation. Moreover, it was important to make a distinction between aid for trade and aid for development.

Dr. Jha then proceeded to describe UNCTAD's activities and accomplishments in the field of capacity building in trade. She began by describing one of UNCTAD's databases, the Agricultural Trade Policy Simulation Model (ATPSM), which is available on

UNCTAD's website and offers detailed coverage of countries, commodities, and policies. However, she also pointed towards the fact that even using this database is not so easy and some capacity needs to be developed before using it. The Trade Analysis and Information System (TRAINS) was created in order to increase transparency in international trading conditions. Dr. Jha also presented Phase 2 of the Joint ITC/UNCTAD/WTO Integrated Technical Assistance Programme to Selected Least Developed and Other African Countries (JITAP). She questioned the role and capacity of national governments in developing capacities.

Dr. Jha concluded by saying that commercial diplomacy is not about how to negotiate but about what to negotiate. Therefore, support should be given to developing countries at multilateral trade negotiations in particular at the WTO.

Dr. Nagesh Kumar, Director General of the Research and Information System for Non-Aligned and Other Developing Countries (RIS) in New Delhi, focused on Dr. Jha's presentation and pointed out that one important area of work for UNCTAD would involve the facilitation of sharing of development experiences throughout the world. In the global era, Dr. Kumar remarked, it is far more difficult to support and help developing countries. Moving to his favourite topic: FDI, Dr. Kumar indicated that it might not always benefit the country: Sometimes it does, sometimes it may be harmful as well. UNCTAD should bring out the role of investment policies that help development. Prior to the WTO coming into being, national governments had enough policy space to regulate investment. However, TRIMS has led to shrinking of this space.

The role of Civil Society and of UNCTAD should be that of a watchdog. Although the dispute settlement body appears to be working, there is a severe problem regarding the under-implementation of commitments. Dr. Kumar then talked about how the US government is giving subsidies to its exporters under the foreign sales corporation act. Developed countries are preaching a very selective kind of globalisation, he said, namely a "pick and choose globalisation". They are all for movement of capital, but not for movement of labour. They would preach free trade is good for manufacturing but not for agriculture. This in turn, Dr. Kumar suggested, leads to asymmetries in the way things are being implemented.

The role of UNCTAD should focus on developing proactive proposals to take to the WTO as well as bringing out these issues and helping developing country experts in taking up research on them. The experts in turn would develop capacity within developing countries. In this regard he mentioned that UNCTAD XI might be a starting point in this direction.

Dr. Kumar also illustrated the way in which the US, the EU, Switzerland and others want to limit the role of UNCTAD. These countries, he said, feel that UNCTAD should only take up capacity building and not research. The question, however, is how UNCTAD can engage in capacity building without taking up research. If the capacity building agenda is formulated without their own research but on the research taken up by some the developed countries –what would then be the use of such capacity building.

There can be negative consequences for LDCs in view of dismantling of quota in textiles. UNCTAD should help to face these challenges. Other intergovernmental organisations like the World Bank, the International Monetary Fund and the Asian Development Bank are also playing an important role, however, developed countries control them all. Hence, these institutions may not be doing the right job.

In relation to UNCTAD XI, **Dr. Abid Suleri**, Head of Programme of Oxfam GB Pakistan, gave a detailed account of the "anti-developing countries" modifications and changes proposed by the US and the EU to the UNCTAD XI pre-conference statement proposed by the Chair. This strong opposition to UNCTAD's efforts signifies that UNCTAD is working and actually making a difference. However, the US and the EU are trying to undermine and curb the role of UNCTAD in assisting the developing countries.

Mr. Davis Ddamulira, Senior Researcher at SEATINI (Southern and Eastern African Trade Information Negotiations Initiative) Uganda Chapter, emphasised that very often we concentrate on what is happening at the international level but do not keep adequate attention of what can be done at the national level.

In most Africa countries poverty reduction strategy papers (PRSPs) were drafted by looking at trade issues and the impact of trade on poverty. However, the World Bank and the International Monetary Fund heavily controlled the process and the area of integrating trade policy with national development policy was largely ignored. How can we therefore reasonably expect that PRSPs will be doing the right job? The control seems to be all in the hand of developed countries. UNCTAD can ensure the right balance by providing information. Mr Ddamulira then turned to the exiting possibilities at the national level. Most of the African countries were mainly invited to look at legitimate trade in the PRSPs.

There should be processes that allow integration between trade & national development policies. At the moment there was alack of coordination because of lack of coherence. This created a vicious circle and there was also a lack for a common agenda. In this case the role of UNCTAD in should be that of a coordinator. Moreover, Civil Society and UNCTAD can both help in terms of providing information.

An important point was the fact that the "New issues" are not a priority for developing countries. However, a large portion of capacity building budget was devoted to them. As UNCTAD XI draws closer there is an urgent need to refocus, Mr. Ddamulira concluded. **Mr. Sanjaya Baru** brought the session to a close with some interesting and provocative remarks. Referring to Angus Maddison's seminal work: "The World Economy: A Millennial Perspective" he presented the changes in the structure of world income that have taken place over the last centuries. Whereas in 1700 world income was more or less equally divided among China, India and the European Union nowadays the disparities are great.

The challenge of development for the world today is for developed countries to be able to accommodate the increase in the share of world income of developing countries.

UNCTAD, Mr. Baru stated, has failed in keeping development in the centre of trade policy debate. It has been fighting a battle at the barricades, instead of confronting the issues upfront. The world, he continued, has to come to terms with the fact that development has not been at the centre of trade negotiations.

Civil Society, Mr. Baru continued, is to be accused of losing perspective. For, Civil Society's role lies in the field of ideas. Lately however, many of Civil Society fancy themselves to be negotiators and have consequently not focused on the real realm of Civil Society, the realm of ideas. This has led to catastrophic consequences, like the inclusion of intellectual property rights into the World Trade Negotiations. "Because we failed to argue that there is no link between TRIPs and trade", Mr. Baru reiterated, "by getting too obsessed with negotiations."

UNCTAD should be a platform for ideas. There the central issue follows immediately: What are the ideas of development? To begin with, Mr. Baru stated, the structure of the world economy is changing. And yet, institutional change will only come when the shares of trade of the poorer countries grow. As the economy changes, however, it is the job of NGOs to change ideas.

After the discussion **Dr. Jha** responded to **Mr. Baru's** comments by defending UNCTAD and labelling them as "quite unfair". She argued that the UN does generate ideas, not only from its staff. Moreover, she explained that UNCTAD as an intergovernmental mechanism is not free, but constrained.

UNCTAD XI: An Opportunity that would be Lost due to Bad Policies of the EU and the US

Abid Suleri

"Developing countries have made strenuous efforts at trade liberalisation under very difficult circumstances. However, only a few developing countries have succeeded in participating in global export growth. The share of the African countries and LDCs in world trade has continued to fall […]", proposes Paragraph 21, sub-theme three of the UNCTAD XI pre-conference text. This Paragraph reveals the bitter reality that benefits of trade liberalisation were never shared on equitable basis and developing countries remained at the losing end.

With the World Trade Organisation (WTO) in continued stalemate, the opportunity to debate alternative policies for agriculture and rural development has opened up within the United Nations system. UNCTAD, the United Nations Conference on Trade and Development, will meet June 13-18, 2004, in São Paulo, Brazil, to set the organisation's priorities for the next four years. Established in 1964, the United Nations Conference on Trade and Development (UNCTAD) aims at the development-friendly integration of developing countries into the world economy.

Historically, UNCTAD has been the leading multilateral agency concerned with Third World development, serving as a host for various international commodity agreements and, more generally, as a "think tank" for the South. In the past eight years, UNCTAD's mandate has been diminished by aggressive actions of the United States' and European Union's governments, including a current effort to further remove the issues that matter most to developing and least developed countries from the heart of the agenda for UNCTAD XI.

As a preparatory process to UNCTAD XI, the Chairman circulated a pre-conference negotiating text on sub-theme three of the conference (Assuring development gains from the international trading system and trade negotiations). The text envisions strengthening UNCTAD's role in assisting developing countries so that their sustainable development objectives are accomplished though international trade. However, the responses of the EU and the US on this pre-conference text are horrifying and it appears that they are literally backing out from what they committed to in the Doha Work Programme during the WTO Doha Ministerial.

It seems that the US and EU governments would not let UNCTAD or any other organisation work in favour of developing countries. The EU and the US have tried to turn UNCTAD into a vestigial organ through their counterproposals. For instance; Paragraph 115 of Chairman's text while discussing UNCTAD's contribution in assuring development gains from the international trading system reads "UNCTAD should contribute to the analysis of the linkages between trade and trade related interests of developing countries, with special focus on financial flows and debt relief". The US, the EU, and Switzerland have proposed deletion of Paragraph 115 from the Chairman's text. In other words they do not want UNCTAD to carry out any analysis that may assure the linkage between trade and development for developing countries.

UNCTAD started a BIOTRADE Initiative in 1996 that aimed at stimulating trade and investment in biological resources to promote sustainable development in line with the three objectives of the Convention on Biological Diversity: (a) conservation of biological diversity; (b) sustainable use of its components; and (c) fair and equitable sharing of the proposes benefits arising from the utilization of genetic resources. The Chairman mentioned that UNCTAD "should strengthen work on the BIOTRADE initiative" in Paragraph 113 of the pre-conference text. However, the US is not happy with UNCTAD's ambitions to support work in this area and has proposed that this phrase should be deleted from Paragraph 113.

The US also proposes to delete Paragraph 112 which says that UNCTAD should continue to serve as a forum for clarifying issues related to investment, competition policy and trade facilitation (three of the Singapore issues) with a view to understanding their development dimensions. The US knows that these issues may not have any development dimension and this is precisely the reason that led developing countries to firmly say "no" to Singapore issues during the Cancún Ministerial.

Through Paragraph 102 of the Chairman's text, it is proposed that UNCTAD should establish some benchmarks to assess how effectively developing countries are deriving an equitable share of benefits from the international trading system. The US has proposed to delete this Paragraph too. Such benchmarks, if established, would obviously reveal the truth, that developing countries are not able to get an equitable share from the benefits of the international trading system. This would harm the interests of the US led World Bank that prescribes trade liberalisation for everything that goes wrong in developing countries.

Moreover, the US and the EU have warned UNCTAD to stay in limits and have proposed that it should clarify its division of work for trade-related technical assistance with the WTO and the International Trade Centre (ITC) in response to Paragraph 100 of the Chairman's text where UNCTAD is asked to continue monitor and assess the international trading system, relating to issues concerning developing countries and help capacity building under the Doha Work Programme.

Under "Policy Response and UNCTAD's Contribution", the Chairman's text proposes various measures by which UNCTAD may support policy reforms in the international trading system. However, the EU and the US have proposed to delete all-important Paragraphs, thus trying to turn UNCTAD into a non-functional organisation. The US has proposed deletion of

- Paragraph 81: talks of meaningful agricultural reform and phasing out of export subsidies and special and differential treatments for developing countries.
- Paragraph 82: talks of providing some adjustment support to developing countries that would be adversely affected by textile quota elimination.
- Paragraph 95: stresses upon having appropriate debt-relief measures for developing countries.

Here it is pertinent to mention that the EU has proposed that in Paragraph 82, negative consequences for some LDCs of phasing out of textile quota should be recognised but no compensation should be paid to the affected.

Similarly the EU has proposed to delete Paragraph 92 that says, "International discussions and negotiations on trade and environment should be guided by a development oriented approach so that developing countries can expand exports". Whereas the US has proposed the deletion of the last phrase in this Paragraph, i.e., "so that developing countries can expand exports". Is it not sufficient to confirm that the US' and EU's governments were never sincere with the Doha Development Programme – they do not want any expansion of developing countries' exports.

The story does not finish here as both the EU and US have proposed to delete Paragraph 97 which demands that "The international community should put in place the necessary policy instruments and support measures to complement national efforts of developing countries to foster, protect and promote creative industries and traditional knowledge of developing countries". Here it is pertinent to mention that traditional knowledge of developing countries is already vulnerable to piracy under the new Agreement on Trade-related Intellectual Property Rights (TRIPs) regime.

The EU's and US' objections are not limited to UNCTAD's future role, but they have also strongly objected the policy analysis carried out by UNCTAD and have proposed deletion of some important analytical recommendations that can protect the interests of developing countries. Let us have a flavour of what EU and US are proposing in this regard.

Paragraph 5 of the pre-conference text talks of "Adverse effects of secular decline and instability of world commodity prices on developing countries particularly LDCs and African countries. US in its counterproposal stroke out "LDCs and African countries" and proposed to replace it with "economies that are not diversified". Why is the US Trade Representative shy about admitting the fact that African and LDC' economies are vulnerable under US/EC led international trading system?

Paragraph 20 of the draft text recognises that trade policies can serve as an important development instrument, but have to be consistent with national development goals. Ironically the EU has proposed to delete the phrase "but they have to be consistent with national development goals". In other words, the EU would like to dictate the type of trade policies that suits its own agenda, irrespective of the fact whether those policies are consistent with national development goals are not. This has already been happening for the last 60 years through the EU led International Monetary Fund (IMF). Let us say good-bye to millennium development goals and good-bye to national sovereignty.

As already stated at the beginning, Paragraph 21 of the original draft very rightly recognises that developing countries have made strenuous efforts at trade liberalisation under very difficult circumstances. However, only a few developing countries have succeeded in participating in global export growth. It also recognises that the share of the African countries and LDCs in world trade has decreased.

The US and Canada feel that "not all developing countries" have made strenuous efforts at trade liberalisation under difficult circumstances and have proposed to qualify developing countries with "Many developing …". The most disturbing thing is the US's shameless attitude towards realising the miseries of LDCs and African countries. It proposes to replace the phrase "the share of African countries and LDCs in world trade has continued to fall" with the following sentence, "Challenge remains to increase the participation of a wider number of developing countries in global export growth".

The US also proposes to delete Paragraphs 22, 23, 24, 25, 26, 27, 28, 86, and 88 from the Chairman's text. Paragraph 22 stresses that specific concerns and interest of developing countries on the Doha Work Programme deserve special consideration. Paragraph 23 recognises that trade in agriculture has important implications for the sustainable development and food security of three fourths of the world' poor living in the rural areas of developing countries. It demands that trade distorting practices in developed countries (domestic/export subsidies, tariff peaks, etc) should be reformed. Here it is pertinent to mention that Australia and the EU feels that these issues are being discussed in the context of the WTO agricultural negotiation and UNCTAD XI should therefore not touch them.

Paragraph 24 discusses "Mode IV of GATS" and its importance for developing countries. The US has proposed to delete this Paragraph, whereas the EU proposes that movement of natural persons under Mode IV is not economically important for developing countries.

Paragraph 25 recognises technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, and antidumping measures are market entry barriers for developing countries. The US has proposed to delete the whole Paragraph – Whereas the EU has diluted it by replacing "face market-entry barriers" with "may affect market entry".

The US also proposes to delete Paragraph 26, which recognises that the cost of implementation of multilateral trading agreements and TRIPs, TRIMs, TBT, SPS, and DSB, are hard to bear for developing countries. EU is kind enough by not proposing the deletion of the whole Paragraph but has revealed its intentions by proposing that "hard to bear" should be replaced with "costs can be high".

Paragraphs 27 and 86 of the Chairman's text talks of strengthening and making more precise special and differential treatment (S&DT) according to the Doha Development Agenda. The US and Norway want to delete the whole Paragraph, whereas the EU emphasizes that S&DT should be used on a temporary basis only. This is indeed backing out of their Doha commitments on the part of the EU and the US.

Paragraph 28 talks of difficulties faced by developing countries in fulfilling the "extensive market access commitments" made by them at the time of accession to the WTO; whereas Paragraph 88 recommends that obligations at the time of accession should be rational and according to the development level of the member countries. The US proposes to delete both Paragraphs, whereas the EU proposed that not all but some developing countries find it hard to fulfil the market access commitments.

The abovementioned facts make it very clear that the EU and the US would not let developing countries take advantage of UNCTAD's recommendations. They have felt that UNCTAD is turning into a more developing country friendly organisation. They therefore would like to dominate UNCTAD' working and bring in their own agenda. It is sad to note the southern states are still not as proactive as they should have been to rescue UNCTAD from US/EU influence. UNCTAD is an inter-government body and only member countries can determine its future agenda. Although China and G-77 have tabled some counterproposals, many developing countries such as India, Brazil, Pakistan, South Africa etc., (which are very active in the WTO and are defending the interests of developing nations) have not tabled any proposal to counter EU/US' anti-developing countries intentions. UNCTAD XI can be an important milestone in the history of the international trading system and developing countries should take it very seriously.

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The Role of UNCTAD in Assisting National Trade and Development Strategies

Jane S. Nalunga and Davis Ddamulira

The UNCTAD Mandate

The formation of the United Nations Conference on Trade and Development (UNCTAD) in 1964 came at a time when a more comprehensive concept of international trade and development in the form of the International Trading Organisation (ITO) failed to materialise. When a more rules-based institution for trade liberation, the General Agreement on Tariffs and Trade (GATT) – and later the WTO – was formed it was necessary to have an international body, which would focus on development concerns in relation to the existing trade rules and obligations. To a certain extent this led to the formation of UNCTAD as an international body under the United Nations with the mandate of providing technical assistance including capacity building to developing countries to allow them integrate meaningfully into the world economy. In brief, most developing countries looked upon UNCTAD to provide a counterbalancing and complementary force to the rules-based GATT/WTO, which are mostly concerned with trade liberalisation and less with its social and development dimensions.

UNCTAD as the principal organ of the UN General Assembly was therefore given the main task of being the focal point within the UN system to deal with the comprehensive treatment of trade and development and other interrelated areas of finance, technology, investment, and sustainable development. In these recent years we have also seen UNCTAD committing itself to the implementation of the outcomes of global conferences like the Third UN Conference on the Least Developed Countries (LDCs), the Millennium Declaration, the Monterrey Consensus, the World Summit on Sustainable Development and the Doha Work Programme.

Since its inception, UNCTAD has tried to fulfil its mandate, which in a way has also involved adapting to new demands from developing countries. Through research and policy analysis, UNCTAD has been able to provide relevant information to developing countries for them to back up their positions in various fora. In addition, several developing countries have also benefited from programmes like the Joint Integrated

Technical Assistance Programme (JITAP), which was mainly supported by WTO, UNCTAD and International Trade Centre (ITC) and the recently launched Integrated Framework (IF). These programmes have helped some developing countries to increase their exports and to effectively participate in multilateral trading systems especially trade negotiations under the WTO.

Today, it is widely acknowledged that in order to make trade work for LDCs and developing countries in general in terms of contributing to the growth of their economies as well as improving people's livelihoods, there is a need to mainstream trade into development strategies and to move development to the centre stage of national trade policy formulation.

Mainstreaming trade in their national development strategies has not been an easy task for many LDCs. In fact, for many of them, success has been so far elusive. Many LDCs are using Poverty Reduction Strategy Papers (PRSPs) as their comprehensive national development strategy. The process of developing PRSPs is also considered to be more participatory and country-owned since it involves consultations of different stakeholders on poverty dimensions as well as setting targets and policy options for reducing poverty levels – in reality PRSPs are a blue print of national development strategy. However, PRSPs have not addressed critical concerns of trade and development in terms of policy flexibility and in a more comprehensive way as seen in the nine African countries[1] where trade was marginally considered. The PRSPs have many negative features that militate against their usefulness. They emphasize policy options that were embedded in the Structural Adjustment Programmes (SAPs). PRSPs are also subjected to critical scrutiny by the World Bank (WB) and the International Monetary Fund (IMF) and leave therefore minimal policy space and options for countries that might consider certain aspects and tools in balancing their trade and development concerns. In addition, they are used as a conditionality for lending from World Bank's International Development Association (IDA) funds, IMF's Poverty Reduction and Growth Facility (PRGF), bilateral donors aid and debt relief.

At the moment some LDCs, for example Uganda, do not have a comprehensive national trade policy. A national trade policy is imperative if a country is to negotiate in the various fora from a point of knowledge and strength. At the national level, trade matters are also scattered in a number of ministries i.e. the Ministry of Finance, Planning and Economic Development, the President's office and also in a number of semi-independent donor projects. More often than not the coordination among these different institutions is nonexistent. Thus, even when it comes to negotiations at different fora and of different agreements, for instance the WTO, the Everything But Arms Proposal (EBA), Cotonou Agreement, African Growth and Opportunity Act (AGOA), there is limited coordination, which makes it difficult for the country to benefit from these negotiations.

In commenting on this lack of capacity at the national level as compared to the multilateral level, UNCTAD's Secretary General Mr. Ricupero, while speaking to the Trade and Development Board in Geneva in 2003 summarised it thus: "Perhaps too much attention has been paid to trade negotiations, and not enough to the supply-side response". Mr. Ricupero's observation is correct; there is an urgent need to put some more effort at the national level, not only to look at the link between the national and international dimensions of trade and development but to go further and analyse the linkage between trade and poverty; trade and gender; trade and HIV/Aids; and trade and environment. These linkages will ensure that trade is not an end in itself but a means to sustainable development. In concentrating on the national level, UNCTAD should help developing countries to develop their internal and regional markets and use this as a springboard for international trade. The assumption that the way to prosperity for developing countries is through full integration into the world economy has been discredited by the growing marginalisation of developing countries, decreasing economic prosperity, environmental degradation, and food insecurity among other things.

UNCTAD's Role

There is a need for a revitalised UNCTAD to be able to do all this demanding work. It requires country specific programmes and focus which can be overwhelming for UNCTAD. What can be done is to encourage South–South collaboration given the fact that some problems faced by LDCs are similar. It will be a kind of mentoring programmes. The issue of revitalising UNCTAD and enabling it to take on these ever increasing challenges should be discussed in São Paulo. UNCTAD should also help developing countries to have policy space in order to put in place not only country owned trade policies but also to implement a number of trade policies geared towards sustainable development. Governments should have the sovereign right and duty to regulate the market in the interests of their people. They may wish to cede a degree of sovereignty in order to achieve international legislation and regulation through organisations like the WTO but they should not be forced to do so. Without the policy space, even the good analytical work done by UNCTAD and the various policy options offered will have limited impact. At the moment, policy space to do this is greatly limited by the conditionalities from IMF/WB. Most often than not even the capacity building offered has too many strings attached to be of any benefit to the developing countries.

The failure of the IMF/WB economic and financial policy conditionalities i.e. Structural Adjustment Programmes (SAPs), unregulated capital flows, liberalisation of capital accounts and the collapse of the third and fifth WTO conferences in Seattle and Cancún have brought into question the credibility and role of these institutions and the need to democratise the global financial and trade rule making. Unless this democratic deficit at the global level is addressed the developing countries will find it extremely difficult to use trade as a tool for development at the national level. The policies arrived at the global level by the three institutions determines the nature of the trade and development policies at the national level. Therefore at the global level, these policies have to be democratically arrived at. Although a number of developed countries have been opposed to UNCTAD's expansion into "areas outside of UNCTAD's trade and development mandate [including] the reform of the international financial architecture"[2], UNCTAD must take the lead in challenging the WTO, IMF/WB as sole arbiters of trade, finance and investment issues. This means that UNCTAD should go beyond being a discussion forum to a body with power and clout in determining issues of trade, finance and development.

The involvement of civil society and the Members of parliament is very critical to ensure that there is a critical mass of stakeholders to push forward the policy recommendations by UNCTAD. The civil society and members of Parliament must be assisted, through well-targeted capacity building activities, to effectively participate in the development process. There should also be space for them to participate and to be heard. Therefore room for dialogue among the key stakeholders i.e. the civil society; private sector and government must be created. The civil society today is a force to be reckoned with in issues of trade and development as evidenced by their effective participation in the WTO trade negotiations. Therefore civil society can bring to these debates informed ideas and viable policy options given the fact that they work with the people at the grass root level.

Targeting the needs of recipient countries: Today, Africa, as well as the Caribbean and pacific countries are embroiled in regional integration processes. These processes have been complicated by the Economic partnership Agreement (EPA) negotiations between the ACP countries and the European Union(EU) and the EU. The regional integration processes and the EPA negotiations have far reaching implications on the national economies and the peoples livelihoods. This is one area that UNCTAD should assist ACP countries with independent analytical information to back up their negotiating positions. The regional integration aspect should also be built into each country's national and development strategies and policies.

Challenges

There are a number of challenges facing UNCTAD if it is to assist LDCs in their national trade and development strategies:

1. Linkage with WTO, IMF, and WB: This linkage and collaboration is a double-edged knife as on the one hand it is an advantage, as the co-existence of agencies is needed to attain a balanced and comprehensive trade, economic and financial system. Yet on the other hand their interests are mainly in growth not development. There is also a discernable shift of powers from the UN agencies such as UNCTAD to the WTO, IMA and WB. This is more clearly seen at the national level where IMF/WB is playing a key role as far as determining a country's national policies. Increasingly, social and development dimensions are being left out or just appended to economic and trade policymaking. UNCTAD is therefore facing a mammoth task of reclaiming its place in the sun at the national level and in the collaborative ventures with the Bretton Woods institutions/WTO.

2. The increasing role of the donors in determining the programs pursued by UNCTAD: Increasingly some Northern governments are trying to restrict UNCTAD's work to only technical aid to LDCs. This will effectively limit the usefulness of UNCTAD, as implementing policies decided elsewhere is counterproductive. On this issue, while commenting on UNCTAD's Post-Doha US$ 17.5 million Technical Assistance Plan, Chandrakant Patel[3] points out the following "Project budget is designed in a flexible manner to allow donors to finance one type of activity for several windows, one activity for all windows or all activities for one window" is to effectively give donors such latitude in picking and choosing areas they wish to fund; hence UNCTAD ceding decisions on priority setting to the donors; who would support programmes that cater to their own priorities and objectives. To drive this point home, Patel points out that the "Plan" allocated almost 50 percent to a single issue, investment, and this share rises to 60 percent if competition policy and trade facilitation are

added to the investment budget. Yet these are issues that are not of great interest to LDCs and to many developing countries.

These challenges will greatly affect the way UNCTAD will reposition itself to take care of the ever increase demand for its services from developing countries.

In conclusion, the role of UNCTAD to take care of the development and social dimension and to act as a complimentary and counterbalancing force is now even more important than ever before given the relentless drive for liberalisation, privatisation, deregulation; and the many agreements being negotiated. By focusing on trade within the context of national development strategies, UNCTAD XI will enable UNCTAD to go beyond the "positive agenda" of enhance the capacity of developing countries in WTO negotiations by assisting LDCs to make trade becomes a tool for development.

Jane S. Nalunga is Country Director of SEATINI Uganda. Davis Ddamulira is Senior Research Associate at SEATINI Uganda.

Endnotes

1 Mozambique, Malawi, Zambia, Tanzania, Kenya, Rwanda, Uganda, Ghana and Burkina Faso.
2 Remarks by Ambassador George E. Moose at UNCTAD Trade and Development Board (1998). High level meeting on the mid-term review.
3 Chandrakant Patel: UNCTAD's Technical Assistance Plan: A critique.

Workshop II

Chair: **Mirette F. Mabrouk**, Publishing Director, IBA Media Group, Cairo, Egypt

Speakers: **Chebet Maikut**, President, Uganda National Farmers Federation
Navin Dahal, Research Director, SAWTEE, Kathmandu, Nepal
Shuaihua Cheng, PhD Section Chief, Development Research Center, Shanghai Municipal Government

Miss Mirette F. Mabrouk, Publishing Director of IBA Media Group in Cairo, Egypt, chaired the second workshop. **Mr. Chebet Maikut**, President of the Uganda National Farmers Federation portrayed the impact of the World Trade Organisation on Ugandan farmers. The problems of Ugandan farmers are markets, he stated. It is important, he added, for farmers not only to produce for stomachs but also for markets.

A short background of Uganda was given – Situated in East African its economy is mainly agricultural, with 80 percent of the workforce employed in this sector which generates 42 percent of Uganda's GDP. Sustainable agriculture is therefore very important. Uganda rates of universal primary education lie at 60 percent. Although a founding member of the WTO it has so far failed to benefit from any possible that should have accrued. This, Mr. Maikut said, was probably due to the extremely vague language of the Agreement on Agriculture (AoA).

Uganda produces sugar. However, it is difficult to export to the EU market because of protectionism in the form of high tariffs and subsidies. Uganda also produces coffee and tobacco. All these products, however, do not undergo a value addition process. The World Bank and the International Monetary Fund have repeatedly instructed the country to follow structural adjustment policies. Mr. Maikut stated that although the EU's Everything But Arms (EBA) Programme and the USA's African Growth Opportunities Act (AGOA) were good initiatives, ultimately, because of non-tariff barriers, they do not help. Moreover, the scale of dumping has devastating impact on Uganda's 9mn farm households. Aid, Mr. Maikut declared, has not been a solution. Regarding non-trade issues Mr. Maikut said that these should not be raised, since "it is like asking to choose between the left and the right hand – both hands are important".

Paradoxically, despite being based in Kampala, the World Food Programme had not contributed to the improvement of the Ugandan farmers situations, since it did not buy from them. Effectively they buy from outside and supply in Ugandan markets and this deflates Ugandan prices.

The failure in Cancún, Mr. Maikut said, has been a blessing in disguise. The challenge now lied in getting the best out of the worst scenario. Agriculture is a service to community and all weak and poor farming communities deserve respect. There was a pressing need for increased South-South trade and for greater coherence in trade policy. The role of Civil Society was to promote and enhance capacity building.

Mr. Navin Dahal, Research Director at the South Asia Watch on Trade, Economics and Environment (SAWTEE) spoke on the role of Civil Society organisations in Nepal's Accession to the WTO. Nepal, he revealed, lacks an institutional mechanism to ensure civil society organisations' (CSOs) participation in trade policymaking. The extent of CSOs' participation is largely dependent on the attitude of responsible government officials. Up to the year 2000, the government followed a non-inclusive approach and did not include CSOs in trade policymaking and the WTO accession process. SAWTEE and Action Aid Nepal have worked extensively on WTO issues and won the government's confidence. In 2001 a new minister, secretary and head of WTO division arrived at the Ministry of Industries, Commerce and Supplies (MOICS). The new officials were more receptive to CSOs participation in WTO issues. This was reflected in their request to SAWTEE and other CSOs to prepare a list of sensitive products, proposed bound tariff and justification for Nepal's refusal to join the International Union for the Protection of New Varieties of Plants (UPOV) prior to a working party meeting. The government used the recommendations and papers submitted by the CSOs to defend its position in the working party meeting. CSOs also suggested the government to enact a Competition Law, provide for farmers' rights while formulating the Plant Variety Protection Bill, and not to amend the Industrial Property Act until the expiry of the transition period. At present a good relationship exists between the government and CSOs. SAWTEE and MOICS are at present jointly implementing a project on "Competition Education and Advocacy". Mr. Dahal concluded that this relationship, however cordial, is based on the positive attitude of the concerned government officials in MOICS. CSOs' participation in trade policymaking will therefore remain precarious until a formal mechanism is put in place.

