DODGING DEVELOPMENT

Doha Round and Least Developed Countries

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

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Rashed Al Mahmud Titumir
M Iqbal Ahmed
Md. Golam Sarwar

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Authors
Rashed Al Mahmud Titumir
M Iqbal Ahmed
Md. Golam Sarwar

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For orders and request please contact
Unnayan Onneshan – The Innovators
House – 40/A, Road – 10/A, Dhanmondi, Dhaka, Bangladesh
Tel: + (88 - 02) 8158274
Fax: + (88 – 02) 8159135
E-mail: info@unnayan.org
Web: www.unnayan.org

[R]elations in the field of trade and economic endeavours should be conducted with a view to raising standard of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of, and trade in, goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their [i.e. the Parties to the Agreement] respective needs and concerns at different levels of economic development... [T]here is a need for positive efforts designated to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development.

-Marrakesh Agreement establishing the WTO, January 1, 1995

[D]evelopment concerns form an integral part of the Doha Ministerial Declaration. The General Council rededicates and recommits Members to fulfilling the development dimension of the Doha Development Agenda, which places the needs and interests of developing and least-developed countries at the heart of the Doha Work Programme.

-'July Package', August 1, 2004

SUMMARY

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

The trends set it all: the number of people living in extreme poverty will increase from 334 million people in 2000 to 471 million in 2015 in LDCs, if the present trends persist. Twenty years ago, the ratio of average income in the LDCs to average income in rich countries was 1:87. It is now 1:98. If current trends continue, only one country will reach the US 900 dollars per capita income threshold for moving out of LDC status in the next 50 years. During the second half of the 1990s the average per capita income in the LDCs in terms of current prices was $0.72 a day and the average per capita consumption was $0.57 a day, implying that on average there was only $0.15 a day per person to spend on private capital formation, public investment in infrastructure and the running of vital public services, including health, education, administration, and law and order. In three-quarters of the LDCs, including most of those located in sub-Saharan Africa, over 80 per cent of the population live on less than $2 a day. The share of the population living on less than $2 a day was close to and often well over 60 per cent in the late 1990s. In 30 LDCs, more than 25 per cent of the population live below the $1-a-day poverty line and in 20 countries the share of the population living in extreme poverty is above 50 per cent. The forecast of increase in poverty begs questioning the effectiveness of the current paradigm, its derived mechanisms and instruments.

Nowhere are too many broken promises than trade. As of 2004, LDCs share in world trade stood at 0.68 per cent (approximately $131 billion) of total world exports of $9.46 trillion. However, LDCs have been increasingly marginalized in world trade. Over the last four decades, their share in world exports decreased constantly from 3.06 per cent in 1954 to 0.42 per cent in 1998. In the last two decades, their trade performance continued to worsen. From 1980 until 1994, there was a persistent tendency towards increasing marginalization of the LDCs in world trade. Even though since 1994 the decline in the LDCs' share in world exports has actually ceased, in 2001 their share in world exports of goods and services was only 0.63 per cent, 31 per cent lower than their share in 1980. This is particularly true for the majority of LDCs that are exporters of non-oil primary commodities. Unlike the pattern of growth in world trade, as LDCs' merchandise export structures remain dominated by primary commodities, a natural process of marginalisation is in force in these countries. The participation of LDCs in international agricultural trade is insignificant and has been declining. Their share in world agricultural exports has dropped steadily, from 3.3 percent in 1970-79 to 1.9 percent in 1980-89 and a mere 1.5 percent in 1990-98. The LDCs remain passive recipient of commercial services.

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

INTRODUCTION

The people of the least developed countries (LDCs) [1] are told many a time that free trade creates opportunity for all, speeds up growth and unchains the shackles of poverty and despair. They are told that the current round of trade negotiations will, for sure, deliver on this promise. The practices in the international trading system are far away from the rhetoric: rich government tilt the playing field against the poor.

The trends set it all: the number of people living in extreme poverty will increase from 334 million people in 2000 to 471 million in 2015 in LDCs if the present trends persist. Twenty years ago, the ratio of average income in the LDCs to average income in rich countries was 1:87. It is now 1:98. If current trends continue, only one country will reach the US 900 dollars per capita income threshold for moving out of LDC status in the next 50 years. During the second half of the 1990s the average per capita income in the LDCs in terms of current prices was $0.72 a day and the average per capita consumption was $0.57 a day, implying that on average there was only $0.15 a day per person to spend on private capital formation, public investment in infrastructure and the running of vital public services, including health, education, administration, and law and order. In three-quarters of the LDCs, including most of those located in sub-Saharan Africa, over 80 per cent of the population live on less than $2 a day. The share of the population living on less than $2 a day was close to and often well over 60 per cent in the late 1990s. In 30 LDCs, more than 25 per cent of the population live below the $1-a-day poverty line and in 20 countries the share of the population living in extreme poverty is above 50 per cent.

The forecast of increase in poverty begs questioning the effectiveness of the current paradigm, its derived mechanisms and instruments.

Nowhere are too many broken promises than trade. Over time, the share of LDCs in world exports and imports has been declining. The share of LDCs in world exports of goods and services declined by 47 per cent between 1980 and 1999, and stood at only 0.42 per cent of total world trade in the latter year. The share of LDCs in world imports of goods and services declined by 40 per cent over the same period and stood at 0.7 per cent of world imports in 1999.

Nevertheless the resilient people of these countries are buoyant in their struggle against the causes that breed poverty, as keen on their endeavours at how the Hong Kong Ministerial Conference of the World Trade Organisation (WTO) scheduled in December, 2005 shapes up in the backdrop of the Cancun fiasco. Would it make any better in the future to the lives and livelihoods of billions of poor who are plunged into poverty in the least developed countries (LDCs)? Would it set a new course for development or would it preside over the continuation of similar regime of trade practices that aggravate poverty?

The paper makes a modest attempt to provide an update on the current practices relating to some issues of 'July Package' as the mainstream sources of information mask than reveal the reality and also sketches elements of certain agenda that may form the part of negotiating agenda of the governments of the LDCs.

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LDCS IN INTERNATIONAL TRADE

As of 2004, LDCs share in world trade stood at 0.68 per cent (approximately $131 billion) of total world exports of $9.46 trillion. However, LDCs have been increasingly marginalized in world trade. Over the last four decades, their share in world exports decreased constantly from 3.06 per cent in 1954 to 0.42 per cent in 1998 (Figure – 1). In the last two decades, their trade performance continued to worsen. From 1980 until 1994, there was a persistent tendency towards increasing marginalization of the LDCs in world trade. Even though since 1994 the decline in the LDCs' share in world exports has actually ceased, in 2001 their share in world exports

of goods and services was only 0.63 per cent, 31 per cent lower than their share in 1980. This is particularly true for the majority of LDCs that are exporters of non-oil primary commodities. Their export growth rates have been negatively affected by declining prices of their most important commodity exports. For instance, in the first half of 2003, the price of coffee was just 17 per cent of its 1980 value, cotton was 33 per cent and copper was 42 per cent.

Threatening De-industrialisation

It is the dismal performance of manufacturing exports that contributes most to the declining relative importance of LDCs in world export trade, though the countries included in the group of LDCs are not homogeneous and the performance of individual countries differs quite widely.

