



International Conference on
Upcoming Ninth WTO Ministerial: Securing the LDCs Deliverables
Dhaka, Bangladesh; 25-27 October 2013

Inaugural Plenary
Bali Ministerial: The State of Play
25 October 2013

Introductory Presentation

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Organised by



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Chair of the International Conference on *Upcoming Ninth WTO Ministerial: Securing the LDCs Deliverables* Dr Debapriya Bhattacharya, Distinguished Fellow, CPD, Chief Guest of the Inaugural Session Mr G M Quader, MP, Hon'ble Minister for Commerce, Government of Bangladesh, Distinguished Panellists H.E. Mr Eloi Laourou, Ambassador and Deputy Permanent Representative, Embassy and Permanent Mission of Benin in Geneva; H.E. Ambassador Nicolas Imboden, Executive Director, IDEAS Centre, Geneva and Ms Jane Seruwagi Nalunga, Country Director, Southern and Eastern African Trade Information and Negotiations Institute (SEATINI), Uganda Office; H.E. Hanne Fugl Eskjær, Ambassador of Denmark in Bangladesh, Distinguished overseas participants, Excellencies, Dear Guests, Friends from the media,

Along with our partners I would like to join CPD Research Director Dr Fahmida Khatun and the Chair in welcoming you all to this International Conference which seeks to define, discuss and identify concrete deliverables for the LDCs at the forthcoming MC-9 in Bali. We feel specially privileged to have you all with us this afternoon and look forward to your contribution over the next three days. This is also an opportunity to register our sincere thanks to Ambassador Steffen Smidt, Facilitator for LDC Issues for Bali Ministerial Conference, for his message of support for our Conference which we look forward to hear from H.E. Ambassador Hanne Eskjær.

Dear Guests: We are aware that unlike in some of the past instances, when during the run up to the WTO Ministerials LDC Ministers have met in exclusive summits to thrash out a common stance; regrettably, there had been no such summit this time. We feel that in view of this, our modest effort to articulate the priorities of LDCs, to discuss concrete deliverables that we aspire to secure in Bali and to strategise how best to attain those, is both timely and important. In undertaking this endeavour our focus remains both Bali and beyond Bali because as we understand many of the deliverables will be referred to the post-Bali work programmes.

Dear Friends: In hosting this event CPD continues a long tradition of undertaking initiatives to bring together relevant stakeholders to discuss the priorities for the LDCs in view of the WTO Ministerials. This we have done prior to both the Cancun and the Hong Kong WTO Ministerials. We have also pursued the cause of the LDCs through events we have organised during the sidelines of the WTO Ministerials, in partnership with organisations belonging to the think tank and civil society fraternity, in Cancun, in Hong Kong, in Geneva. We intend to pursue this activism in Bali as well during MC-9.

Distinguished Participants: As a leading country among the LDC Members in the WTO Bangladesh plays an important role in highlighting the concerns and advancing the cause of the LDCs as a group. In Bali also, when Ministers will meet, Bangladesh will be expected to be proactively engaged in pursuing the LDC package and contribute to the discussion taking place during the four days of intense negotiations. We are extremely happy in this backdrop to have with us the Hon'ble Minister for Commerce. His presence is important also in view of what WTO Director General Roberto Azevêdo had stated recently when he said that for Bali to succeed capitals must be closely involved and Ministers more proactively engaged.

Dear Guests: As we all know, the current Doha Round negotiations have been the most prolonged in the history of multilateral trade negotiations – the Round was expected to have concluded in 2005 but negotiations have been going on for twelve years now. The world has changed significantly since 2001 when Ministers met in Doha. There are reasons for the LDCs to be frustrated as they saw that a round which was ambitiously termed ‘Development Round’ saw its ‘developmental content’ gradually recede in the background. Meanwhile, LDCs continued to suffer significant preference erosion in the face of growing number of RTAs, weak commitment for aid for trade, high and volatile food and commodity prices, and affects of global financial shocks impacting adversely through a variety of transmission channels. At a time when the MDGs had caught the imagination of the global community, and in spite of tangible progress in many indicators and targets of the MDGs, MDG-8 that spoke of making *trade work for development* had remained the weakest link. Nonetheless, it is also a matter of fact that over this same period that coincided with the MDGs, LDC economies have become more trade-dependent, degree of openness of their economies has risen more rapidly, and the need for realising the opportunities of *trading out of poverty* has become more urgent. At the same time we also note that, the ongoing post-MDG discourse is trying to redirect and refocus our attention so that low income economies are able to attain the newly identified targets through strengthened global integration thanks to enhanced trade capacities.

