

Hong Kong and LDCs: Making International Trade Work for All?

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Introduction/Background to the Round

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1. Context

This trade round was launched at the fourth Ministerial Meeting of the WTO, at Doha in 2001. The Doha Ministerial Declaration recognised the major role trade can play in development and alleviation of poverty. The Declaration recognised the particular vulnerability of LDCs and the special difficulties they face and undertook to address their marginalisation in international trade and improve their participation in the multilateral trading system. Of the 148 WTO member States, 32 are Least Developed Countries (LDCs). In addition, ten LDCs are at different stages of the accession process.

The Doha Round was heralded as a development round. That was four years ago. The 2005 UNDP Human Development Report 'International cooperation at a crossroads' in its treatment of trade chronicles the ongoing marginalisation of LDCs in the international trading system. For example, the nearly 700 million people living in SSA now account for a smaller share of the world's exports than Belgium with 10 million people.

The Hong Kong Ministerial is a crossroads for the WTO. At the Fifth Ministerial meeting in Cancun in 2003, pursuance by developed countries of their vested interests and the displacement of development issues led to stalemate and the Ministerial's failure. Due for completion by the end of 2005, it is now impossible to predict when the Doha Round will conclude.

2. Why focus on Agriculture?

With two thirds of all those people who survive on less than a dollar a day living and working in rural areas and 74% of the total labour force in LDCs engaged in agriculture, the livelihoods of the very poor are directly affected by the rules governing agricultural trade. Unfair trade practices systematically undermine the livelihoods of smallholder farmers, agricultural labourers and their families, hampering progress towards the MDGs.

3. Agriculture in the WTO

The WTO's AoA consists of three main pillars, market access, domestic support and export subsidies. Special and differential treatment for developing countries is a key additional dimension to the AoA enabling them to take account of their development needs, food security, livelihood security and rural development. This dimension is the focus of Trocaire's research and policy work leading up to Hong Kong.

4. Effective Special and Differentiatial Treatment

Specific characteristics of S&D include longer implementation periods, exemption from further tariff reduction commitments and receipt of trade preferences such as the EU EBA which implies free quota and duty free access for all products except arms. However, effective S&D needs to go beyond exemptions and extensions to **enabling** developing countries and LDCs in particular pursue trade policies consistent with sustainable development and poverty reduction goals. This requires **policy space** to influence and design trade rules. For LDC countries heavily reliant on northern aid, constrained by Bretton Woods conditionalities their policy space to advance pro-development trade rules is very narrow.

In the July 2004 Framework, the WTO General Council included additional S&D provisions, which developing countries might invoke to protect their domestic markets against sudden import surges which threaten food security, livelihood security and rural development. Industrialised countries already have recourse to such provisions but most developing countries, including LDCs do not because they did not notify the WTO of their need to use such mechanisms back in 1995! With negotiations being monopolised by the EU and US, S&D issues have not been progressed.

The **Group of 33** have tabled detailed proposals on both **Special Products** and **Special Safeguard Mechanism** over the past fortnight, but the developed countries remain fixated on advancing their own interests to the neglect of LDC interests. Political commitment to the development dimensions of the round is urgently required if polarisation between North and South is to be avoided at Hong Kong. Ireland's Minister for Agriculture stated her support for the concept of S&D at her recent meeting with WTO DG Pascal Lamy, we would ask that Ireland moves beyond a broad statement of support for the concept to actual engagement on the proposals tabled by the G33.

5. Other Agricultural issues

5.1 Dumping

In addition to S&D other agricultural issues to be discussed in Hong Kong can have a large impact on small scale agriculture. These include treatment of export subsidies, these subsidies have facilitated the practice of dumping, the exporting of produce below the cost of production.

5.2 Food Aid

A related problem is the dumping of agricultural products in the name of food aid, free food aid in non emergency situations disrupts the competitive position of small scale farmers and threatens food security.

5.3 TBT/SPS

The technical barriers to trade (TBT) and Sanitary and Phytosanitary (SPS) standards agreed in the WTO are standards for trade in agricultural products. Many developed countries have added to these standards, for small scale producers, meeting these standards is difficult and a barrier to trade. These standards may be used as a new form of trade barrier while technical assistance is needed to support developing countries in meeting SPS and TBT standards.

5.4 Address restrictive '*rules of origin*' which discriminate in particular against developing countries engaging in the trade of value added produce to northern markets

5.5 *Additional resources* for technical assistance, targeted towards supply side constraints and implementation of agreements.

6. Recommendations

In Hong Kong, next month, the World Trade Organization member States need to acknowledge the vulnerabilities of the Least Developed Countries and according to the office of the UN High Representative for LDCs this demands:

- (1) Granting the LDCs duty free and quota free access for their products;
- (2) Provide a solution to the cotton issue. the creation of the "emergency fund" proposed by the Cotton 4 (Benin, Burkina Faso, Chad and Mali) to address the needs of the cotton farmers;
- (3) Increasing aid for trade flows to the LDCs;

In addition to these measures Trocaire believes that the Ministerial must:

- Agree the elimination of export subsidies that damage the livelihoods of poor rural communities around the world by 2010
- Allow developing countries and LDCs in particular to support rural development and protect food security through effective S&D measures including Special Safeguard Measures and Special Products

- Ensure the processes of negotiation are inclusive and transparent