The manufacturing export base in LDCs is very low and this has been further aggravated due to concentration into a few exports or closure of state-owned enterprises, as a resultant of structural adjustment programme of unilateral liberalisation and privatisation. Unlike the pattern of growth in world trade, as LDCs' merchandise export structures remain dominated by primary commodities, a natural process of marginalisation is in force in these countries.

While dependence on primary products and the increasing globalisation of the world economy can explain much of the general trend in declining significance of LDCs, other factors have aggravated the process, either by inhibiting or by failing to facilitate the desired developments. Reduced inflows of official development assistance (ODA) and financial flows to LDCs also made it difficult for them to make the resources available for the development of the physical infrastructure and human capital that are essential in manufacturing production. Not only has the preferential trade margin decreased as a result of worldwide trade liberalisation, but most importantly, the WTO regime also remains dreadfully permissive about the decadent practice of market barriers, put against the exports of LDCs.

Bottoming out in agriculture trade

A disaggregating by type of export reveals that the marginalization process is strongest for non-fuel primary commodity exports and, that in each case there was a bottoming out in the 1990s. The participation of LDCs in international agricultural trade is insignificant and has been declining. Their share in world agricultural exports has dropped steadily, from 3.3 percent in 1970-79 to 1.9 percent in 1980-89 and a mere 1.5 percent in 1990-98 (Table - 1). Their share in world imports has also declined, though much less so, from 1.8 percent in 1970 to 1.6 percent in 1998. While world agricultural trade expanded at an average annual rate of over 5 percent during 1990-98, exports from LDCs grew by only 3.9 percent, in contrast to 6.6 percent for the developing countries as a whole. Their market share of many key agricultural commodities has fallen significantly from the 1980s to the 1990s, by

The dismal performance of manufacturing exports contributes most to the declining relative importance of LDCs in world export trade.

Their market share of many key agricultural commodities has fallen significantly.

over 30 percent for such commodities as timber, coffee, tea and cocoa and about 20 percent for cattle.

In addition to their small and declining share in world agricultural trade, LDCs' agricultural exports consist largely of a few low value-added primary commodities. On average, the top three export items, which are predominantly primary agricultural commodities, account for over 65 percent of total export earnings. The major agricultural exports of LDCs include coffee, cotton, jute, fish and seafood, tropical wood and bananas, mostly in unprocessed form. Moreover, the exports are concentrated on only a few markets, of which EU is by far the largest (36 percent), followed by the United States and Canada (21 percent) and Japan (6 percent). Therefore, conditions of market access to these countries are of critical importance in defining their trading opportunities.

Table -1 : Trend in Agricultural Exportsof LDC sand Other Developing Countries

	LDCs	All developing Countries
Average annual rate of export growth (%)		
1970-79	9.5	16.0
1980-89	-1.4	2.4
1990-98	3.9	6.6
Share of world agricultural exports (%)\		
1970-79	3.3	33.8
1980-89	1.9	31.0
1990-98	1.6	30.0

Source : FAOSTAT (2000)

A passive recipient in services

The global services exports stood at US$ 1.457 billion, 72 per cent of which were accounted for by developed countries while LDCs accounted for only $6 billion worth of exports of commercial services in 2000 and during the past 20 years their volume grew by less than $4 billion. As it is shown in the table that LDCs are much more dependent on imported commercial services and that LDCs' rate of expansion in import demand has been growing over the decades.

Considering total export trade (i.e. merchandise goods plus commercial services), it is estimated that between 1980 and 2000 the share of LDCs fell by about 30 per cent (Table – 4).

NON-AGRICULTURAL MARKET ACCESS (NAMA)

A discussion on market access pertains to barriers of entry into markets, which is manifested mainly through two walls. The first relates to tariff barriers such as tariff peaks, tariff escalation, non-advelorem tariffs, and tariff rate quota while second concerns non-tariff barriers like rules of origin, anti-dumping, countervailing and sanitary and phyto-sanitary measures,

Table-2 : Exports of Commercial Services ($billion)

Country Groups	1980	1985	1990	1992	1994	1996	1998	1999	2000
World	364.3	381.8	783.2	924.5	1039.5	1276.0	1341.0	1376.0	1457.2
Developed Countries	277.7	288.9	608.7	708.3	760.8	912.8	974.2	1006.0	1046.3
Developing Countries	74.0	80.6	153.8	190.4	245.1	310.5	314	323.9	360.6
LDCs	2.3	2.4	3.3	3.6	4.3	5.6	5.6	5.9	6.0
				Index 1990 = 100					
World	46.5	48.7	100.0	118.0	132.7	162.9	171.2	175.7	186.1
Developed Countries	45.6	47.5	100.0	116.4	125.0	150.0	160.0	165.3	171.9
Developing Countries	48.1	52.4	100.0	123.8	159.4	201.9	204.2	210.6	234.5
LDCs	69.7	72.7	100.0	109.1	130.3	169.7	169.7	178.8	181.8

Source : Marginalisation of LDCs and Small Vulnerable States in World Trade, Common Wealth Secretariat, Economic paper 71

LDCs are much more dependent on imported commercial services and that LDCs' rate of expansion in import demand has been growing over the decades.

Table-3 : Imports of Commercial Services ($billion)

Country Groups	1980	1985	1990	1992	1994	1996	1998	1999	2000
World	400.4	399.8	817.9	941.7	1043.3	1266.5	1335.5	1367.3	1453.1
Developed Countries	265.5	273.1	603.6	686.3	734.2	874.1	938.1	966.7	1004.7
Developing Countries	121.8	114.1	190.1	226.7	273.8	347.7	350.0	357.1	396.8
LDCs	6.7	5.8	8.9	9.9	9.9	12.2	12.9	12.9	14.5
				Index1990=100					
World	49.0	48.9	100.0	115.1	127.6	154.8	163.3	167.2	177.7
Developed Countries	44.0	45.2	100.0	113.7	121.6	144.8	155.4	160.2	166.5
Developing Countries	64.1	60.0	100.0	119.3	144.0	182.9	184.1	187.8	208.7
LDCs	75.3	65.2	100.0	111.2	111.2	137.1	144.9	144.9	162.9

Source : Marginalisation of LDCs and Small Vulnerable States in World Trade, Commonwealth Secretariat, Economic paper 71

Table-4 : Volumeof Export Trade (Merchandiseplus Commercial Service), ($billion)

Country Groups	1980	1985	1990	1992	1994	1996	1998	1999	2000
World	2386.7	2340.4	4261.4	4680.6	5318.4	6611.1	6795.4	7022.5	7783.7
Developed Countries	1563.0	1584.1	3097.7	3394.3	3710.5	4511.7	4677.6	4776.3	5030.9
Developing Countries	660.9	575.0	972.6	1159.9	1428.0	1848.5	1863.6	1972.8	2637.9
LDCs	16.9	14.4	19.7	20.0	22.4	29.1	30.0	33.5	40.4
				Index1990=100					
World	16.9	14.4	19.7	20.0	22.4	29.1	30.0	33.5	40.4
Developed Countries	50.5	51.1	100.0	109.6	119.8	145.6	151.0	154.2	162.4
Developing Countries	68.0	59.1	100.0	119.3	146.8	190.1	191.6	202.8	271.2
LDCs	85.8	73.1	100.0	101.5	113.7	147.7	152.3	170.1	205.1

Source : Marginalisation of LDCs and Small Vulnerable States in World Trade, Commonwealth Secretariat, Economic paper71

discriminatory government trading practices and technical barriers to trade.