Dr. Shuaihua Cheng, PhD Section Chief at the Development Research Center, Shanghai Municipal Government, presented his paper "Bringing Proper Order to a Big Country is Like Cooking a Small Fish", which deals with China's WTO accession. The most significant change had come about in the attitude of consumers and markets. Dr. Cheng summed China's lessons up by saying that signing an agreement by itself means nothing, unless direct action is taken. Nevertheless, WTO accession had been a fundamental element in China's "societal evolution". Dr. Cheng also remarked that it is necessary to implement global policies at the national but also at the local levels, to provide much-needed coherence. Lastly, he argued that concessions are not necessarily losses, but steps towards development. The arguably high price that China paid for WTO accession will payoff in due course.

A lively discussion followed this workshop, with **Professor Lehmann** pointing out that China is not a small fish but many whales put together. **Dr. Cheng** responded that the WTO is a necessary choice for developing countries, including China. However, he said that China has decided on economic reforms and the WTO is only an external motivation. **Mr. Maikut** remarked that Uganda is not only dependent on AGOA or EBA but also on

COMESA. He also said that Uganda has decided to be conscious and that developing countries in general have adopted a chameleon approach. In wrapping up **Miss Mabrouk** observed that developing countries might be economically disadvantaged, however, the human capital is there.

LDCs' Accession to the WTO: Learning from the Cases of Nepal, Cambodia and Vanuatu

Ratnakar Adhikari and Navin Dahal

Introduction

Nepal and Cambodia were offered membership of the World Trade Organisation (WTO) during the fifth Ministerial held in Cancún in September 2003. They are the only two least developed countries (LDCs) that have been offered WTO membership through the accession process.

The accession procedure of the WTO is onerous for LDCs lacking the necessary human resources and technical capabilities. Realising this difficulty, member countries have agreed to facilitate and accelerate LDCs' accession. Paragraph 42 of the Doha Declaration states "…Accession of LDCs remains a priority for the Membership. We agree to work to facilitate and accelerate negotiations with acceding LDCs. We instruct the Secretariat to reflect the priority we attach to LDCs' accessions in the annual plans for technical assistance…" Not only have member countries agreed to facilitate and simplify the accession process for LDCs, they have also agreed to look into other issues such as market access and technical assistance.

This paper attempts survey the accession processes of Nepal, Cambodia and Vanuatu and analyses whether they received special consideration as promised. Recommendations on how the LDCs can be "given what they were promised" are given at the end of the paper.

Accession Process

The WTO rules governing accession are dealt with under Article XII of the Marrakesh Agreement Establishing the WTO. As per this Article, "Any State or separate customs territory possessing full autonomy in the conduct of its external commercial relations or for the other matters provided for in this Agreement and the Multilateral Trade Agreement may accede to this Agreement, on terms to be agreed between it and the WTO".

Article XII, however, is not very helpful and gives no guidance, as Lanoszka (2001) puts it: "Article XII does not stipulate any membership criteria, and this signals perhaps the most problematic legal aspect of the accession process... No guidance is given on the 'terms to be agreed', these being left to the negotiations between the WTO Members and the Candidate. Furthermore, Article XII does not identify any concrete steps, nor does it provide any advice when it comes to the procedures to be used for negotiating the terms of accession".[1]

Since the WTO is an intergovernmental organisation, with no authority to negotiate accession agreement with applicants, it is the member countries that dictate the terms and conditions for such entry.[2] The provision of the above-mentioned Article is being interpreted by the developed member countries as providing them *Carte Blanche* to impose unreasonable conditions (often known as "WTO plus" conditions) on acceding countries. For all practical purposes, the accession process has become akin to obtaining the membership to a golf club where existing members decide the terms and conditions. Those members who agree to comply with the requirements will be admitted to the club and those who cannot do so, will never be admitted at all![3]

The WTO accession process can be divided into three phases. In the first stage, a country wishing to become a member of the WTO submits an application to the General Council of the WTO. The General Council establishes a Working Party of all interested WTO members. The applicant then submits to the Working Party a detailed memorandum on its foreign trade regime, describing, among other things, its economy, economic policies, domestic and international trade regulations, and intellectual property policies. In the next stage the Working Party members submit written questions to the applicant to clarify aspects of its foreign trade regime. After all necessary background information has been acquired; the Working Party begins meetings to focus on issues of discrepancy between the applicant's international and domestic trade policies and laws and WTO rules. The final stage of the accession process consists of series of bilateral negotiations between the applicant and WTO members. When the bilateral talks conclude, the Working Party sends an accession package, which includes a summary of all Working Party meetings and the Protocol of Accession to the General Council or the Ministerial Conference. Once the General Council or the Ministerial approves of the terms of accession, the applicant must accept the protocol of accession. Thirty days after the applicant accepts the protocol of accession it becomes an official member of the WTO.

Nepal

Nepal formally applied for General Agreement on Tariffs and Trade (GATT) membership in May 1989. However, Nepal's accession process was suspended after the GATT was transformed into the WTO in 1995. Subsequently, its observer status to the GATT was transferred to the WTO in December 1995 and a Working Party was also established on the same date. Nepal submitted its Memorandum of Foreign Trade Regime (MFTR) in 1998 describing among other things, its economy, economic policies, domestic and international trade regulations, and intellectual property policies. The queries and complaints from Working Party members were compiled by the WTO Secretariat and were forwarded to Nepal in January 1999. There were altogether 365 questions, 24 on economy, economic policies and foreign trade, 178 on the framework for making and enforcing policies affecting foreign trade in goods and services, 114 on the trade-related intellectual property rights regime and 48 on trade-related service regime. Nepal responded to these queries in 1999 and 2000.

The first meeting of the Working Party was held on 22 May 2000 at the WTO Secretariat in Geneva. After this meeting, the WTO forwarded additional questions that were raised during the Working Party meeting and submitted in writing by the member countries. In response to the development in the first Working Party meeting, Nepal submitted a schedule of tariff concessions and schedule of initial commitments on services sector in July 2000.

In its accession process, Nepal held five rounds of bilateral negotiations and attended three Working Party meetings. The fifth Ministerial Conference in Cancun approved the terms of accession of Nepal and offered membership.

The accession process is lengthy and taxing for a LDC like Nepal. The documentation required and bilateral negotiations are beyond the human, technical and institutional capabilities of these countries.

Cambodia

The Working Party on Cambodia's accession was established on 21 December 1994 and the members of the Working Party included Australia, Canada, China, EU, India, Japan, the Republic of Korea, Malaysia, New Zealand, Panama, Singapore, Chinese Taipei, Thailand, United States and Venezuela. During the accession process Cambodian delegates had to go to Washington, Brussels and Canberra to negotiate bilateral deals with US, EU and Australia.

Vanuatu

The accession bid of Vanuatu, an island LDC with a population of merely 190,000, and its subsequent withdrawal from WTO membership represent a spine-chilling experience of WTO-plus conditions imposed by developed member countries. Vanuatu applied for WTO membership in July 1995. The country had been a *de facto* member of the GATT; colonial countries automatically attained this status when they achieved independence from colonial powers that were GATT members. However, to become full-fledged members of the GATT, these countries were supposed to apply to formally accede to the organisation before their *de facto* status expired. The countries that went through this process on time automatically became members of the WTO when it replaced the GATT. However, the government of Vanuatu was unable to decide whether it should go through this accession process before its *de facto* GATT membership expired. As such, when it subsequently decided that it would in fact like to join the WTO, it had to apply for membership as an "outsider".[4]

The initial target set by the trade negotiators of Vanuatu was to obtain membership during the third Ministerial Conference of the WTO held in Seattle in November-December 1999. However, the negotiations became so protracted due to the imposition of a number of WTO-plus conditions that it was politically difficult for Vanuatu to fulfil all of them. Therefore, the target of acceding to the WTO by the Seattle Ministerial was missed.

After nearly six years of acrimonious negotiations, on 29 October 2001, the Working Party for the Accession of Vanuatu to the WTO formally accepted the country's terms of accession, paving the way for its accession during the fourth Ministerial held in November 2001 at Doha. However, after a few days, the government of Vanuatu sent a letter to the WTO Secretariat requesting a "technical delay" in its accession procedure.[5] Although Vanuatu has not communicated officially the reason for the withdrawal of its accession application to the WTO, it is suspected that it was forced to do so because of the WTO-plus conditions imposed by the developed member countries as a part of its accession package.

The process of accession is also made difficult by the fact that even though members say that they will give special consideration to LDCs, in practice, they try to get maximum concession from the acceding member. This is done for two reasons. First, members want to set precedence of high concessions by acceding members and second, they themselves do not have to give any concession as the process is not reciprocal.

The ambiguity of the accession process, the demands of the existing members and the procedural requirements of the WTO have made the accession process very difficult for LDCs. A major reason for the inability of LDCs to enter the system is the prolonged negotiation process leading to accession – which results in exhaustion of human, administrative and political capital of LDCs.[6] This problem is faced by developing countries as well as LDCs, however, the severity of the problem is more acute with the latter. This is also reflected by the fact that only two LDCs have been offered membership through the accession process in the nine years of the WTO.

Market Access and Domestic Support

The decision of the General Council dated 10 December 2002 on Streamlining Accession of the LDCs states that "WTO Members shall exercise restraint in seeking concessions and commitments on trade in goods and services from acceding LDCs, taking into account the levels of concessions and commitments undertaken by existing WTO LDCs' Members." and "Acceding LDCs shall offer access through reasonable concessions and commitments on trade in goods and services commensurate with their individual development, financial and trade needs, in line with Article XXXVI.8 of GATT 1994, Article 15 of the Agreement on Agriculture, and Articles IV and XIX of the General Agreement on Trade in Services."

However, in practice the acceding LDCs are asked to make concessions that are not only way beyond their capacities and stage of development but also beyond WTO requirements.

Nepal

Nepal faced major problem in the area of tariff binding, in particular of agricultural commodities. At present, Nepal's applied tariffs are very low (0 to 10 percent) on agricultural products, but it has been proven beyond doubt that such a tariff structure has resulted in flooding of imports triggering displacement of farming communities. For this reason, Nepal wanted to create a policy space for protecting the agricultural sector, should the need arise, by binding tariffs on agricultural products at an average of 60 percent. However, the developed member countries, notably the United States of America (USA), opposed such a proposal. Nepal was forced to bind its average tariff at 42 percent on the agricultural sector.

In the areas of services too Nepal was asked to undertake commitment on audiovisual, distribution, retail and wholesale services. Altogether Nepal has opened up 70 services sub-sectors, as compared to its neighbour Bangladesh, which, by virtue of being a founding member of the WTO, has only opened up two services' sub-sectors. Further, Nepal was asked to open up all service sectors in which Nepal has made commitment, for 100 percent equity participation by foreigners within a period of five years. However, due to Nepal's firm stance developed countries have to be satisfied with only up to 80 percent foreign equity participation.

Cambodia

In the area of services, Cambodia was asked to undertake commitments on audiovisual and distribution services – on which none of the incumbent LDCs have undertaken any commitment. Cambodia did succumb to the pressure of developed countries.[7]

During the accession process, Cambodia was under strong pressure from the developed countries to forgo the right to use export subsidies in industrial sectors, allowed for LDCs under the Agreement on Subsidies and Countervailing Measures. Cambodia finally managed to retain this right.[8] However, Cambodia was unable to retain the right to introduce export subsidies on agriculture. Just because Cambodia does not maintain any export subsidy on agriculture, its possibility of introducing the same in the future to protect its extremely vulnerable farming sector was reduced to zero by the commitment it was forced to make during its accession process.[9]

Vanuatu

On the issue of tariff binding, Vanuatu proposed to maintain a simple average tariff of 49 percent[10], but the US argued that the simple average rate of 49 percent was still too high and demanded that it be reduced to the rate of 25 percent.[11] Vanuatu also agreed to provide duty free access for more than 160 tariff lines in aircraft, aircraft parts, and pharmaceutical products by 2005 under the Zero-to-Zero Tariff Reduction Initiatives and the Information Technology Agreement. No LDC and only a limited number of developing countries that were already WTO members had participated in these tariff agreements.[12] Similarly, Vanuatu had to replace tariff escalation on "sin goods" (alcohol, tobacco and weapons) with excise taxes and to bind all alcohol tariffs at the applied rates.[13]

In the area of services, Vanuatu was asked to make offers in 18 areas[14], which is more than four times the average for existing LDC members of the WTO. The only two major exceptions in which Vanuatu was not willing to commit itself were telecommunication and distribution services, due to domestic political compulsions. However, towards the end of the negotiations it had to give in to the pressure of the USA and agreed to open up retail and wholesale services to foreign investment.[15]

Agriculture was yet another contentious issue during the accession process of Vanuatu. Vanuatu had long imposed seasonal quantitative restrictions on potatoes to develop the Irish potato production capacity in the island of Tanna, situated in the northwest of Vanuatu. The potato production programme was considered a key rural agricultural development project. However, under the WTO's Agreement on Agriculture (AoA), current and potential members are obliged to convert any non-tariff measures to tariffs. But in doing so, Vanuatu wanted to retain the right to protect potato production in accordance with the AoA's Article 5 provision on special safeguard (SSG) measures. However, Vanuatu had to finally agree not to impose SSG on potatoes because of the intense pressures from Australia and New Zealand, two of its neighbouring countries from which it was hopeful of getting some support during the process of its accession.[16] Another contested measure concerned copra. Vanuatu occasionally had used a price support programme for this commodity. The government of Vanuatu wanted to retain its right to use the price support programme for copra under Article 15 of the AoA, which exempts LDC members from any reduction commitments. However, Australia and New Zealand refused to grant Vanuatu the right to use SSG measures or keep the price support programme with the threat to discontinue bilateral aids provided to it for reducing latter's dependence on copra. Accordingly, Vanuatu decided to give in to the demands from Australia and New Zealand.[17]

Special and Differential Treatment

The decision of the General Council dated 10 December 2002 on Streamlining Accession of the LDCs states that, "Special and Differential Treatment, as set out in the Multilateral Trade Agreements, Ministerial Decisions, and other relevant WTO legal instruments, shall be applicable to all acceding LDCs, from the date of entry into force of their respective Protocols of Accession;" However, when we look at the cases of Nepal, Vanuatu and Cambodia, we see that this has not been the case in practice.

Nepal

According to the Trade-related Intellectual Property Rights (TRIPS) Agreement, LDCs are provided transition period up to 1 January 2007 for the implementation of the Agreement. However, Nepal was asked to implement the non-discrimination provisions (most favoured nation and national treatment) contained in the TRIPS Agreement right from the date of accession. Moreover, the developed countries did not make any reference to Declaration on TRIPS and Public Health adopted by the trade ministers at Doha in November 2001 in the Working Party Report.

Cambodia

Cambodia was asked to introduce data protection immediately after its accession to the WTO, which is ahead of both the 2007 accession requirement to comply with TRIPS, and the new compliance period for pharmaceutical patenting agreed at Doha for LDCs i.e. 2016. This requirement goes beyond what is required by TRIPS.

Vanuatu

Vanuatu, being an LDC, is also not required to comply with the requirements of the TRIPS Agreement before 2006 as per the Article 66.1 of the Agreement. However, the USA demanded that it made a commitment to have TRIPS compliant legislation in place "from the date of its accession." Eventually, it was accepted by Vanuatu that it would "apply the TRIPS Agreement no later than two years after the date of its accession".[18]

Other Issues

Nepal, Cambodia and Vanuatu were also forced to agree to other WTO-plus conditions during their accession process.

Nepal

One of the most controversial issues that came up during Nepal's accession process was that it was asked to join the International Union for the Protection of New Varieties of Plants (UPOV). However, due to pressures from the Nepalese non-governmental organisations (NGOs), mainly SAWTEE and ActionAid Nepal, the USA finally had to agree to a minimalist text. As per the text of the approved Accession Treaty, Nepal will have to only explore the possibility of joining various World Intellectual Property Organisations (WIPO) conventions including UPOV at a future date, taking into account its national interests.[19]

Nepal was asked to bind other duties and charges (ODCs) at zero and make a commitment to phase them out over a two to 10 year period. Since Nepal currently imposes ODCs under five different headings, phasing them out will have a devastating effect on the Nepalese economy.[20] Nepal tried to argue, during its accession process, that the GATT Article II:1(b) only requires member countries to bind them at the exiting level and does not mention anything about reducing them. However, it turned out that all the countries, which acceded to the WTO prior to Nepal, had made commitment to bind them at zero thus setting a highly unfavourable precedence from Nepal's standpoint. Ultimately, Nepal had to give in.

Cambodia

On the issue of maintaining ODCs, Cambodia was put under tremendous pressure. This is despite the fact that Article II:1(b) of the GATT allows member countries to maintain ODCs provided they agree to bind them at the prevailing level. However, in practice all the acceding countries have been forced to bind ODCs at zero. Cambodia was hoping that it would be provided with a transition period to phase them out rather than being asked to outright eliminate them. However, such a hope was shattered, with Cambodia asked to bind ODCs at zero from the date of accession.[21]

Another important WTO-plus condition imposed on Cambodia is that it would have to obtain the membership of UPOV. It is also required to enact a legislation for the protection of plant variety as per the model prescribed by the UPOV as a part of its obligation under the Article 27.3 (b) of TRIPS Agreement, which requires member countries to provide protection to plant varieties either through patent, or an effective *sui generis* system or any combination thereof.[22] Developed countries argue that the UPOV model is the only effective *sui generis* system and are trying to impose this model on each acceding country, despite the fact that TRIPS does not mention anything about UPOV.[23] Cambodia could not even take shelter under LDC umbrella and had to finally give in.[24]

The Cambodian negotiators request for technical assistance for the implementation of four agreements, TRIPS, custom valuation, TBT and SPS were rejected out rightly by the US. Recognising the financial burden of implementing these agreements Cambodian negotiators had tried to get binding commitments from WTO member countries for technical assistance related to implementation of these four agreements and beyond. Cambodia had to finally drop this request when the WTO secretariat suggested that the US was against establishing such linkage.[25]

Vanuatu

During the ill-fated accession process, Vanuatu was asked by the USA to join the Agreement on Government Procurement, a plurilateral agreement (as opposed to multilateral agreement which does not need to be signed by all the WTO members) despite the fact that it is not required to sign on to this agreement as per the existing provisions of the WTO.[26]

Rhetoric Galore

The examples provided above reinforce the notion that the developed member countries of the WTO are hell-bent on imposing WTO-plus conditions on LDCs. One can conclude, therefore, that WTO accession process is inherently power based and the very antithesis of the WTO's credo.[27] Indeed, the acceding countries do not receive what they deserve but what they negotiate.[28]

The most depressing aspect, however, is that it is very difficult to change the WTO accession process. The main reason for this is that the acceding countries have no role to play while setting the rules relating to accession since they are by definition outside the system.[29] Such an appalling scenario, as it exits today, only serves to undermine the credibility of the WTO as a rules-based system.

Other LDCs, which are in the process of accession, too are facing similar problems despite the fact that Paragraph 9 of the Doha Ministerial Declaration, signed by 142 member countries of the WTO at Doha, Qatar in November 2001 commits them "to accelerating the accession of LDCs." Moreover, in Paragraph 42 of the Declaration, they agreed, "to work to facilitate and accelerate negotiations with acceding LDCs."[30] Furthermore, General Council too had decided on 10 December 2002 to streamline the process of LDCs' accession.[31] Despite resounding rhetoric, LDCs' accession process continues to be highly protracted, politically demanding and frustrating.

Acceding LDCs had pinned hope on the LDC Ministers' Conference concluded in Dhaka in June 2003 to come out with some path breaking recommendations, which could then be pushed as a part of common position of the LDCs during the Cancún Ministerial. However, their hope was shattered again because of the mention of only the following words in Paragraph 15:X of the Declaration: "Expeditious and full implementation of the guidelines for accession of LDCs adopted by the General Council."[32]

These wordings represent a much lighter tone because they do not drive home the real message that acceding LDCs should not be required to undertake higher level of commitments than their member counterparts have made at the WTO. The Ministers have failed to recognise the fallacy of the above-mentioned guidelines, especially their non-biding character.

The Cancún Ministerial Text[33] also failed to address this issue. The three drafts issued on 1 July, 24 August and 13 September contain the following language: "We continue to attach great importance to concluding accession proceedings as quickly as possible and, in particular, to accelerating the accession of least-developed countries. In this regard, we reaffirm the guidelines to facilitate the accession of LDCs adopted by the General Council on 10 December 2002."[34] However, there is hardly anyone in the trade circle, who feels that the above-mentioned decision was helpful even to the slightest possible extent in facilitating the fast track accession of the LDCs to the WTO.

The Way Forward

If the developed country members of the WTO really want to accelerate and simplify the accession process of the LDCs they need to move beyond rhetoric. This will only happen when the following recommendations are seriously pursued at various international for a including, but not limited to, the WTO:

- Article XII of the WTO should be interpreted with clear-cut guidelines detailing transparent criteria for accession of a country or a separate custom territory. The WTO should incorporate a specific provision for the accession of LDCs, where LDCs seeking accession, will not require bilateral negotiation on market access.
- Acceding LDCs should be asked to make commitments commensurate with their level of economic development, capacity, and their trade and financial needs.
- Acceding LDCs should not be required to undertake higher level of commitments than those made by the founding LDC member countries of the WTO. Moreover, acceding LDCs should not be asked to make commitment on any of the plurilateral agreements of the WTO or to participate in other optional sectoral market access initiatives.
- Special and differential treatments including but not limited to transitional periods/ transitional arrangements, as set out in the Multilateral Trade Agreements, Ministerial Decisions, and other relevant WTO legal instruments, should be applicable to all acceding LDCs, from the date of entry into force of their respective Protocols of Accession.
- Special and differential treatment must be made mandatory and legally binding and subject to the dispute settlement system of the WTO (including notification requirements and inclusion of these commitments in the country schedules).
- Developed member countries of the WTO should provide technical assistance to acceding LDCs to implement the commitments they have been asked to make by the existing member countries at the time of the formers' accession to the WTO.
- Given the importance of the agricultural sector in the economies of LDCs, particularly its role in human development, food security and rural development, LDCs should not be required to make commitments on subsidies and tariffs. LDCs should also have access to a simplified safeguard mechanism.

Ratnakar Adhikari is Executive Director and Navin Dahal is Research Director at SAWTEE in Nepal.

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10 UNCTAD (2003) *WTO Commitments by Cambodia, Nepal and Vanuatu – Comparative Table,* 18 September 2003/VO/MH/DITC, UNCTAD, Geneva: 26.

11 Hayashi, Michiko (2003) op cit 4.

12 UNCTAD (2003) op cit 10.

13 Ibid.

14 Hayashi, Michiko (2003) op cit 4.

15 Ibid. The only conditions imposed were placed on the offer involving national treatment: non-citizens and non-resident investors would have to obtain a license and pay an additional annual fee.

16 Hayashi, Michiko (2003) op cit 4.

17 Ibid.

18 UNCTAD (2003) *WTO Commitments by Cambodia, Neal and Vanuatu – Comparative Table*, 18 September 2003/VO/MH/DITC, UNCTAD, Geneva: 26.

19 Paragraph 122 of the Working Party report states "... Nepal would also look at other WIPO and IP related Conventions, e.g., Geneva Phonograms Convention, UPOV 91, WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty, *in terms of national interest* and explore the possibility of joining them in the future, as appropriate." (Emphasis added). See Adhikari, Ratnakar and Kamalesh Adhikari (2003) *UPOV: Wrong Agreement and Coercive Practices*, Policy Brief 5, SAWTEE, Kathmandu for a detailed account of how Nepal fended off attack on its sovereignty.

20 They include: a) Agriculture Development Fees (ADF); b) LDF; c) Special Duty (SD); d) Cigarette and Alcohol Fee (CAF); and e) Cigarette and Alcohol Control Fee (CACF). See Adhikari, Ratnakar (2003) *Impact of Withdrawing Local Development Fees on Decentralisation Process in Nepal*, Report submitted to United Nations Development Programme (UNDP) – Asia Trade Initiatives, Hanoi.

21 WTO (2003a) *Report of the Working Party on the Accession of Cambodia,* WT/ACC/KHM/21, World Trade Organisation, Geneva.

22 Adhikari, Ratnakar (2003) "Hydra-headed UPOV", in *The Kathmandu Post*, 15 August.

23 See generally Kanniah, Rajeswari (2003) *TRIPS, Farmers' Rights and Food Security: The Issues at Stake*, Consumers International, Asia Pacific Office, Kuala Lumpur.

24 Adhikari, Ratnakar (2003) op cit 3.

25 Charveriat, Celine and Mary Kirkbride (2003) op cit 1.

26 See Grynberg, Roman and Roy Mickey Joy (2000) "The Accession of Vanuatu to the WTO: Lessons for the Multilateral Trading System" in *Journal of World Trade*, 34(6)

27 Ibid.

28 Bhattacharya, Debapriya and Mustafizur Rahman (1999) "The Least Developed Countries in The WTO: Strengthening Participation Capacities", paper presented at the *Meeting of Senior Officials on Future WTO Trade Agenda and Developing Countries*, organised by UN-ESCAP, Bangkok, 23-25 August.

29 Grynberg, Roman and Roy Mickey Joy (2000) op cit 26.

30 See WTO (2001) *Doha Ministerial Declaration*, WT/MIN(01)/DEC/1, 20 November, Geneva.

31 See WTO (2003b) *Accession of the Least Developed Countries*, Decision of 10 December 2002, WT/L/508 (03-0191), 20 January, Geneva.

32 Ministry of Commerce, Bangladesh (2003) *Dhaka Declaration*, LDC-II/2003/L.1/REV.1, 2 June, Dhaka.

33 The Ministerial Text could not be materialised later because of the failure of the Cancún Ministerial.

34 WTO (2003c) *Draft Cancun Ministerial Text*, JOB(03)/150, 18 July 2003, Geneva; WTO (2003d), *Draft Cancun Ministerial Text*, JOB(03)/150/REV.1, 24 August, Geneva; WTO (2003e), *Draft Cancun Ministerial Text*, Second Revision, JOB(03)/150/REV.2, 13 September, Cancún.

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"Bringing Proper Order to a Big Country is Like Cooking a Small Fish" China's Two-Year Experience in the WTO

Cheng Shuaihua

The Sages do not accumulate things.
Yet the more they have done for others,
The more they have gained themselves;
The more they have given to others,
The more they have gotten themselves.
Thus, the way of *Tian* is to benefit without harming;
The way of the Sages is to do without contending.

Lao Zi: *Dao de jing*

China's entry into the World Trade Organisation (WTO) in December 2001 was as significant for the country in the 21st century as the establishment of the People's Republic of China (PRC) in the 20th century. China's WTO membership has underlined its determination to build a market economy and to integrate into the world community, while the PRC was a declaration of independence and launched the modernization of the formerly semi-feudal and semi-colonial country.

In a situation where globalisation and decentralization are simultaneously reshaping the development landscape, the key to a better life in a competitive world is to achieve solid coherence between the global agenda and national development endeavours. For the developing world, to which China belongs, it is time to sit together and share experiences with each other on how to translate global policies into national ones. Experience is not what happened to a country. It is what a country does with what happened to it.

This paper will address what China has "done with" the WTO, the WTO's impacts on specific industries, challenges ahead, and a few reflections on China's approaches, which might be helpful to other people fighting for freer and fairer trade with a view to development.

Background

In July 1986, China applied to resume its original membership at the General Agreement on Tariffs and Trade (GATT), the WTO's predecessor. For the next eight years, negotiations were conducted under the auspices of the GATT Working Party. Following the formation of the WTO on January 1, 1995, a successor WTO Working Party, composed of all interested WTO members, took over the negotiations. WTO members formally approved an agreement on the terms of accession for China on November 10, 2001, at the WTO's Fourth Ministerial Conference, held in Doha, Qatar. One day later, China signed the agreement and deposited its instrument of ratification with the Director-General of the WTO. China became the 143rd member of the WTO on December 11, 2001. China's Protocol of Accession as well as the accompanying Working Party Report and Goods and Services Schedules are available at the WTO's website (www.wto.org).

The strategic importance for China behind its accession to the WTO is far beyond simple trade policy issues. WTO membership is expected to accelerate structural reforms and market liberalisation that will promote economic growth and efficiency, enhance market access and fair treatment of foreign and private domestic companies, as well as deepen the integration of China's economy with the global economy.

In order to accede to the WTO, China had to agree to take specific steps to remove trade barriers and open its markets to foreign companies and their exports. This took effect from the first day of accession in virtually every sector and for a wide range of services. Supporting these steps, China also agreed to undertake important changes in its legal framework, designed to add transparency and predictability to business dealings.

Moreover, like all acceding WTO members, China agreed to assume the obligations of more than 20 existing multilateral trade agreements, covering all areas of trade, for example agriculture, sanitary and phytosanitary measures, technical barriers to trade, trade-related investment measures, customs valuation, rules of origin, import licensing, antidumping, subsidies and countervailing measures, trade-related aspects of intellectual property rights and services.

As evidenced by the accession negotiations, China welcomed the core principles of the WTO, including the most-favoured nation treatment, national treatment, transparency and the availability of independent review of administrative decisions.

China has joined a system where the non-discriminatory treatment is the basic principle. Therefore, China's accession agreement includes several specific mechanisms designed to prevent or remedy injury that other WTO members' industries and workers might experience based on import surges or unfair trade practices. These include: (1) a unique, China-specific safeguard provision allowing any WTO member to restrain increasing Chinese imports that disrupt its market (available for 12 years); (2) a special textile safeguard (available for 7 years); and (3) the continued ability to utilise a special non-market economy methodology for measuring dumping in anti-dumping cases against Chinese companies (available for 15 years). These three discriminatory treatments were thought of as hidden swords in China's accession documents.

With China's consent, the WTO also created a special multilateral mechanism for reviewing China's compliance on an annual basis. Known as the Transitional Review Mechanism, this mechanism operates annually for 8 years after China's accession, with a final review by the 10th year.

Status of China's WTO Compliance Efforts

In joining the WTO, China was, and continues to be, driven by powerful economic and political considerations, particularly the need to further its domestic economic reforms. Among others, China has made substantial moves toward transparency, rule of law, protection of intellectual property, removal of trade barriers, and additional structural reform in its domestic markets.

