

# Trade and Development Monitor

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## OPINION IN LEAD

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### Istanbul Programme of Action lacks "teeth"

The five-day-long (9-13 May 2011) Fourth United Nations Conference on the Least Developed Countries (UNLDC IV) concluded in Istanbul, Turkey with the adoption of a political document, the Istanbul Declaration, as well as the Istanbul Programme of Action (IpoA).

The conference aimed to assess the results of the 10-year Brussels Programme of Action (BpoA) for the LDCs, which was adopted in 2001, and to agree on new measures and strategies for sustainable development of the least-developed countries (LDCs) in this decade. Over 7,000 participants, including heads of state and government, and representatives of international organizations and non-governmental organizations (NGOs), participated in the conference.

The IpoA envisions graduating half of the LDCs from the LDC list by 2020. The participating countries agreed to work for favourable market access conditions for all LDCs, including through the reduction or elimination of arbitrary or unjustified non-tariff barriers. Meanwhile, developed countries committed to realizing the 0.15-0.20 percent of national income target for official development assistance (ODA) to the LDCs.

The main focus of the plan is the emphasis on productive capacity such as building infrastructure, human capital and governance capabilities in LDCs. It underscores the importance of reliable and affordable infrastructure services; recognizes the importance of mobilization of financial resources, including ODA and foreign direct investment; underscores how essential sustainable agriculture focusing on small-scale farmers are to achieving food security; and acknowledges the potential of regional economic integration and undertakes to promote access of LDCs to knowledge, information, technology and knowhow, and aims to establish a Technology Bank. The Turkish Government has offered to host an International Science, Technology and Innovation Centre.

On trade, it commits to the timely implementation of duty-free and quota-free market access, on a lasting basis, for all LDCs, consistent with the Hong Kong Ministerial Declaration in 2005. It also commits to ensuring that preferential rules of origin applied to products from LDCs are simple, transparent, predictable, and contribute to facilitating market access.

A majority of the commitments are not new and have been floated time and again in various global and regional conferences, which end up with lofty promises. The UNLDC IV has also committed to some agendas that are pretty much impossible to keep up with. For instance, the aim of graduating half of the 48 countries from the LDC list by 2020 is a distant goal that will very likely not be fulfilled. It is evident from the fact that most of the commitments of the BpoA were not fulfilled. The distinguishing feature between the BpoA and the IpoA is that the former emphasized more on aid for trade and social development while the latter accentuated enhancing productive capacities of LDCs with the active involvement of the private sector and increased investment. This is positive news.

Meanwhile, while a number of issues like climate change, food and energy security and the fallout of the global financial crises were discussed, concrete agendas on these fronts were not reflected in the declaration. The IpoA is going to be like previous versions if effective monitoring and evaluation of commitments made at the IpoA do not take place. Turkey has pledged US\$5 million for the monitoring of the implementation of the IpoA and said that it was ready to host a Mid-Term Review Conference of the Istanbul Program of Action, Istanbul, in 2015.

The civil society groups have rejected the IpoA arguing that it has "no teeth and appears to have left the people living in the least developed countries in a worse position than before".<sup>1</sup> They argue that the IpoA fails to live up to the mandate agreed ahead of conference, which

was to formulate and adopt renewed terms for the relationship between LDCs and their development partners, and to mobilise additional international support and action in support of the LDCs.<sup>2</sup> The IPoA has no new aid commitments, including for aid for trade and climate finance.

The 48 LDCs account for 880 million people. But their share in global trade is one per cent. Their Human Development Index is low; half the people live on less than \$1.25 a day.<sup>3</sup> The first UN LDC conference was organized in 1980 in Paris; the second in 1990 was also in Paris. The third was in 2001 in Brussels, which adopted the BPoA.

