

## **Reclaiming Development in the WTO Doha Development Round**

1. The recent proposals of some major developed countries have attempted to sow division among developing countries, re-interpret the framework and trajectory of the negotiations and, in a self-serving manner, narrow, limit and - ultimately - undermine the developmental objectives of the Doha Development Agenda. It is thus timely to reclaim the developmental objectives and trajectory of the negotiations.

### **development should be at the heart of the DDA ...**

2. We recall paragraph 2 of the Doha Declaration:

*“International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. The majority of WTO Members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakech Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes have important roles to play.”*

3. Placing development at the center of the round should be understood along several integrated dimensions. Development is not just an adjunct to the global economy but an essential stimulus for sustained global economic growth. The key to sustained global growth lies in unlocking the growth potential of developing countries. To achieve this, developing countries must pursue economic development and industrialization in sectors where they possess comparative advantage. The strategic objective for the negotiations is thus for developed countries to undergo structural adjustment by reducing a range of protective and support measures in inefficient sectors in their economies. Such adjustment will boost investment in the agricultural sector of developing economies, promote industrialization, development and trade and provide much needed impetus to global growth.
4. An early conclusion of the current round of the Doha negotiations, consistent with the mandate agreed in Doha, would deliver the best context for this outcome. More open and undistorted international trade would make a positive contribution to global economic growth, and create an environment in which developing economies could diversify their exports by destination and in higher value added production.

**agriculture is the central issue...**

5. A development round requires the removal of trade distortions in international trade rules that inhibit the export growth of developing countries. The largest structural distortion in international trade occurs in agriculture through the combination of high tariffs, trade distorting domestic support and export subsidies that protect inefficient farmers in developed countries, principally, the European Union, and the US. Taken together, these measures frustrate the development prospects of many developing countries. Removing these anti-development measures is a core objective of the DDA as it will lead to the expansion of developing country exports and their meaningful integration into the global economy. It is for this reason that *agriculture* is the central issue of the Doha Round.
6. Two thirds of all poor people in developing countries live and work in the agricultural sector, depending on agriculture for their livelihoods. In contrast agriculture accounts for less than 5 percent of output and employment in the EU and the US. For some developing countries as in the case of the West African cotton producers of Mali, Benin, Chad and Burkina Faso, high subsidies for rich farmers in developed countries are responsible for the devastation of the livelihoods of millions of poor farmers. For many other developing countries where agricultural production remains largely subsistence based the need to ensure that WTO disciplines are strengthened so as to enable these developing countries to meet their food and livelihood security, and rural development needs is paramount.
7. The Uruguay Round (UR) brought agricultural policies, and trade in agriculture, under GATT/WTO disciplines for the first time. However, the new UR Agreement on Agriculture created minimal market opening and failed to ensure that the main subsidizers; the EU, US, and other OECD countries, reduced their extremely high levels of farm subsidies. These farm subsidies of the main subsidizers did not decrease substantially even after the Agreement on Agriculture came into force in 1995. Ironically, farm support actually increased in some developed countries. In sharp contrast both developed and developing countries have been liberalizing their markets in the industrial sector for over 50 years as a result of over 8 rounds of GATT negotiations.
8. It is for these reasons that agricultural protection in developed countries must bear the greatest burden of adjustment in this round.

**contributions to NAMA should be commensurate with level of development...**

9. Turning to the negotiations on non-agricultural market access (NAMA), we recognize that this Round should increase liberalization and foster positive adjustments in all countries, developed and developing, providing genuine market access for all. In addition, whilst recognizing the efforts of many developing countries in making autonomous liberalization commitments, this Round provides an opportunity to

increase the level of bindings for all WTO members thus creating a more inclusive and certain trading system.