Tariff barriers

The discrimination is obtrusive as the products of the LDCs faces in the market of developed countries. For example, the products originating from the LDCs faced 500 per cent higher import-weighted average tariff rates in 2004 compared to those of the developed world (0.98 per cent) for inflowing into the US market (Table – 5). Moreover, tariffs on many consumer and labour-intensive products, in which developing and LDCs have comparative advantage, face tariff peaks and tariff escalation. The poor countries like Bangladesh that export primarily labour-intensive goods such as textiles and clothing are hard hit by industrial countries' tariff policies. One can clearly see the disparate effects of these tariffs by looking at the effective tariff rates—the amount of import duties collected as a percentage of total imports-of different countries.

Pervasiveness of market access barrier has also been accentuated in the trade policy of the US government in the semblance of the Harmonised Tariff Scheduled. Over the years, poor countries have been deceived by the complexity of tariff structure of the developed countries and trailed behind in the trade negotiations as far as market access is concerned. The developed countries often claimed that they have lower tariff rates vis-à-vis the developing and least developed countries and pursed the later to reduce their tariff rates. However, the evidence shows that the way they have designed the tariff lines are anti-poor,

Table - 5: Import-weighted Average Tariffs in the United States

Group of countries	1996	1998	2000	2002	2004
Developed countries	1.73%	1.33%	1.05%	1.09%	0.98%
Developing and Transitional economy	2.89%	2.73%	2.14%	2.12%	1.80%
Least developed countries	4.65%	6.80%	7.27%	6.02%	4.91%

Source: Estimated by the authors from data available at USITC website

The products originating from the LDCs faced 500 per cent higher import-weighted average tariff rates in 2004 compared to those of the developed world.

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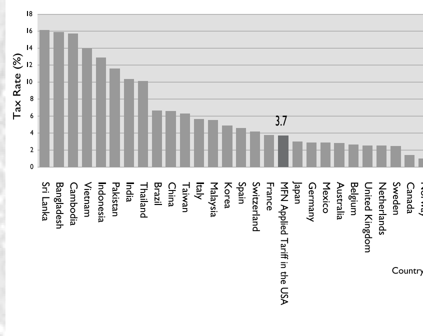


Figure - 2: Effective Tax Rates on Imports into the USA

benefiting only developed countries themselves. For example, the WTO statistics show Table-6 Tariffs paid by some countries that the MFN applied tariff rate (simple average) in the USA is 3.7 per cent for all products and 3.3 per cent for non-agricultural products in 2004. However, the rate rises steeply for the developing and least developed countries. As it has been shown that average US import tax for Bangladeshi products is 15.85 per cent, for Sri Lanka it is 16.12 per cent and for Cambodia the tax is 15.68 per cent; the average import taxes range between 11 per cent and 14 per cent for India, Pakistan, Indonesia and Vietnam. In contrast, tax rates for many of the developed countries like Norway, Canada, Sweden, Netherlands and UK range between less than one per cent and 2.5 per cent, far below the US applied tariff rate for LDCs. Such pervasiveness of tariff discriminations clearly undermines the export potential of poor countries like Bangladesh (Figure 2).

Pattern of customs revenue collection in the USA also confirms the pervasiveness. It has been found that there is an inverse correlation between the share of US imports from the rich and poor countries and the respective share of customs revenue. By taking into account the data of the US Department of Commerce for 2004, one can get the magnitude of the trade discrimination between rich and poor countries. It is estimated that in 2004, the US customs has collected more revenue from the exports of poor countries that have often struggled with low per capita income for their little share of exports compared to the developed countries that possessed a lion's share of the US imports and have higher per capita income. For instance, US imposed US$329.12 million tariffs on imports from Bangladesh, far above than those of developed and developing countries (Table – 6).

Country	Per Capita GDP (US$)	Exports to USA (US$ Mn)	Tariffs Paid (US$ Mn)
Bangladesh	445	2,073.57	329.12
Canada	31,500	7,253.88	100.06
Sweden	28,400	5,205.04	127.16
Belgium	30,600	4,804.46	125.48
Spain	23,300	3,827.63	173.62
Switzerlan	33,800	4,241.71	175.65
Malaysi	9,700	4,237.80	234.62
Pakistan	470	2,552.57	294.88

Tariff rates for many of the developed countries like Norway, Canada, Sweden, Netherlands and UK range between less than one per cent and 2.5 per cent, far below the US applied tariff rate for LDCs.

The US customs has collected more revenue from the exports of poor countries that have often struggled with low per capita income for their little share of exports compared to the developed countries that possessed a lion's share of the US imports and have higher per capita income.

The Table -6 illustrates that Bangladesh, which has one of the lowest per capita GDP in the world, exports only US$2.07 billion in 2004 due to high tariff barriers in the US market. Tariff imposed for Bangladeshi products by the USA in 2004 was US$329.12 million, higher than those of the products imported from Canada, Sweden, Belgium, Switzerland and Spain, which possess greater shares in the US market and have higher per capita GDP.

Thus the overall effect of the discriminatory tariff barriers has dampened the US import demands – for products like textile and clothing in which Bangladesh has comparative advantages –stymieing the overall growth of national income and employment generation.

Table : Trades I Apperal Exports in US

Exporters	1990	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 83311	2004 46232.3	July312005	July31%
World	27936	39981	43953	45915	54002	60397	63743	71692	70240	72183	77434	.7	4	50579.2	9.402
Argentina	47	7	9	7	8	9	5	7	11	19	17	24.5	12.43	414.559	17.09
Bangladesh	**438.3**	**927.4**	**1115**	**1178**	**1498**	**1695**	**1757**	**2205**	**2205**	**1990**	**1939**	**2065**	**1115.17**	**1343.53**	**20.48**
Brazil	225	321	234	184	148	124	130	225	232	332	406	407.8	256.851	263.795	2.7
China	3,556	4,931	4,800	4,890	6,024	5,900	6,129	6,527	6,536	8,744	11,609	14,56	7891.66	13,058	65.46
Columbia	185	384	390	334	381	392	409	444	376	370	539	636.3	349.6	366.63	4.87
CostaRica	388	693	766	710	850	831	831	829	753	730	594	524	300	278.82	-7.06
Egypt	92	254	319	312	389	465	424	518	509	474	535	564.3	320.29	330.08	3.06
ElSalvador	70	421	607	748	1,079	1,203	1,363	1,616	1,646	1,709	1,758	1,7571,1,959	992.47	972.47	-2.02
Guatemala	206	612	698	806	971	1,145	1,244	1,498	1,614	1,669	1,773	502,677,2,677	1098.67	1106.86	0.75
Honduras	118	648	921	1,223	1,663	1,879	2,164	2,328	2,348	2,444	2,507	50	1518.93,2003.69	533.389	0.95
HongKong,China	3,799	4,406	4,391	4,031	4,100	4,623	4,465	4,707	4,403	4,032	3,818	3,959,**3,633.2**	6,**127.35**	1509.06	-24.7
India	**793**	**1,520**	**1,614**	**1,736**	**2,010**	**2,287**	**2,384**	**2,741**	**2,633**	**2,993**	**3,212**	**40**2,620.	**9**15119.26	**2706.82**	**27.24**
Indonesia	696	1,170	1,336	1,493	1,872	1,973	1,959	2,380	2,553	2,329	2,376	20,2,579.1	65,19.26	1715.24	12.9
KoreaRep.	2,719	2,449	2,267	2,047	2,288	2,638	2,887	3,072	2,931	2,881	2,568	70,1,473.	6	1057.32	-26.5
Macao,Chaina	393	607	764	761	930	1,027	1,047	1,166	1,134	1,148	1,282	20	761.227	545.285	-28.4
Maldives	17	12	12	11	19	31	53	93	97	113	94	81.10,2,546.1	47.838,447.68	4.717	-90.1
Pakistan	428	768	965	1,011	1,197	1,427	1,475	1,835	1,924	1,983	2,215	00	7	1585.09	9.49
Paraguay	10	3	0	0	0	0	1	1	0	2	4	1.20,691.6			
Peru	78	130	152	171	221	246	324	406	384	395	516	0,1,585	392.418	470.775	19.97
SriLanka	438	892	1,025	1,139	1,362	1,488	1,470	1,677	1,698	1,527	1,493	20,2,198.1	839.513,16311	**968.971**	15.42
Thailand	594	1,234	1,417	1,400	1,661	1,964	2,074	2,447	2,441	2,203	2,072	20	6	1190.02	2.31
Uruguay	54	17	13	12	12	12	12	13	11	10	14	17.20,2,719	6.616	7.046	6.49
Vietnam		3	18	24	26	29	38	50	49	952	2,484	70	1545.72	1535.76	-0.64
CBI,NAFTA,A GOA,Andean	0	0	0	0	0	0	0	0	0	0	0	0.00			