Notes:

<sup>1</sup>Ngozo, Claire. "Civil Society Rejects 'Toothless' Istanbul Plan of Action", IPS, <http://ipsnews.net/news.asp?idnews=55605>

<sup>2</sup>Civil Society statement on UNLDC IV: <https://www.un.org/wcm/content/site/ldc/home/pid/17029>

<sup>3</sup>Arunoday, Bajpai. "Mainstreaming LDCs: Istanbul and beyond." <http://www.hindu.com/2011/05/28/stories/2011052853191200.htm>

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## ANALYSIS

### Get plan B working for Doha

Osama bin Laden's death is an opportunity to close the Doha deal, argued the hugely optimistic Jagdish Bhagwati in the Financial Times (FT). He was reacting to an editorial in FT which called for giving up on the Doha Round of the WTO due to an impasse. In fact, the Doha Round was launched soon after the 9/11 tragedy to send a message to the world, that we are together and will not be fazed by the horrendous attack on the symbolic World Trade Center in New York.

"By a strange irony, bin Laden's assassination nearly 10 years later presents an opportunity to close the round, again in affirmation of the same values. What a glorious opportunity this presents to a much-strengthened President Barack Obama finally to emerge from his eloquent silence on Doha...", said Bhagwati.

For far too long Obama has been silent on the United States' (US) approach to the Doha Round, with his aides arguing that there is not enough on the table, while developing countries have countered that the Doha Round is a development round, which seeks to correct the imbalance which resulted from the Uruguay Round agreements.

On the other hand, all countries are investing a significant amount of political and negotiating capital in negotiating preferential trade agreements which are second- or third-best options of trade liberalization. There are three essential virtues of trade multilateralism: non-discrimination, gradual liberalization of tariff and non-tariff barriers, and binding commitments to rules.

None of these essentials is guaranteed in preferential trade agreements. They are, by definition, discriminatory. Not only that, they provide better market access to parties to preferential trade agreements but also (and for some countries this is very important) they divert trade to the detriment of other countries (non-parties).

A seminal work by Sussex economists showed other South Asian countries as "Innocent Bystanders" as a consequence of a likely free trade agreement between the European Union (EU) and India.

Contrary to multilateral trade liberalization, preferential trade agreements can erode a country's policy space in a much bigger way. This is because preferential trade agreements are negotiated at the level of applied tariffs; on the other hand, multilateral trade liberalization talks are focused on reducing bound tariff levels.

It is true that the higher the bound level the higher will be the actual cut in tariffs, but for countries like India, which has consistently maintained a large gap between bound and applied rates, there will not be much erosion of its policy space. In any case, maintaining bound rates four/five times higher than average applied rate (e.g., some agricultural commodities in India) does defy economic logic.

Furthermore, all new generation preferential trade agreements (particularly those with the EU and the US) have chapters which are WTO-plus in nature. The US-Colombia FTA is an interesting case. A recent research by Kevin Gallagher of Tufts University has proved how detrimental the provisions would be in undermining Colombia's ability to take policy measures for capital control, particularly in times of financial crisis, which Colombia had successfully done while weathering the recent financial crisis.

Thirdly, there are certain disciplines of trade rules to which countries can be bound only through multilateral agreements.

The only way to discipline the scandalous nature of agricultural subsidies as practised by the US and the EU is the WTO forum. The other part of this paradigm lies in the fact that businesses are not pushing for conclusion of the Doha Round. Because, the nature of world trade has changed hugely over the last couple of decades or so.

Governments do not trade, firms do. Today more than 60 percent of world trade is intra-industry. This is expected to rise steadily as more and more sectors are enjoying increasing returns to scale aided by technological developments and innovations.

Fortunately, a clear landing zone (to conclude the Doha Round) was there on the horizon until some time ago. From the WTO Director General's note to the Trade Negotiations Committee of April, 2011, on the current state of negotiations on industrial tariffs, it was clear what the US wants—substantial market access from emerging economies like India, Brazil and China in select industrial sectors, which ended in a gridlock.

Given the fear that lack of progress will dirty the waters, some movement on the Doha Round has happened, when major trading powers met at the Big Sky APEC summit and last week's OECD Ministerial Meeting. They have now have concluded that the original plan for Doha will not work out—certainly not for this year—and therefore a Plan B needs to be worked by the negotiators at Geneva. Other than hearing the traditional noises on helping the poor countries, we do not know what Plan B will entail.