GATT

Tariff reductions

China timely and fully implemented tariff reductions from January 1, 2002. Average tariff rates dropped down from 15.3 percent to 12 percent. As scheduled in the Accession Protocol, further reductions (industrial goods 10.3 percent, agricultural goods 16.8 percent) made on January 1, 2003 involved a range of sectors, including agricultural equipment, construction equipment, paper and paper products, chemicals, steel, medical and scientific equipment, soda ash and cosmetics. These reductions contributed to a significant increase in imports. In 2003, China, the third largest importer in the world after the United States and Germany, imported USD 412.84 billion, with 39.9 percent annual growth (see chart 1). China's imports, economists say, have been key to the modest 2003 recovery in Japan and bolstered other economies in Southeast Asia. Chinese imports of iron and steel are up 68 percent this year, helping to keep up the world price of these products. China has boosted its oil imports 56 percent to fuel the explosive growth of its industry and car market. Volkswagen today sells more cars in China than in Germany.

China has continued its participation in the Information Technology Agreement (ITA), which requires the elimination of tariffs on computers, semiconductors and other information technology products. China began reducing and eliminating these tariffs in 2002 and continued to do so in 2003, on schedule with its commitment to achieve the elimination of all ITA tariffs by January 1, 2005.

China also continued its timely implementation of another significant tariff initiative, which involves chemicals. China continued to make the required tariff reductions on more than two thirds of the 1,100-plus products covered by the WTO's Chemical Tariff Harmonization Agreement in 2003, with significant results.

Customs valuation

On January 1, 2002, shortly after acceding to the WTO, China's Customs Administration issued the *Measures for Examining and Determining Customs Valuation of Imported Goods*. These regulations addressed the inconsistencies that had existed between China's customs valuation methodologies and the Agreement on Customs Valuation.

Rules of Origin

In March 2001, the State Administration of Quality Supervision and Inspection and Quarantine (AQSIQ) issued regulations and implementing rules intended to bring the rules of origin used by China to check marking requirements in compliance with the Agreement on Rules of Origin.

Import Licensing

Shortly after China acceded to the WTO, China's Ministry of Foreign Trade and Economic Cooperation (MOFTEC) issued regulations revising China's automatic import licensing regime, and it later supplemented these regulations with implementing rules. MOFTEC also issued regulations revising China's non-automatic licensing regime.

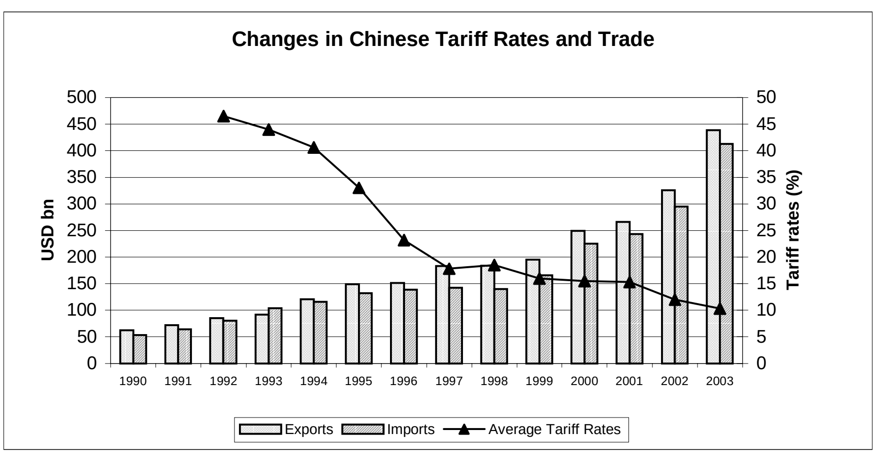
Non-discrimination

In 2002, China reviewed its pre-WTO accession laws and regulations and revised many of those, which conflicted with its WTO MFN and national treatment obligations. Most of these revisions were made to secure national treatment, including with regard to boilers and pressure vessels, after sales service, and the pricing of pharmaceutical products, among other areas. In 2003, China made further revisions covering registration requirements for foreign chemical products and the regulation of spirits.

Meanwhile, following significant changes in the leadership of China's Communist Party and the national government, China undertook a major restructuring of its trade and investment-related ministries in mid-2003.

Standards, Technical Regulations and Conformity Assessment Procedures

Before its WTO accession, China made significant progress in the areas of standards and technical regulations. China addressed problems that foreign companies had encountered in locating relevant regulations and how they would be implemented, and took steps to overcome poor coordination among the numerous regulators in China. In October 2001, China announced the creation of the State Administration of China for Standardization (SACS) under AQSIQ. SACS is in charge of unifying China's administration of product standards and aligning its standards and technical regulations with international practices and China's commitments under the Technical Barriers to Trade (TBT) Agreement. SACS is the Chinese member of the International Organization for Standardization (ISO) and the International Electro-technical Commission (IEC).



In 2001, China also formed the quasi-independent National Certification and Accreditation Administration, which is attached to AQSIQ and is in charge of unifying the country's conformity assessment regime.

In the area of transparency, AQSIQ's TBT inquiry point was established shortly after China acceded to the WTO. In addition, China's designated notification authority, MOFTEC (now called MOFCOM – Ministry of Commerce of the People's Republic of China), has been notifying proposed standards, technical regulations and conformity assessment procedures to WTO members, as required by the TBT Agreement.

In late 2003, China formed a new inter-agency committee, with representatives from approximately 20 ministries and agencies and chaired by AQSIQ, to achieve better coordination on TBT (and SPS) matters.

GATS

China continued to keep pace with the opening schedules in its WTO agreements. More and more officials believe that services industry could play a catalytic role to facilitate establishment of a market economy in China.

In 2002, China opened its services market wider to the world, notably in legal services, accounting, banking, insurance, securities, distribution, advertisement, medical services, education, telecommunication, transportation and tourism. According to commitments, in 2003, foreign investors are allowed to have larger stock rights and broader geographic choices in many service sectors. For instance, foreign investors can retail books, newspapers and journals. Geographic restrictions to life insurance companies have been generally lifted and foreign investors can own up to 50 percent stock shares in life insurance companies.

Legal services are a well-known case. In 2003, 115 foreign law firms and 41 from Hong Kong were approved by the Department of Justice to establish their offices in Mainland China. Half of the 50 largest global law firms are now present in the Chinese legal services market.

TRIPS

At the time of its accession to the WTO, China was in the process of modifying the full range of its Intellectual Property Rights (IPRs) laws, regulations and implementing rules, including those relating to patents, trademarks and copyrights. China had completed amendments to its patent law, trademark law and copyright law, along with regulations for the patent law. Within a few months after its accession, China issued regulations for the trademark law and the copyright law. China also issued various sets of implementing rules, and issued regulations and implementing rules covering specific subject areas, such as integrated circuits, computer software and pharmaceuticals.

In 2003, China adopted several new measures. In the patent area, the State Council issued the *Amendments to the Patent Law Implementing Measures*. In the trademark area, the State Administration of Industry and Commerce issued the *Rules on the Determination and Protection of Well-Known Trademarks*, the *Measures on the*

Implementation of the Madrid Agreement on Trademark International Registration and the *Measures on the Registration and Administration of Collective Trademarks and Certification Marks*. In the copyright area, the National Copyright Administration of China issued the *Measures on the Implementation of Administrative Penalties in Copyright Cases*.

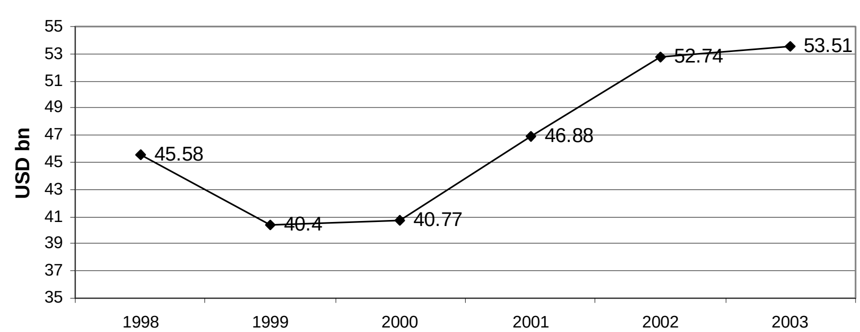
China took an important step forward in October 2003 when it created a new IPR Leading Group, signalling a more focused and sustained effort by China to tackle the IPR enforcement problem. Vice Premier Wu, who took charge during the SARS epidemic earlier in 2003, is the Chair of this group. In her remarks at the November 2003 IPR roundtable in Beijing, she explained her perspective that "a country's protection of intellectual property is indispensable [to] its economic development and technological advancement," and she pledged that China would work with "consistent determination" to resolve its IPR enforcement problems and "penalise" those who commit IPR infringement.

With regard to enforcement, China's IPR laws and regulations provide for three different mechanisms for IPR enforcement:
- Enforcement by administrative authorities,
- Criminal prosecutions and
- Civil actions for monetary damages.

TRIMS

Before its accession to the WTO, China began revising its laws and regulations on foreign invested enterprises to eliminate WTO-inconsistent requirements relating to export performance, local content and foreign exchange balancing as well as technology transfer.

Chart 2, Utilised Foreign Direct Investment to China (1998-2003)



In March 2002, the State Council issued *the Sectoral Guidelines Catalogue for Foreign Investment*. In the new guidelines, the number of "Encouragement sectors" increased from 186 to 262 while "restrictive sectors" fell from 112 to 75. It reflected China's decision to adhere to its commitment to open up certain sectors to foreign investment, including travel agencies, human resources companies, cinemas, railway cargo and publications distribution. At the same time it signalled the opening-up of a number of other sectors not covered by China's accession agreement. This has contributed the to continuous growth of FDI into China (see chart 2). In 2003, there were 41,081 newly established foreign invested enterprises in Mainland China with 20.22 percent annual growth. Contracted FDI increased 39.03 percent to USD 115.07 billion. Utilised FDI amounts to USD 53.51 billion with 1.44 percent annual growth.

Meanwhile, foreign invested enterprises are playing more important roles in China's economy, e.g. 55 percent of exports, 25 percent of total tax revenues, 35 percent of industrial productivity, and 11 percent of fixed investment.

Impacts of WTO Implementation on Specific Industries

The impact of the WTO on specific sectors can be either direct or indirect, and is distributed unevenly across different sectors and periods in time. Moreover, the real WTO impacts depend on what the government and enterprises do with the WTO implementation: The options are either to protect against market opening or to move towards a freer economy in light of global competitiveness strategy. Prior to China's entry several papers predicted the WTO's impact on various industries, sometimes for the better sometimes for the worse. Two years later, many predictions need to be revised.

It is, however, difficult to review so-called "WTO impacts" on specific sectors. This is because economic results are not always attributable to one single factor but to several, some of which are contradictory to or offset by others. It is therefore necessary to valuate the WTO impacts within a broader understanding of political economy.

What does the two-year WTO experience show in China? For those sectors that have been opened up for international competition, such as steel, house appliances, electronics and machinery, changes are very limited. For those industries that are either heavily protected for a long period like automobiles, or bearing political sensitivity like agriculture, it is a more complex story. Likewise, commercial presence of foreign services is bound to raise opportunities and challenges if not danger. This paper reviews agriculture, automobiles and banking by introducing policy adjustment, industry development and their implications.

Agriculture

China made a number of commitments in agriculture covering tariff reduction, tariff quota rates (TQR), subsidies and domestic support, agricultural services, etc. China's policy adjustments in agriculture are:

- Tariff reduction. China's weighted average tariffs on imported agriculture products dropped from 46.6 percent in 1992 to 21.2 percent in 2002 and down to 17 percent in 2004.
- TQR. China increased dramatically imports quotas and reduced tariff rates within the quotas. For instance, compared to the imports base of 1996-1998, rice quotas are more than 12 times, corn quotas are over the total number of all corn imports in the 1980s and 1990s, and cotton quotas are higher than annual imports ever. At the same time, China kept very low tariffs of around 1 percent for under quota imports except edible oil and sugar.

- Quota administration. Firstly, China allocated the appropriate rate of quotas to non-state trade companies. Secondly, quota receptors shall return unutilised quotas for re-allocation if quotas are not used to import before September 15. Thirdly, administrators will restrict quota applications in next year of those who neither fully utilize quota nor turn back unutilised quotas.
- SPS relevant regulations. In light of WTO agreements, China promoted the *Action Plans to Eliminate of Environmentally Polluted Food* and issued the *Agricultural Genetic Modification Biologic Security Management Regulation* in 2002.
- Domestic support. China does not need to change its domestic support because both its subsidy level and support modality are in compliance with its WTO commitments. For instance, China agreed to provide 8.5 percent support to agriculture in its accession package, but its current support level only amounts to 1.23 percent. Nevertheless, China adjusted its policy to increase efficiency of agriculture support by employing properly "yellow box" and "green box" policies: agriculture taxation reform with a view to reducing farmers' financial burden, grains trading and logistic adjustments policy in order to establish market based prices, returning the grain plots to forestry for better agricultural structure and environment, soybean seeds subsidies and water-efficient irrigation, among others.
- Laws and regulations. After China's WTO accession, China modified agriculture laws and regulations with four major objectives: (1) open agriculture services in compliance with specific commitments, (2) eliminate measures violating national treatment requirements, (3) increase transparency in technical measures, and (4) phase out mandatory requirement of technology transfer in agriculture trade and investment.

In 2002 and 2003, China's trade in agricultural products grew fast (see Table 1). The pessimistic predictions of some observers prior to China's WTO entry have not come true.

WTO and freer trade in agriculture products are good for China to enhance its comparative competitiveness in labour-intensive vegetables and fruits, and to import land-intensive grains at a world level price. Labour-intensive production is also valuable for employment. Moreover, in the WTO, China can have better access to advanced agriculture technology, seeds and machinery. With an average 6 percent annual growth in the past 25 years, China's agriculture is capable of withstanding international competition.

Table 1, China's Trade in Agricultural Products, 2002-2003
Unit: USD billion

	Imports	Growth rate	Exports	Growth rate	Total	Growth rate	Balance	Growth rate
2002	12.44	5 %	18.14	12.9 %	30.6	9.6 %	5.7	+35 %
2003	18.93	52.1 %	21.43	18.1 %	40.36	31.9 %	2.5	-56.1 %

Source: China National Bureau of Statistics

Notwithstanding the above comparative advantage assumptions, it is a paradox that today China exports more grains than it imports. In 2003, China's grains exports amounted to 22 million tons with an annual growth rate of 48.3 percent, while imports dropped down by 26.8 percent to 2 million tons. There are two main reasons for this: First, China has some grain reserves from the past few years; Second, global grain production was in a recession and global prices got higher than domestic ones. However, China should not be proud of such grain trade surplus.

If China continues its great effort to reduce costs, refine proceedings, adopt green standards and improve its trading environment, agriculture will not be a problem. Nevertheless, farmers' income and rural development are real challenges that China is facing. In China, agriculture, farmers and rural issues are called "*sannong wenti*", meaning "Three Agro-Concerns". Since 1997, the income growth of Chinese farmers has lagged behind that of urban residents. During the same period (1997 to 2002), the former was less than 5 percent, and the latter 8.6 percent. In 2003 the situation was even worse: farmers' income increased by only 2.3 percent, much below the 8.4 percent of urban residents. The stagnant growth of farmers' income is one of the most sensitive and high priority issues in China's development strategy.

WTO implementation will be helpful if China successfully promotes agriculture structural reform towards labour-intensive, higher value-added goods. Moreover, farmers are expected to immigrate to cities and shift to manufacturing or services following China's integration into the world economy and subsequent foreign investment.

Automobiles

Automobiles-related provisions are outstanding in China's accession agreements, which cover tariff reduction, non-tariffs measures management, automobile industry policy and automobile-related trade in services. Accordingly, China implemented these commitments as the following:

- Importing. In December 2001, China issued regulations and directives to regulate and improve automobile imports management with a view to compliance with WTO agreements.
- Consumption. China made some regulations and policies in order to fight against local protectionism in automobile markets. Financing of automobile consumption was introduced for the first time in 2002.
- Investment. According to WTO/TRIMs China has phased out all forbidden actions such as local components requirement, and foreign exchanges balance requirement among others.
- Tariffs and non-tariff barriers. China fully abided by tariff reduction commitments and quota management. Since January 1, 2002, China has dropped its automobile tariffs for three times, from 80 percent (>3L) and 70 percent (<3L) in 2001 to 37.6 percent and 34.2 percent respectively. China will reduce its automobile tariffs to 25 percent on July 1 in 2006. Meanwhile, China increased it automobile imports quota with 15 percent annually and will have finally eliminated all quotas by January 1, 2005.
- Elimination of domestication policy. China eliminated its compulsory domestication rate of 40 percent and preferential taxation rate for those meeting this domestication rate.

2002 and 2003 were explosive years in China's automobile industry history. Its production and consumption reached record highs. In 2002, China's automobile production soared

37 percent and reached 3,251,000, while sales increased 36.65 percent at 3,248,000. Although imports surged by 80 percent to 128,000 (value USD 5.25 billion, 1.27 percent of China's total imports in 2003), automobile imports did not seem to lead to any injury to the domestic automobile industry. Following up a strong growth impetus of 2002, automobile production and sales in 2003 reached a record 4 million for the first time and became the fourth largest automobile producer in the world (see chart 3).

Why does this heavily protected "infant industry", which was called by a critic "an infant with a beard", stand so well? Is this explosive development attributable to the WTO membership, or is it a mere coincidence? One fundamental reason for the automobile sector boom was China's strong macroeconomic growth that led to rising demands in the automobile industry. In 2002 and 2003, according to the National Bureau of Statistics, China's GDP growth rate amounted to 8 percent and 9.1 percent respectively. In 2003, China's GDP reached 11669.4 billion Yuan (USD 1409 billion) and Chinese GDP per capita jumped to over USD 1,000 (for the first time amounting to USD 1,090).

Secondly, restored demands of buyers were suddenly released. In China, many potential buyers chose to postpone their purchases because they flirted with the idea that WTO membership would cause a big price reduction of imported cars. However, the imported cars did not pour into the domestic market and imports price did not go down significantly. Moreover, imported automobiles (average price USD 30,000) are restricted to high-end market. Therefore, postponed demands took on a more rational look at domestic automobile products. Thirdly, WTO implementation and the preparation for the WTO implementation made a difference too:

- Freer investment policy according to the WTO agreements induced more investors from both abroad and at home. After two years development, nearly all major world automobile giants have settled down in China. More than capital investment, MNCs and domestic investors also brought technology and colourful products series. For instance, in 2003 over 20 companies offered nearly 100 different models in the Chinese market.
- Lower trade barriers and elimination of domestic content requirements encouraged global procurement of automobile parts thus reducing automobiles' cost.
- The consumption environment of automobiles improved in 2002 and 2003 due to opening policies in services following WTO entry. For instance, more accessible purchases financing, automobile insurance, exhibition, logistic and transportation services contributed to sales. Ford opened its joint automobile finance in China recently.

The Chinese automobile industry development also has its spillover effects, one of which is automobile sports. In September 2004, Shanghai/China will host Formula One (F1) car racing for the first time. Ferrari and Mercedes Benz are scheduled to produce its cars in China by that time.

In spite of all good news, big challenges remain. In particular, it is still a question whether the Chinese automobile industry is strong enough to compete in the world market after a short transitional period that will end very soon (25 percent tariff rate in mid 2006, and elimination quota in the first day of 2005). The problems are:

- Investment bubbles in automobile supply markets. Currently China has 190 automobile factories, 292 factories for special automobiles, 98 automobile bodywork factories and over 3900 components and parts factories for automobiles or motorcycles. With a production capacity of 5.5 million and an expected addition of 6 million, automobile supplies is going to drastically outnumber the market needs.
- Immaturity in development of intellectual property rights. Since most factories only do business of assembling, called "made-in-China with a foreign cap", China is by nature a big but NOT a strong automobile country.
- Weak system of components and parts production. While components and parts production is the base for the automobile industry pyramid, this is still very weak unstable. Moreover, it is facing big challenges in the globally integrated automobile world for which the WTO is pushing. What's more, China weak capacity of components and parts production reflects deeper shortcomings of current system.
- Restrictions of infrastructures and services on sustainable automobile consumption. A broader strategy to combine automobile manufacture, consumption, services and transportation planning is necessary for long-term healthy development of automobile industry in China.

Banking

In light of its WTO commitments, China has modified its banking law system. It has issued *Financial Licensing Management Guidelines*, *Commercial Banking Services Prices Regulation*s, *Automobile Finance Company Management Regulations*, etc. It is in the process of creating *China Banking Regulation Laws.* China also reinforces the enforcement of banking laws by opening its banking market:

- Broader business fields. Since the WTO entry, China has endorsed foreign banks full rights to do foreign currency business, and is expanding their rights to do Renminbi (RMB, Chinese currency) business.
- More geographic and customer freedom. At the end of 2003, foreign banks can do RMB business in 13 cities and can provide RMB services to Chinese companies. China market is more open to international bankers.
- More foreign banking commercial presence. Since 2002, China Banking Regulatory Commission has approved 28 representative offices of foreign banks and 12 foreign bank branches. 44 foreign banks are entitled to make RMB business, 12 to open online banking services. 5 foreign bank branches become *Qualified Foreign Institute Investors* (QFII) to operate domestic securities.
- The Automobile Finance is another new field in China that foreign financial institutions can make waves, which are also injecting positive and substantial energy into China automobile market.

Exposure to international competition: Chinese local banks have met four major challenges:

- Pressures from customer competition. Many good, affluent costumers "say good-bye" to local banks and revert to foreign banks. This results in lower profitability of local banks.
- Pressures from profitable business competition. Foreign banks were going to take those most beneficial but low risk/cost businesses like credit card, international

settlement and letter of credit. Statistics show that foreign banks have over 40 percent share of export settlement in China. Therefore local banks have to retreat to those high risk but low benefit traditional businesses like deposit and loan.

- Pressures from financial creativity. Foreign banks are better in creating new financial products and services. Most local Chinese banks can only mimic them and hardly take competition dominance in financial products development and cutting-edge fields.
- Pressures from talents drainage. Foreign banks have flexible rewarding mechanism and better salary. Many banking talents in local China banks leave for foreign financial institutions.

In 2006, China will open banking industry comprehensively, when foreign banks and local ones will compete in a level playing field. China's window of opportunity for bank reform is closing rapidly. If China cannot enhance the competitiveness of local banks, the yawning gap between foreign and local banks will become even wider. In light of the currently dominant banking structure, where four state-owned banks amount 60 percent of national banking assets, 80 percent of all loans for "important companies", and 70 percent of all loans for "important projects"(see table 2), reforming these "Big Four" is the most fundamental measure.

In early 2004, the Chinese State Council announced its plan to inject fresh capital to re-capitalize the "Big Four" state banks and to raise the foreign ownership ceiling of Chinese banks to 20 percent from 15 percent. Increasing foreign ownership will undoubtedly open the way for introducing international practice and expertise and market discipline to the Chinese system.

Table 2, China's Banking and Financial Institutions (December 2003)

Category	Number
State (solely) owned commercial banks	4
Policy banks	3
Share commercial banks	11
Assets management companies	4
City commercial banks	112
Foreign banking operating institutions	182
Foreign banking representative agencies	731
Rural credit cooperatives	35544
Rural commercial banks	3
Trust investment companies	52
Finance and accounting companies	74
Financial leasing companies	12
Post offices, etc. non-banking financial institutions	N.A.

Reflections on China's Approach

In the first two years as a full member of the WTO, China's approach could be depicted as "Four Elements" Strategy.

Laws and Regulation Overhauling

Since late 1999, with a view to being prepared for the WTO membership, China has adopted a series of measures to reform its legal system. In 2002, the principal focus was on its framework of laws and regulations governing trade in goods and services, at both the central and local levels. According to MOFTEC, the central government reviewed more than 2,500 trade-related laws and regulations for WTO consistency, and by the end of 2002 it had reportedly repealed 830 of those laws and regulations and amended 325 more. It had also reportedly adopted 118 new laws and regulations. Similar reviews took place at the local government level from September 2001, when the State Council issued *Overhauling Local Laws, Regulations and other Policy Measures in Line with Progress of China's Accession to the WTO*. It is reported nearly 190, 000 laws, regulations and policy measures at the local level have been amended or abolished.

In 2003, the central government amended or issued about 110 laws and regulations in an effort to meet China's WTO obligations. These laws and regulations covered the range of WTO areas, including trade in goods, trade in services, IPR and trade remedies. In addition, according to MOFCOM, China's 31 provinces and autonomous regions and 49 major cities made more progress than in 2002, as they repealed a total of 490 trade-related measures and amended 185 more.

Governmental Restructuring

In order to comply with certain WTO principles and to facilitate domestic economic reform, China took actions to reshape governmental structures and to promote functional reform of government. Here are a few examples:

AQSIQ

The State Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) was established as a new ministry-level agency in April 2001. It is the result of a merger of the State Administration for Quality and Technical Supervision (AQTS) and the State Administration for Entry-Exit Inspection and Quarantine (AEEIQ). This merger was designed to eliminate discriminatory treatment of imports and requirements for multiple testing simply because a product was imported rather than domestically produced.

MOFCOM

The Ministry of Commerce (MOFCOM) was formed in 2003. This new ministry is a combination of the State Economic and Trade Commission (SETC) and the Ministry of Foreign Economy and Trade Cooperation (MOFTEC), which merged domestic and foreign trade-related functions into one agency so as to foster better adherence to the WTO's national treatment principle.

Enquiry Points

China established a WTO Enquiry and Notification Centre (www.chinawto.gov.cn), now operated by MOFCOM's Department of WTO Affairs, in January 2002. Other ministries and agencies have also established formal or informal, subject-specific enquiry points. These various enquiry points are generally responsive and helpful. In addition, some ministries and agencies have begun to create websites to provide answers to frequently asked questions as well as further guidance and information.

Training and cooperation with civil society

China devoted much energy and financial resources to WTO trainings. Conducted jointly by government, academia and international agencies, WTO trainings all over the nation are targeted towards every level of government officials in order to help them implement WTO rules and commitments in their daily working. Training opportunities are also provided to meet continuous demands from enterprises, professional services and trade associations, etc. Good and effective WTO training will have a long-term impact on China's process of integration into the world economy. There are also a number of WTO centres have been established. Complementary to the single official WTO enquiry point at Beijing, these centres are playing a significant role in providing advice and training to government, business, intermediate organisations and citizens, e.g. in Shanghai (www.sccwto.net), Beijing (www.bjwto.org), Guangdong (www.gdwto.org.cn), and Hainan (www.wtoinfo.net.cn).

Consistent dialog with the international community

Working with the international community on WTO affairs is one strategic element for China to build a better coherence between the multilateral trade system and domestic development. In a variety of forms from formal talks among senior officials to informal ones at lower levels, from central government to local authorities, such dialogs with international partners are helpful at least in two ways. One is that they provide China with information of non-compliance at ministerial or local level. Due to its huge surface and uneven spectrum of development, China has relatively very limited resources of investigation. The other is they offer advice or policy options for China. With shorter modern history and little policy research expertise, China can be helped rather than being bogged down by international arguments. For instance, some foreign business communities suggested China improve its IPR laws enforcement by employing more deterrent criminal punishment.

Conclusive Remarks

The WTO has become a fundamental element in China's societal evolution. With great efforts and hard work, China has indeed made substantial achievements in policy areas. Notwithstanding merely two years' experience, China's reform and opening framework has taken a new look. It is more exciting that mental changes and cultural innovation are taking place in this ancient country, thanks to the marriage between China and the WTO.

Three lessons can be drawn from China's two-year experience in the WTO. Firstly, signing the WTO agreements by itself means nothing, unless real opening-up actions are taken. The objective of joining the WTO is to translate these dry paper documents into live domestic policies. There is no such thing called "WTO Impact" without our hard effort to take advantage of economic integration. For this purpose, domestic reforms go further beyond trade issues, including governmental functional reform, institutional advancement for policymaking, economic structural reform and social security policy, etc.

Secondly, global policies shall be implemented at not only national, but also local levels. For many developing countries, it is a big question how global and national agenda are accepted and implemented at local levels. Sub-national implementation is important not merely because the WTO requires uniform application of laws. It is what national development and people need.

Thirdly, "concessions" are not what you lose, but steps to be taken for development. Many argued that China paid high price for joining the WTO. People are accustomed to label accession agreements with "commitments", "obligations" or "concessions". However, the WTO accession agreements defy a general categorization of obligations or rights. For a country in transition like China, some "rights" featured with exceptional reservations or extended protection do not necessarily lead to positive outcomes. On the contrary, such rights may hinder the market reform process. On the other hand, "obligations" or "commitments" that may bring short-term burdens, in turn, are likely to be incentives to spur institutional advancement. In sum, most of those "obligations" are exactly the steps China shall take to deepen reform and to broaden opening so as to establish its rule-based market economy mechanism. To fulfil these WTO commitments China has to first meet demands of national development agenda.

"Bringing proper order to a big country is like cooking a small fish" as a Chinese proverb states. Likewise, for all WTO members who shall have proper order to both internal domestic development and external obligations, the leadership from government, business and civil society need patience and slightness of touch on every societal part that have to assume this responsibility.

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Trade Policy and Poverty Reduction: The Case of Malawi*

Ephraim W. Chirwa

Malawi has been pursuing unilateral trade policy reforms under the structural adjustment programmes supported by the World Bank and the International Monetary Fund since 1981. These reforms were almost complete by 1995, but the growth of the economy has been erratic and recent studies show that the poverty situation has worsened. Our analysis shows that trade policy changes have had limited or negative effects on growth and poverty because of lack of prior policy analysis; the failure to address supply-side constraints that would have enabled the market system to work effective and failure to implement the necessary complementary and compensatory policies.

Introduction

Malawi is one of the least developed countries of the world with a per capita gross national product of $190, with 30 percent of the under-five children being malnourished, the infant mortality rate of 229 per 1,000 live births and a life expectancy at birth of 42 years (World Bank, 2001). Recent available estimates reveal that 65 percent of its population live below the poverty line, with 29 percent barely surviving (NSO, 2000). Agriculture remains the predominant sector for the livelihoods of more than 90 percent of the population. Studies also show that the performance of the economy was remarkable in the first fifteen years of independence with economic growth rates averaging 5.9 percent per annum. However, following the oil shock of 1979 and deteriorating terms of trade and weakening internal demand, real growth rates fell from 3.9 percent in 1979 to -1.1 percent in 1980 and -4.7 percent in 1981. The burst between 1979 and 1981 drove Malawi into the adoption of World Bank structural adjustment programmes and stabilisation programmes of the International Monetary Fund (Harrigan, 1991; Mhone, 1992; Kaluwa *et al.*, 1992). Since 1982, the Government of Malawi has unilaterally introduced several economic and trade policies in a phased and sometimes in an indecisive

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manner, some of which were directly targeted at reforming the agricultural sector that remains an important sector as a source of livelihood for the poor.