Non-Tariff barriers

Market access barrier is also conspicuous through trade-restricting instruments like anti-dumping duties and safeguard measures, targeting the products of LDCs, in which they have comparative advantages. For example, the US imposed anti-dumping duties on cotton shop towels manufactured in Bangladesh. This sort of anti-dumping action clearly reflects the intentions of the developed countries' restrictive trade practice policy.

Erosion of Preference

While market access preferences have had positive effects, but market access preferences are being eroded or are subject to further erosion as the negotiations will reduce the tariffs in the markets of developed world.

Some of the LDCs which, however, have managed to find a small export base in manufacturing products await an impending crisis. The quotas under the MFA, established for the purpose of protecting garment producers of the developed countries, turned out to be a blessing for several LDCs. Such preferences under the MFA and GSP schemes have allowed several LDCs to emerge as notable exporters of garments. They are Bangladesh, Cambodia, Nepal, Haiti, Laos, Lesotho, Madagascar and Myanmar. From 1990-2001, the value of these countries' total export grew by 15 per cent annually, compared to the 3 per cent annual export growth registered during the same

Some of the LDCs which, however, have managed to find a small export base in manufacturing products await an impending crisis.

Vulnerability index implies that higher the value of the index, the more is the country exposed to loose its share in that particular market.

NAMA text is full of vague and ambiguous provisions.

period by 31 LDCs which depended on other export commodities.

The current NAMA negotiations are about reduction in tariffs, implying that the countries which enjoy preferential margins will witness their erosion of preferences. The LDCs are expected to lose from such move. This has been illustrated through market dynamics witnessed by phasing out of quota as these allowed certain segments of market reserved for apparels of Bangladesh. Though the emerging trends cannot portray the real competitive pressure, yet, the available data give a strong impression that growth of exports in the quota free world would have serious implications. Any such implication has a direct bearing on the livelihood of Bangladeshi workers.

When the quota was abolished completely in January 1, 2005, apparel exports to the USA increased by 20.48 per cent in terms of value and 19.11 per cent in terms of volume in the first seven months compared to the corresponding period of 2004. It is also evident from the Table - 7 that the share of RMG in the US market also increased marginally during the period. Although, it is too early to comment whether the present trend would be sustainable in future, that depends on a number of factors, both internal and external, including that of the further development of the WTO in the upcoming Ministerial. The seven months data show that China and India remained the dominant suppliers of textile and clothing with their shares increasing in the post-MFA period. During January-July, China's apparel exports to the USA have increased by 65.5 per cent whereas India's export has grown by 27 per cent compared to the same period of the previous year (Table – 7).

$$\text{Vulnerability Index} = \frac{Xijk / Xi.\ Xijk / Xjk}{Xik / Xk}$$

Xijk/ Xi = Share of Market j for product k in total exports of country I

Xijk / Xjk = Market Share of Country i in Market j for product k

Xik/ Xk = World Market Share of country i for product k

Xijk = Exports of country i (Bangladesh, China, India) to market j (USA) in product category (Textile and Clothing)

Exports data for Bangladesh, China and India for 2003 have been taken into consideration (Exports data are compiled from (ITCB, UN COMTRADE and US ITC). The vulnerability indices of trade in textile and clothing (T&C) of the three countries are as follows:

Country	Index Value
Bangladeh	0.735
China	0.028
India	0.105

Vulnerability index implies that higher the value of the index, the more is the country exposed to loose its share in that particular market. Therefore, it is obvious from the above calculation that Bangladesh having with higher value of index (0.735) is more vulnerable in T&C exports in the USA market. The extent of vulnerability of China (0.028) in the USA is small while that of India is bit higher (0.105), but much lower than Bangladesh. This implies that a country like Bangladesh is seriously vulnerable due to erosion of preference.

Flawed negotiations

Having missed all the deadlines on NAMA leading up to Cancun, the process for negotiations on the issue remains biased towards the interests of industrialised countries. This is evident from none but the latest move by the WTO through launching the 'July Package' to pep up the Doha Development Round. The text remains biased and unbalanced towards the interests of industrialised countries, while window dressing the issues of LDCs with fuzzy 'best endeavours' languages.

Besides the NAMA text is full of vague and ambiguous provisions. None of the 17 paragraphs of the text have specified any definite commitments. Instead, as before the text has been designed through words like 'recognise', 'reaffirm', 'acknowledge', and 'encourage'. For example, Paragraph 2 of the Annex states: "we reaffirm that

negotiations on market access for non-agricultural products shall 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." However, there is no deadline on when such negotiations would begin or conclude.

The July Package, which is set to propel the trade negotiations in the upcoming Ministerial, has shown little interests for the LDCs as usual. One of the issues of tremendous interest to LDCs, i.e. trade preferences, has been vaguely dealt with. Paragraph 10 of Annex B merely calls upon developed countries and others who so decide, "to grant on an autonomous basis duty free and quota free market access for non-agricultural products originating from LDCs by the year […]". There was no clear-cut deadline by which they would be given the duty-free access. This clearly lacks the intent of interests of the developed countries. Neither does the text consider the vulnerabilities of the local industries, the existence of which only depends on the market access of the developed countries. Moreover, about some other important issues for LDCs, such as that of technical assistance, the 31 July text is even weaker than the Doha Round.

In addition, it is also important to note that the nexus between trade and aid in the context of economic development of LDCs is not reflected in the text of NAMA. The text fails to relate the issue of supply side capacity building assistance to the issue of market access in a meaningful way. But the IMF-launched Trade Integration Mechanism (TIM) has served more for liberalisation than offsetting erosion of preference while a global fund to address the supply side constraints facing the LDCs has remained elusive. The policy space for development including industrial policies is constrained by TRIPS, TRMS and regional trade agreements. The WTO shows off for 'less than reciprocity' commensurate with development, but powerful Members demand more than full, while kicking away the special and differential treatments to unactionable constructive ambiguities.