10. However, due recognition must be given to the enormous imbalances in the global trading system reflected in the inequitable distribution of the gains from globalization and the continued protection in developed countries against products from developing countries.
11. Developed countries have largely become highly competitive in the industrial sector and will need to make relatively insignificant adjustments in this round. However, many developed countries still maintain high tariffs, tariff peaks and tariff escalation on products of interest to developing countries. In addition a range of non-tariff barriers, including strenuous technical regulations and excessive anti-dumping measures, are frequently utilized by developed countries to disrupt developing country exports and potential to export their products to these markets.
12. The bulk of developing countries on the other hand, whilst having increased their share of world trade in manufactures in the past two decades, continue to reform and industrialize their economies, with their industrial sectors still occupying a significant part of their labour intensive employment and output. Whilst many developing countries have continued to undertake unilateral liberalization beyond their WTO Uruguay round commitments and reform their industrial sectors, a significant part of their production and employment remain in sensitive sectors, and further liberalization of these sensitive sectors would have to be preceded by carefully managed adjustment policies.
13. Thus, the modalities for liberalization in NAMA must accomplish two things simultaneously: i) ensure that the remaining high tariffs, tariff peaks and tariff escalation in developed countries are eliminated in this round and; ii) ensure sufficient flexibility to accommodate the sensitive sectors and adjustment needs of developing countries, to create the conditions for further liberalization.
14. Developing countries cannot be expected to pay for the much needed reforms in the agriculture sectors of developed countries (referred to above), by overly ambitious requests of them in industrial tariffs that do not take into account the realities of their levels of economic development and their adjustment needs. Developing countries are prepared to make a contribution to the NAMA negotiations in this round, provided that their concessions will be commensurate with their levels of development in a full expression of the principle of special differential treatment. In addition, the principle of less than full reciprocity, agreed to in the Doha Mandate needs to be adhered to.

**Paragraph 8 flexibilities are an essential element...**

15. It is for these reasons that we argued that the paragraph 8 flexibilities that all WTO members negotiated and agreed to in the WTO July 2004 Framework Agreement is an essential element of the flexibilities required by developing countries to manage

their adjustment processes. We therefore oppose attempts being made to reinterpret this agreement by establishing further conditionalities on the use of paragraph 8 and thus change the balance of the agreement that was reached by all WTO members in the July 2004 Framework Agreement. We view the numbers currently contained within the brackets in paragraph 8 as constituting the minimum percentages required by developing countries. We retain the right to adjust these numbers upwards to enable some of our economies to manage the adjustment of sensitive sectors and prevent the social disruption caused by job losses and closure of enterprises that would result from further liberalization.

16. In addition, we emphasize that paragraph 8 is a 'stand-alone' provision in the agreed NAMA framework and its position as such must be recognized if negotiations are to move ahead. Any move to link it, or use it as a trade-off with the tariff reduction formula will create unnecessary difficulties in the negotiations. The two issues are separate and should be treated as such.

**solutions need to be found for preference erosion...**

17. Not all developing countries stand to gain from the DDA in the short to medium term. A significant number of developing countries including, small, weak and vulnerable countries and Least Developed Countries (LDCs) will face significant transitional costs, especially those countries that are preference dependant and will suffer significant preference erosion. The particular development challenges of small, weak and vulnerable countries need to be addressed in the Doha round without creating a new category of developing countries and sowing division amongst developing countries. In addition, creative and progressive solutions will need to be found to address the problem of preference erosion for preference dependant countries, without further delaying market access for products from developing countries. The EU proposal to delay liberalization in areas of its own sensitivity with the excuse of helping preference dependant countries is a self- serving argument.

**an ambitious "aid for trade" package should be launched...**

18. WTO members should launch an ambitious "aid for trade" package in Hong Kong to address the trade related capacity building needs of developing countries. Such a package should include a commitment to strengthen the financial base for enhanced trade related capacity building that enables the most vulnerable WTO Members to meet international standards, to meet new WTO obligations (trade facilitation, for example), and to promote their efforts at diversification and enhancing their export competitiveness. In addition, WTO members should agree to create a grant aid fund to assist developing countries to manage the impact of preference erosion that would arise from the Doha round.