Trade policy reforms have been at the centre of economic policies in Malawi. There is growing recognition at theoretical levels that trade openness leads to high economic growth and overall welfare, but the evidence to support the poverty reduction effects of trade is still not convincing. In practice, due to the differences in the stages of economic development, developed countries have tended to benefit more from trade than developing countries. For instance, CEC (2002) notes that although trade in manufacturing has increased substantially for developing countries as a group, exports of many developing countries particularly least developed countries and a large number has experienced a decline in the share of world trade. This has generated scepticism among developing countries of the benefits that they are likely to benefit from multilateral agreements under the World Trade Organisation (WTO). The concerns of the developing countries were addressed as a promise to the developing countries in the Doha Development Agenda in which the needs and interests of developing countries have to be taken into account in liberalising world trade (WTO, 2001).

There are opposing views about the benefits that may occur to both developed and developing countries from the multilateral trading system. Many have been sceptical about the success of the implementation of the Doha Development Agenda because the previous rounds of multilateral trade negotiations have not brought equitable benefits to developed and developing countries. Panagariya (2002) notes that the Doha agenda does not correct the imbalance in the benefits from trade liberalisation between developed and developing countries. The imbalance in the benefits from the Uruguay Round will therefore be in favour of the developed countries. McGuirk (2002) observes that even if the Uruguay Round commitments were to be fully implemented, protection will remain high and concentrated in areas of particular interest in developing countries – such as in agriculture in which little progress has been made in reducing high tariffs and trade-distorting subsidies of developed countries. Oxfam (2001) notes that the Uruguay Round outcomes were unfair to poor countries, and calls for a rebalance in the previous agreements. Others have argued that Doha presented false promises to developing countries (ECA, 2003). The continued failure to redress the imbalance in the previous rounds partly led to the failure to reach agreement in Cancún; and hence the Doha Development Agenda has come under increasing scrutiny.

This paper presents a case study of the impact of trade policy reforms on poverty reduction. We show that despite the many trade reforms that have been implemented since 1981, the growth rate of the economy has been dismal and erratic and where growth has been positive such growth has not been distributive to reduce poverty. The paper is organised as follows. In the next Section, we outline the various trade policies that Malawi has pursued since the 1980s. Section 3 provides the evidence on the impact of trade reforms on growth and poverty. In Section 4, we provide possible explanations for the observed impact of trade policy reforms on economic growth and poverty. Finally, Section 5 provides concluding remarks.

Trade Reforms in Malawi

Malawi's trade policy following independence in 1964 until the late 1970s focused on promotion of import-substitution policies and trade was more restrictive in which there was limited emphasis on exports. This period was followed by a fifteen-year transition period (1981-1994) in which Malawi pursued structural adjustment reforms by opening up various sectors of the economy with emphasis on export orientation. Table 1 presents major domestic and international trade policy actions during the reform period. The objectives of policy reforms included the diversification of the economic base, ensuring appropriate price and incomes policy, improving the policy environment for manufacturing and trade, and restructuring of fiscal budgetary allocation and expenditure.

With respect to international trade policies, there has been progressive liberalisation of the trade and capital account of the balance of payments. Quantitative restrictions were eliminated and foreign exchange allocation was phased out and only 20 percent of imports were subject to foreign exchange controls in 1989. The duty drawback system was introduced in 1988, although the administration of the scheme has been inefficient. Tariffs were lowered and reforms in the surtax regimes unified surtax rates for domestic production and imports. The highest tariff rate was 130 percent before reforms, but this was reduced to 45 percent and the government introduced a surtax credit system in 1989. The base surtax rate was reduced from 35 percent in 1991 to 25 percent in 1992.

International trade policies were geared toward providing incentives for export production and structural reforms were associated with the strengthening of regional integration and trade openness within regional blocs. Exporters were also allowed to retain 90 percent of their foreign exchange earnings in foreign denominated accounts at commercial banks, a policy that was reversed to a 10 percent retention rate before the end of the year. The government introduced bonded factories and Export Processing Zones (EPZ)

Table 1 Major Trade Policy Actions during the Reform Period (1981 – 1994)

Domestic Trade Policy Actions	International Trade Policy Actions
• Periodic increases in interest rates and agricultural prices. • Restructuring of state owned enterprises. • Liberalisation of industrial output prices. • Liberalisation of the financial sector and interest rates between 1987 -1989. • Removal of preferential lending to agricultural sector in 1990. • Liberalisation of agricultural marketing services (output in 1987 and inputs in 1990). • Liberalisation of some agricultural produce prices in 1988. • Removal of fertiliser subsidies by 1991. • Privatisation of state-owned enterprises. • Liberalisation of entry into manufacturing in 1991.	Periodic devaluation of the Malawi Kwacha. • Increases in trade taxes and foreign exchange rationing. • Floatation in February 1994. • Elimination of quantitative trade restrictions and foreign exchange rationing. • Introduction of duty drawback system in 1988. • Introduction of surtax credit scheme in 1989. • Bilateral trade agreement with South Africa in 1991. • Reductions in tariffs leading to a maximum of 75 percent in 1994.

Source: Chirwa (2004)

schemes in 1995. However, an export tax was introduced in 1995 on traditional exports of tobacco and sugar to encourage diversification into non-traditional exports, but was eventually removed in 1999.

In 1990, Malawi entered into an asymmetric bilateral trade agreement with South Africa in which South Africa admits free of customs duty goods grown, produced or manufactured with 25 percent local value-added while Malawi provides the most favoured nation treatment to imports from South Africa (Imani-Capricon, 2001). Malawi entered into a reciprocal bilateral trade agreement with Zimbabwe in 1995 which accords duty free status on all goods that have at least 25 percent local value-added and that conform to the national standards of the importing country. Malawi also acceded to the Common Market for Eastern and Southern Africa (COMESA) free trade area, which commenced towards the end of 2000. The countries that have acceded to the COMESA free trade area have reduced tariffs on intra-trade by 60-90 percent, which allow imports of finished goods from these countries duty free while imports of raw materials and intermediate goods from other countries attracting duty.

Due to the various international trade policies and agreements tariffs were also substantially reduced and trade has become open. In 1997, export and import licenses were no longer required and duty on imports of raw materials for the manufacturing sector was eliminated. The number of tariff bands was reduced and the maximum tariff fell to 40 percent in 1996 from 70 percent; then to 35 percent in 1997 and 25 percent in 1999.

Another significant policy instrument during this period was the exchange rate management. In the late 1980s and early 1990s, the government pursued a policy of periodic devaluation of the Malawi Kwacha. In 1991, the system of foreign exchange allocation by the Reserve Bank was abolished and the foreign exchange market was therefore completely liberalised. Over the period, 1983-93, the Malawi Kwacha was devalued by more than 300 percent. In February 1994, the Malawi Kwacha was floated on the foreign exchange market leading to its depreciation by more than 300 percent by the end of the year. However, the real effective exchange rate had at times appreciated and the World Bank (2003) attributes the appreciation of the real effective exchange rate to the high levels of inflation that averaged about 35 percent per year between 1995 and 2000.

International trade policies were coupled with the liberalisation of domestic trade through liberalisation of prices of industrial and agricultural output and inputs, removal of fertilizer subsidies, liberalisation of production of special agricultural cash crops and liberalisation of agricultural marketing activities. Domestic trade policies mainly focused on the liberalisation of the agricultural sector. For instance, the Malawi Government removed restrictions that prevented smallholder farmers from producing and marketing high value crops such as burley tobacco in 1995. This was followed by the liberalisation of prices for all agricultural crops except for maize in 1996. The maize pricing policy changed from one with differential pan-territorial and pan-seasonal parity pricing to a price band, which ADMARC was expected to defend in 1996, but was eventually abandoned in 2000. The base surtax rate was reduced to 20 percent by 1996 from its 25 percent level in 1992. The government also continued the privatisation of state owned enterprises through the National Privatisation Programme from 1996, but this was suspended in 2001 due to lack of tangible benefits.

What is the existing trade regime to day in Malawi? Domestic trade is completely liberalised and the government no longer intervenes in the pricing of agricultural products. The private sector is actively participating in agricultural produce and input marketing competing with the state marketing agency (ADMARC). The increased participation of private traders in agricultural markets has weakened ADMARC's monopsony power and as a result ADMARC has embarked on a restructuring exercise through closure of unprofitable markets in remote areas (Mvula *et al*., 2003). Malawi is also relatively open to international trade. Barriers to trade have been reduced following the program of economic and trade policy reforms. WTO *et al*. (2003) note that the reductions in trade taxes have lead to relatively moderate tariffs with the average Most Favoured Nation (MFN) tariff of 13.6 percent; 15.2 percent for agricultural products and 13.3 percent for manufactured products which are comparable with those of neighbouring countries such as Zambia, Mozambique and South Africa. Non-tariff barriers have been progressive eliminated. Within regional groupings of SADC and COMESA tariff rates are being lowered to achieve free trade area by 2008 and a customs union by 2004, respectively.

Impact of Trade Reforms on Growth and Poverty

The analysis of the impact of trade policy reforms on poverty or micro – macro economic variables in Malawi, like in many other developing countries that have pursued various economic reforms, is complex. It is difficult to isolate the effects of specific economic policies on growth, poverty and distribution due to the sequential and sometimes simultaneous implementation of trade and economic policies (Kanji and Barrientos, 2002).[1] Due to the complexity of the relationship between trade liberalisation and economic performance or poverty reduction, very few empirical studies have been undertaken in Malawi. Most of these studies deal with the impact of trade policy reforms on macroeconomic performance. Given the above limitations the analysis in Malawi suggests the following:

- The performance of the Malawian economy has been weak with growth in gross domestic product being erratic and the economy grew at 5.9 percent in the 1970s compared with 2 percent in the 1980s and 2.95 percent per year between 1990 and 2001 (Table A1). The sectoral composition of exports and imports has not changed much, with tobacco, tea and sugar accounting for 78.3 percent of export earnings in the 1995-01 period compared with 76.1 percent in the 1970s. The manufacturing sector still accounts for less than 10 percent of export earnings. The current account deficit of the balance of payments as a ratio of gross domestic product has been worsening, averaging 13.4 percent of GDP. Imports increased at a faster rate than exports, worsening the balance of payment position.[2] While the increase in imports may not be necessarily bad for the poor, the extent to which the increase in imports has benefited the poor through consumption of imported commodities is not known.

- International and domestic prices for the main tradable agricultural commodities have been declining in real terms, but there is no evidence of a price transmission between domestic prices and export prices. Simple regression analyses on the behaviour of real domestic prices generally show that there is a negative relationship between international prices and domestic prices and that real exchange rate depreciation is associated with falling real domestic prices. One reason for lack of the price transmission between international and domestic prices maybe that export trade is dominated by a few agents, with most of the private traders engaging in domestic trade. The lack of the price transmissions has several implications. First, it implies that even if prices were to improve in the international markets, the extent to which smallholder farmers benefit from movements in the international prices may be limited. Secondly, lack of price transmission implies that the international price movements do not offer incentives for diversification of exportables away from the traditional exports whose prices are falling.

- The manufacturing sector also reveal weak performance in the 1980s and 1990s, growth in manufacturing value-added was 10.1 percent per annum in the 1970s compared with 2.1 percent in early 1980s (Mulaga and Weiss, 1996). Ahsan *et al*. (1999) find that manufacturing output neither contracted nor expanded significantly in the adjustment period and find evidence of restructuring with technology becoming more labour intensive. However, others such as Jalilian and Weiss (2000) in a sample of developing countries, using data for Malawi between 1970 and 1993, do not find evidence that manufacturing output declined significantly. However, recent studies on the manufacturing sector show that there has been a substantial decline in the growth rate of manufacturing output (Chirwa, 2003).

- Although national food production has increased over time, maize (staple food) production has fallen below the minimum food requirements in the reform period. Furthermore, the index of net cereals per capita and net food production per capita on average show a decline in the post-reform period compared with the period before reforms. At household level, and categorising farm households by land size, the available data shows that household food security is worsening and there was a decline in real food expenditure.

- The empirical evidence of impact of trade policy on incomes of various livelihood groups including smallholder farmers is anecdotal. NEC (2002), in a qualitative poverty monitoring study concludes that the poverty situation has worsened. Chirwa (2004) using matched panel data for 349 households also find that the head count increased from 79.7 percent in 1998 to 91.4 percent in 2002, and that real incomes fell more for household with large land holdings (Figure A1). There is also evidence that profitability in agriculture is declining. World Bank (2003) using data from the National Smallholder Farmers' Association of Malawi (NASFAM) shows that except for increases in rice, gross margins from burley tobacco, cotton, paprika, cassava and groundnuts fell by more than 50 percent between 1995-96 and 2000-01.

Why have Trade Reforms not been Pro-Poor?

The evidence from this case study suggests that trade policy reforms have not been pro-poor and most of the poor are net losers from policy changes under structural adjustment reforms. There are several factors that explain the weak link between trade policy, economic performance and poverty reduction. Some of the issues that have undermined the desirable effects of a more open trade regime include the following:

- Structural adjustment reforms were designed and the process more directed by the World Bank and International Monetary Fund, whose knowledge about the working of the Malawian economy was snapshot. This resulted in lack of capacity or interest by Malawians in policy analysis and in determining the pace of reforms. Thus, although most government ministries and departments at the centre of economic policy reforms have well-trained economists, policies are implemented without analysis on opportunities, constraints and the various poverty groups that are likely to benefit or to be disadvantaged as a result of policy reforms. Thus, the poor are not at the centre of trade policy-making in Malawi.

- The lack of analytical understanding in trade issues by policy makers is also reflected in the poor definition of the trade policy agenda in the Malawi Poverty Reduction Strategy Paper (MPRSP) and the Growth Strategy (GS), both of which make very little reference on the role of trade in reducing poverty. The trade policy agenda is based on the continued promotion of agricultural products without paying attention to the supply side issues that have constrained the translation of trade policies to poverty reduction in the past.[3]

- The adjustment period, 1980s and 1990s, has been associated with macroeconomic instability, and some of the policies such as devaluation of currency have created considerable inflationary pressure. Inflation averaged 8.4 percent per annum in the 1970s compared to above 15 percent (with an increasing trend) since the 1980s (Table A1).

- Various stakeholders in trade-related issues were rarely consulted in the design, implementation and monitoring of policy reforms in Malawi. Where such consultation occurred the process was often *ah hoc* and ineffective.

- The few civil society organisations that may have interest in trade issues do not represent the interest of the poor as most are membership organisations requiring monetary subscriptions, although farmer organisations such as NASFAM tend to advocate policies in favour of the poor. Apart from this, civil society organisations do not have the analytical capacity to articulate the effects of policy changes on their membership or the poor, and tend to have fragmented interests.

- Due to lack of policy analysis prior to the implementation of policies, very little attention was paid to the complementary and compensatory policies that would have shifted the gains to the poor. For example,
  - Addressing land distribution problems for smallholder agriculture and credit constraints may be vital for achieving growth and redistribution of wealth.
  - The organisation of smallholder farmers into co-operatives or marketing groups prior to liberalisation of agricultural markets could have minimised the monopsonistic power of the private traders and large institutional buyers.
  - Macroeconomic stability, adequate infrastructure facilities, appropriate regulations and effective institutions are vital for realising positive gains from trade.

Concluding Remarks

Malawi has gone through a series of unilateral trade reforms under the structural adjustment programs supported by the World Bank and the International Monetary Fund since 1981. Although, Malawi has experienced long periods of adjustment, very few empirical studies exist on the impact of trade reforms on poverty reduction. Nonetheless, the few existing studies suggest that although Malawi has become more open to international and domestic trade the benefits have been limited. Economic growth has been erratic and the structure of production has not significantly changed (agriculture remains the most important sector for domestic product and exports) and poverty is on the increase, although the failure cannot be attributed to trade policy reforms alone. What does the unilateral trade policy reform experience in Malawi imply for the multilateral trade-development agenda?

- First, due to lack of empirical studies, our understanding of the link between trade policy reforms and poverty is still limited, but the available evidence suggests the need for careful management of trade reforms so that gains from open trade are maximised. However, there is need for careful research that tracks the benefits and the losses that result from specific trade policies. For example, in the case of Malawi, research is required on the impact of trade initiatives such as the African Growth Opportunities Act (AGOA) and Everything-But-Arms (EBA) that have increased market access to the United States of America and European Union, respectively to sharpen our understanding of the trade-poverty linkages. The sugar industry, for instance, has had its quota to the EU increased, but the effect of this has not been investigated – particularly on how the smallholder out-growers and the poor have benefited from this development.

- Secondly, the development or strengthening of analytical skills of policy makers responsible for trade policy and civil society organisations that work with the poor is necessary for effective policy making to enable policy makers understand the full implications of various policies on various livelihood groups and to enable them design the necessary complementary and compensatory policies including the sequencing of such policies.

- Thirdly, policy makers should recognise the important roles of complementary and compensatory policies in the design and implementation of trade policies. For instance, macroeconomic stability and targeted safety nets to mitigate the effects of adjustment on vulnerable groups may play important roles in realising the gains from trade liberalisation.

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Appendix

Table A1 Selected Economic Indicators, 1973 – 2001 *(averages per year)*				
Indicator	1973-1979	1980-1989	1990-1994	1995 -2001
GDP Growth (%)	5.9	2.0	0.6	5.4
Inflation (%)	8.4	16.6	20.0	39.0
Fiscal Deficit/GDP (%)	-7.16	-9.64	-7.42	-11.9
Money Supply Growth (%)	13.3	18.3	28.5	31.6
Exchange Rate (MK/$)	0.85	1.07	2.22	15.3
Source: Chirwa and Zakeyo (2003)				

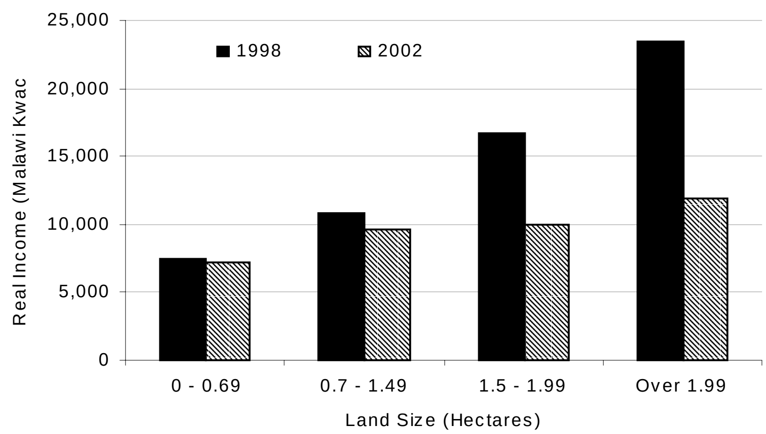

Figure A1 Average Real Annual Incomes of Farm Households in 1998 and 2002
Source: Chirwa and Zakeyo (2003)

Endnotes

1 Other factors that make the analysis difficult in Malawi include economic policy reversals, the on-going nature of the adjustment process, and the occurrence of natural disasters such as drought in most parts of the country in 1992 and 1994 and heavy rains in 1997 and 2001as well as the lack of data on poverty prior to 1998.

2 Exchange rate devaluation has been one of the policy issues expected to influence the direction of trade by encouraging exports and discouraging imports. Hence, it was expected that exports would increase at a faster rate than imports in order to improve the balance of payments position. It is not clear whether this analysis took into account the effect of aid flows on the exchange rate.

3 The trade strategy based on agriculture may bring limited benefits due to land constraints and declining international prices and the weak link between international and domestic prices and production decisions of smallholder farmers. Furthermore, poverty analysis studies reveal a close relationship between poverty and incomes from wages from paid employment in non-agricultural sectors, yet the MPRSP and GS do not focus on creation of paid employment of the unskilled labour resource and the extent to which trade can be a conduit.

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The Probable Future of SAARC-SADC Relations*

Phil Alves and Peter Draper

The incentive to trade is traditionally the engine that drives economic relations between countries. A trade agreement between any two potential partners, be they individual countries or a country and a regional grouping like the European Union (EU), is usually a realistic and manageable goal. A trade agreement between two regional associations like the South Asian Association for Regional Cooperation (SAARC)[1] and the Southern African Development Community (SADC)[2] is not. Not at the moment anyway. But there are other options for SAARC-SADC relations, particularly for some of the bigger players within each region.

Before exploring them, it is useful to find out why the former claim is true. At least two good reasons come to mind. First, neither SADC nor SAARC is a customs union; neither possesses a common external tariff (CET). This makes the formulation of a common bargaining position for each region a time-consuming, resource-intensive challenge. But these are the two things neither group has a lot of.

Second, neither group has managed to negotiate an effective trading arrangement for itself. The SADC Free Trade Area (SADC-FTA), ratified by SADC members in 2000, and the South Asian Free Trade Area (SAFTA), signed in January this year, are both juvenile agreements containing many holes.

The problems in each, which will not be detailed here, are understandable when placed in context. One must not forget that none of the countries in these two regions have much non-WTO experience in formulating and managing trade agreements. And most lack the institutional capacity and bureaucratic resources to make decent contributions to the process.

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* This paper was prepared for the Afro-Asian Seminar, but was not presented.

Then add the unavoidable problem of huge disparities in size, structure and interests of the economies in each region, and it becomes clearer why neither of the aforementioned FTAs have met with much success.

But understanding why the problems exist does not make them go away. If SAARC and SADC have had to struggle as much as they have to make their economics of their own associations work, it would be foolhardy to argue that the two regions possess the will or the know-how to make the economics of an inter-regional agreement work any better.

So what options are we left with?

The most likely scenario sees India and the Southern African Customs Union (SACU)[3] sitting down at the negotiating table. Acting on her own, India can pursue its interests in Southern Africa without having to seek consensus from other SAFTA members, and SACU, although not perfect, is more likely to encounter fewer internal obstacles than SADC would.

A further advantage exists in the form of a framework agreement signed by South Africa and India in 2002; the basis for a PTA between SACU and India is thus already there. But progress in the Indo-South Africa trade negotiations halted when it came time to renew the SACU Agreement, a process that resulted in the inclusion of the other SACU members in the negotiations with India.

Trade relations between SACU and India (or any other country for that matter) cannot be furthered until SACU organises its internal affairs. Fortunately, the process of establishing a SACU Secretariat is already underway, and the pressure of the pending SACU-US trade agreement is hurrying it along.

But most important of all is the fact that *political* relations between SACU and India are strong—as anyone interested in international relations will know, the economic cart never precedes the political horse. In this instance, the African side has been driven mainly by South Africa's resurgent relationship with India since 1994.

The reasons why India and South Africa regard each other as good strategic partners are simple: both are powerhouses in their own regions, both stand to gain more from each other than they do from their regional arrangements, and together, India and South Africa form a substantial power bloc in the South.

So, we have established that India and SACU are serious about a trade agreement. And we think that such cooperation will be manageable once the new SACU Agreement is in effect. But we have not yet decided if it makes any sense for either party. After all, do India and SACU not compete for the same Northern markets? And is this not just another example of the increasingly popular 'lets go bilateral' trend?

We will tackle the second question first. It is important to realise that closer economic ties between India and SACU is part of, and encouraged by, a much grander scheme. The India-Brazil-South Africa (IBSA) Dialogue Forum was born in the first half of 2003; Cancún demonstrated its significance and strength in the multilateral environment.

While IBSA is currently running almost solely on diplomatic fuel, there is no doubt as to the three countries' economic interests in each other. India in fact views South Africa as the gateway not only to the rest of sub-Saharan Africa, but to South America too; and Brazil views South Africa in a similar light. Engineering bilateral trade policies to realise these ideas is not only sensible but also overdue.

The biggest hurdle IBSA faces is actually committing to a lowering of the trade barriers each presents to the other. Will the three countries be able to back the politics with some real economic reforms? This brings us back to the first question: surely South Africa and India, having similar export baskets, must compete more than cooperate? Well, not really.

Trade between South Africa and India in fact exhibits outstanding potential. Between 1991 and 2000, South African imports from India grew at an average annual rate of 46 percent, from ZAR 82 million to ZAR 1.8 billion. South African exports to India grew at an average annual rate of 78 percent, rising from ZAR 21 million to ZAR 3 billion. Over the same period, South African imports and exports grew by only 17 percent and 15 percent respectively.

Yet despite impressive increases, Indo-South African trade still only comprises a lowly one percent of each country's total. One has to believe that it is at least in part because of existing trade barriers. It is thus not surprising both governments are eager to sign an agreement, and that South Africa is doing its best to hurry the SACU process along.

Furthermore, let us not forget the myth that similar economies can find no grounds for mutual gain through trade. Yes, exporters in SACU and India do compete with each other in many OECD markets. But a significant proportion of current world trade is intra-industry, and flows between OECD countries *of similar structure and levels of development*.

Intra-industry trade, in volume terms, is as widespread a phenomenon as North-South 'Ricardian' trade, which is based on comparative advantage. There is no reason why the North-North pattern cannot replicate itself in the South, especially since China and India are rapidly discrediting the old objection that there is no market outside of the core.

This idea finds support in the (surprising) degree of complementarity between the South African and Indian economies. For example, while India can provide SACU with cheap textiles, rubbers and generic pharmaceuticals, South Africa can offer India a range of primary and resource based products (such as rock phosphates and gold), as well as high-tech mining and transport equipment. South African engineers are good at building basic infrastructure, which is something that continues to partially hinder progress in India.

The bottom line is that freer trade between India and SACU makes some sense. If the bilateral liberalisation process is incremental and well managed, the gains from trade espoused in first year textbooks may well become a reality.

And the eagerness is not simply part of a heady reaction to IBSA's show of strength at Cancun. The line on a map connecting the three economies is almost dead straight. It does not take much to realise that goods flowing between South America and South Asia ought to be going through Southern Africa instead of through Europe, as most of them currently do.

Furthermore, it would be naïve to criticise IBSA on the grounds that it diverts attention from the massive benefits of trade deals with big northern economies. SACU is currently negotiating a deal with the US; India is considering the same. South Africa concluded trade negotiations with the EU in 2000. And Brazil has always held a prominent role in the FTAA negotiations.

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Endnotes

1 The South Asian Association for Regional Cooperation: Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka.

2 The Southern African Development Community: Angola, Botswana, the DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

3 The Southern African Customs Union: Botswana, Lesotho, Namibia, South Africa and Swaziland.

ASEAN-India Free Trade Agreement: Prospect for ASEAN-South Asia Economic Integration?*

Jose L. Tongzon

Since the end of the Cold War and the initiation of India's Look East Policy, India has conducted a series of discussions with its neighbours of the Association of Southeast Asian Nations (ASEAN) to take their economic relationship further in the form of an economic partnership agreement. India is currently engaged in discussions to form bilateral economic partnerships with Singapore and Thailand. It is also holding negotiations with ASEAN countries after the signing of the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation. In addition, sub-regional cooperation between India and some of the ASEAN members, such as Vietnam, Thailand, Myanmar and Laos has also increased.

Given the current foray of regional and bilateral free trade initiatives between India and the ASEAN countries, it would be useful to see if there is any prospect for a successful free trade agreement between South Asia and the ASEAN countries. As a first step, this paper looks at the possible India-ASEAN economic integration.

ASEAN-India Trade

As Table 1 below shows, ASEAN-India trade has grown from around 2 billion USD to around 9 billion USD over a period of 8 years. India has enjoyed a positive trade balance with Cambodia, Myanmar, the Philippines and Thailand while it experiences a negative trade balance with Malaysia, Brunei, Indonesia and Singapore. Singapore is India's ASEAN major trading partner. India's major exports to the ASEAN countries are electrical machinery and appliances, textiles and apparel and vegetable oil while the ASEAN countries' major exports to India consist mainly of electrical machinery and appliances, chemicals, metal and metal products.

* This paper was written for the Afro-Asian Seminar, but was not presented.

TABLE 1: ASEAN-INDIA TRADE

ASEAN EXPORTS TO INDIA (000 USD)

	MALAYSIA	BRUNEI	CAMBODIA	INDONESIA	MYANMAR	PHILIPPINES	SINGAPORE	THAILAND	ASEAN
1993	209,670.1	0.0	0.0	99,926.1	0.0	225,618.6	948,738.1	0.0	1,483,952.9
1994	504,856.4	12.0	0.0	269,191.3	0.0	12,988.7	1,202,483.5	0.0	1,989,531.9
1995	760,167.3	23.6	0.0	381,023.6	0.0	20,228.4	1,659,609.1	0.0	2,821,052.0
1996	1,073,705.9	25.4	0.0	422,753.6	0.0	36,562.2	1,954,417.2	235,340.3	3,722,804.6
1997	1,049,552.7	0.0	0.0	703,491.4	0.0	33,779.0	2,297,082.8	389,288.7	4,473,194.6
1998	1,642,516.3	0.0	0.0	722,894.3	0.0	37,510.4	2,433,700.3	381,240.5	5,217,861.8
1999	1,860,377.8	0.0	0.0	923,938.5	150,904.5	41,539.8	2,503,431.1	247,882.8	5,728,074.5
2000	1,703,016.8	225.1	134.6	1,151,282.2	247,846.9	63,998.5	2,786,528.5	602,569.8	6,555,602.4
2001	1,482,583.5	52,243.0	50.1	1,053,939.5	349,659.2	71,145.7	2,719,634.2	481,719.0	6,210,974.2

ASEAN IMPORTS FROM INDIA (000 USD)

	MALAYSIA	BRUNEI	CAMBODIA	INDONESIA	MYANMAR	PHILIPPINES	SINGAPORE	THAILAND	ASEAN
1993	316,080.1	3,987.9	0.0	335,399.7	0.0	109,670.9	668,492.1	0.0	1,433,630.7
1994	308,465.7	7,575.7	0.0	350,998.8	0.0	130,465.5	753,088.6	0.0	1,550,594.3
1995	429,417.1	16,012.0	0.0	478,847.3	0.0	106,635.1	815,937.5	0.0	1,846,849.0
1996	666,144.8	13,777.4	0.0	655,799.9	0.0	218,616.2	952,468.5	334,778.1	2,841,584.9
1997	662,554.0	14,023.1	0.0	697,412.3	0.0	228,172.3	1,075,852.2	1,717,685.1	4,395,699.0
1998	428,650.9	6,282.0	0.0	292,930.2	0.0	141,937.2	604,900.9	267,966.3	1,742,667.5
1999	474,784.6	6,445.3	0.0	275,458.1	62,474.9	135,620.5	738,893.4	451,366.5	2,145,043.3
2000	735,220.6	3,967.7	9,194.3	524,827.5	70,218.6	166,393.8	1,077,460.7	624,076.6	3,211,359.8
2001	1,070,714.6	0.0	2,811.4	486,258.5	79,360.5	237,481.1	1,117,967.2	673,492.2	3,668,085.5

Source: ASEAN Secretariat (www.aseansec.org)

Prospect for ASEAN-India Economic Integration?