*(Adapted from "Get Plan B working for Doha", by Pradeep S Mehta, The Economic Times, 30 May 2011)*

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## **OTHER NEWS**

### **68 percent of Indian population may get legal right to subsidized food**

Sixty-eight per cent of India's population may get legal right to subsidized food if the draft National Food Security Bill prepared by the food ministry is approved by a panel of ministers at the forthcoming meeting.

After analysing the recommendations of the National Advisory Committee (NAC) and the Rangarajan Committee, the food ministry has prepared a draft bill, likely to be placed before the empowered group of ministers (EGoM) on food next week.

The ministry has also proposed to provide subsidized food grain on 'individual basis' instead of the current practice of allocating 35kg of wheat or rice to each family, according to sources.

"The draft bill of the food ministry seeks to provide a legal right on subsidized food on 'individual basis' to about 68 percent of India's population," a source said.

The Rangarajan Committee had recommended that legal cover should not be given to 'general' category due to constraints of food-grain stocks.

Sources explained that a legal right to an 'individual' family member would enlarge the scope of food security in the country.

In effect, it means that each individual will possess a ration card and will be entitled to a minimum 7kg of food grains under the law as against the prevailing system, wherein, the head of the family has a ration card.

A priority household is likely to get entitlement over 35kg rice/wheat under the law, while a general category may be for only 10-15kg, which is lower than the NAC's proposal of 20kg, sources said.

The cost of subsidizing foodgrains under the proposed law is expected to touch Rs 100 billion annually, as against the current Rs 80 billion, sources added.

*Source: PTI, 29.05.11, www.ptinews.com*

### **South Asian experts urge for climate change adaptation**

South Asian environmentalists, hydrologists, climatologists and scientists at a regional training workshop said that climate change in conjunction with other drivers in the Hindu Kush-Himalayan region would have a serious impact on water accessibility, people's vulnerability to water-fuelled hazards and socio-economics.

They underlined a need to close the knowledge gap on the cryosphere and the availability of water resources in time and space. Basin-wide water availability scenarios should be developed and linked to water demand and socio-economic uplift, they stated.

The three-day regional 'Climate Change Effects on Water and Agriculture from the Mountains to the Sea and Adaptation' in Nepal, organized by the International Centre for Integrated Mountain Development (ICIMODE) with the Asia-Pacific Adaptation Network, Asia Pacific Mountain Network, concluded on 20 May.

The region and its water resources play an important role for biodiversity, agriculture and hydropower, serving more than 1.3 billion South Asian people in the downstream basin areas of 10 large Asian rivers, which originate in the mountains. Besides, environmental services provided by the natural resources area, the basis for a substantial part of the region's total GDP and have an unprecedented importance far beyond the region.

The United Nations Environment Programme's (UNEP) Regional Director for Asia and the Pacific, Young-Woo Park in his key note address to the participants of the workshop said that climate change is projected to compound the pressures on natural resources and the environment associated with rapid urbanization, industrialization and economic development.

It would potentially have deep and widespread implications for the availability of, and access to, water resources for South Asian people, particularly Pakistan and India, he warned.

*Source: Dawn, 22.05.11, www.dawn.com*

### **Bangladesh rents African land to boost food output**

Bangladesh leased tens of thousands of hectares of farmland in Africa as part of a government drive to improve food security in the poverty-stricken South Asian nation.

Two Bangladeshi companies have leased 40,000 hectares of land in Uganda and Tanzania and another firm will sign a deal for a further 10,000 hectares in Tanzania in the second week of May, foreign ministry director Farhadul Islam said.

"The government strongly supports companies leasing farmland in Africa. The aim is to bring most of the farms' output back to Bangladesh to ease food shortages," he said.

Bangladesh's 150 million citizens have been hit hard by sharp increases in the price of rice, the staple grain, which was up by an average 50 per cent year-on-year in April, according to official figures.

The country was once self-sufficient in rice, but industrial expansion and population growth mean farmland has been eaten up by factories and new residential areas.