While every developed economy has increased income with high levels of protection for its domestic industries, with their fortresses untouched, the developing world including Bangladesh is asked to continue to liberalise accentuating de-industrialisation, unemployment, environmental degradation, and worsening poverty.

AGRICULTURE

The negotiations are subjected to market access, domestic support and export subsidy. In the deliberate absence of rule based trade system in agriculture, the major beneficiaries of the trade distortions, namely the European Union (EU) and the United States of America (USA), sought to keep as much as possible of their privileges and were hesitant to bring agriculture under the purview of General Agreement on Tariff and Trade (GATT) in the Uruguay Round of negotiations that culminate in establishment of the WTO in 1995. Thus they continue to maintain status-quo while leaving virtually everything for future negotiations to set up rules to reduce protection and trade distorting support, though the developing world had to swallow a host of measures for deeper liberalisations in many a field, undermining their policy space for development

Moreover, instead of reducing agricultural subsidies the developed countries had, in fact, raised those in many cases. The United States Farm Bill signed in May 2002 includes over US$135 billion in new subsidies over the next 10 years. It is estimated that the rice farmers in USA would receive US$75,000 per household from the government in the form of direct payments.

Cotton subsidies provided by advanced countries have had important negative effects on some least developed countries (Box – 1).

Instead of reducing agricultural subsidies the developed countries had, in fact, raised those in many cases.

Cotton subsidies provided by advanced countries have had important negative effects on some least developed countries.

Box – 1:
The impact of cotton subsidy

Cotton subsidies provided by advanced countries have had important negative effects on some least developed countries. The negative effects, which were transmitted through a decline of the cotton price on the world market, were particularly significant for those least developed countries that have the strongest specialization in cotton production. Measured by the total value of cotton exports, Mali is the largest cotton exporter amongst the least developed countries; but measured as share of cotton exports in total exports, Benin, Burkina Faso and Chad are more dependent on cotton exports. In 1999–2001, cotton exports of Benin, Burkina Faso, and Chad accounted for a very larger share of their total merchandise exports (between 60.3 and 77.9 per cent) and a large share of their GDP (between 5.0 and 9.4 per cent). The cotton subsidies have depressed world cotton prices. On the basis of the assumption that cotton prices per pound in 2001 would have been 12 cents higher if the United States had eliminated cotton subsidies, it has been estimated that Central and Western African countries had forgone foreign exchange earnings of $250 billion (Badine et al., 2002). Similarly, on the basis of the assumption that cotton prices per pound would have been 11 cents higher, an Oxfam study estimates that African producers had forgone foreign exchange earnings of $302 million (Oxfam, 2003). Oxfam estimates forgone foreign exchange earnings for: Benin $33 million, Burkina Faso $28 million, Chad $16 million, the Central African Republic $2 million, Ethiopia $5 million, Guinea $3 million, Madagascar $3 million, Malawi $2 million, Mali $43 million, Mozambique $6 million, Somalia $1 million, Sudan $17 million, Togo lost $16 million, Uganda $5 million, United Republic of Tanzania $21 million and Zambia $8 million. Simulations exercises show that if full liberalization in the cotton sector takes place, including removal of both trade barriers and production support (along with liberalization in all other commodity sectors), cotton prices would rise above the price that would have prevailed in the absence of reforms. It is estimated that in the next 10 years cotton prices would increase by an average of 12.7 per cent. World cotton trade would increase by 5.8 per cent, while Africa's cotton exports would increase by 12.6 per cent (IMF, 2003a).

Source: UNCTAD,2004

Tyranny of the forced liberalisation with virtual absence of domestic support to agriculture and dishing out of bounty along the lines of rigged rules in the resource-rich countries have contributed to stall the reduction of rural poverty in these countries.

On the one hand, the resource constraint of the LDCs constitutes stumbling block to providing support to the needy farmers, and on the other, the meagre subsidies that used to be given have been withdrawn through unilateral liberalisation measures at the diktat of the World Bank and the IMF, dealing a death knell to the agrarian economy of these countries. Tyranny of the forced liberalisation with virtual absence of domestic support to agriculture and dishing out of bounty along the lines of rigged rules in the resource-rich countries have contributed to stall the reduction of rural poverty in these countries.

The unilateral liberalisation in agriculture has made a drastic change in the domestic market structure with greater degree of imperfection and inequality. The rapid unilateral liberalisation programme at input and output markets as well as imperfect market structure dominated by merchants' capital have forced the small farmers to sell their crops with lower price in the harvest seasons to meet the demand for necessities and buy the same product with higher price in the later. For example, middleman and brokers in Bangladesh appropriate from rice growers almost 8.7 billion Bangladeshi Taka, more than 1/5 of the agriculture-GDP and 1/6 of the total share of agriculture to the GDP of Bangladesh.

A country deeply dependent on agriculture like Bangladesh, employing highest number of people to the tune of 51 per cent and contributing 21 per cent of GDP, neither has resources to provide domestic support even at the allowable de minimis level nor is permitted by the Brettonwoods system as part of their conditionalities for loans. The aggregate measures of support (AMS) to agriculture declined to only 0.67 in 2001-02 from 1.54 per cent in 1995-96. On the contrary the cheap import of agricultural produce enjoying at least de minimis level of subsidies (India being Bangladesh's highest food exporter provides subsidies no less than 9 per cent) has flooded the domestic market, threatening the economy in general and the lives and livelihoods of small farmers in particular (Box -2)

Rigged Rules Needs Reversal: From Riches to Need-based Support System

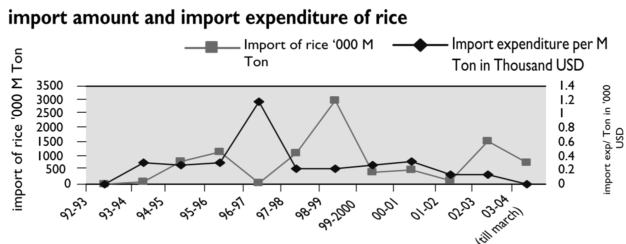
Agriculture sector in many LDCs has two-way roles to play in the overall performance of the country. On the one hand, it is the largest sector of the country in terms of total value addition, and on the other, it is the most important sector providing the maximum employment for the whole country and also maintaining the lives and livelihood provisions for the poor rural people.

Thus net importers the LDCs face a two-edge difficulty in the negotiations with WTO. On one hand, subsidised cheap import and food aid would hurt the small and poor farmers' livelihood due to consequent effect of lower domestic price. On the other hand, reduced subsidy of the major agricultural producers would cause the food price to increase, which indeed would fatten the import bill of the country. This as a result would surface various macro economic consequences including pressures on inflation and exchange rate. Moreover, when most of the total population of these countries live below the poverty line it would be quite an injustice to supply foods to the millions of impoverished population at a higher price.