The extent of complementarity in the export and import structure of potential member countries is one of the key considerations when two or more countries decide to form a Free Trade Area (FTA). Modified by Michaely (1996) based on the indices he developed earlier (1962a, 1962b), the Trade Complementarity Index (TCI) provides information on how well the structure of imports and exports of potential FTA members can match. Michaely (1996) pointed out that this index is also an indicator of the relevance of a contemplated preferential agreement. Using this method, the respective proportions of each class of commodities in a country's total exports and imports are calculated and subtracted from each other. The absolute values of the differences for each class of commodities will be summed up to obtain the TCI.

In other words, TCI between country *i* and *j* is defined as:

Trade Complementarity Index, $TC_{ij} = 100 - ? (| M_i^a - X_j^a | / 2)$ (1)

Where M_i^a denotes the share of commodity *a* in all imports of country *i*
X_j^a denotes the share of commodity *a* in all exports of country *j*

The index is zero when no goods exported by one country are imported by another, and 100 when their export and import shares exactly match. The higher the value of this index, the greater is their trade complementarity. From the changes in the index over time, we can also determine whether their trade profiles are becoming more, or less compatible. FTAs will be facilitated when the match between imports and exports is close. The higher the value of this index, the more likely will the proposed FTA succeed[1].

Yeats (1998) computed TCI for selected FTAs in the world at the point of their initiation (see Table 2). He found that successful FTAs, tend to have higher TC compared to those agreements that were eventually dissolved. For example, TCI for the European Community and the North American Free Trade Association (NAFTA) were between 53.4 and 56.3, whereas it ranged from only 7.4 to 22.2 for the original Andean Pact and the Latin American Free Trade Association (LAFTA).

TABLE 2: TCI FOR SELECTED REGIONAL TRADE ARRANGEMENTS

Regional Arrangement	Index	Regional Arrangement	Index
Canada-United States FTA	64.3	Mercosur[2]	28.6
NAFTA	56.3	LAFTA	22.2
European Community[3]	53.4	Andean Pact[4]	7.4

Source: Yeats, 1998

Adopting a technique similar to Yeats, the tables below provide a preliminary examination of the extent to which ASEAN's exports can match the import demand of India as well as of other prospective economic integration partners (i.e. China, Japan and Korea). On the whole, ASEAN6 were more complementary to India compared to ASEAN4 with the exception of Myanmar. Among all ASEAN countries, Indonesia has the highest TCI, followed by Myanmar, Thailand, Malaysia, Vietnam and Singapore. Following Yeats' argument, for these ASEAN countries, it is favourable for them to form a FTA with India. On the other hand, the other ASEAN countries had the lowest match with India. For these countries, we cannot confidently conclude whether their FTA with India is likely to fail or succeed.

Brunei

As can be seen from Table 3, a FTA with Japan is the least favourable for Brunei, as compared to other potential FTA partners of China, India and Korea. Brunei's export structure can best match the import structure of China, followed by India, Korea then finally Japan. However, other than with China, Brunei's TCI with the other countries are way below the halfway mark[5] . Hence, the chances for a successful FTA with these other countries are relatively lower compared to China. Generally, its TCI with Korea has been increasing over the past 5 years – from 22.76 in 1992 to 35.07 in 2001 – its TCI with Japan is fluctuating around 25, while that with India hovered around 30.

TABLE 3: TCI FOR BRUNEI AND SELECTED ECONOMIES										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	27.64	24.17	24.26	23.14	24.75	27.45	25.92	30.66	—	—
China	52.89	54.42	54.28	58.41	59.79	56.64	54.68	58.64	—	—
India	34.40	30.85	30.57	30.80	36.64	33.20	29.56	42.78	—	—
Korea	22.76	21.61	21.78	21.16	23.45	27.82	30.93	35.07	—	—

Note: — : Data not available
Source: Author's calculations

Indonesia

In the case of Indonesia, Japan is its most desirable partner, although its export structure also highly complements the import demand of India, Korea and China. As can be seen from Table 4, its TCI with these economies are close to 80, and has generally exhibited an increasing trend since 1992. With such high TCI, based on the argument adopted by Yeats (1998), Indonesia not only can have successful FTA with Japan. It may also consider a FTA with India or Korea. China, on the other hand is the least desirable choice for Indonesia. Its TCI of 67.43 is the lowest among the four countries.

TABLE 4: TCI FOR INDONESIA AND SELECTED ECONOMIES										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	67.96	69.75	71.49	73.23	74.56	71.71	72.10	73.83	80.62	79.70
China	52.89	54.42	54.28	58.41	59.79	56.64	54.68	58.64	66.13	62.43
India	69.48	69.05	68.36	67.99	71.34	80.45	82.90	76.06	77.16	77.08
Korea	57.73	60.76	62.49	63.43	64.60	69.36	70.06	69.86	76.41	77.68

Source: Author's calculations

Malaysia

From 1992 to 2001, Malaysia's TCI with Japan has been hovering around the 63 mark, while its TCI with China exhibited a rapid increment. As a result of such trend, China overtook Korea in 2001 to become Malaysia's most desirable FTA partner. Japan's position fell from 2nd in 1992 to 3rd in 2001. However, whether such rapid increment in its TCI with China will persist into the future remains to be seen. A closer examination of Table 5 revealed that if the year 2001 is ignored, Malaysia's TCI with Japan and China do not really differ by much. In fact, prior to 2000, Japan was actually a better choice for Malaysia as compared to China. It should be noted that while its TCI with Korea is high, it has been decreasing. Malaysia's TCI with Korea fell from 79.96 in 1992 to 69.00 in 2001. The same trend can be seen in its TCI with India – its least matched country. In this case, the reduction in TCI is not as steep as Korea's. Malaysia's TCI with India fell from 53.46 in 1992 to 48.03 in 2001.

TABLE 5: TCI FOR MALAYSIA AND SELECTED ECONOMIES										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	65.92	62.70	59.13	60.86	63.34	62.83	64.68	62.82	62.07	63.09
China	52.89	54.42	54.28	58.41	59.79	56.64	54.68	58.64	66.13	74.25
India	53.46	53.83	53.10	54.63	53.02	52.48	48.55	45.66	47.42	48.03
Korea	79.96	76.66	75.14	74.26	74.41	71.17	65.35	67.99	70.48	69.00

Source: Author's calculations

Singapore

Like Malaysia, Singapore's TCI with Japan has been relatively constant, with some fluctuations around 60. However, due to a sharp increase in its TCI with China in 2001, China emerges as its most favourable FTA partner for that year, followed by Korea, Japan and India. If TCI for 2001 is not taken into consideration, then Korea will emerge as the most favourable partner, a position it held since 1992. Japan will continue to be in third position. It can be noted from Table 6 that while Singapore's TCI with China has been increasing, its TCI with Korea and India has generally exhibited a falling trend. Between 1992 and 2001, Singapore's TCI with Korea fell from 74.46 to 67.87, while that with India decreased from 50.79 to 45.03. Should such a trend persist, Japan, whose TCI with Singapore has been relatively stable, will overtake Korea to emerge as Singapore's second best choice.

TABLE 6: TCI FOR SINGAPORE AND SELECTED ECONOMIES

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	60.33	58.00	55.02	56.66	58.12	58.39	57.66	57.49	60.30	61.80
China	52.89	54.42	54.28	58.41	59.79	56.64	54.68	58.64	66.13	72.27
India	50.79	53.05	48.83	49.18	46.47	46.29	43.46	42.13	42.74	45.03
Korea	74.46	71.81	70.77	69.82	69.31	66.65	64.65	68.31	68.24	67.87

Source: Author's calculations

Thailand

Table 7 illustrated that with the exception of India, Thailand's TCI with the other three economies are above 70. This seems to indicate that Thailand's economy strongly complement China, Korea and India. Although China, with a TCI of 78.72 in 2001, is the most suitable FTA partner for Thailand, a FTA with Japan or Korea is just as desirable. In 2001, Thailand's TCI with Japan and Korea are 72.48 and 71.50 respectively. Generally, Thailand's TCI with these three countries have been increasing over the past decade, and the gap between them has always been close. On the other hand, Thailand's TCI with India has been relatively stable, hovering around the halfway mark.

TABLE 7: TCI FOR THAILAND AND SELECTED ECONOMIES

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	63.68	65.50	69.26	73.38	74.95	73.81	71.09	69.35	73.60	72.48
China	62.19	65.26	67.31	73.20	75.22	73.02	74.36	76.14	77.21	78.72
India	46.06	51.76	52.33	53.48	50.91	53.57	51.44	48.85	51.03	51.32
Korea	61.40	65.06	70.71	72.69	74.93	73.37	70.83	73.80	73.74	71.50

Source: Author's calculations

The Philippines

For the Philippines, a FTA with Japan is not its best option. As seen in Table 8, its export structure can best match China, followed by Korea, then Japan and India. Had the FTA been initiated before 1997, Japan would be one of its most ideal choices. However Philippines' TCI with Japan has been falling since 1992, thus enabling Korea to overtake its position in 1997, followed by China in 1999. Philippines' TCI with Japan fell from 60.59 in 1992 to just 47.06 in 2001. Although there is a slight increase in its TCI with Japan from 1999 to 2001, the increment of about 7 percent is much lower than the 15 percent increment in its TCI with China. In the case with China, TCI rose from 45.92 in 1992 to 53.94 in 2001. Although China is its most desirable partner, it is worth noting that for these four economies, none of them have TCI that is very much above the halfway mark of 50.

TABLE 8: TCI FOR THE PHILIPPINES AND SELECTED ECONOMIES

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	60.59	59.81	59.83	58.34	56.10	50.68	47.71	43.43	46.57	47.06
China	45.92	42.48	45.73	48.72	48.09	49.92	44.40	46.98	52.31	53.94
India	45.31	47.69	49.60	49.30	44.58	46.78	48.37	37.37	38.26	38.01
Korea	46.69	46.70	49.04	50.13	53.21	56.41	50.53	50.48	55.24	53.13

Source: Author's calculations

Cambodia

In the case of Cambodia, although its TCI with China is the highest among the four countries, it is not desirable for Cambodia to form a FTA with any of them. As can be gleaned from Table 9, its TCI with China, its most desirable partner, is only 16.96 in 2001, whereas that with Japan, Korea and India is lower at 15.32, 11.37 and 10.36 respectively. At the current stage, Cambodia's export structure has not developed to extent where it can complement these economies[6]. Based on TCI, if Cambodia is to form an FTA with any of these countries now, it is unlikely to succeed.

TABLE 9: TCI FOR CAMBODIA, LAOS AND SELECTED ECONOMIES

		2000	2001			1999	2000	2001
Cambodia:	Japan	16.19	15.32	Laos:	Japan	23.77	21.00	24.46
	China	18.95	16.96		China	19.13	16.03	17.59
	India	8.99	10.36		India	10.45	9.02	13.50
	Korea	11.81	11.37		Korea	14.52	11.75	15.79

Source: Author's calculations

Laos

Similar to Cambodia, at the moment, Laos' TCI with the four selected economies are way below the halfway mark. From Table 9, we can observe that Japan, with a TCI of 24.46 in 2001, is a much more desirable FTA partner for Laos. China, with TCI of 17.59 is next, followed by Korea and India. Laos' TCI with the latter two economies is 15.79 and 13.50 respectively. Following the line of Yeats' argument, we can conclude that it is not desirable for Laos' to form an FTA with these economies now because its export structure, as a whole, is not sufficiently complementary to their import demand[7] .

Myanmar

As can be seen from Table 10, other than the year of 2001 when there was a sudden surge in its TCI with India, Japan is the most ideal FTA partner for Myanmar, compared to China, India and Korea. In 2000, Myanmar's TCI with Japan is 55.84, whereas that with China, India and Korea are 39.42, 45.70 and 45.92 respectively. In 2001, its TCI with India registered a rapid increment to 51.96. At the same time, that with Japan dropped sharply to 42.30, thereby enabling India to overtake Japan, and for the first time emerged as its most desirable FTA partner. While it remains to be seen whether the same rate of increment will continue into the future, it can be observed that Myanmar's TCI with India has generally exhibited an upward trend, rising from 30.11 in 1992 to 51.96 in 2001. The same goes for its TCI with Korea. For Korea, TCI in 2001 is 39.26, upped from 27.15 in 1992. On the other hand, its TCI with Japan and China has been relatively stable, hovering between 40 and 30 respectively.

TABLE 10: TCI FOR MYANMAR AND SELECTED ECONOMIES

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	39.51	39.80	41.10	41.03	40.54	39.15	40.18	37.59	55.84	42.30
China	22.46	18.66	21.63	27.62	27.08	26.48	28.29	28.48	39.42	21.46
India	30.11	25.83	30.65	25.57	27.15	32.02	41.14	36.50	45.70	51.96
Korea	27.15	27.25	27.45	30.16	32.49	32.46	35.95	32.48	42.92	39.26

Source: Author's calculations

Vietnam

In the case of Vietnam, an FTA with Japan gives the highest likelihood of success. Vietnam's TCI with Japan is high at 60.66 in 1999. As observed from Table 11, China, with a TCI of 58.64, followed closely behind, followed by Korea, then India. Vietnam's TCI with them is 51.29 and 46.60 respectively. Generally, Vietnam's TCI with Japan is stable, hovering between 60 and 65[8] . It should be noted that although Vietnam's export structure can best complement Japan's import structure, the gap between Japan and China has closed up significantly over the period from 1992 to 1999. On the other hand, its TCI with Korea displayed a gradual increment from 44.06 in 1992 to 51.29 in 1999. For India, its TCI is stable, fluctuating at about 45.

TABLE 11: TCI FOR VIETNAM AND SELECTED ECONOMIES										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Japan	64.95	49.13	63.86	60.11	65.11	65.12	58.82	60.66	—-	—-
China	52.89	54.42	54.28	58.41	59.79	56.64	54.68	58.64	—-	—-
India	48.96	45.80	48.45	43.58	45.13	44.50	41.08	46.60	—-	—-
Korea	44.06	45.82	44.34	42.23	48.26	50.75	46.03	51.29	—-	—-

Note: — : Data not available
Source: Author's calculations

Conclusion

Comparing the TCI of ASEAN with the other regions that have formed or tried to form similar trade agreements, it is predicted that ASEAN countries, with the exception of Myanmar, Indonesia and Brunei, are more likely to form successful free trade agreements with Japan, China and Korea than with India. Among ASEAN countries, TCI is highest with India-Indonesia, followed by India-Myanmar and India-Thailand. Surprisingly, Singapore, India's major ASEAN trading partner, has a TCI with India of 45.03. On the other hand, TCI indicated that all the transitional ASEAN countries (with the exception of Myanmar) are less likely to form a successful FTA with India.

Although the proposed ASEAN-India FTA is expected to bring smaller benefits compared to other FTAs (i.e. ASEAN-China, ASEAN-Japan and ASEAN-Korea), there is a greater scope for intra-industry trade expansion. ASEAN countries should try to promote intra-industry trade with India as well as joint ventures for third-country markets. This kind of cooperation will help ASEAN and India remain competitive in the increasingly competitive global markets. The transitional ASEAN countries, on the other hand, should not rely excessively on their resource-based exports. Instead, they need to develop their competitive advantages in other sectors before their resources are depleted. There is also a need for them to manage their natural resources in a better manner. In this regard, India, with its development experience, technology and capital, can provide valuable assistance.

For them to realise the benefits from the proposed ASEAN-India FTA, India must overcome the sensitive issue regarding liberalisation of its agricultural sector. For many ASEAN countries, especially Cambodia, Laos, Myanmar and Vietnam, agricultural exports are a key source of foreign exchange and employment. Agricultural liberalisation will also benefit Indian consumers by lowering the price of agricultural commodities available to them. Hence, in order to maximise their benefits from the proposed FTA, ASEAN needs to ensure that their agricultural exports can gain larger access into the Indian market. ASEAN will also need to further deepen their production capacity. ASEAN and India need to climb up the technological ladder to enhance further development and competitiveness. They can make use of this FTA to attract foreign firms to set up firms involved in higher-order manufacturing, instead of just assembly lines, within the region.

While pursuing an ASEAN-India FTA, ASEAN countries and India should not allow the progress of their regional economic integration initiatives (AFTA and SARC) to slow down. Both ASEAN and South Asia need to have integrated markets to be able to maximise the benefits of the FTA. In this regard, the development gaps between the richer and poorer members will need to be reduced in the case of ASEAN and political relations within South Asia need to be improved.

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Endnotes

1 For examples, see Michaely (1994) and Yeats (1998).

2 This is an arrangement between Argentina, Brazil, Paraguay and Uruguay.

3 This index was calculated for only the six initial members when the arrangement begun.

4 TCI was calculated for its member countries of Bolivia, Colombia, Ecuador, Peru and Venezuela when the pact was initiated.

5 Although Brunei's TCI with India in 2001 is at 42.78 which is close to 50, it is an exception year. In the years prior to 2001, none of the TCI was above 40.

6 Owing to a lack of data, we are unable to compute and analyse how Cambodia's TCI with these economies have developed over the years.

7 In this case, owing to a lack of data, we do not have enough data to conduct a meaningful analysis of how Lao's TCI with these economies have developed over the years.

8 There is an exception in 1993 when the TCI dipped below the halfway mark.

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ANNEX-I

Afro-Asian Civil Society Statement on Trade

We, representatives of the civil society including non-governmental organisations, research institutions, academia, public interest groups, trade unions, and the media have met in New Delhi, India from 13^{th} to 15^{th} April 2004 at a seminar titled "From Cancún to São Paulo: The Role of Civil Society in the International Trading System" and adopted the following statement to manifest the developmental aspects of some of the issues of the international (including but not limited to multilateral) trading system and to enhance the role of the United Nations Conference on Trade and Development (UNCTAD) in the international trading system. We urge the international community to take forward these recommendations while framing rules and policies on global trade for the benefit of the poor.

I. Manifesting the Developmental Aspects of the International Trading System

1.1 Special & Differential Treatment

1.1.1 Special and Differential Treatment (S&DT) provisions in the WTO (World Trade Organisation) agreements make for differentiated rights and obligations for developing and least developed countries on account of their lower levels of development and share in international trade. The conceptual basis for S&DT is derived from the rationale that there is a wide gap in the economic capacities and levels of development between the developed and developing (including least developed) countries, and that developing and least developed countries cannot compete on equal terms with developed countries.

1.1.2 The value of S&DT is reinforced by the fact that differences in capacity, coupled with other factors, contribute to a reality where global rules for all, "a level playing field" does not inherently produce the same results for all. Global forces, which concern all nations, do not have the same effect in terms of costs and benefits associated with change on all people.

1.1.3 It is also a fact that the developed countries are enjoying enforceable S&DT provisions under the WTO agreements on agriculture and textiles and clothing, which enabled them to restructure. The phase-out of subsidies, etc in agriculture is a major stumbling block, while the pernicious quota system in the textiles sector, after ten years of protectionism, will hopefully come to an end in 2004.

1.1.4 We recognise that all countries, especially the low-income ones, require special provisions in their trade policies while implementing the WTO agreements. S&DT provisions in the WTO agreements are to be seen as tools for enabling sufficient policy space for designing national development strategies.

1.1.5 We call upon WTO members, first, to undertake a fundamental rethinking of S&DT provisions, away from derogation from common rules and trade preferences, and towards rapidly building up the capacity of developing countries to participate effectively in WTO decision-making processes and negotiations and, second, to commit credibly to provide the resources needed for such capacity building and to build and strengthen supply-side capacity and competitiveness.

1.2 Agriculture

1.2.1 In 1999, the total value of support provided to agriculture in the OECD (Organisation for Economic Cooperation and Development) countries was estimated at US$361bn. In terms of economic welfare, the OECD's farm support is estimated to cost the developing countries about US$20bn per year. We call upon these countries to immediately eliminate export subsidies on agricultural products and reduce their domestic subsidies to agriculture substantially within a short term. At the same time, countries should recognise the problems faced by many net food importing developing countries (NFIDCs) and take appropriate steps to ensure that agricultural liberalisation takes into account the challenges faced by the NFIDCs.

1.2.2 Further, eliminating such distortions should not be conditioned on developing nations giving something in return as a 'reward' to developed nations. Such actions are not only morally but also economically the right thing to do, because of the expected increase in global welfare and economic efficiency. We call upon developing and least developed countries to identify those export subsidies of the OECD countries that are harming their economies and advocate accordingly.

1.2.3 Many poor and marginalised farmers, especially in Africa, depend on specific agricultural commodities for their livelihoods. Falling international prices of many of these products, coupled with low capacity for value addition, are making these farmers (and their governments) vulnerable to the vagaries of unregulated markets. Many of these countries are heavily indebted and cannot trade their way out of debt with declining commodity prices. According to a report prepared by Oxfam, the average farm-gate price of coffee in the Kilimanjaro region of Tanzania is about US$0.28 per pound, which is nine percent of the average retail price of roasted and grounded coffee in the US. The report further points out that developing countries mostly export green coffee or beans while processing and value addition is done by business in developed countries. Trade barriers in developed countries (in the form of escalated tariff structure in this case) have reinforced this pattern and have denied market access to value added products from developing countries. We call for the removal of tariff escalation, which is hampering the growth of value-added agro-based industries in developing and least developed countries.

1.2.4 Cotton subsidies provided by developed countries to their farmers have direct implications on the livelihood of many farmers in poor countries. The economies of many poor countries (e.g. Chad, Burkina Faso, Mali, Benin) are heavily dependent on cotton. According to the World Bank's "Global Economic Prospects 2004", the US provides US$3bn annually as subsidies to its cotton producers, while the EU provides about $0.6bn each year. At the same time, several cotton-producing developing and least developed countries (especially in Africa) have undertaken substantial policy reforms including import liberalisation to increase the efficiency of their cotton sector. As a consequence, the resulting global economic distortions have been transmitted into the domestic market causing devastating declines in local productive capacity, income and negative returns on investment and thus contributing to increased poverty. Price and export prospects of such cotton exporting countries and the propensity to reduce poverty would be greatly improved if developed-country subsidies were eliminated. We urge the US and the EU to completely eliminate subsidies on cotton.

1.3. Non-Tariff Barriers

1.3.1 According to a World Bank study, the strategy of imposing trade barriers under various (non-tariff) guises by developed countries against the poor countries causes a loss of over US$100bn every year to the latter. As tariffs are decreasing, more and more non-tariff and market entry barriers are being created to block imports. Some of them are genuine for the purpose of protecting consumer health and safety, but most are for protectionist purposes.

1.3.2 In particular, measures allowed under Article XX of the GATT (General Agreement on Tariffs and Trade) and the Agreement on Sanitary and Phyto-sanitary Measures could be used for protectionist purposes rather than their intended purpose of protecting the environment and health and safety of the human and animal population. Although the dispute settlement mechanism of the WTO could be used to address any egregious violation of the letter and/or spirit of WTO rules, it is legalistic, cumbersome and costly. Alternative mechanisms for identifying and quickly redressing any violations that affect developing countries should be explored.

1.3.3 We call upon the developed countries to introduce an Ombudsman scheme for settling disputes (on account of non-tariff barriers) on market access of products originating from the developing and least developed countries. Donor agencies should also facilitate the formation of producer-consumer networks to address the adverse impact of non-tariff barriers on producers of poor countries.

1.4. Movement of Natural Persons

1.4.1 The decade of 1990s saw much liberalisation in the cross-border movement of capital. On the other hand, movement of labour has been more restricted. Both from the point of view of consumer welfare and sustainable development, the removal of labour market distortions will increase global welfare. According to a study by the University of Sussex, UK, an increase in industrialised countries' quotas on the inward movements of both skilled and unskilled temporary workers equivalent to three percent of their workforces would generate an estimated increase of world welfare of more than US$150bn a year.

1.4.2 Temporary movement of natural persons supplying services is one mode of supply of (trade in) services as agreed in the General Agreement on Trade in Services (GATS) but very few commitments are extended to independent and temporary movement of skilled and unskilled workers. The existing commitments suffer from lack of clarity, uniformity and predictability in many aspects. We call upon WTO members to adopt a standalone agreement on the movement of natural persons. Such an agreement will provide much needed focus on the issue and its relevance to economic development.

1.5 Supply Side Concerns

1.5.1 Over the years, the problems vis-à-vis the realisation of market access opportunities, which the developing and least developed countries have faced so far, emerge from both the demand-side and the supply-side. Many of these countries are not in a position to capitalise on market access opportunities due to supply-side constraints.

1.5.2 We call upon the international community and donors to put more emphasis on supply-side issues. Enhanced debt relief and a substantial increase in development assistance for the poor countries will help them to use their scarce foreign exchange to import necessary capital goods to overcome supply-side constraints.

1.5.3 We also call upon the international community and donors to set up a special fund for infrastructure development in developing and least developed countries.

1.5.4 Some of these (supply-side) constraints arise from the ineffective system of governance in many countries. Governments of these countries will have to provide a better and an enabling policy environment in order to realise the gains from trade and related economic activities. We call upon the civil society to work in partnership with the governments and the private sector to create and continuously improve such an environment and also play the role of a watchdog to address systemic distortions vis-à-vis governance.

II. Enhancing UNCTAD's Role in the International Trading System

2.1 Repositioning UNCTAD in the International Trade regime

2.1.1 Since the establishment of UNCTAD (United Nations Conference on Trade and Development) in 1964, it has actively promoted equitable treatment in international trade that brings genuine development. The creation of the generalised system of preferences agreed at the fourth UNCTAD Conference in 1976 was an innovative and successful approach to providing better access for developing countries to the markets of the OECD countries.

2.1.2 UNCTAD is different from the WTO. UNCTAD operates on the principles of respecting development alternatives and the development and trade policy space required by the developing and least developed countries. It recognises the imperative for countries, especially the developing and least developed, to customise their trade and development policies as per their needs and aspirations. It has an indispensable role in realising the Millennium Declaration of the United Nations objective of creating a universal, open, non-discriminatory and equitable international trading system.

2.1.3 However, since the 1990s, there have been attempts to diminish UNCTAD's role in influencing international trade policy. The UNCTAD XI (to be held in São Paulo, Brazil from 13th to 18th June 2004) pre-conference text is an important forum for taking effective and urgent action to strengthen UNCTAD's future role vis-à-vis the international trading system from a development standpoint. We call upon UNCTAD member states to reposition UNCTAD's role from the current state of being just a research, advisory and capacity building institution to being a more influential force in the formulation, monitoring and follow-up of international trade policy and development, especially to reflect and advocate the needs and aspirations of developing and least developed countries. To effectively carry out its mandate, UNCTAD must be provided with greater resources from the regular budget of the UN and from extra-budgetary sources.

2.2 Technical and Financial Assistance to Poor Countries

2.2.1 UNCTAD should put specific emphasis on deeper technical and financial assistance towards improving the quality, competitiveness of products and services originating from developing and least developed countries and for sharing policy lessons and promoting best practises.

2.2.2 UNCTAD should also systematically promote trade and development strategies and policies of developing and least developed countries drawing upon the lessons from international trade strategies by the top economic performing developing nations in the last 50 years.

2.2.3 Most developing and least developed countries do not have the required human and institutional capacity for multilateral, regional and bilateral trade negotiations. For example, most African countries are currently engaged in negotiating economic partnership agreements with the European Union, thus putting constraints on the African governments' technical capacity to engage in simultaneous negotiations. UNCTAD should facilitate the process of bolstering the negotiating capacity of poor countries by providing capacity building support and promoting regional coalitions. This will not only ensure greater bargaining power, but also reaping regional and sub-regional economies of scale in deploying scarce technical expertise and resources.

2.3 South-South Cooperation on Trade

2.3.1 UNCTAD should actively engage in promoting South-South cooperation on trade. Poor knowledge about the potentiality of products and services produced in the developing and least developed countries is an area, which needs targeted intervention. Several southern products are as competitive as those being produced in the industrialised countries but developing and least developed countries lack the additional technical and financial inputs to engage in global marketing and distribution. Hence, most consumers are unaware of such products.

2.3.2 UNCTAD should give special focus on South-South cooperation in biotechnology and traditional knowledge systems. These areas offer some of the greatest potential for new sources of wealth creation, resources to promote institutional and structural transformation and new sources of global competitive factor advantages in the 21st Century.

2.4. UNCTAD and the Civil Society

2.4.1 Civil society organisations play a very important role in the international trading system through research (linking grassroots concerns with policy-making at the national and international level), advocacy, information dissemination and outreach (spreading knowledge about the impact of the international trading system on people's livelihoods, and the opportunities and challenges of the changing trade regime).

2.4.2 UNCTAD recognises these roles as necessary for making informed policy interventions. UNCTAD's approach to partnership for development with the civil society should be based on facilitating: a) the relationship between the civil society and governments, so that they can engage constructively, b) the process of dialogues and consultations between and among the civil society and other stakeholders, and c) the co-management of joint programmes. In taking these initiatives forward, UNCTAD should establish a tripartite forum involving governments, the civil society and the private sector. This forum should periodically monitor and evaluate the means and achievements of UNCTAD's initiatives on partnership for development.

III. Finally…

3.1 Trade can play a vital role in generating conditions for economic growth and development to create wealth and reduce poverty. However, trade cannot be looked as an end, but as a means to achieve an end. As the Make Trade Fair Campaign of Oxfam International states: "Well-managed trade has the potential to lift millions of people out of poverty. However, increased trade is not an automatic guarantee of poverty reduction. The experience of developing countries exposes the gap between the great potential benefits of trade on the one side, and the disappointing outcomes associated with growing integration through trade on the other."

3.2 We believe that trade can be a more efficient engine of sustained economic development and poverty reduction than aid. Export growth can concentrate income directly in the hands of poor, creating new opportunities for employment and investment in the process. International trade has the potential to act as a catalyst for economic growth, development and poverty reduction.

ANNEX-II

Agenda for Future Action

The following agenda is derived from the deliberations of the Afro-Asian Civil Society Seminar on Trade, which was held in New Delhi, India from 13th to 15th April 2004 and organised by CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE). The organisation will take forward this agenda in association with its networking partners and other stakeholders.