Over the last few years, Bangladesh has become a major importer of rice and wheat, with grain imports up 86 per cent year-on-year to US\$882 million for the last seven months of 2010, according to the central bank.

*Source: AFP, 17.05.11, www.afp.org*

### **SAARC industry body resolves to promote trade**

All members of the SAARC Chamber of Commerce and Industry, an apex body of chambers in South Asia, unanimously resolved to promote trade and strengthen economic ties besides accelerating the developmental activities among members countries for the welfare of the people of the region.

Talking to newsmen after his return from Dhaka Vice President SAACR Chamber of Commerce and Industry, Pakistan chapter, Iftikhar Ali Malik said the delegates from Sri Lanka, Afghanistan, India, Bhutan, Pakistan, Nepal, Maldives and Bangladesh at the four-day 51st executive committee special deliberations of SAARC Chamber of Commerce and Industry at Dhaka decided that SAARC region should emphasise joining hands in trade, agriculture and economic activities.

The proposed theme "Economic Freedom in South Asia: A catalyst for socio-economic growth in South Asia" was a follow-up to the key decisions taken at the recent SAARC Summit in expanding regional trade and economic cooperation.

He said that deliberations will provide an impetus to liberalization of intra-regional trade through the Agreement on South Asian Free Trade Area. There will also be concrete ideas in the fields of trade facilitation and on measures to improve intra-regional connectivity which he added would contribute to smoother trade flows and reduced transaction costs in intra-regional trade.

*Source: Associated Press of Pakistan, 21.05.11, www.app.com.pk*

### **The rise of Pakistan in the global meat trade**

Pakistan has begun taking the tentative first steps towards becoming a major international player in an industry in which the country has a strong competitive advantage: the global red meat trade.

At a time when Pakistani businessmen have a hard time selling even high-quality products to foreign customers due to Pakistan's negative country brand, meat processing companies report customers practically begging for Pakistani red meat to be exported to countries in the Middle East and Southeast Asia.

While Pakistan has extraordinary natural strengths, the country also faces massive infrastructure shortcomings which handicap the ability of many Pakistani businesses to effectively compete against firms from Australia, Brazil or even India.

Yet over the last few years, a new breed of Pakistani companies seems to be emerging, one that confronts the unique challenges of agribusiness in the country and seems to be determined to take on its global competitors.

The halal food market, at just over US\$640 billion a year worldwide, is one of the largest opportunities in the food and agribusiness sector. It is also one that plays to the unique advantages of being based out of Pakistan.

Halal meat is also one of the fastest growing segments within the global food trade. Between 2001 and 2009, the global beef trade grew at an average of 10.4 per cent to reach just over US\$30 billion, according to data available from the UN Food and Agriculture Organization (FAO). However, the market for halal beef imports in the Middle East and Southeast Asia alone grew by over 18.2 per cent to reach just under US\$2 billion a year during that same period.

Pakistan's market share within this rapidly growing market is a paltry 2.9 per cent. However, Pakistani exporters seem to be determined to make up for lost time. In the six years ending in 2009, Pakistani red meat exports have risen by an average of 68.6 per cent a year, though admittedly from a very low base.

Yet with the advent of more and more new players, and with surprisingly robust support from the government, Pakistan is on the verge of becoming one of the largest players in the meat trade, at least within the Middle East and Southeast Asia.

*Source: Express Tribune, 09.05.11, www.tribune.com.pk*

## **Lamy's three-speed search for Doha outcome**

A package for the least-developed countries is the most urgent and feasible priority for a first-step Doha Round outcome at the December 2011 Ministerial Conference, with another group of issues—a “plus” currently being discussed—having the next level of priority, WTO members acknowledged on 31 May.

Speaking in an informal meeting of the Trade Negotiations Committee, which oversees the negotiations in all topics, WTO ambassadors accepted that agreement on agriculture, non-agricultural market access, services, trade remedies and intellectual property are unlikely to be achieved by then.

They endorsed Director-General Pascal Lamy's proposal for these three groups of issues to be approached at different speeds—in fast, medium and slow “lanes”. They stressed that producing a partial outcome in December should not mean the remaining issues should be ditched, and some added that the WTO's routine work remains valuable even without agreement in the Doha Round.