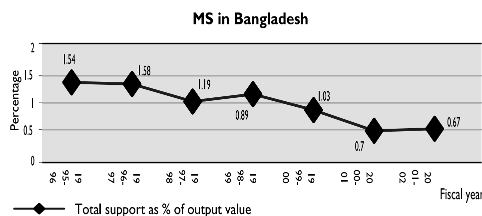
Therefore a comprehensive package is needed. The elements of such package could be,

Box – 2:
Increasing Liberalisation, Decreasing Subsidy: A Devastating Blow to Farmers in Bangladesh

The Government of Bangladesh adopted a sweeping trade liberalisation measures in 1990s by reducing the import duties on food grain substantially. The un-weighted average tariff rates have been reduced drastically to 27.5 per cent for 12 categories of agricultural products in FY04 from 51.98 per cent in FY92. The tariff on rice import has been reduced substantially to 7.5 per cent in FY04 from 33 per cent in FY91. This led to surge in import growth (see figure below).



The competition between Bangladeshi and Indian rice growers can hardly be termed as fair. While Indian rice production is subsidised through a variety of mechanisms, the small, struggling domestic rice producer in Bangladesh receives almost no support from the government. Rice farmers do not receive export subsidies except a negligible amount of domestic support, which in fact shows a downward trend. A comparative domestic support analysis shows that the aggregate measure of support (AMS) has increased in India from 4.12 per cent in 1990-01 to 8.57 per cent whereas the same has declined in Bangladesh to 0.67 per cent in 2001-02 from 1.54 per cent in 1995-96. India has increased its domestic support substantially to canal irrigation, fertiliser, power, seed, credit etc following the AoA in UR. Bangladesh has, however, reduced its agricultural support drastically during this period except in 1996-97 following the great fertiliser crisis in mid 1990s. There are two important reasons behind the drastic fall of the domestic support. Firstly, over the years Bangladesh has been forced to reduce the agriculture subsidy to get the conditional loan from the World Bank and IMF. The fiscal constraint of the country is so severe that the country could not bargain with the IFIs for taking its position in agriculture in line with the WTO. Thus import surge from India and consequent decline in the demand for local rice has had a devastating impact on the desperate rural population who have no other means of living but agriculture. While agriculture subsidy increased in India, the Bangladesh agriculture saw a decline in support.



The aggregate measures of support (AMS) to agriculture declined to only 0.67 in 2001-02 from 1.54 per cent in 1995-96.

amongst others, correction of inequities in access to irrigation; bringing all cultivators into the ambit of institutional credit, including tenant farmers, augmentation of farming through technology, extension, price and other incentives, encouragement of cheaper and more sustainable input use, with greater public provision and regulation of private input supply and strong research and extension support, protection of farmers from high volatility in output prices; and enhancement of rural economic diversification to more value-added activities and non-agricultural activities.

All these measures need extensive support to agriculture. The LDCs are always on the double–edged sword. In one side, the World Bank and the IMF put them under pressure to curtail any support, and on the other, the WTO allows resource rich countries to give subsidy up to de minimus level apart from current distortion. So it is an imperative to establish policy coherence between the IFIs and the WTO.

Accordingly, arrangement of agriculture should be upturned to eliminate export subsidies and domestic support to ensure that domestic support should be allowed to farmers in those countries, who need these but not to those living in the countries with abundant financial resources. If such an arrangement could be reached, it is only then that Doha Round will be development oriented. To this effect a no-string-attached global fund has to be established to support the schemes.

SERVICES

The developing countries and LDCs gulped down the sweeping scope and ambition of general agreement of trade in services (GATS), with virtually no enquiry on their economies in foreseeable future, at the aegis of a small circle of negotiators, acting on behalf of transnational corporation. The statistics mentioned in the earlier section simply make the point that the LDCs have been reduced to a mere importer of services.

The proponents of the GATS, while faced with the critiques of adverse impacts, told that the greatest potential benefits to the world will emerge to the LDCs through temporary movement of natural persons (TMNP). A lot of statistics, coming from fancy models, starts floating. For example, an increase in developed countries' quotas on the inward movements of both skilled and less-skilled temporary workers equivalent to 3 per cent of their workforce would generate an estimated increase in world welfare of over US$150 billion per annum. Their arguments also cover the proposition that as their populations ageing and their average levels of training and education rise, developed countries will face an increasing scarcity of less skilled labour.

In the hurry-curry of the run-up-to Cancun, the WTO approved "Special Modalities of Negotiations on Services Trade Liberalisation for LDCs" on September 03, 2003. The text speaks of opportunities for

Box:3 Key impediments to Mode 4 trade

Five policy impediments discourage Mode 4 trade.

- Quantitative restrictions on the movement of natural persons with a view to protecting local labor markets.

- Economic needs tests and labor certification requirements, whereby prospective employer must certify that no domestic workers were available prior to hiring a foreign worker. Particularly troublesome is the lack of transparency and the high degree of administrative discretion applied to such tests, which reduces the predictability of trading conditions. The administration of such tests also may cause significant delays in hiring procedures.

- Issuance and renewal of visas and work permits may be cumbersome, expensive, stringent, and lack transparency.

- Social security contributions (lack of tax credits in the home country), double taxation burdens placed on foreign workers, non-portability of pension and other social contributions.

- Lack of recognition of qualifications, educational degrees, training, and experience, especially in regulated professions.

Source: Mattoo (2003).

Arrangement of agriculture should be upturned to eliminate export subsidies and domestic support to ensure that domestic support should be allowed to farmers in those countries, who need these but not to those living in the countries with abundant financial resources.

LDCs to deal with the issues of unskilled and semi-skilled workers' entry in the markets developed countries.

The promise has remained as elusive as ever. There has been little movement for a liberalization package relating to Mode – 4. The outcome has to produce significant improvements in mode 4 liberalization by way of providing effective market access thorough removing key impediments as outlined in Box -3. Otherwise, GATS might end up as a grim harvester of autonomous liberalization in services of LDCs rather than a catalyst for future liberalization in the sectors in which LDCs have interest.

The WTO talks on services were launched on the basis of 'request–offer', where members offer to liberalise only certain sectors, in exchange for offers by other members to liberalise too. Under pressure from their corporate lobbies, which are eager to gain access to emerging markets, rich countries are seeking to change the rules of the game halfway through. They are now calling for a negotiated minimum commitment – in terms of number of sectors and level of ambition – from all the members. The people in general will have no hesitation to agree with the critiques who say the GATS is there to protect the interest of corporations, if the proposal to set out benchmarks for a minimum quantity and quality of offers is again injected into the developing world.

TRIPS

The trade-related aspects of intellectual property rights (TRIPS) agreement is directed to establish a multilateral framework of principles and rules for intellectual property rights in order to 'reduce' trade-related distortions and impediment in international trade and to 'promote' effective and adequate protection of intellectual property rights and to ensure measures and procedures needed to enforce intellectual property rights. The TRIPS has also been seen by the critics as a venture by the developed world to continue their economic hegemony while these countries have failed to maintain their static advantage in appropriation of surpluses in their production line due to international division of labour.

While the developed world have patented a great portion of basic necessities needed for running livelihood activities of the marginalised sections, including inputs for the production and orchestrated gradual dependence on these such as seed, there has hardly been protection of indigenous knowledge system in the LDCs. The negotiations as well as governments of LDCs have not been able to ensure that intellectual property rights on technologies do not undermine indigenous knowledge systems, rights of farmers and communities, access to and control over plant genetic resources for food and agriculture, nor the governments have taken initiatives to delineate a sui-generis system.