Issue	Way Forward
Policy coherence between domestic development plans and the international trading system	• Perception analysis of the question: how to achieve greater coherence between the activities of different stakeholders (business, etc), national governments and civil society groups • Looking at the issues and aspects of coherence as a process and in substantive terms, vertically as well as horizontally • Research and analysis of policy proposals for achieving better coherence and their impact • Advocating policy approaches based on the research findings
Contours of South-South cooperation	• To find out whether issue-specific alliances and coalitions are likely to be more successful than a holistic approach • To analyse the approaches of different countries in aligning their trade and development policies, while pursuing their interests at the multilateral system • Fieldwork-based research to find out the basis (objectives, purposes, etc) of such cooperation, given that most of these countries have differing negotiating priorities at the multilateral level
The future role of civil society groups to pursue developing country interests at the international level	• Identify the ways of getting involved with the policy process of developed countries • To understand the process, create networks with interests with similar objectives in order to work through their (developed countries) systems to shape appropriate negotiating mandates
Coherence between the work being done by UNCTAD and UNDP and the civil society concerns	• Clarify the role and potential of the relationship between these institutions and civil society groups • Link civil society networks with the activities of these institutions

ANNEX-III

Afro-Asia Network of Civil Society Organisations on Trade

Background

The Afro-Asia Network of Civil Society Organisations on Trade (ANCSOT) has been initiated by several civil society groups and interested individuals from Africa and Asia. It will act as a platform to manifest developmental concerns vis-à-vis the international trading system.

The idea was conceived in the run-up to and during the Afro-Asian Civil Society Seminar on Trade, which was held in New Delhi, India in April 2004, organised by CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE). Since the mid 1990s, CUTS-CITEE has been actively pursuing research, networking and advocacy on issues of the international trading system and their developmental implications. It has created several issue-specific networks and is also been a member of several other networks.

While pursuing the above-stated roles, the organisation realised the imperative of creating a network of civil society groups and other stakeholders from Africa and Asia to seek improvements to the way the international trading system is functioning.

ANCSOT will complement the activities of various organisations on trade and development issues, including that of the inter-governmental organisations and developmental groups, and will aim to link grassroots with international policy-making fora.

Mission

To promote the linkages between the international trading system and national development strategies through networking, research and capacity building, but without any formal advocacy role.

Objectives

- To provide a platform for sharing experience between grassroots and organisations and institutions working at the national, regional and international level, thus facilitating the process of mutual learning
- To catalyse networking and research on the linkages between trade and development
- To build coalitions of civil society groups and other stakeholders working on trade and development issues

- To build capacity of civil society groups and other stakeholders to understand better the linkages between trade and development
- To provide inputs to members for conducting advocacy at national, regional and international level

Management

A Steering Committee comprising members from various backgrounds in terms of organisation, geographical region and gender will be created to guide the activities of ANCSOT.

Membership

No formal application for membership is required. A desire to join the group and contribute towards its development will be sufficient.

The membership will be open to public interest civil society groups, research and academic institutions, parliamentarians and their networks who are interested in or work on trade and development issues, inter-governmental organisations, regional bodies, business organisations, and donor agencies. Individual membership including academicians, lawyers, media persons and others with interest in trade and development issues will be considered.

Activities

The activities of ANCSOT will be decided through networking and consultation. There will be Working Groups on the following aspects:

- Networking
- Research
- Capacity Building

ANCSOT will not conduct advocacy, but will provide inputs to its members for advocacy at national, regional and international level.

Secretariat and Administration

Members of ANCSOT will be connected through an Internet-based discussion group: *ANCSOT-Forum*. Each Working Group will have a chairperson, who (through the organisation s/he belongs to) will coordinate the activities of that Group. During the initial stage, CUTS-CITEE will coordinate the formation of the Network, its Secretariat, Working Groups, and the ANCSOT-Forum.

For membership and other details, contact:

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ANNEX-IV

UNITED
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United Nations Conference on Trade and Development

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Eleventh session
São Paulo, 13 - 18 June 2004

UNCTAD Pre-Conference Negotiating Text

1. In the four years following the tenth session of UNCTAD, the Bangkok Plan of Action served as a comprehensive blueprint for the work of the organization. It should continue to be the basic framework defining the broad areas of UNCTAD's work in the years to come. However, as the principal forum of the United Nations for the integrated treatment of trade and development and interrelated issues in the areas of finance, investment, technology and sustainable development, UNCTAD is also expected to make a substantial contribution to the implementation of the outcomes of recent global conferences. It should specifically aim at contributing to the implementation of the Programme of Action for the LDCs agreed at the Third United Nations Conference on the Least Developed Countries, the internationally agreed development goals contained in the Millennium Declaration, the Monterrey Consensus, the Plan of Implementation agreed at the World Summit on Sustainable Development, the Plan of Action of the World Summit on the Information Society, as well as the Doha Ministerial Declaration and other decisions.

2. UNCTAD has consistently offered a perspective that looks closely at the causes of the trade- and development-related problems of developing countries, as well as economies in transition, and the asymmetries in the international trading and economic system that limit their development potential. Greater understanding of the interface and the coherence between international processes and negotiations on the one hand, and the development strategies that developing countries need to pursue to achieve their development objectives on the other, is critical. UNCTAD can play a key role in helping to ensure that coherence. Advancing this objective is the overarching goal of the São Paulo Conference.

3. Greater coordination should also be sought between the three major pillars of UNCTAD's activities, namely research and analysis, consensus-building and technical cooperation. UNCTAD's capacity to undertake research and analysis on macroeconomic policies, trade, finance, debt, investment and interdependence should be strengthened to ensure that UNCTAD's output meets the needs of developing countries in the most effective way. The results of such analysis should support UNCTAD's activities in consensus building. Equally important is the strengthening of UNCTAD's technical cooperation activities through the implementation of the new technical cooperation strategy that the Trade and Development Board approved at its fiftieth session. In all these areas of work, particular consideration should be given to the least developed countries.

I. POLICY ANALYSIS

4. Globalization has a potential to raise income levels in all countries, but so far its benefits have been distributed unevenly. Although increased trade, improved technology, faster and more accurate communications, and the nearly unlimited opportunities for exchange of information and ideas offer new opportunities to all people, the income gaps between countries in the North and the majority of countries in the South, as well as within countries, have widened further since the 1980s. At the same time, the world economy has been characterized by slow growth and instability, and poverty has increased in many countries. Insufficient coherence between the international trading and financial systems, as well as between national development strategies and international obligations, have contributed to this outcome.

5. The secular decline and instability of world commodity prices and resulting terms-of-trade losses have reduced the import capacity of many developing countries, particularly the LDCs and the African countries, and contributed to increased poverty and indebtedness. This situation is further complicated by the emergence of increasingly concentrated market structures at the international level and stringent standards and requirements in developed country markets. Moreover, value retention by developing countries producers of commodities is decreasing, and their participation in domestic and international value chains is a major challenge. There is a need to give renewed impetus to consideration of the commodity problematique, with due regard being paid to the outcome of discussions at the fiftieth session of the Trade and Development Board and in the General Assembly on the report of the Group of Eminent Persons on Commodities.

6. The dynamic sectors in world trade represent new and emerging trading prospects for developing countries. New opportunities are also provided by potentially high-value-added, special and niche product and services sectors in which developing countries have potential comparative advantages. Creative industries, including audiovisual services, can help foster positive externalities while preserving and promoting cultural heritages and diversity.

7. Diminishing flows of official development assistance in the 1990s have adversely affected productive investment, as well as social and human development in many African and least developed countries. Official development assistance (ODA) has also been increasingly linked to excessive conditionality in connection with structural adjustment, thereby undermining the developmental impact of aid.

8. Slow growth of the world economy, a faster pace of trade liberalization in the South than in the North, and reduced ODA have contributed to a build-up of unsustainable external debt in many developing countries. Implementation of the Heavily Indebted Poor Countries (HIPC) Initiative has progressed, but at a very slow pace, not least because eligible countries are facing difficulties with the complex process of preparing and implementing Poverty Reduction Strategy Papers (PRSPs). Bilateral official creditors have continued to provide debt relief to several low-income countries, partly beyond the commitments made within the framework of the HIPC Initiative, but for most countries the debt relief provided falls short of the level needed to achieve long-term debt sustainability and to allow a significant reduction in poverty in line with the internationally agreed target levels. Moreover, a number of low- and middle-income developing countries not eligible for debt relief under the HIPC Initiative are also carrying debt burdens far exceeding the threshold level for sustainability adopted in the HIPC framework.

9. Volatility in international financial markets and private capital flows continues to affect developing countries, which often do not have the necessary institutional capacity to mitigate its impact. Such volatility has often contributed directly to problems in managing interest rates and exchange rates, and to the outbreak of financial crises in emerging market economies. It has also had an indirect effect on other developing countries by worsening and destabilizing international trading and financing conditions.

10. Development policies during the past two decades have centred around greater openness to international market forces and competition, and a considerably reduced role of the state. The assumption was that this approach would lead to a more efficient allocation of resources and increased inflows of foreign capital, including FDI, which would help to deepen technological capabilities. Together with political stability, good governance, respect for property rights and investment in human capital, these elements made up what was regarded as a generally applicable strategy for sustainable growth in a globalizing world.

11. The experience with such policy reforms has shown that market forces alone cannot be relied upon to bring about the transformations in economic structure that are required for sustained development. Although the basic elements of the orthodox approach may still have some role to play, there is now broad agreement on the need to rethink development strategies in light of the successful and less successful experiences of the past.

12. Experience from developing countries that have been more successful in integrating into the world economy than others shows that rapid and sustained growth in developing countries requires a dramatic shift in economic structure from the primary sector to manufacturing and services, associated with a progressive rise in productivity. The engine of this process of structural change has been rapid and sustained capital accumulation, which cannot be achieved by relying on market forces alone.

13. All this suggests that there is no automatic convergence of open economies. Country-specific national interests, potentials and socio-economic circumstances have not been taken sufficiently into account in the formulation of development strategies at both the national and the international level. This implies a rejection of a "one-size-fits-all" approach to development.

14. For developing countries to integrate into the world economy on terms and conditions favourable to their development, they need to build stronger supply capabilities and promote technology transfer and generation, encourage enterprise networking, and increase the productivity and improve the competitiveness of their enterprises. Investment plays a central role in this effort; it provides a crucial link between productive capacity building and international competitiveness. An essential lesson from the experiences of countries that have successfully promoted growth and development is the critical role of active and well sequenced policies directed at promoting productive investment, developing human resources and an efficient infrastructure, enhancing institutional capacity, building technological capability, and supporting local enterprises, including linkages between large and small enterprises.

15. The scope for domestic economic policies in developing countries, especially in the area of trade, investment and industrial policy, is now more restricted by international commitments at various levels, such as those undertaken in the context of WTO negotiations and in relations with international financial institutions, and by conditionalities attached to official financing and adjustment programmes. The question today is therefore how much policy space and policy flexibility remains in developing countries, to what extent is it necessary and possible to enlarge this policy space, and in which areas. In the same way as development strategies and policies have to be adapted to different settings, the space for national policy also has to be adapted to their specific needs and circumstances. At the same time the desirability of rules applying to all must be acknowledged, as well as the temporary nature of any exceptions from such rules.

16. The financing of productive capacity building is central to any development strategy. First and foremost there is a need to harness domestic resources for investment in productive capacity and technological upgrading. However, domestic resources, particularly in lower-income countries, need to be complemented by external capital flows in order to raise investment. FDI can offer the potential to utilize foreign savings and to transfer knowledge and technology, upgrade human resources, boost entrepreneurship, introduce new production and management techniques and stimulate enterprise learning through linkages between foreign affiliates and domestic enterprises. However, the extent to which full economic and social benefits can be derived from FDI is dependent on the presence of a vibrant domestic private sector, improved access to international markets, and the implementation of investment policies as an integral part of national development strategies.

17. Creating an enabling environment for investment, technology transfer and enterprise development is essential for building productive capacity. Equally important are the policies and actions that the home countries of FDI and TNCs themselves can introduce to encourage investment and to increase the benefits that developing countries can generate from investment inflows. Home country measures and corporate responsibilities that aim at proactive engagement of corporate actors in development from both the economic and the social perspective stand at the core of this process.

18. Information and communication technologies (ICTs) are becoming increasingly important for improving the competitiveness of enterprises. They help reduce transaction costs, provide opportunities to increase exports, open up wider markets, thus promoting

diversification and employment opportunities, increase management efficiency and enhance flexibility in production processes. But large disparities exist between countries in their access to, and ability to use, ICTs, resulting in a digital divide. The underlying causes for the low level of application of new technologies in developing countries include insufficient telecommunications infrastructure and Internet connectivity; expensive Internet access; absence of adequate legal and regulatory frameworks; shortage of requisite human capacity; failure to use local language and content; and a lack of entrepreneurship and business culture open to change, transparency and social equality.

19. Other elements that are essential for improving the international competitiveness of developing countries' enterprises are the costs and quality of transport and trade facilitation arrangements. The availability of efficient transport facilities helps to reduce transaction costs and increases the possibilities for all enterprises, particularly SMEs, to participate in international trade. In this respect, new security-related measures and requirements that have been introduced in recent years and which have been changing the environment for the international transport of goods need special consideration.

20. Trade policies can serve as an important development instrument, but they have to be consistent with national development goals such as growth, economic transformation and production, diversification, export value-added, employment expansion, poverty eradication, gender equity, human development and sustainable use of natural resources. Trade is not an end in itself, but a means to development, and hence developing countries need to design and implement national trade policies that focus on development and poverty reduction.

21. Developing countries have made strenuous efforts at trade liberalization under very difficult circumstances, underscoring their interest in using trade as an engine of development and poverty reduction. However, only a few developing countries have succeeded in participating in global export growth. The share of the African countries and LDCs in world trade has continued to fall, and their terms of trade have deteriorated, making it difficult for them to build competitive productive and supply capacity. Equally important are the concerns of small economies, including small island developing States and landlocked developing countries.

22. All countries have a shared interest in the success of the Doha Work Programme (DWP), which aims at making the trading system more development-friendly. Specific interests and concerns of developing countries relate to, inter alia, market access in agriculture, non-agricultural goods, and services; market entry barriers and trade remedies; implementation issues; special and differential treatment (S&DT); trade preferences; accession to WTO; and issues relating to LDCs and small economies. The development implications of these issues deserve special consideration.

23. Trade in agriculture has important implications for the sustainable livelihood and food security of three-quarters of the world's poor living in the rural areas of developing countries. Trade-distorting domestic support and export subsides of developed countries, and tariff peaks and escalation faced by developing country agricultural exports, have hampered the effective realization of the full potential of agricultural trade of developing countries. Continued tariff bias against developing countries' non-agricultural exports,

compounded by tariff peaks and escalation, reduce their ability to diversify and add value to their exports. The erosion of preferences arising out of the ongoing market access negotiations, compounded by difficulties in utilizing preferential schemes, is a serious concern to preference-receiving developing countries.

24. Increasing the participation of developing countries in trade in services necessitates liberalization of services trade in sectors and modes of interest to them. A key priority lies in developing national and international policies to undertake commercially meaningful liberalization and commitments to achieve genuine movement of natural persons for all categories, including independent service suppliers under Mode 4 of the General Agreement on Trade in Services (GATS). Building competitive services supply capacity remains a major challenge for developing countries, including through the effective implementation of GATS Article IV. This is a Mode where both developing and developed countries can realize significant welfare gains.

25. Developing country exports also face market-entry barriers arising from, *inter alia*, restrictive rules of origin, stringent technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, growing indiscriminate use of contingency protection measures (anti-dumping measures), and the recent introduction of various security-related actions. Other anti-competitive structures and practices, as well as environmental requirements under governmental regulations and voluntary private sector or NGO-created standards, significantly add to these barriers.

26. The implementation of their commitments on such multilateral trade agreements as TRIPS, TRIMs, TBT, SPS and customs valuation, as well as use of the dispute settlement system, involves high resource and adjustment costs that are particularly hard to bear for developing countries.

27. S&DT is an established principle within the WTO and an integral part of WTO Agreements. It can play a valuable role in addressing the economic, structural and institutional imbalances between developing and developed countries. WTO Members decided, in the Doha Declaration, that "all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational" and to identify those that should be made mandatory with clear recommendations thereon. Timely implementation of this decision is critical.

28. The Doha Ministerial Declaration noted the "extensive market-access commitments" already made by the acceding countries to WTO. Developing countries in the process of accession continue to face difficulties, including obligations demanded of them that are not consistent with their status as developing countries.

29. Trade is a key aspect of regional integration efforts, and regional trade agreements are a major facilitator of South-South trade. The Global System of Trade Preferences among Developing Countries (GSTP) is an established instrument available to developing countries and deserves further and broader implementation so as to generate additional trading opportunities, particularly for LDCs.

30. Trade and environment issues are important in the context of a broad agenda for sustainable development, with increased focus on issues of key developmental concern. Trade and competition policy issues are also important in safeguarding firms against anti-competitive behaviour of TNCs in domestic markets, as well as responding effectively to a range of anti-competitive practices in international markets.

31. Recent developments within the United Nations have shown that international cooperation for development relies more and more on a multi-stakeholder approach. UNCTAD has played a pioneering role in developing partnerships with various components of civil society. Since UNCTAD X, the concept of partnerships has evolved significantly, in particular from its conceptual development towards actual implementation. The experience of the Monterrey and Johannesburg Conferences has allowed member States to further refine the mechanisms for systematically interacting with non-State actors and better define the framework of principles guiding the building and operation of multi-stakeholder partnerships.

II. POLICY RESPONSE AND UNCTAD'S CONTRIBUTION

32. The central challenge today is to ensure that globalization raises all boats and becomes a source of wealth for all people in the world. At the international level, better "governance of globalization" is essential for greater convergence of incomes and for achieving the Millennium Development Goals. At the national level, improved development strategies that take into account the social and human dimension of development and strengthen the links between trade, finance, growth and poverty eradication are vital to meeting this challenge.

33. Globalization has not only economic implications, but also a social and human dimension. Global and national development strategies therefore have to be formulated with a view to minimizing the negative social impact of globalization and ensuring that all groups of the population, and in particular the poorest, benefit from it.

34. National efforts are the cornerstone of development, but they must be supported by a favourable global environment, international assistance, and fair trade and financial relationships, which are essential for development in all countries and for escaping the "poverty trap" in the poorest countries.

35. A central mission of UNCTAD is to help developing countries to achieve this objective, develop their productive capacities and the competitiveness of their enterprises, and increase development gains from international trade and trade negotiations. This involves expanding and diversifying the exports of developing countries, especially the African countries and LDCs, and ensuring that they secure a share in the growth of world trade commensurate with the needs of their economic development. It involves, furthermore, identifying and addressing constraints arising from the international trading system and trade negotiations (multilateral, regional, bilateral), as well as appropriate coherence of national and international policies to overcome the constraints faced by developing countries in themultilateral trading system (MTS). It also requires attention to trade and poverty, and trade and gender.

36. UNCTAD has continually served as a forum for policy discussion and consensus building on trade, investment and development with a view to helping enhance coherence between national development strategies and regional and global processes, and assuring development gains from the international trading system and trade negotiations.

37. UNCTAD, in cooperation with other international organizations and development partners, including the private sector, should support North-South and South-South cooperation and regional integration initiatives. This calls in particular for strengthening of collaboration at the operational level between UNCTAD and other agencies in the United Nations, taking into account ongoing reforms within the United Nations, and various components of civil society.

Development strategies in a globalizing world economy

38. In order to benefit from globalization, developing countries depend on stable growth of external demand. This requires macroeconomic policies in the developed countries aimed at fast and stable growth. In this respect, better macroeconomic policy coordination among the major industrial countries and greater exchange-rate stability among the major currenciesare essential.

39. It is necessary to continue to address, at the international level, serious shortcomings regarding the size, stability and sustainability of private capital flows to developing countries. There is a need, at the global level, for a system for monitoring short-term capital flows, particularly in respect of the sources and movement of speculative capital. It is essential that the autonomy of developing countries in managing capital flows and choosing their capital account regime not be excessively constrained by international agreements until ways are found to eliminate, at the global level, the cross-border transmission of financial shocks and crises emanating from global financial integration. Equally, options should not be narrowed with regard to the choice of appropriate exchange-rate regimes.

40. A lasting solution to the external debt problems of many developing countries can only be achieved through increased concerted efforts by the international community. There is an urgent need for a comprehensive assessment of the sustainability of debt throughout the developing world, particularly in relation to the achievement of internationally agreed goals. Such an undertaking should not be limited to HIPCs, but should incorporate a broader spectrum of countries, including the middle-income debtors. There is also a need to strengthen international assistance to developing countries in the management of their debt.

41. Developed countries can assist developing countries in attaining the Millennium Development Goals by providing additional technical and financial assistance and especially by meeting the internationally agreed targets for official development assistance. This needs to be linked to efforts to improve the quality and effectiveness of aid, including through better coordination, closer integration with national development strategies, greater predictability and stability, more appropriate conditionality and genuine national ownership. In addition, more effective international financial arrangements, tailored to the needs of developing countries in a globalizing world economy, are needed to mitigate the consequences of external trade and financial shocks.

42. At the national level, the necessary preconditions for growth and development include political stability, good governance, the rule of law, and the availability of human resources. These basic factors need to be complemented by adequate and flexible national policies to promote investment, successful integration into the global economy and building local capabilities.

43. The experiences of the few developing countries that have been able to launch and sustain a process of economic convergence with the rich countries cannot be taken as a blueprint for policy makers elsewhere. However, they do offer some general strategic lessons on the necessary ingredients of consistent and effective national development strategies:

- In many of these countries, a guiding and supportive role on the part of the state laid the foundation for accelerated development. This suggests a need to strengthen the role of the state in the development process. Each country should therefore have the possibility to strike an appropriate balance between the objectives of efficiency and equity, and between the roles attributed to market forces and the state. Government and business do and should have distinct interests and different roles to play, but a sound government/business network can be a supportive element in policies to create synergies and achieve structural change.

- The challenge for development is to combine strong productivity growth with increased employment, growth of real wages that does not outpace productivity, and a nominal exchange rate that maintains overall competitiveness. Under exchange-rate-based adjustment programmes combined with capital-account liberalization, macroeconomic policies focused primarily on combating inflation and attracting capital inflows, but failed to generate satisfactory growth. Thus, more attention has to be given to the need to create monetary and financial conditions that are conducive to sufficiently high rates of domestic investment to accelerate growth, without impairing the international competitiveness of firms in developing countries.

- Policies must be actively pursued that are designed to provide a conducive environment for private firms to retain profits and to invest them in the enhancement of productivity, capacity and employment. Fiscal instruments can be important in this respect, but there is also an array of trade, financial and competition policies which, if applied in an integrated and well-sequenced manner, can help raise profitability and investment in key industries and increase the domestic value-added content of their exports.

- National policies to achieve greater openness and reap greater benefits from globalization should be forward-looking. But trade and financial linkages with the world economy must be complementary to, and not a substitute for, domestic forces of growth. This can be achieved through careful and well-managed integration into the world economy, with the process being tailored to the level of economic development of each country, the capacity of its institutions and industries, and the learning capacities of entrepreneurs and employees. Predictable and transparent legal and regulatory frameworks are required to attract FDI, which can generate benefits in the areas of employment and the transfer of knowhow and new technologies if it is well integrated in the overall national development strategy.

o Targeted measures of trade, industrial, technology and financial policy at the sectoral and subsectoral level can be effective means of supporting diversification in commodity-dependent economies and of accelerating industrial development in those areas of manufacturing which are the most dynamic in the world economy and where local economies can build on existing comparative advantages or develop dynamic new ones.

o Managing income distribution has been another important element of more successful development strategies in the past. Effective measures in areas such as education and human development and infrastructure are of vital importance in this regard. A necessary condition for greater equality is the rapid absorption of surplus labour. In predominantly rural economies, land reform, agricultural policies and public investment can check rising inequality. As economies move along the development path, investment in education, vocational training and technology generation become increasingly important, and policies to support upgrading of production become vital for sustaining rises in real wages. Fiscal instruments can serve not only to reduce inequalities in personal incomes, but also to accelerate investment and job creation.

44. The different policy measures need to be applied in a pragmatic way that evolves through learning on the basis of concrete experience of what works and what does not in each country. There is a need for diversity in the formulation of national development strategies to meet the challenges of development, taking into account different initial conditions in terms of size, resource endowment and location. Indeed, policy options and responses must change in an evolutionary way as an economy develops, while paying attention to the need to avoid distortive and protectionist measures that could undermine global economic growth and development.

45. Regional arrangements and South-South cooperation can play a supportive role for national development. Regional integration in the areas of trade and finance, and an improvement of regional infrastructure, can help create regional growth dynamics and larger economic spaces, thereby reducing the dependence on traditional markets for reaping greater benefits from trade. Development efforts initiated at the regional level, such as the New Partnership for Africa's Development and similar efforts in other regions, need to be supported by the international community.

UNCTAD's contribution

46. UNCTAD's independent role in delivering policy analysis and policy advice at the global and national level should be strengthened. Its work on globalization and development strategies should focus on interdependence and coherence: o Contributing to greater coherence in global economic policymaking from the point of view of its effect on development, taking into account the interdependence among the various areas of the international economy, notably trade, investment, money and finance, and technology;

- o Contributing to greater coherence between international economic rules, practices and processes, on the one hand, and national policies and development strategies, on the other;

- o Supporting developing countries in the formulation of development strategies to ensure stable and rapid growth and sustained development.

47. The work should help identify policies at the international and national level that are conducive to development. UNCTAD's expertise should be used to explore how the management of the world economy can be improved in support of development, and how appropriate development strategies should be formulated and implemented in support of a strategic integration of developing economies into the international trading and financial systems, taking into account the need for appropriate policy space at the national level. The work should also support greater understanding of the mutuality of North-South interests in sustained development, as well as of the implications of diversity in development experiences.

48. At the international level, UNCTAD's work should aim at making a contribution to increasing coherence in the management of the global economy, particularly in terms of the interdependence and consistency of international trade, investment and financial policies and arrangements. It should address the question of international financial instability; the role of private and official flows in financing development; the question of debt sustainability; the impact of macroeconomic policies in the advanced industrial countries on development prospects of poorer economies; the role of regional integration in development; and the impact of regional integration and arrangements on development prospects. UNCTAD should also contribute to the analytical review of the implementation of the outcomes of major international conferences in the economic and social field and the achievement of the internationally agreed development goals, and make recommendations for policy adjustments where required.

49. At the national level, areas to which UNCTAD should give special attention in terms of their impact on development and the eradication of poverty include: macroeconomic and financial policies, and effective economic management; policies to enhance the productive capacity of developing countries and improve their ability to compete in the global economy, based on productivity growth with rising living standards; improved debt management; and policies which create a positive relationship between the development of productive capacity, integration into the global economy, and the achievement of poverty reduction and human development. In this context, lessons should be drawn from both successful experiences and failures.

50. While there is a need for diversity in recommendations for national policies, UNCTAD should identify basic elements of sound macroeconomic policies, including financial, monetary and exchange-rate policies, which are conducive to an expansion of productive capacity and productivity and sustained growth. It should also carry out further research on industrial and development policies with a view to identifying the space for national policies and its optimal utilization. UNCTAD should also analyse the impact of international policies and processes on the scope for implementing national development strategies.

51. In examining successful and less successful experiences with policy reforms and making policy recommendations, UNCTAD should give special attention to both the economic and social dimension, in particular income distribution, social and human development, and poverty. The outcome of this work should be to assist developing countries in achieving macroeconomic stability, maximizing benefits from strategic utilization of foreign capital, encouraging domestic investment and technological progress, and strengthening domestic institutions.

52. In addition to its analytical work, UNCTAD should provide technical assistance and support developing countries in building national capacities in the areas of debt management, improvement of productive capacities, and participation in multilateral negotiating processes. Maximum synergy should be sought between analytical work and technical assistance.

53. UNCTAD should enhance its contribution in the areas of mainstreaming trade into the PRSP process. This calls for strengthened cooperation with the World Bank and other UN agencies.

54. UNCTAD's work on development strategies in a globalizing world economy should pay increasing attention to the problems of countries facing special circumstances, notably the trade and development problems of the African continent, in close cooperation with, and in support of, the New Partnership for Africa's Development (NEPAD).

55. UNCTAD should also address the special problems of LDCs, landlocked developing countries and small island developing States, as well as structurally weak, vulnerable, and small economies. In this context it should continue to focus on the causes for the decline in the share of LDCs in world trade and look for long-term solutions to this problem. Moreover, UNCTAD should explore the problems of countries with economies in transition in their efforts to integrate into the world economy.

Building productive capacities and international competitiveness

56. The interaction of national and international rulemaking is particularly visible in the investment area. The proliferation of investment agreements at the bilateral, subregional, regional and plurilateral levels requires policymakers and negotiators from developing countries, as well as other stakeholders, to be as familiar with and as well informed as possible about the development implications of such agreements. The complexity of the issues at stake, as well as the sheer volume of matters that need to be considered, often strains the available resources in developing countries, both from a policy development and from an implementation and negotiation perspective. The challenge for the international community is to help build national capacity in developing countries, through policy analysis and human and institutional development, with a view to assisting these countries in participating as effectively as possible in international discussions and evaluating the implications of closer cooperation for their development policies and objectives.

57. Enhancing the contributions of investment flows will require consideration of the policies and actions that the home countries of TNCs and TNCs themselves can introduce to encourage sustained investment flows and stimulate economic growth and

development. Home countries can assist in the collection and dissemination of information related to investment opportunities in developing countries, including through technical assistance and the organization of investment missions and seminars. They can also encourage technology transfer by providing assistance with a view to strengthening a host country's technological base and its capacity to act as a host to FDI and technology-intensive industries. Various forms of financial and fiscal incentives can be provided to outward investors or to support feasibility studies and environmental assessments. Home countries can also help mitigate risk, for example by providing investment insurance against risks that may not normally be covered through the private insurance market. The provision of official development assistance could enhance national savings and investment and act as an additional catalyst to attract FDI. Further analysis is needed to assess the effectiveness of various measures and to explore how the development impact of home country measures could be maximized. Such measures would not only help developing countries but also create new opportunities for investment and trade for home countries and their business community.

58. More international attention should also be given to the corporate responsibility of TNCs. The notion that corporations have responsibilities that go beyond their shareholders and extend to the societies in which they operate is widely accepted and was also recognized at the Johannesburg Summit on Sustainable Development. Corporate actors should play an important role in stimulating the economic development of host countries and in supporting social development and the competitiveness of local enterprises through technology transfer, supplier linkages and the provision of access to export markets and international production networks. While there are various voluntary international instruments in different areas, a more coherent effort by the international community, covering both economic and social dimensions, is needed in order to increase the direct contributions of TNCs to the advancement of development goals.

59. With rapid technological advances, the need for increased and diverse international assistance in the development and adoption of new technologies in developing countries has become critical. ICTs are expected to play a central role in the achievement of the goals of the Millennium Declaration in the areas of poverty reduction and gender equality. The UN ICT Task Force has identified the urgent need to increase assistance for developing countries in formulating ICT strategies as one of its priority areas of work. The plan of action of the World Summit on the Information Society (WSIS) considers the implementation of national e-strategies as one of the key areas for policy action to advance the information society in developing countries. It also calls for action to promote development-oriented ICT applications for all, in particular the use of ICTs by small and medium-sized enterprises (SMEs) to foster innovation, realize gains in productivity, reduce transaction costs and fight poverty. Thus, greater participation by developing countries needs to be ensured in international deliberations on ICT-related issues, such as the domain name system, ecommerce taxation and Internet governance.