Lamy, who chairs the committee, said he will continue to consult members on the issues, and report back at the next meeting on 9 June. He also urged them to consult among themselves and with their capitals.

His three-speed proposal came from meetings around the world since the committee last met on 29 April. They included the UN Conference on the Least Developed Countries in Istanbul, the Asia-Pacific Economic Co-operation group's trade ministers' meeting in Big Sky, Montana, and an informal gathering of a group of trade ministers in Paris.

*Source: WTO, 31.05.11, www.wto.org*

## **BASIC wants fast finance by developed countries**



A four-nation grouping has asked developed countries to disburse funds under "fast-start finance" promised in the Copenhagen Accord.

In a ministerial in Durban, BASIC, a bloc formed by Brazil, India, China and South Africa in 2009, stressed the need for transparent accounting for finance by developed countries, and intellectual property rights and technology.

Fast-start finance aims to help less developing countries deal with the impact of climate change.

The slow action on funding, especially the US\$30 billion promised for 2010-2012, has been consistently raised by BASIC, represented by the environment ministers of the four countries. By the end of this year, the developed countries should have delivered on US\$20 billion of the so-called fast-start finance.

The ministerial suggested that the UNFCCC Secretariat should publish information on funding already disbursed under fast-start finance provided by developed countries, since it is a commitment made under a multilateral agreement. Developing countries have said this funding should be "new and additional", and not reworking existing development assistance. In this context, the BASIC meeting stressed the need to enhance a common reporting format for funding.

The meeting also considered a proposal to create a fund to stimulate research, providing evidence on climate change issues.

Given that the year-end climate change conference would be held in South Africa, the seventh ministerial underscored the "urgent need" to support developing nations in "adaptation".

This would have a direct impact on small island states, less developed nations and Africa. The meet emphasised the need to ensure the balance between adaptation and mitigation.

*Source: The Economic Times, 31.05.11, [www.economictimes.indiatimes.com](http://www.economictimes.indiatimes.com)*

## **Rising food prices increase squeeze on poor – Oxfam**

Rising food prices are tightening the squeeze on populations already struggling to buy adequate food, demanding radical reform of the global food system, Oxfam has warned.

By 2030, the average cost of key crops could increase by between 120 percent and 180 percent, Oxfam forecasts.

It is the acceleration of a trend which has already seen food prices double in the last 20 years. Half of the rise to come will be caused by climate change, Oxfam predicts.

It calls on world leaders to improve regulation of food markets and invest in a global climate fund.

"The food system must be overhauled if we are to overcome the increasingly pressing challenges of climate change, spiralling food prices and the scarcity of land, water and energy," said Barbara Stocking, Oxfam's chief executive.

In its report, Oxfam says a "broken" food system causes "hunger, along with obesity, obscene waste, and appalling environmental degradation".

It says "power above all determines who eats and who does not", and says the present system was "constructed by and on behalf of a tiny minority - its primary purpose to deliver profit for them".



It highlights subsidies for big agricultural producers, powerful investors "playing commodities markets like casinos", and large unaccountable agribusiness companies as destructive forces in the global food system.

Oxfam wants nations to agree new rules to govern food markets, to ensure the poor do not go hungry.

Source: BBC News, 30.05.11, [www.bbc.co.uk](http://www.bbc.co.uk)

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## ACTIVITIES

### Evaluating development effectiveness of AFT

SAWTEE and International Center for Trade and Sustainable Development (ICTSD) organized "Dissemination Meeting of the Research on Evaluating Development Effectiveness of Aid for Trade (AFT)" in Kathmandu on 2 May. The event was organized to disseminate a draft report on the effectiveness of AFT in Nepal. The project was [launched](#) in Kathmandu on 18 January. It is part of a global project initiated by SAWTEE and ICTSD in collaboration with several other organizations, in six countries in Africa, Asia and Latin America/Caribbean. More than four dozen representatives and stakeholders participated in the event.

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