**duty free, quota free market access for LDCs...**

19. For the Least Developed Countries (LDCs), we support the need for a package of development measures to foster their integration into the world trading system and enhanced development. In this regard, the package of five prioritized LDC proposals is an important objective for Hong Kong. In particular, we pledge to work for the provision of duty free and quota free market access for all LDCs, and we urge developed countries to make a firm commitment in this regard by the Hong Kong Ministerial Meeting. Developing countries in a position to do so are also encouraged to make efforts to open their markets to LDCs on a non-reciprocal basis.

**the greatest gains can be made for all in mode 4...**

20. Perhaps the greatest gains from the Doha round can be made for both developed and developing countries from serious efforts to liberalize the temporary movement of natural persons (mode 4), from developing to developed member countries. For example, one study reveals that an increase in developed countries' quotas on the inward movement of temporary workers equivalent to 3 percent of their work forces would generate an estimated increase in world welfare of over \$150 billion per annum. To date however developed countries have been reluctant to make any significant commitments in the WTO on mode 4 relaxation of restrictions on temporary entry. We urge developed countries to seize yet another opportunity to unlock the potential to increase global growth and the welfare of all countries.

**imbalanced rules need to be reviewed...**

21. The Uruguay Round created a number of new trade rules, such as the agreements on Anti-Dumping, TRIMS and TRIPS, that developing countries consider to be imbalanced, in favour of developed countries. Developing countries have called for these agreements to be reviewed during the Doha round. For example, the TRIPS agreement has strengthened the rights of private ownership without providing equivalent protection for the intellectual property rights of communities. Developing countries are a recognized repository of traditional knowledge that is also enhanced by their bio-diversity. In the recent past attempts have been made to misappropriate this knowledge for commercial gain, without providing a just reward to these communities. Developing countries have therefore sought amendments in the TRIPS Agreement to prevent bio-piracy of biological material and to prevent misappropriation of traditional knowledge. In this regard, we call on the developed countries to consider proposals for new disciplines on disclosure of the source and country of origin of biological resources and traditional knowledge, and to secure prior informed consent and equitable benefit sharing.

**the EU has made insignificant offers to open its markets...**

22. The recent proposals of developed countries, including the EU's 28<sup>th</sup> October proposals, have made demands on developing countries to make commitments in the

NAMA negotiations that are totally disproportionate. The enormous burdens of adjustment that developing countries would have to bear in their industrial sectors bear no resemblance to the relatively insignificant adjustments that developed countries will need to make in this sector. Developing countries are being called upon to reduce their tariffs from their applied rates with limited space to manage the adjustments in their sensitive labour intensive sectors. In sharp contrast the EU has made insignificant offers to open its markets in the Agriculture negotiations, with its call for additional flexibility for the bulk of its sensitive products, allowing it to close off the possibility of any significant new market opening for agricultural products from developing countries.

**developed countries are seeking a round for free...**

23. In addition, developed countries are not offering to make any significant cuts in their industrial sectors with their offer to reduce their tariffs by a co-efficient of 10 (using the Swiss formula). This offer will not result in any deep cuts in the high tariffs, tariff peaks and tariff escalation that developing countries called for in the Doha mandate. A large number of industrial products of developing countries can thus still be kept out of developed country markets. The EU and other developed countries are thus seeking a round for free! Developing countries are being called upon to bear the burden of any new market opening in this round.
24. The totally disproportionate demands the EU is making of developing countries in this round, compared to its own offer to make much needed reforms in its agricultural sector, threatens to create an imbalanced outcome in the Doha round. The outcome of these negotiations would thus be totally unfair and exacerbate the crises of legitimacy of the WTO. The EU proposals in agriculture and NAMA would thus result in an anti-developmental outcome with the hopes and aspirations of developing countries raised by the prospect of a Doha Development Round becoming dimmer and dimmer.
25. We urge the EU and other developed members of the WTO to ensure that their offers and demands made on other members comply with the objectives set for this round in paragraph 2 of the Doha mandate (referred to above). We for our part are committed to work for a genuine development outcome of the round that is fair and balanced and that will create new opportunities for all members, developed and developing, to grow their economies and foster their development.

***Submitted to the WTO (CTD) by the following countries:***

Argentina, Brazil, India, Indonesia, Namibia, Pakistan, Philippines, South Africa & Venezuela.