Not only has the system remained bias against the interest of LDCs, the governments were, in some cases, forced to introduce TRIPS plus proposals under the EPA negotiations, bilateral or FTA arrangements. This undermines the so-called 'flexibility' provisions of the TRIPs agreements. The government must have the policy spaces to take appropriate measures at the national level to make full use of these flexibilities.

The LDCs should reaffirm the Africa group proposal to review Article 27.3b of the TRIPS to exempt from patentability of all life forms. The LDCs should insist that the TRIPS is not in conflict with the Convention on Biological Diversity (CBD) and the International Undertaking on Plant Genetic Resources for Food and Agriculture.

The countries with insufficient or no manufacturing capacity have not been able to make use of TRIPS flexibilities to access affordable medicines and there is need for a system, devoid of cumbersome and complex procedures. In order to materialise the Para 7 of the Doha declaration on TRIPS and Public Health, an expeditious and time bound commitment by developed country

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members is needed to provide incentives, promote and encourage technology transfer to LDCs pursuant of Article 66.2 of the TRIPS Agreement.

ACCESSION

There are some LDCs who are currently negotiating for accession into the WTO. Difficulties for countries seeking accession arise from increasing demands by some WTO members, in one way or another, a higher level of obligations and commitments than that made by the original WTO members in the Uruguay Round, which thus affect the balance of their WTO rights and obligations. The situation further aggravates due to insufficient knowledge, experience, resources, infrastructures and analytical capacities required for accession negotiations. Although these difficulties apply to all developing countries and countries with economies in transition, it should be recognized that the challenges are particularly difficult for the LDCs, which have extremely weak human and institutional capacities and limited technical know-how and financial resources.

REGIONAL TRADE AGREE-MENTS

Regionalism and bilateralism represent a further threat. By the end of 2001 there were around 179 regional trade agreements in place, covering almost half of the world's merchandise trade. The EU has built a huge portfolio of regional and bilateral agreements, but the USA is leading the most ambitious exercises. Through the Free Trade Area of the Americas, the Bush administration is currently negotiating with 33 governments to create a regional free trade zone that will encompass nearly 800 million people, making it the largest in the world. Bilateral trade agreements are also in the ascendant. The USA has recently concluded free trade agreements with Chile, Jordan, and Singapore.

39 LDCs are parties to the EPA negotiations with the EU. These negotiations are undermining the few rights and developmental interests of LDCs under the WTO framework. Regional agreements between unequal parties, especially in the EPAs are undermining the regional integration efforts to strengthen regional policies and economies. The LDCs should support and strengthen proposals on the GATT Article 24 and GATS Article 5 to ensure that the principle of non-reciprocity and SDT rights are ensured under RTAs between asymmetrical parties to the agreements.

SPECIAL AND DIFFERENTIAL TREATMENT AND OUTSTANDING IMPLEMENTATION ISSUES

The principle of special and differential treatment for developing countries including LDCs which was institutionalized in the predecessor of the WTO, the General Agreement on Tariffs and Trade, has a very weak status in the WTO. Indeed, in Cancun and the post-Cancun phase there have been attempts to banish the SDT agenda from negotiations that had been mandated by the Doha Declaration.

The Committee on Trade and Development (CTD) remains paralyzed by the strong differences. In early July, members made a slight mobility and agreed to address the five proposals from LDCs. Despite intensive consultations, WTO members failed to reach an agreement on the proposals of the LDCs.

The LDCs should not accept to use SDT as a negotiation tool. The SDT should remain a cornerstone of global governance to address the asymmetry between unequal parties in the global trading system.

Non-reciprocal preferences under the GATT have been cemented by the principle of SDT for developing countries and LDCs, which has evolved over time, and remains an important part of the WTO legal framework. Today, the USA and EU talk about 'fair reciprocity' instead, while claiming that special and differential treatment is a barrier to development.

In Cancun and the post-Cancun phase there have been attempts to banish the SDT agenda from negotiations that had been mandated by the Doha Declaration.

Discussions so far held on the outstanding implementation-related issues in relevant bodies and reports submitted by these bodies to the TNC show that there has been no progress or if any, that is negligible. Even, there is a debate on how the outstanding implementation fit into the negotiations. Some of the members are arguing that not all outstanding issues will be subject to negotiations and only the issues where the Doha Ministerial Declaration provides specific mandate will come under negotiations.

Therefore it is important to craft strategic as well as substantive work with regard to the 'development' agenda launched in Doha, otherwise it would remain nothing more than a "wolf in sheep's clothing", at the expense of the people in the developing world, who have been bearing impacts of rigged rules.

AID FOR TRADE

The Geneva in recent timewitnessed a new spate of talks on what has come to be known as 'aid for trade.' The rhetoric is an old one, as in the WTO's Doha Ministerial Declaration the Ministers of Member countries agreed to "well-targeted, sustainably financed technical assistance" and acknowledged "technical cooperation and capacity-building are core elements of the development dimension."

To achieve a significant growth, adequate savings for investment and sufficient foreign exchange to buy capital goods are essential. Development assistance or foreign aid can serve as a supplement when either domestic savings or necessary foreign exchange for the development is lacking. It has become quite essential for the least developed countries. Statistics show that in recent years, ODA from countries belonging to the Development Assistance Committee (DAC) has been decreasing, both in real value and as share of the GNP of donor countries Table-8. It dropped from US$1.24 billion (0.28% of GNP) in 1996 to US$1.02 billion (0.22% of GNP) in 2001. ODA to the least developed countries also fell from 0.06% of donors' GNP in 1996 to 0.05% in 2001. This is far from the target of 0.7 and 0.15%, respectively; set as the MDG requirements for these indicators.

The available modes of providing 'aid for trade' to facilitate LDCs and developing countries overcoming of supply –side constraints, institutional drawbacks, infrastructure impediments, capacity limitations, balance of payment crisis etc comprises three different windows, namely, IF (Integrated Framework), JITAP (Joint Integrated Technical Assistance Programme) and TIM (Trade Integration Mechanism). The IF programme was first mandated by WTO Singapore Ministerial Conference in December 1996 and inaugurated in October 1997 at the WTO High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development.

A lot of enthusiasm was generated among LDCs when the IF came about. As a direct

Table-8: Official Development Assistance Flows

	1996		2001	
	US$ billion	as % of GNI	US$ billion	as % of GNI
Total ODA from DAC members	61.32	0.276	57.91	0.220
Total ODA from selected non-DAC members	1.04	0.00	1.18	0.004
Total ODA from DAC and non-DAC	62.36	0.28	59.09	0.225
Total ODA to developing countries	55.62	0.25	52.34	0.20
Total ODA to LDCs	13.58	0.06	12.94	0.05
GNI of OECD countries	22,248.80		26,318.18	
Untied aid as % of bilateral ODA commitments	71.30		79.1	

Source: World Development Indicators 2003

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result of that, almost 40 countries prepared their need assessment papers. For example, Bangladesh prepared its need assessment paper with the active involvement of private sector, civil society and government line ministries. The financial commitment needed, as prescribed in the paper, was to the tune of US$ 300 million. After several reviews of the need assessment paper, Bangladesh requested for a roundtable meeting. When the roundtable was finally scheduled (with representatives of the country's donors, core agencies etc), the experience was bitter to say the least.

The first evaluation of IF, completed in June 2000, identified several weaknesses of the approach at that time: poor links of the process of trade capacity building with overall development strategies, weak ownership, inadequate coordination and inadequate funding. On this basis, it was decided that a revamped IF should be put in place, whose major aim was to help countries integrate trade within their poverty reduction strategies or development strategies.