60. The Johannesburg Summit specifically called for urgent action at all levels for transportation and communication infrastructure development and for an integrated approach to policy making at the national and regional level for transport services and systems. Multilateral lending for such projects should be greatly enhanced. In the area

of transport and logistics services, there is a need to develop an adequate international legal framework that reflects recent developments in the way global logistics are organized. The lack of a uniform international regime has obliged Governments, including those of developing countries, to resort to solutions at the national, regional and/or subregional level, creating further fragmentation at the international level. Clearly maritime and container security issues will continue to be a priority subject for the international community in the years to come. The programme of Transport Security Action agreed by the G8 at its summit in Canada in 2002, the United States' security legislation, and the subsequent work within the International Maritime Organization (IMO) and the European Union demonstrate the importance the subject will have in the future. It is essential that a coordinated global approach be adopted to avoid the proliferation of diverse unilateral and regional standards and approaches and the resulting negative consequences. In this context, the review of the 1986 United Nations Convention on Conditions for Registration of Ships should be considered.

61. Improving competitiveness requires deliberate national policies to foster a systematic upgrading of domestic productive capabilities. Such policies cover a range of areas, including investment, enterprise development, technology, skill formation and infrastructure development. The effort is particularly important in connection with SMEs that face difficulties in accessing finance, information, technology and markets, which are all essential elements in becoming competitive. This requires establishing specific policies and programmes and appropriate institutional frameworks to support investment, technology and enterprise development, including through the provision of business development services. Efforts at harnessing national savings for productive investment should include policies to encourage domestic institutional investors to invest in productive sectors through the provision of support, investment guarantee schemes and fiscal benefits. Providing incentives for research and development, establishing an adequate framework for intellectual property rights that is consistent with the country's level of technological development, and taking measures to develop the human resource base are important ingredients in a policy package.

62. For the potential of ICT to be fulfilled, an enabling environment, including adequate ICT infrastructure, human resources, informed citizens and policy makers, and a supportive legal and regulatory framework, must be put in place. This approach must be integrated and include the development of high-quality infrastructure, such as export processing zones (EPZs), science parks, logistics services and ICT. The formulation and implementation of national ICT strategies that deal effectively with the challenges of the new competitive environment must be particularly sensitive to three elements: firstly, the need for mechanisms to monitor and measure ICT readiness, use and impact; secondly, the need to incorporate a gender perspective at all levels of policy action; and thirdly, the need to link ICT policies to other development policies, in such areas as education, trade, investment and especially national science and technology policy, to allow for benefits from synergies between different elements and a more broad-based diffusion of ICT.

63. Another policy area that deserves equal attention is the development of efficient transport, communications and logistics services, which are strategic factors in building and maintaining enterprise competitiveness. For this, developing countries need to

improve their physical infrastructure. Further, a comprehensive national approach is required to strengthen the use and development of trade and transport capabilities through institutional reform, public/private partnerships, adapting legal frameworks, streamlining administrative procedures, promoting the use of information and communication technology and developing managerial capacities. With regard to trade facilitation, Governments need to take steps to implement measures on the basis of internationally agreed rules, standards and recommendations. Coordinated trade facilitation measures are becoming increasingly important for enhancing efficiency, reducing transaction costs and maintaining supply capacities, particularly in the light of recent security considerations. Complying with new security regulations by putting in place the necessary procedures and equipment is a major challenge for developing countries. The implementation of transport security measures should be accompanied by necessary trade facilitation measures and thus provide both a more secure and more efficient trade environment for all international partners. In addition, particular attention is needed to mitigate locational handicaps of least developed, landlocked and small island developing countries.

UNCTAD's contribution

64. The objective of UNCTAD's work in this area should be to assist developing countries, in particular LDCs, to design and implement active policies for building productive capacity and competitiveness with a view to sustaining a high level of growth and promoting sustainable development. These policies should be based on an integrated treatment of investment, technology transfer and innovation, enterprise development and business facilitation (including transportation and the promotion of ICT).

65. UNCTAD should strengthen its work on investment, as well as technology and enterprise development, and – through policy analysis, technical assistance and capacity and consensus building – assist developing countries in policy formation and implementation in this regard. UNCTAD should pay particular attention to the international dimension, including rule-setting processes, with a view to identifying the opportunities for and obstacles to progress in economic development.

66. UNCTAD should continue its lead role in policy analysis of the impact of FDI on development and especially ways and means to maximize its benefits and minimize its costs through appropriate host and home country policies. It should collect and analyse data and conduct policy-oriented research on investment issues related to development, including the interaction of FDI and domestic investment; the interrelationship between ODA and FDI, and the impact of FDI on industrialization and local entrepreneurship; the role of FDI in infrastructure development and export capacity building; and human resource development and linkages between foreign and domestic firms. It should also assist developing countries in ensuring that their international commitments do not jeopardize their ability to use national policies to build productive capacity and international competitiveness.

67. UNCTAD's analytical work should draw lessons from successful experiences with the transfer and diffusion of technology through FDI and other channels with a view to supporting efforts by developing countries, in particular LDCs, to respond to technological changes and develop policy instruments that facilitate technology transfer

and build domestic innovative capacity. To that end, UNCTAD should examine the special problems that LDCs and African countries face in building productive capacities, especially how the risks associated with investing in these countries can be reduced and how to ensure the contribution of investment to increasing competitiveness, diversifying products and markets, and helping to create and exploit niche advantages.

68. UNCTAD should support efforts of developing countries to attract and benefit more from FDI, including by helping them to formulate and implement investment policies in line with their development strategies. Investment policy reviews and their follow-up, as well as assistance for national investment promotion agencies, can play a special role in this connection.

69. UNCTAD should assist, including by formulating special programmes, African countries and LDCs in attracting and benefiting more from FDI, including through advisory services supplied in partnership with the private sector.

70. UNCTAD should disseminate best practices in respect of linkages between SMEs and TNCs with a view to increasing the benefit of FDI and enhancing the international competitiveness of developing countries' enterprises.

71. UNCTAD should assist developing countries, especially LDCs, in formulating and implementing policies to encourage the transfer of technology and the creation of domestic innovative capacity.

72. UNCTAD should examine the development implications of international investment arrangements at various levels with a view to maximizing their contribution to development. UNCTAD should continue to provide a forum for exchange of experiences and consensus building on the formulation of international arrangements, with a view to promoting the development dimension in those arrangements. This work should include a further clarification of the key issues at stake and a review of experience in implementing international commitments.

73. UNCTAD should provide policy analysis and compile inventories of best practices in home country measures to encourage investment flows to developing countries, particularly LDCs. It should also develop and implement related technical assistance and capacity building activities to help developing countries take advantage of those home country initiatives.

74. UNCTAD should provide policy analysis on ways and means to promote corporate responsibility in respect of economic as well as social development of host countries, taking into account existing international initiatives in this area. It should develop and maintain a database of good corporate practices, especially as far as the development dimension is concerned, with a view to promoting and disseminating those best practices.

75. UNCTAD should strengthen its assistance to developing countries, particularly LDCs, in human capacity building and institution building in the area of investment and technology transfer, so as to ensure their effective participation in international rule-setting at all levels and ensure that development concerns are taken into account.

UNCTAD should also identify ways and means to operationalize technology transfer clauses in existing international agreements, and assist developing countries in maximizing the potential benefits of those agreements.

76. UNCTAD should continue to undertake research and analysis in areas of trade facilitation, transport and related services of interest to developing countries and assist them in establishing an appropriate framework for policy action in the area of transport. It should also serve as a forum for an exchange of views and experiences on issues such as trade facilitation, transport security, registration of ships and multimodal transport in order that development objectives be given proper consideration when deciding on new frameworks. The work should proceed through close cooperation with other intergovernmental and United Nations organizations involved in the preparation of global legal instruments affecting international trade and transport. With regard to security issues, UNCTAD, in consultation with IMO, ILO and the World Customs Organization (WCO), should follow developments in the new multilateral security framework, analyse the impact of security measures on developing countries, facilitate the exchange of views and experiences among interested parties, and formulate linkages with trade and transport facilitation in order to help build an efficient and secure trade environment. UNCTAD should, through its technical cooperation programmes, such as the Automated System for Customs Data (ASYCUDA) and the Advance Cargo Information System (ACIS), and training, assist developing countries in their efforts to build their transport capacities and thus enhance the competitiveness of their national enterprises.

77. UNCTAD should monitor and analyse developments in ICT in terms of their implications for productivity, business organization, export competitiveness, key sectors with e-business potential, and the gender dimension, with a view to providing policy makers in developing countries with an analytical and empirical basis for taking the appropriate decisions in the field of ICT and e-commerce.

78. UNCTAD should assist developing countries in formulating and implementing national ICT policies and strategies, including developing mechanisms for monitoring and measuring digital economy developments and ICT use in their countries, as well as providing a forum for developing countries to discuss ICT-related policy issues, exchange of experience and best practices.

79. UNCTAD should support the efforts of developing countries in developing e-business in sectors of economic importance and with export capacity, through a mix of sector-specific policies, training programmes and deployment of ICT tools, taking into account the need for different policy mixes to respect local and national specificities.

80. UNCTAD should continue providing a forum for developing countries to discuss ICT-related policy issues at the regional and international level. It should assist developing countries to participate actively in international discussions that are likely to have an influence on the development of ICT and the knowledge economy and contribute to the implementation of the WSIS Plan of Action, in particular through monitoring the progress made between the two phases of the summit. In implementing this work, UNCTAD should work in close collaboration with the relevant international organizations.

Assuring development gains from the international trading system and trade negotiations

81. Meaningful reform in agriculture is key to successfully concluding the multilateral trade negotiations launched at Doha. Without prejudging the outcome of the negotiations, actions should be taken to achieve substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in tradedistorting domestic support. Special and differential treatment for developing countries shall be an integral part of the negotiations such that developing countries can effectively take account of their development needs, including food security and rural development.

82. Market access liberalization on non-agricultural products under the Doha Work Programme is important to development. Negotiations should aim to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries, with comprehensive product coverage without a priori exclusions, and fully taking into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments. For developing countries that have benefited from textile quotas, adjustment support is needed to enhance competitiveness and diversification.

83. All services sectors play a role in a country's development. The liberalization of services sectors and modes of supply of export interest to developing countries, including the temporary movement of natural persons, is a key objective, supplemented by improved access to technology, financial services, information networks and marketing channels. The concerns of developing countries about the social dimension of services must be taken into account, including in connection with the universal provision of essential services in sensitive sectors such as health, education, utilities, transport and audiovisual services.

84. Voluntary standards and technical regulations must be developed transparently and applied non-discriminatorily, and should otherwise not pose unnecessary obstacles to trade. Developing countries should be provided with technical assistance and capacity building support to effectively meet such standards.

85. In addition, consideration should be given to ensuring that developing countries have adequate financial and technical resources to implement multilateral trade agreements and meet adjustment and social costs.

86. S&DT provisions should be conceived as a developmental tool that is more precise, effective and operational. The agreement-specific S&DT proposals put forward by developing countries should receive special attention.

87. Expeditious progress is required to meet the key priorities for the LDCs, including widening the country coverage of bound, duty-free and quota-free access to developed country markets; assistance in addressing difficulties faced in meeting rules of origin, as well as product and environmental standards in preferential schemes; as well as technical

assistance and capacity building generally. The DWP on small economies should continue with a view to achieving concrete measures and actions.

88. Obligations that developing countries are asked to assume in the process of accession to WTO should be consistent with their developing country status. WTO Members should fully and faithfully implement the guidelines on LDC accession to the WTO that were adopted by the WTO General Council on 10 December 2002.

89. Positive measures to mitigate the negative impact of the erosion of preferences should be put in place, notably through enhancement of the utilization and predictability of preferential schemes and providing technical assistance to meet various standards and to raise awareness among entrepreneurs with regard to making use of trade preferences.

90. The international community should assist developing countries in developing human, institutional and regulatory capacities and infrastructures for effective, informed and beneficial participation in the multilateral trading system and for effective negotiations on international trade and related areas, and adequate resources should be made available for these purposes.

91. A concerted focus should be put on the difficulties faced by commodity-dependent developing countries. Efforts by developing countries to restructure and diversify their commodity sectors, including through local processing, should be supported by technical and financial assistance, including by strengthening capacity and institutions, both in the public and private sectors. Compensatory financing systems should be reviewed with a view to making them more predictable and simpler to implement, including through the possible use of modern risk management and risk sharing instruments. The suggestions by the Meeting of Eminent Persons on Commodity Issues (TD/B/50/11) should be seriously followed up. Support for commodity development projects under the Second Account of the Common Fund for Commodities should be strengthened.

92. International discussions and negotiations on trade and the environment should be guided by a development-oriented approach, focusing on making compatible legitimate environmental/health requirements and the need of developing countries to expand exports and strengthen their competitiveness. Subsidies which are both trade-distorting and environmentally damaging should be removed as a matter of urgency; protecting, preserving and promoting traditional knowledge, innovation and practices, and biological resources of developing countries should receive adequate attention; and support should be provided to developing countries in devising and implementing proactive policies that improve access of environmentally friendly products to developed country markets and facilitate market penetration/entry.

93. Developing countries need to establish competition laws and frameworks best suited to their needs and stage of development, complemented by technical and financial assistance for capacity building, to help build supply capacity, promote competitiveness and ensure efficiency and welfare gains. At the international level, home countries and their TNCs should take expeditious and effective measures to dismantle anti-competitive structures and practices, and intensify collaboration with developing countries to help their producers and enterprises take advantage of trade liberalization.

94. Developing countries need technical and financial assistance for capacity building in the field of competition laws and frameworks. Efforts should be made to prevent and dismantle anti-competitive structures and practices at the international level.

95. Work on trade, debt and finance should continue with a view to exploring in a systemic way linkages between the trade and trade-related concerns and interests of developing countries and debt-relief measures.

96. Trade policies of developing countries should be aimed at impacting positively on the reduction of poverty and of gender inequality. Increases in export value added, enhanced diversification, increased local content and knowledge content, the creation of employment, food security, traditional knowledge and access to essential services should be means to these ends. In implementing national trade and trade-related policies, the developing countries need to pursue a strategic and appropriately sequenced approach to liberalization, and to carefully identify key sectors for export development.

97. The international community should put in place the necessary policy instruments and support measures to complement national efforts of developing countries to foster, protect and promote creative industries and traditional knowledge of developing countries.

98. Developing countries should make fuller use of regional and subregional trade and economic cooperation to enhance trade and investment flows and improve transport infrastructure to reduce costs and increase trade flows. Development partners should provide adequate support and assistance to promote South-South trade and economic cooperation. The revitalization of the Global System of Trade Preferences among Developing Countries (GSTP) should be an important priority.

99. Negotiations on transport within the framework of GATS and the United Nations Commission on International Trade Law (UNCITRAL) need to incorporate the concerns and interests of developing countries. Policy responses need to go beyond market access and focus on the creation and long-term sustainability of supply capacities in the field of transport in developing countries. Developing countries should be provided with increased financial and technical assistance to continue their efforts at removing procedural and institutional bottlenecks to reduce transaction costs through the implementation of transport and trade efficiency measures, and improving standards and quality control.

UNCTAD's contribution

100. UNCTAD should continue to monitor and assess the evolution of the international trading system, analyse main trends relating to issues of concern to developing countries, help consensus and confidence building, and help develop capacities to negotiate trade agreements, including under the Doha Work Programme, to formulate trade and trade-related policies and options, and to strengthen human, institutional and regulatory frameworks and infrastructure.

101. In order to achieve the preceding objectives, UNCTAD should strengthen the implementation of the Bangkok Plan of Action in the field of trade. In particular, UNCTAD should undertake research and analysis, and convene sectoral reviews, to assist Governments gain a better understanding of the economic potential of building greater export capacity and competitiveness in dynamic sectors of world trade for which volumes of exported goods grow faster than world goods exports as a whole, with particular emphasis on value-added manufacture sectors.

102. UNCTAD should further enhance support to developing countries in the formulation, implementation and review of national trade policies with a view to maximizing the development benefits of trade; and monitor and analyse the impact of developed countries' trade and trade-related policies on developing countries. In particular, UNCTAD should further elaborate development benchmarks to assess how effectively developing countries are integrating into, and deriving an equitable share of benefits from, the international trading system.

103. Special emphasis should also be placed on policy analysis on the implications of regional and bilateral trade agreements for the multilateral trading system and for developing countries, including in relation to national development policies and for third parties. In this context, UNCTAD should examine and monitor the interface between the MTS and bilateral and regional trade agreements, including in respect of S&DT for developing countries in North-South trading arrangements. UNCTAD's work should help develop and promote deeper regional integration, and strengthen relations with regional integration bodies.

104. UNCTAD should undertake further work on trade preferences, provide policy advice on simplification of administrative procedures, rules of origin and improvement of product coverage, and address the issue of erosion of preferences. UNCTAD should also continue to support the revitalization and greater utilization of the Global System of Trade Preferences among Developing Countries, taking into account the special needs of LDCs, through its analytical and capacity building work.

105. UNCTAD should provide support to developing countries and countries in transition prior to, during, and in the follow-up to their WTO accession process.

106. UNCTAD should also assist developing countries in strengthening their capabilities to increase their beneficial participation in global services trade. This is particularly the case in the new and emerging fields of information communication technology, but also in the traditional areas of services such as construction, health and health care, and tourism. UNCTAD should examine issues in Mode 4 related to commercially meaningful liberalization through higher levels of commitments and the reduction of restrictions and administrative impediments; and strengthen analytical work on GATS rules and domestic regulation.

107. UNCTAD should undertake analysis on the strengthening of the development dimension in rule-making on intellectual property and TRIPS, including effective transfer of technology to developing countries; protection of traditional knowledge, genetic resources, and folklore; and fair and equitable benefit sharing.

108. UNCTAD should continue to monitor developments in commodity markets and provide information on these markets; assist developing countries in formulating strategies addressing links between international commodity trade and national development, including poverty reduction and food security; analyse factors and policy issues influencing the commodity sector's competitiveness, including ways to meet quality and other product requirements in export markets and ensure a more equitable distribution of revenues along the supply chain; support the development of capacity for applying modern commodity price risk management and financial instruments; and follow-up, as appropriate, on the recommendations addressed to UNCTAD in the report of the Meeting of Eminent Persons on Commodity Issues.

109. UNCTAD should analyse mechanisms to mitigate the consequences of commodity price fluctuations and earnings shortfalls, including through user-friendly and operational compensatory financing schemes, and investigate the possibilities for financial support to diversification efforts.

110. UNCTAD should undertake research, analysis and advisory work on creative industries, the contribution that exports can make to national development, and the policies necessary for a supportive enabling environment. It should provide a multi-stakeholder forum for the discussion of issues and coordination of work in these industries, and convene sectoral reviews for the sharing of experiences and knowledge among developing countries.

111. UNCTAD should support developing countries in analysing appropriate linkages between trade and poverty, and trade and gender, and provide technical assistance and capacity building support thereon.

112. UNCTAD should continue to serve as a forum for clarifying issues relating to investment, competition policy and trade facilitation, with a view to creating a wider understanding of their development dimension, including their impact on the trade, financial and development needs and priorities of developing countries.

113. UNCTAD should continue to provide technical assistance and capacity building support to developing countries on issues at the interface between trade and environment, such as market access and agriculture, traditional knowledge, transfer of environmentally sound technology, promotion of trade in environmentally preferable goods and services (EPGS), including issues concerning eco-labelling and certification costs. It should strengthen work on the BIOTRADE Initiative and the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF); and follow-up on trade-related issues contained in the implementation of the Johannesburg Plan of Implementation.

114. UNCTAD should further strengthen analytical work and capacity building activities to assist developing countries to articulate and adopt competition law and policies, and to deal with restrictive business practices; and continue substantive work under the Intergovernmental Group of Experts on Competition Law and Policy.

115. UNCTAD should contribute to the analysis of the linkages between trade and tradeelated interests of developing countries, financial flows and debt-relief.

116. In its intergovernmental machinery, UNCTAD should examine policy proposals and regulatory regimes relating to transport and trade facilitation, thereby assisting developing countries in formulating policy measures to build their transport supply capacities and to assist traders to take advantage of transport opportunities; analyse the implications of the ongoing developments, and provide advice and assistance to developing countries in relevant negotiations affecting international trade and transport, including those within UNCITRAL; and provide technical assistance to landlocked developing countries, highly indebted poor countries and small economies to improve the availability and efficiency of infrastructure facilities to support trade.

117. UNCTAD should contribute, as an institutional stakeholder, to the implementation and monitoring of the outcomes of major UN summits and conferences (Millennium Declaration, Brussels Plan of Action, Johannesburg Plan of Implementation, Monterrey Consensus, Barbados Programme of Action, Almaty Plan of Action), insofar as trade and trade negotiations and interrelated issues are concerned. It should strengthen collaboration and cooperation with WTO and other international organizations such as the UN regional commissions, IMF, World Bank, UNDP, UNIDO. UNCTAD's contribution to the Integrated Framework for Trade-Related Technical Assistance to the Least Developed Countries and the Joint Integrated Technical Assistance Programme for Selected Least Developed and Other African Countries (JITAP) should be strenghthened.

Partnership for development

118. Partnerships should be of benefit to as many developing countries as possible from all geographical regions, taking into account their national policies and strategies. Attention should also be paid to regional integration and other aspects of South-South cooperation, Africa and LDCs. Partnerships should rely on the resources brought in by the partners and should not affect the resources allocated to regular budget activities. There should be truly multi-stakeholder arrangements, open to all those interested, whether Governments, NGOs, the private sector, academic institutions, parliamentarians, or other international organizations of the UN system. Particular attention should be paid to collaboration with the Bretton Woods institutions, UNDP, UNEP, UNIDO, and ITC. The positive experience of the Integrated Framework for Trade-related Technical Assistance to Support LDCs in their Trade and Trade-related Activities (IF) and JITAP should be borne in mind. The UN guidelines on relations with the private sector should be followed. The emphasis should be on the quality and long-term viability of the partnerships, rather than on quantity.

UNCTAD's contribution

119. UNCTAD should make its relationship with civil society, in particular NGOs and academic circles, the private sector and other organizations of the UN system, more systematic and better integrated with intergovernmental processes. The objective should be to enhance the value added and the result orientation of this cooperation for the benefit of UNCTAD's work and that of member States. Cooperation with NGOs and parliamentarians could aim *inter alia* at enhancing their advocacy role in support of

international cooperation for development. Interaction with academic institutions could be of benefit both to these institutions and to UNCTAD through sharing of the outcomes of their analysis and research, relevant studies and knowledge, and by integrating UNCTAD courses into the curricula of such institutions.

120. UNCTAD should make maximum use of the experience of the United Nations in this respect, in particular that of the World Summit on Sustainable Development and its follow-up process. The pragmatic and practical dimension of the relationship with civil society, the business sector and parliamentarians, as well as with other organizations of the UN system, should receive priority attention.

121. In building partnerships, the UNCTAD secretariat is guided by the criteria and principles agreed to by member States in the preparatory process for and the follow-up to the World Summit on Sustainable Development (E/2003/29). Partnerships should follow the substantive policy framework defined by intergovernmental decision. They represent specific commitments by various partners intended to contribute to and reinforce – and not substitute for – the implementation of the outcomes of the intergovernmental negotiations of UNCTAD XI. They will also help achieve related internationally agreed objectives and commitments, including the Millennium Development Goals.

122. The Trade and Development Board will arrange for half-day informal hearings with non-State actors to allow them to express their views on the issues before the Board. The outcome of the informal hearings will be summarized by the secretariat for submission as an input into the discussions of the Board. Participation will be based on the procedure applied for the participation of civil society and private sector organizations during the preparatory process of the Conference. Efforts should be made, including through dedicated extrabudgetary contributions, to ensure effective representation and more active participation in such hearings of civil society from developing countries.

123. The involvement of civil society in the work of the Commissions and Expert Meetings should continue, in accordance with the rules adopted by the Trade and Development Board for this purpose, including through joint meetings and the organization of discussion forums on issues to which multi-stakeholder dialogue is relevant.

124. Partnerships in the areas of ICT for development, commodities, investment, and capacity building and training, including training and academic institutions, will be launched at the Conference.

125. The Trade and Development Board will review the implementation of partnerships, on the basis of a report by the secretariat, with a view to sharing lessons learnt, progress made, best practices, and basic information on the partnerships, and it will assess their contribution to the implementation of the outcome of UNCTAD XI.

ANNEX-V

Programme

Afro-Asian Civil Society Seminar

From Cancún to São Paulo: The Role of Civil Society in the International Trading System

13-15 April 2004, Hotel Le Méridien, New Delhi, India

Programme

Day One: Tuesday, 13th April

1700-1900 ***Inaugural***

***Welcome*:** Pradeep S. Mehta, Secretary General, CUTS International

***Chairman's Remarks*:** Arjun Sengupta, Chairman, Centre for Development and Human Rights, New Delhi

***Inaugural Address*:** N. K. Singh, Member, Planning Commission of India

***Keynote Addresses*:**

Magda Shahin, Egypt's Ambassador to Greece

K. A. Azad Rana, Deputy Director General, World Trade Organisation

Lakshmi Puri, Director, Division on International Trade in Goods and Services, and Commodities, UNCTAD

Colin Ball, Director, Commonwealth Foundation

S. N. Menon, Special Secretary, Department of Commerce, Government of India

1900 Reception & Dinner

Day Two: Wednesday, 14th April

0900-1100 ***Plenary I***

Assuring development gains from the international trading system and trade negotiations

***Chair*:** Maxine Olson, Resident Representative of UNDP, India

***Keynote Address*:** Anwar-ul-Hoda, Professor, Indian Council for Research on International Economic Relations

***Discussants*:**

S. N. Menon, Special Secretary, Department of Commerce, Government of India

Debapriya Bhattacharya, Executive Director, Centre for Policy Dialogue, Bangladesh

Amrita Narlikar, Lecturer in International Relations, University of Exeter & Research Fellow, University of Oxford, UK

John Ochola, Programme Officer, Institute of Economic Affairs, Nairobi, Kenya

1100-1130 Tea/Coffee

1130-1330 ***Workshop I***

Chair: Malcolm Subhan, European Institute for Asian Studies

Trade Policy Road Map of South Asia
Huma Fakhar, Advocate & Expert on WTO and International Commercial Law, Fakhar Law International, Islamabad, Pakistan

Nightmare in A Spoon of Sugar
Sudaryatmo, Public Interest Lawyer, Indonesian Consumers Organisation

Trade-related Capacity Building and Policy Influencing: Experience of CPD
Fahmida A. Khatun, Research Fellow, Centre for Policy Dialogue, Bangladesh

1330-1430 Lunch

1430-1630 ***Plenary II***

Does the international trading system promote the interests of the poor?

***Chair*:** Farooq Sobhan, President, Bangladesh Enterprise Institute & Former Foreign Secretary of Bangladesh

***Keynote Address*:** Magda Shahin, Egypt’s Ambassador to Greece

***Discussants*:**

Jean-Pierre Lehmann, Chairman, Evian Group & Professor of International Political Economy, International Institute for Management Development, Lausanne, Switzerland

E. Olawale Ogunkola, Professor of Economics, University of Ibadan, Nigeria

Shishir Priyadarshi, Senior Counsellor, Development and Economic Research Division, World Trade Organisation

1630-1700 Tea/Coffee

Day Three: Thursday, 15th April

0900-1100 *Plenary III*

Building and strengthening capacity in trade policy

***Chair*:** Suman Bery, Director General, National Council of Applied Economic Research, India

***Keynote Address*:** Pradeep S. Mehta, Secretary General, CUTS International

***Discussants*:**

David F. Luke, Trade, Debt & Globalisation Advisor, UNDP

Veena Jha, Coordinator, UNCTAD in India

Rosalea Hamilton, Chief Executive Officer, Institute of Law and Economics, Jamaica

1100-1130 Tea/Coffee

1130-1330 *Plenary IV*

The role of UNCTAD in assisting national trade and development strategies

***Chair*:** Sanjaya Baru, Editor, The Financial Express of India

***Keynote Address*:** Veena Jha, Coordinator, UNCTAD in India

***Discussants*:**

Nagesh Kumar, Director General, Research and Information System for Non-aligned and Other Developing Countries, New Delhi

Abid Suleri, Head of Programme, Oxfam GB in Pakistan and Visiting Fellow, Sustainable Development Policy Institute, Islamabad

Davis Ddamulira, Senior Research Associate, SEATINI, Uganda

1330-1430 Lunch

1430-1630 ***Workshop II***

Chair: Mirette F. Mabrouk, Publishing Director, IBA Media Group, Cairo, Egypt

Impact of the WTO Agreements on the Farming Sector in Uganda
Chebet Maikut, President, Uganda National Farmers Federation

Civil Society's Role in the WTO Accession Process
Navin Dahal, Research Director, SAWTEE, Kathmandu
China's Experience with the WTO Regime
Shuaihua Cheng, PhD Section Chief, Development Research Center, Shanghai Municipal Government, China

1630-1700 Tea/Coffee

1700-1830 ***Closing***

Rapporteurs' Presentation:

Peter Draper, Research Fellow, South African Institute of International Affairs

Julius Sen, Consultant, London School of Economics & Political Science, UK

Closing Remarks**:**

Rajeet Mitter, Joint Secretary (Trade Policy Division), Department of Commerce, Government of India

Discussion on the Afro-Asian Civil Society Statement on Trade

Vote of Thanks**:**

Pradeep S. Mehta, Secretary General, CUTS International

ANNEX-VI

List of Participants

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Full coordinates are available on request from citee@cuts-international.org.