To finance the activities of the IF itself, a trust fund has been created with two Windows — Window I finances the DTIS, and Window II serves as an interim bridging mechanism for priority capacity-building activities As of 31 March 2004, Window I had total pledges amounting to $12.5 million and disbursement amounting to $10.8 million. Window II had total pledges of $8.6 million and total disbursements of $5.5 million. Though the allocation of funds is increasing over the years, the IF has not been able to address the supply-side constraints.

JITAP - Joint Integrated Technical Assistance Programme - mobilizes the expertise and support of the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) to help African country benefit from the new multilateral trading system.

There is growing evidence at the field level that if these low-income countries are to compete in global markets, the problems are largely on the supply-side. The problems are to do primarily with generating surpluses for export of globally marketable products. This requires investment and infrastructure at the farm and enterprise levels and therefore, apart from technical assistance, what is required is capital investment. Technical assistance needs to be more strongly geared towards establishing the linkage with capital assistance. JITAP usually does not adequately deal with these issues, but if these technical interventions are to produce results, then the entire approach needs to be reviewed, to identify the scope for more emphasis to be placed on resolving supply-side constraints.

The Trade Integration Mechanism (TIM) was introduced in April 2004 by the International Monetary Fund (IMF) to assist member countries to meet balance of payments shortfalls that might result from multilateral trade liberalization. The TIM is not a special lending facility, but rather a policy designed to make resources more predictably available under existing IMF facilities.

Criterion for availing TIM funds is limited to countries that are harmed due to loss of market in the bacdrop of liberalisation such as phasing out of MFA or elimination of trade subsidies. This would, for instance, include countries which lose preferential market access, or food-importing countries that lost the benefit of subsidised agricultural products.

The so-called adjustment funds are available only as loans which recipients will add to their existing debt load for damages caused by a restructuring in the global trade system beyond their control.

Principally the mechanism symbolises a tacit recognition by IMF that trade liberalisation is not beneficial for all countries always; funds should be made available to the losers.

In practice, the TIM has been forcing the countries to give in to further liberalisation.

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For example, in Bangladesh, the IMF and the World Bank have been pressurising to liberalise the RMG sector.

Undeniably, the LDCs require resources to spur growth, to increase their share, but the experience with such mechanisms point out that the resources are not channelled wherein these countries needed those, rather the international creditors are much ideologically driven without looking at the ground reality and are interested to pursue their agenda at the expense of development and the people at large.

ADVANCING BEYOND RHETORIC

The minutiae of trade negotiations spanning years may seem eye-glaringly opaque, yet hopes that the Doha had set for a genuine Development Round are being frustrated as the agendas of LDCs are hardly shown any interest. This has surfaced many questions: Is it possible to talk about "a renewed emphasis on development" only because there was a move to call the Doha work programme a development agenda? In what way have the development issues surfaced in trade negotiations in the WTO? Have the problems being faced by LDCs as a result of the agreements arising out of the Uruguay Round received priority attention? Is there any collective thinking, other than extolling the virtues of market mechanism, on the issues of market access? Will the problem of downward trend in commodity prices be addressed? Will the question of transfer of technology receive any consideration?

The possibility of a degree of moderation, if not redress, to the on-going process of inequitable integration can emerge only if a major effort is targeted to developmentalise the WTO in its every area of the system. Trade has has become the lens through which development is perceived, rather than the other way round. The world trade system has not been able to maximise development potential, particularly that of the poorest nations in the world by pressing for changes that put development at the top of the WTO agenda, and thereby provide the poor countries with a better mix of enhanced market access and room to pursue appropriate development strategies. The regime requires to be evolved to accept institutional diversity and the right of countries to 'protect' their institutional arrangements.

The Hong Kong Ministerial finds the WTO at a watershed. The failure so far to meet many commitments in the multilateral trading system is creating a crisis of trust between the WTO's industrialised and developing country members. At the same time, the WTO's credibility and legitimacy among the general public continue to be widely questioned. It is hightime that WTO's commitments to LDCs were fulfilled to achieve a fair world trading system that can provide a balance between the strong and the weak in the globalisation process, help lead to an expansion in world trade, and promote better living standards in both the developing and the industrialised countries.

The steering of the wheel towards development is long overdue in the multilateral trading system. The objective of ensuring that the fruits of the rule-based system are widely shared is not a matter of altruism. Justice and a fair deal make economic sense.

Dismantling existing protection should be considered as a necessary, though not sufficient, condition for improved LDC export performance. Measures aimed at improving technical and institutional infrastructure is required to make better market access effective, yet the size of the gains to LDCs, although significant, is not sufficiently large to lift them out of their current levels of development. In this regard, market access openings, if they are to occur, should be viewed as elements of a broader strategy for development not within the confines of trade policy

The reduction of mass poverty requires sustained economic growth of a type that substantially increases average household

In practice, the TIM has been forcing the countries to give in to further liberalisation.

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incomes and consumption. Export expansion can play an effective role in enhancing productive capacity and remunerative employment. But sustained economic growth requires not simply export expansion but also a strong investment–export nexus through which imported equipment, raw materials and production inputs are put to good use and lead to continuous improvements in labour productivity in the economy as a whole.

An inclusive form of economic growth requires not simply export expansion but also an economy-wide expansion of income-earning opportunities, encompassing exports and import-competing activities, and non-tradables as well as tradables, which occurs at a rate that exceeds the rate at which the working-age population is growing. What is required is not simply a process of export expansion, but also the promotion of developmental linkages between growing export activities and the rest of the economy.

The development strategy has to travel beyond capabilities and choices which are constrained by institutional structures designed to perpetuate injustice to address the sources of injustice—the market, the social structures, the institutions of state and globalisation process within an asymmetrical world order.

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Note

Most of data, unless otherwise mentioned, have been taken from various publications of UNCTAD including its LDCs Reports.

[1]. Least Developed Country (LDC) is an official classification conferred by the United Nations Committee on Development Policy and is reviewed every three years. In 1971, 24 countries were designated LDCs on the basis of per capita GDP ($100 or less at 1968 prices), low share of manufacturing in GDP (10 percent or less) and poor rate of adult literacy (20 percent or less). The criteria have been revised and now include population size, an augmented quality-of-life index (indicator of weak human resources) and an index of economic vulnerability. The upper income threshold for inclusion, as of April 2000 is US$900 GDP per capita and for graduation $1035 per capita. There are 49 LDCs. There are no WTO definitions of developed or developing countries. Developing countries in the WTO are designated on the basis of self-selection although this is not necessarily automatically accepted in all WTO bodies. The WTO recognizes as least-developed countries (LDCs) those countries which have been designated as such by the United Nations.

Reference

Badine, O et. al. Cotton Sector Strategies in West and Central Africa, World Bank Poverty Research Working Paper, Washington D.C. 2002

Oxfam. Cultivating Poverty: The Impact of US Cotton Subsidies on Africa, Breiefing Paper 30, Oxford, 2003.

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

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

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

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

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House: 40/A, Road: 10/A, Dhanmondi, Dhaka -1209, Bangladesh
Tel: 880-2-815 82 74, Fax: 880-2- 815 9135
E-mail: info@unnayan.org; Website: www.unnayan.org