ANNEX-VII

Pictures of the Seminar

Inaugural Session: Colin Ball (Commonwealth Foundation), K.A. Azad Rana (WTO), Magda Shahin (Egyptian Ambassador), and N.K. Singh (Planning Commission, India) ⇨

Inaugural Session: S.N. Menon (Ministry of Commerce, India) ⇧

Lightning the Lamp: Lakshmi Puri (UNCTAD) ⇧

Cultural Programme: Folk Dancers from Assam, a state in north-east India ⇦

Pradeep S. Mehta (CUTS International) and K.A. Azad Rana (WTO)

N.K. Singh (Planning Commission, India) and Arjun Sengupta (Centre for Development and Human Rights, India)

Atiq A. Rahman (Bangladesh Centre for Advanced Studies), Julius Sen (LSE, UK) and Farooq Sobhan (BEI, Bangladesh)

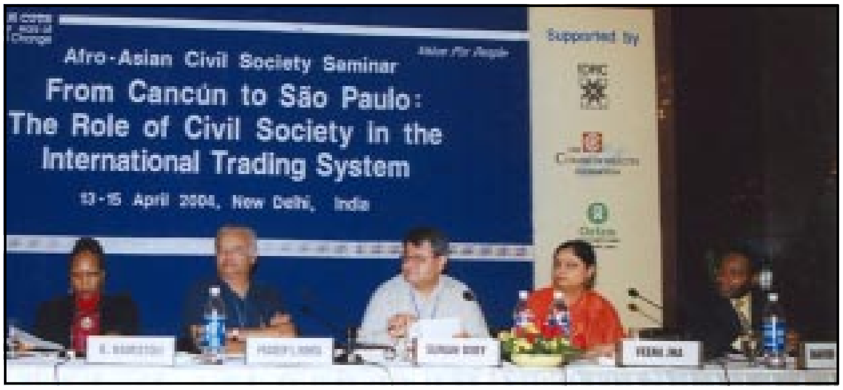
Jagjit Plahe (Monash University, Australia) and Savitri Bisnath (South Centre, Geneva)

Plenary I:
S.N. Menon (Ministry of Commerce, India), Amrita Narlikar (University of Exeter, UK), Anwarul Hoda (ICRIER), Maxine Olson (UNDP), John Ochola (Institute of Economic Affairs, Kenya) and Debapriya Bhattacharya (CPD, Bangladesh)

Workshop I: Huma Fakhar (Fakhar Law International, Pakistan), Malcolm Subhan (EIAS, Brussels), Sudaryatmo (Indonesian Consumers Association) and Fahmida A. Khatun (CPD, Bangladesh) ⇧

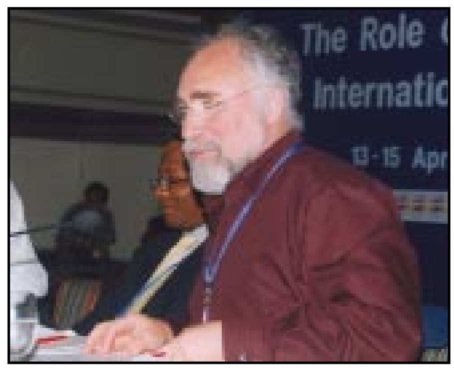
David F. Luke (UNDP) and Peter Draper (SAIIA) ⇦

Seminar Participants ⇧



Plenary III: Rosalea Hamilton (ILE, Jamaica), Pradeep S. Mehta (CUTS International), Suman Bery (NCAER, India), Veena Jha (UNCTAD) and David F. Luke (UNDP)

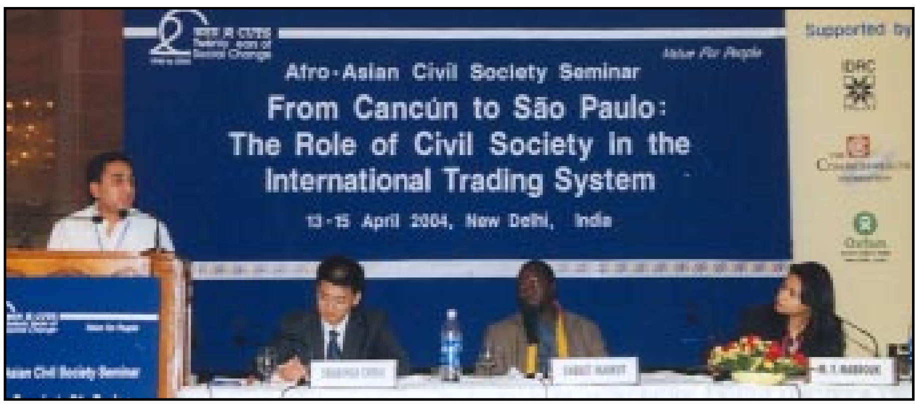
Plenary II: Shishir Priyadarshi (WTO)



Plenary II: Jean-Pierre Lehmann (IMD, Switzerland)

Plenary IV: Nagesh Kumar (RIS), Abid Suleri (Oxfam GB, Pakistan), Sanjaya Baru (Financial Express, India), Veena Jha (UNCTAD), Davis Ddamulira (SEATINI, Uganda)

A long-shot view of the participants ⇨



Workshop II: Navin Dahal (SAWTEE), Shuaihua Cheng (Shanghai Development Research Center, China), Chebet Maikut (Uganda National Farmers Federation), Mirette F. Mabrouk (IBA Media Group, Egypt) ⇧

Judith Odipo (Department of External Trade, Kenya) and Chubashini Suntharalingam (FOMCA, Malaysia) ⇦

Closing Session: Peter Draper (SAIIA), Pradeep S. Mehta (CUTS International), Rajeet Mitter (Ministry of Commerce, India) and Julius Sen (LSE, UK)

Press Conference: Bipul Chatterjee (CUTS-CITEE), Rajan R. Gandhi (CUTS Delhi Resource Centre), Pradeep S. Mehta (CUTS International)

CUTS International Staff: Pradeep S. Mehta, Julius Sen, Emily Woodroofe, Pranav Kumar, Parashar Kulkarni, Bipul Chatterjee, Purnima Purohit, Vijay Singh, Urvashi Gulati, Prabhash Ranjan, Kalyani Ghosh, S. Banerjee, David Maina, Rajan R. Gandhi, Aparna Shivpuri, Nitya Nanda, Diana Montero Melis and K.S. Sajeev.

ANNEX-VIII

CUTS-CITEE Publications

STUDIES

1. **Policy Shift in Indian Economy**
   A survey on the public perceptions of the New Economic Policy in the states of Maharashtra, Rajasthan, Tamil Nadu and West Bengal in India conducted during June/July 1995 and recommendations to the government which were discussed at the above mentioned India-Nepal Training Seminar.
   (100pp, #9512, Rs.100/US$25)

2. **Policy Shift in Nepal Economy**
   A survey on the public perceptions of New Economic Policy in Nepal conducted during June/July 1995 and recommendations to the government which were discussed at the above mentioned India-Nepal Training Seminar.
   (80pp, #9513, Rs.30/US$15)

3. **Environmental Conditions in International Trade**
   A study on the impact on India's exports in the area of Textiles and Garments including Carpets, Leather and Leather Goods, Agricultural and Food Products including Tea and Packaging, for the Central Pollution Control Board, Ministry of Environment & Forests, Government of India.
   (39pp, #9508, Rs.200/US$50)

4. **Costs on Consumers due to Non-Co-operation Among SAARC Countries**
   A study by noted scholars on the costs on consumers of the countries in South Asia due to economic non-co-operation among them. *(#9605, Rs.50/US$25)*

5. **Tariff Escalation — A Tax on Sustainability**
   The study finds that the existence of escalating tariff structure, particularly in developed countries, results in "third-best" allocation of resources. It also harms both environment and development, and crucially the balance of trade.
   (Rs.100/US$25, ISBN 81-87222-00-X)

6. **Trade, Labour, Global Competition and the Social Clause**
   The social clause issue has remained one of the most heated areas of international debate for a number of years. The study says that the quality of that debate has not met its volume and the real issues underlying the issue have rarely been analysed as a whole. It attempts to string the various debates together.
   (Rs.100/US$25) ISBN 81-87222-01-8

7. **TRIPs, Biotechnology and Global Competition**
   The study shows, with some evidence, that the provisions in the TRIPs agreement concerning biotechnology are of great concern to the developing world. According to the new GATT agreement, all bio-technology products may be patented. Nearly 80 percent of all biotechnology patents are currently held by large multinationals. *(Rs.100/US$25, ISBN 81-87222-02-6)*

8. **Eradicating Child Labour While Saving the Child**
   In the scenario of a growing interest in banning child labour this research report argues that trade restricting measures have every potential of eliminating the child itself. The report provides logical arguments and a case study for those groups who are against the use of trade bans for the solution of this social malaise. It also makes certain recommendations for the *effective* solution of the problem.
   (Rs.100/US$25, ISBN 81-87222-23-9)

9. **Non-trade Concerns in the WTO Agreement on Agriculture**
   This research report written by Dr. Biswajit Dhar and Dr. Sachin Chaturvedi of the Research and Information System for the Non-aligned and Other Developing Countries, New Delhi, provides a detailed analysis of non-trade concerns, covering the various dimensions indicated by the Agreement on Agriculture of the World Trade Organisation. *(Rs.50/US$10, ISBN 81-87222-30-1*)

10. **Liberalisation and Poverty: Is There a Virtuous Circle?**
    This is the report of a project: "Conditions Necessary for the Liberalisation of Trade and Investment to Reduce Poverty", which was carried out by the Consumer Unity & Trust Society in association with the Indira Gandhi Institute for Development Research, Mumbai; the Sustainable Development Policy Institute, Islamabad, Pakistan; and the Centre for Policy Dialogue, Dhaka, Bangladesh, with the support of the Department for International Development, Government of the UK.
    (Rs.100/US$25, ISBN 81-87222-29-8)

11. **Analyses of the Interaction between Trade and Competition Policy**
    This not only provides information about the views of different countries on various issues being discussed at the working group on competition, but also informs them about the views of experts on competition concerns being discussed on the WTO platform and the possible direction these discussions would take in near future. It also contains an analyses on the country's presentations by CUTS.
    (Rs.100/US$25, ISBN 81-87222-33-6)

12. **The Functioning of Patent Monopoly Rights in Developing Economies: In Whose Interest?**
    Advocates of strong international protection for patents argue that developing countries would gain from increased flows of trade, investment and technology transfer. The paper questions this view by examining both the functioning of patents in developing economies in the past and current structural trends in the world economy in these areas. The historical research revealed no positive links between a strong patent regime and FDI and technology transfer. Current trends are largely limited to exchanges amongst the industrialised countries and to some extent,

the newly industrialising countries. While increased North/South trade flows are expected, negative consequences are possible.
(Rs.100/US$25, ISBN 81-87222-36-0)

13. **Negotiating the TRIPs Agreement:
India's Experience and Some Domestic Policy Issues**
This report shows particularities about the subject that distinguished the TRIPs (Trade Related Aspects of Intellectual Property Rights) negotiations from other agreements that make up the Uruguay Round results. It also analyses the way in which the TRIPs Agreement was actually negotiated and handled.

The author finds that many of the lessons that can be drawn from India's experience with the TRIPs negotiations are the same as those that can be drawn from the negotiations more generally and true for many other countries. It goes beyond a narrow analysis of events relating strictly to the negotiations during the Uruguay Round and looks at the negotiating context in which these negotiations took place. The research findings draw lessons from what actually happened and suggest how policy processes can be reformed and reorganised to address the negotiating requirements in dealing with such issues in the future.
(Rs.100/US$25, ISBN 81-87222-50-6)

14. **Multilateral Environmental Agreements, Trade and Development: Issues and Policy Options Concerning Compliance and Enforcement**
The latest report of CUTS on Multilateral Environmental Agreement, Trade and Development, examines the role of provisions for technology and financial transfer as well as capacity building as an alternative to trade measures for improving compliance and enforcement. It acquires specific significance in the light of the fact that the WTO members for the first time, in the trade body's history, agreed to negotiate on environmental issues at the Fourth Ministerial Conference of the WTO at Doha.

This study also examines pros and cons of Carrots and Sticks approaches, and analyses incorporation of these approaches in three major MEAs, the Montreal Protocol, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the Basel Convention, to find out which approach has been more successful in ensuring enforcement and compliance.

A must read for different stakeholders involved in this process, as this study would provide useful inputs towards trade and environment negotiations.
(Rs. 100/US$25, ISBN 81-87222-58-1)

15. **Market Access Implications of SPS and TBT: Bangladesh Perspective**
As both tariffs and other traditional trade barriers are being progressively lowered, there are growing concerns about the fact that new technical non-tariff barriers are taking their place, such as sanitary and phytosanitary measures (SPS) and technical regulations and standards.

The poor countries have been denied market access on quite a number of occasions when they failed to comply with a developed country's SPS or TBT requirements or both. The seriousness of this denial of market access is often not realised unless their impact on exports, income and employment is quantified.

In this paper, the author focuses on the findings of a 1998 case study into the European Commission's ban of fishery products from Bangladesh into the EU, imposed in July 1997.

This research report intends to increase awareness in the North about the ground-level situation in poor and developing countries. At the same time, it makes some useful suggestions on how the concerns of LDCs can be addressed best within the multilateral framework. The suggestions are equally applicable to the developing countries. *(Rs. 100/US$10, ISBN 81-87222-69-7)*

16. Voluntary Self-regulation versus Mandatory Legislative Schemes for Implementing Labour Standards

Since the early 1990s, globally there has been a proliferation of corporate codes of conduct and an increased emphasis on corporate responsibility. The idea is that companies voluntarily adopt codes of conduct to fulfil their social obligations and although these companies are responsible only for a fraction of the total labour force, they set the standards that can potentially lead to an overall improvement in the working conditions of labour.

These voluntary approaches are seen as a way forward in a situation where state institutions are weakened with the rise to dominance of the policies of neo-liberalism, and failure of the state-based and international regulatory initiatives.

Given this background, this paper examines how the failure of 1980s codes, regulated by international bodies, resulted in the proliferation of corporate codes of conduct and an increased emphasis on corporate social responsibility.

This paper further tries to explore whether voluntary codes of conduct can ensure workers' rights in a developing country like India.
(Rs.100/US$25, ISBN 81-87222-76-X)

17. Child Labour in South Asia: Are Trade Sanctions the Answer?

South Asian Countries have the highest rates of child labour practices in the world. As a result of the advocacy by powerful political lobbying groups supported by Europe and the US, the trade sanction approach to encounter the issue of child labour has gained influence, since the nineties.

These sanctions were exercised to alleviate the problem of child labour by US policy-makers and also by some countries in the EU. But, the question arises – have the trade sanctions imposed by these countries in any way helped eliminate this problem? This research report of CUTS Centre for International Trade, Economics & Environment tries to address this question.

It has explored the impact of these trade sanctions and finds that these sanctions resulted in the contradiction of the basic objective, i.e., elimination of child labour. By banning the import of those goods in the production process of which child labour was used wholly or partly, the developed countries have aggravated the sufferings of child labour and their families.

Besides highlighting the causes of child labour, the report makes some very useful recommendations on how the issue of child labour can be addressed best at the domestic as well as international level.
(Rs.100/US$25, ISBN 81-87222-82-4)

18. TRIPs and Public Health: Ways Forward for South Asia

Trade Related Aspects of Intellectual Property Rights — or TRIPs — has always been one of the most contentious issues in the WTO. Several studies have been conducted on the political economy of TRIPS *vis-à-vis* WTO, the outcome of which are crucial to the policymakers of the developing economies more than those in the rich countries. Increasing realisation of the poor countries' suffering at the hands of the patent holders is yet another cause of worry in the developing and poor countries.

This research document tries to find an answer to one specific question: what genuine choices do policymakers in South Asian developing nations now have, more so after the linkage between the trade regime and pharmaceuticals? Starting with a brief overview of the key features of the corporate model of pharmaceuticals, the paper provides some insight into the challenges faced by the governments in South Asian countries. The aim is to anchor the present discussion of public health and the impact of TRIPs in the socio-cultural environment of this region.
(Rs.100/US$25, ISBN 81-87222-83-2)

19. Putting our Fears on the Table: Analyses of the Proposals on Investment and Competition Agreements at the WTO

"Let them put their fears on the table and that should guide the negotiations." The UNCTAD Secretary General, Rubens Ricupero, made this comment just after the Doha ministerial meeting of the WTO held in November, 2001.

He was referring to India's stand at Doha on the 'Singapore issues' and arguing that it was pointless in just opposing the 'new' issues at the WTO without putting forward constructive arguments.

"Putting our Fears on the Table" is the title of a recently published report of the CUTS Centre for International Trade, Economics & Environment. It provides analyses of the proposals on investment and competition agreements at the WTO, especially in the areas taken up and/or proposed at Doha for possible future negotiations.

This volume is a product of comprehensive research and dialogue of leading international experts, practitioners and other stakeholders. It will really help developing countries to comprehend and deal with the issues in the WTO context.
(Rs.300 for India/US$25 for OECD Countries/US$15 for other, ISBN 81-87222-84-0)

20. Bridging the Differences: Analyses of Five Issues of the WTO Agenda

This book is a product of the project, EU-India Network on Trade and Development (EINTAD), launched about a year back at Brussels. CUTS and University of Sussex are the lead partners in this project, implemented with financial support from the European Commission (EC). The CUTS-Sussex University study has been jointly edited by Prof. L. Alan Winters of the University of Sussex and Pradeep S. Mehta, Secretary-General of CUTS, India.

The five issues discussed in the book are Investment, Competition Policy, Anti-dumping, Textiles & Clothing, and Movement of Natural Persons. Each of these papers has been co-authored by eminent researchers from Europe and India.
(Rs.350/US$50, ISBN 81-87222-92-1)

21. **Dealing with Protectionist Standard Setting: *Effectiveness of WTO Agreements on TBT and SPS***
Sanitary and Phytosanitary Safeguards (SPS) and Technical Barriers to Trade (TBT) Agreements — enshrined in the WTO — are meant to keep undesirable trade practices at bay. These Agreements try to ensure adherence to standards, certification and testing procedures, apart from technical protection to the people, by countries while trading in the international arena.

This research report is a sincere attempt to fathom the relevance of SPS and TBT Agreements, their necessity in the present global economic scenario and, of course, the development of case law related to the Agreements, along with a brief description of the impact of this case law on developing countries.
(Rs.100/US$25, ISBN 81-87222-68-9)

22. **Competitiveness of Service Sectors in South Asia: *Role and Implications of GATS***
This research report attempts to emphasise on the relevance of GATS for developing economies, particularly in South Asia. It also examines the potential gains from trade liberalisation in services, with a specific focus on hospital services, and raises legitimate concerns about increases in exports affecting adversely the domestic availability of such services. It highlights how the ongoing GATS negotiations can be used to generate a stronger liberalising momentum in the health sector.
(Rs.100/US$25, ISBN 81-8257-000-X)

23. **Capacity Building on Infrastructure Regulatory Issues**
The role of civil society is critical in shaping regulatory capacity. It helps in resource mobilisation and experience sharing, which in turn, helps regulatory agencies to form a strong platform from where they can build further. This document is intended to kick-start debate among the stakeholders – Government, regulatory bodies and civil society – to catalyse an appropriate regulatory environment in India.
(Rs.100/US$50, ISBN 81-8257-020-4)

24. **Demystifying Agriculture Market Access Formula:** *A Developing Country Perspective After Cancun Setback*
At the Cancún meeting, a draft ministerial text on agriculture emerged, known as the Derbez Text. It was not surprising that at Cancún the WTO members failed to accept a ministerial text on agriculture. The Derbez Text had made the framework very complex, which the paper, "Demystifying Agriculture Market Access Formula" tries to demystify. *(#0417, Rs. 100/US$25, ISBN 81-8257-033-6)*

25. **Trade-Labour Debate: The State of Affairs**
The purpose of the study is not to rehearse the never-ending story on the pros and cons of the trade-labour linkage. It not only seeks to assess the current and possible future direction of the debate from the developing countries' perspective. It is hoped that this approach will provide developing countries with concrete policy suggestions in terms of the way forward.
(#0410, Rs. 100/US$25, ISBN81-8257-025-5)

26. **Liberalising Trade in Environmental Goods and Services:** *In Search of 'Win-Win-Win' Outcomes*
Trade in environmental goods and services has assumed a centre-stage position. The excellent analysis of this issue involved in environmental trade concludes with soundly reasoned policy recommendations which show the direction that future negotiations must take if the originally envisaged 'win-win-win' situation is to be achieved. *(#0402,Rs. 100/US$25, ISBN 81-8257-019-0)*

DISCUSSION PAPERS

1. **Existing Inequities in Trade - A Challenge to GATT**
A much appreciated paper written by Pradeep S Mehta and presented at the GATT Symposium on Trade, Environment & Sustainable Development, Geneva, 10-11 June, 1994 which highlights the inconsistencies in the contentious debates around trade and environment. *(10pp, #9406, Rs 30/US$5)*

2. **Multilateralisation of Sovereignty: Proposals for Multilateral Frameworks for Investment**
The paper written by Pradeep S Mehta and Raghav Narsalay analyses the past, present and future of investment liberalisation and regulation. It also contains an alternative draft, International Agreement on Investment. *(#9807, Rs.100/US$25)*

3. **Ratchetting Market Access**
Bipul Chatterjee and Raghav Narsalay analyse the impact of the GATT Agreements on developing countries. The analyses takes stock of what has happened at the WTO until now, and flags issues for comments. *(#9810, Rs.100/US$25)*

4. **Domestically Prohibited Goods, Trade in Toxic Waste and Technology Transfer: Issues and Developments**
This study by CUTS Centre for International Trade, Economics & Environment attempts to highlight concerns about the industrialised countries exporting domestically prohibited goods (DPGs) and technologies to the developing countries that are not capable of disposing off these substances safely, and protecting their people from health and environmental hazards. *(ISBN 81-87222-40-9)*

EVENT REPORTS

1. **Challenges in Implementing a Competition Policy and Law: An Agenda for Action**
This report is an outcome of the symposium held in Geneva on "Competition Policy and Consumer Interest in the Global Economy" on 12-13 October, 2001. The one-and-a-half-day event was organised by CUTS and supported by the International Development Research Centre (IDRC), Canada. The symposium was addressed by international experts and practitioners representing different stakeholder groups viz. consumer organisations, NGOs, media, academia, etc. and the audience comprised of participants from all over the world, including representatives of Geneva trade missions, UNCTAD, WTO, EC, etc. This publication will assist people in understanding the domestic as well as international challenges in respect of competition law and policy. *(48pp, #0202, Rs.100/US$25)*

2. **Analyses of the Interaction between Trade and Competition Policy**
   This not only provides information about the views of different countries on various issues being discussed at the working group on competition, but also informs them about the views of experts on competition concerns being discussed on the WTO platform and the possible direction these discussions would take place in near future. It also contains an analyses on the country's presentations by CUTS. *(Rs.100/US$25, ISBN 81-87222-33-6)*

MONOGRAPHS

1. **Role and the Impact of Advertising in Promoting Sustainable Consumption in India**
   Economic liberalisation in India witnessed the arrival of marketing and advertisement gimmicks, which had not existed before. This monograph traces the the impact of advertising on consumption in India since 1991. *(25pp, #9803, Rs.50/US$10)*

2. **Social Clause as an Element of the WTO Process**
   The central question is whether poor labour standards result in comparative advantage for a country or not. The document analyses the political economy of the debate on trade and labour standards. *(14pp, #9804, Rs.50/US$10)*

3. **Is Trade Liberalisation Sustainable Over Time?**
   Economic policy is not an easy area for either the laity or social activist to comprehend. To understand the process of reforms, Dr. Kalyan Raipuria, Adviser, Ministry of Commerce, Government of India, wrote a reader-friendly guide by using question-answer format. *(29pp, #9805, Rs. 50/US$10)*

4. **Impact of the Economic Reforms in India on the Poor**
   The question is whether benefits of the reforms are reaching the poor or not. This study aims to draw attention to this factor by taking into account inter-state investment pattern, employment and income generation, the social and human development indicators, the state of specific poverty alleviation programmes as well as the impact on the poor in selected occupations where they are concentrated. *(15pp, #9806, Rs. 50/US$10)*

5. **Regulation: Why and How**
   From consumer's viewpoint, markets and regulators are complementary instruments. The role of the latter is to compensate in some way the failings of the former. The goal of this monograph is to provide a general picture of the why's of regulation in a market economy. *(34pp, #9814, Rs.50/US$10)*

6. **Snapshots from the Sustainability Route — A Sample Profile from India**
   Consumption is an indicator of both economic development and also social habits. The disparity in consumption pattern has always been explained in the context of the rural urban divide in India. The monograph analyses the consumption patter of India from the point of view of the global trend towards sustainable consumption. *(16pp, #9903, Rs.50/US$10)*

7. **Consumer Protection in the Global Economy**
This monograph outlines the goals of a consumer protection policy and also speaks about the interaction between consumer protection laws and competition laws. It also highlights the new dimensions about delivering consumer redress in a globalising world economy, which raises jurisdictional issues and the sheer size of the market. *(38pp, #0101, Rs.50/US$10).*

8. **Globalisation and India – Myths and Realities**
This monograph is an attempt to examine the myths and realities so as to address some common fallacies about globalisation and raise peoples' awareness on the potential benefits globalisation has to offer. *(40pp, #0105, Rs.50/US$10)*

9. **ABC of the WTO**
This monograph is about the World Trade Organisation (WTO) which has become the tool for globalisation. This monograph is an attempt to inform the layperson about the WTO in a simple question-answer format. It is the first in our series of monographs covering WTO-related issues and their implications for India. Its aim is to create an informed society through better public knowledge, and thus enhance transparency and accountability in the system of economic governance.
(36pp, #0213, Rs.50/US$10)

10. **ABC of FDI**
FDI — a term heard by many but understood by few. In the present times of liberalisation and integration of world economy, the phenomenon of Foreign Direct Investment or FDI is rapidly becoming a favourite jargon, though without much knowledge about it. That is why CUTS decided to come out with a handy, yet easy-to-afford monograph, dwelling upon the how's and why's of FDI. This monograph is third in the series of "Globalisation and India – Myths and Realities", launched by CUTS in September 2001. "How is FDI defined?" "What does it constitute?" "Does it increase jobs, exports and economic growth?" Or, "Does it drive out domestic investment or enhance it?" are only some of the topics addressed to in a lay man's language in this monograph. *(48pp, #0306, Rs.50/US$10)*

11. **WTO Agreement on Agriculture: Frequently Asked Questions**
As a befitting reply to the overwhelming response to our earlier three monographs, we decided to come out with a monograph on *WTO Agreement on Agriculture* in a simple Q&A format. This is the fourth one in our series of monographs on *Globalisation and India – Myths and Realities,* started in September 2001.

    This monograph of CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) is meant to inform people on the basics of the WTO Agreement on Agriculture and its likely impact on India. *(48pp, #0314, Rs.50/US$10)*

12. **Globalisation, Economic Liberalisation and the Indian Informal Sector – A Roadmap for Advocacy**
India had embarked upon the path of economic liberalisation in the early nineties in a major way. The process of economic liberalisation and the pursuit of market-driven economic policies are having a significant impact to the economic landscape of the country. The striking characteristic of this process has been a constant shift

in the role of the state in economic activities. The role of the state is undergoing a paradigm shift from being a producer to a regulator and a facilitator. A constant removal of restrictions on economic activities and fostering private participation is becoming the order of the day.

Keeping these issues in mind, CUTS with the support of Oxfam GB in India, had undertaken a project on globalisation and the Indian Informal sector. The selected sectors were non-timber forest products, handloom and handicraft. The rationale was based on the premise that globalisation and economic liberalisation can result in potential gains, even for the poor, but there is the need for safety measures as well. This is mainly because unhindered globalisation can lead to lopsided growth, where some sectors may prosper, leaving the vulnerable ones lagging behind. *(ISBN 81-8257-017-4)*

13. **ABC of TRIPs**
This booklet intends to explain in a simple language, the Trade-Related Intellectual Property Rights Agreement (TRIPs), which came along with the WTO in 1995. TRIPs deals with patents, copyrights, trademarks, GIs, etc. and countinues to be one of the most controversial issues in the international trading system. The agreement makes the protection of IPRs a fundamental part of the WTO. This monograph gives a brief history of the agreement and addresses important issues such as life patenting, traditional knowledge and transfer of technology among others. *(38pp, Rs. 50/US$10, #0407) ISBN 81-8257-026-3*

14. **Trade Policy Making in India –** *The reality below the water line*
This paper discusses and concludes the issues, in broad terms, that India struggles with trade policy making, essentially because domestic and international thinking on development and economic growth is seriously out of alignment, and that there are few immediate prospects of this changing, for a variety of entirely domestic political reasons. *(#0415, Rs. 100/US$10, ISBN 81-8257-031-X)*

15. **ABC of GATS**
The aim of the GATS agreement is to gradually remove barriers to trade in services and open up services to international competition. This monograph is an attempt to educate the reader with the basic issues concerning trade in services, as under GATS. The aim of this monograph is to explain in simple language the structure and implications of the GATS agreement, especially for developing countries.
(#0416, Rs. 50/US$10, ISBN 81-8257-032-8)

16. **WTO Agreement on Textiles and Clothing –** ***Frequently Asked Questions***
This monograph attempts to address some of the basic questions and concerns relating to he textiles and clothing. The aim is to equip the reader to understand the fundamentals of and underlying issues pertaining to trade in textiles and clothing.
(#0419, Rs. 50/US$10, ISBN 81-8257-035-2)

GUIDES

1. Unpacking the GATT

This book provides an easy guide to the main aspects of the Uruguay Round agreements in a way that is understandable for non-trade experts, and also contains enough detail to make it a working document for academics and activists.
(US$5, Rs.60)

2. Consumer Agenda and the WTO — An Indian Viewpoint

Analyses of strategic and WTO-related issues under two broad heads, international agenda and domestic agenda.
(#9907)

NEWSLETTERS

Economiquity

A quarterly newsletter of the CUTS Centre for International Trade, Economics & Environment for private circulation among interested persons/networks. Contributions are welcome: Rs.100/US$20 p.a.

ReguLetter

A Quarterly Newsletter covering developments relating to competition policy and economic regulations. The purpose of this newsletter is to provide a forum, in particular to civil society, to understand the issues clearly and promote a healthy competition culture in the world.
Contributions are welcome: Rs.150/US$30 p.a.

BRIEFING PAPERS

Our Briefing Papers inform the layperson and raise issues for further debate. These have been written by several persons, with comments from others. Re-publication, circulation etc. are encouraged for wider education.
Contributions towards postage (Rs.20/US$5) are welcome.

1995

1. GATT, Patent Laws and Implications for India
2. Social Clause in the GATT - A Boon or Bane for India
3. Greening Consumer Choice? - Environmental Labelling and the Consumer
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5. Anti-Dumping Measures under GATT and Indian Law
6. Rational Drug Policy in South Asia - The Way Ahead
7. No Patents on Life Forms!
8. Legislative Reforms in a Liberalising Economy

1996

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4. Globalising Liberalisation Without Regulations! - Or, How to Regulate Foreign Investment and TNCs
5. The Circle of Poison - Unholy Trade in Domestically Prohibited Goods
6. Swim Together or Sink – Costs of Economic Non-Co-operation in South Asia (revised in Sept. 1998)
7. Carrying the SAARC Flag-Moving towards Regional Economic Co-operation (Revised in Oct. 1998)
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9. WTO: Beyond Singapore - The Need for Equity and Coherence

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5. Textiles & Clothing - Who Gains, Who Loses and Why?
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