It is pertinent to also recall here that the Istanbul Programme of Action (IPoA) for the LDCs endorsed in 2011 had set the target that half the LDCs will commence the *process of graduation* by 2020. But is the multilateral trading system, as represented by the WTO, prepared to take up the challenges posed by the post-MDG aspirations and the Istanbul declaration? It is also important to note that, if the LDCs do actually set before them the target of graduation as envisaged in the IPoA, then it is just not the *LDC package*, but all the elements of the negotiation agenda in Bali should be of interest to the LDCs from a medium-term perspective. From all these vantage points, the negotiations being carried out in Geneva and the decision to be taken during the Bali Ministerial in the context of the LDC package, and beyond the LDC package, are of interest and importance to the LDCs, LDCs which are also at the same time tomorrow’s developing countries. At CPD, we thus look at our effort in organising this particular event as a continuum of two major global initiatives that CPD is currently hosting: the ‘LDC IV Monitor’ and the ‘Southern Voice on the Post-MDGs’.

Distinguished Guests: Ambassador Azevêdo in his recent statement as Chair of the TNC has observed that ‘Delegations are in a solution finding mode’ and he challenged the negotiators in Room E and D horizontal discussions to *find convergence* and to identify what he termed *landing zones*. As it stands now, there are three areas of possible deliverables in Bali: (a) Some elements in Agriculture, (b) A Trade Facilitation Agreement and (c) Development Issues that include LDC package and the Special and Differential (S&D) Treatment. Whilst this remains a *less than ambitious goal* given that a decade has passed since the launch of the Round, even within this minimalist agenda the deliverables for the LDCs are far from secured. What are the issues involved in these key areas? What are the *offensive and defensive interests* of LDCs in this regard? What are the deliverables LDCs are aspiring for? To what extent it is feasible? What strategies should they pursue to secure those deliverables? – These are some of the questions that we intend to seek answers to over these three days.

Dear Participants: Permit me to flag some preliminary ideas about the key deliverables for the LDCs which will be subjected to indepth discussion at the two Panels and four Thematic Sessions of our Conference.

The LDCs package has several elements: (a) DF-QF and market access; (b) cotton, (c) preferential rules of origin; (d) operationalisation of the services waiver. Broader issues of developmental interest to the LDCs relate to the *Monitoring Mechanism* for S&D provisions and the Cancun 28 proposals relating to S&D treatment for the developing countries and the LDCs. Let me briefly reflect on some of the key deliverables in this regard.

DF-QF Market Access

As is known, a commercially meaningful market access through duty-free quota-free treatment *for all goods originating from all LDCs* has been a key demand of the LDCs in the context of the Doha Round. In spite of the various GSP schemes providing DF-QF treatment to LDC products, important LDC exportables continue to face high tariffs in some of the developed country markets, notably the United States. DF-QF in the WTO is also important from the perspective of predictability and security of market access. The Hong Kong Ministerial declaration relating to DF-QF was a progress certainly, but limited and constrained by the '97 per cent' caveat. Regrettably, some key members are not ready to offer full DF-QF market access to the LDCs. But more regrettably, current negotiations have also exposed fault-lines among the LDCs themselves. Some African and Caribbean LDCs have expressed concern about the likely impact of even the 97 per cent DF-QF access on their existing share of exports in key markets.

We need to find a solution here that is acceptable to all LDCs. One solution could be in finding the overlapping tariff lines between Asian and African LDCs and then identifying mutually acceptable solutions that provide additional enhanced market access without adverse implications for the concerned LDCs. Indeed, Bangladesh and Cambodia export a range of products that are not exported at all from Haiti or Africa. Recent studies have come up with concrete proposals which could generate a balanced outcome for all LDCs. As the paper by Kimberly Elliot, to be presented at our Conference shows, excluding selected tariff lines from DF-QF market access for competitive LDC exporters would still allow roughly half of apparels exports from Bangladesh and almost 60 per cent from Cambodia to receive duty-free access in the US market. Whilst there is perhaps not enough time now for a comprehensive decision on this, some modalities can still perhaps be thrashed out in Bali along selected specific criteria.

LDCs as a group, in their submission, has sought information, on a line by line basis, of the DF-QF market access to be provided by developed members and developing members countries 'declaring themselves in a position to do so'. At Bali LDCs should press for transparency as regards full implementation of the DF-QF decision. A concrete time line for inclusion of the 'three per cent exclusion list' ought to be sought to ensure predictable transition from the 'partial' to 'full' implementation of the DF-QF decision.

We know that DF-QF is not at all moving in Geneva in part because of the LDC divide. We would urge the LDC Ministers to search for a common stance in Bali as regards different elements of the DF-QF decision along these lines.

Preferential Rules of Origin

As is known, *preferential rules of origin* are key to ensuring that LDCs are actually able to realise the market access provided as part of the DF-QF initiative. We are encouraged by the statement made by the TNC Chair recently that the revised submission made by the LDCs on preferential RoO is considered by the members to be 'a step in the right direction'. The issue here is to make the RoO LDC-export friendly. We feel that the domestic value addition requirement criteria, whether it is ad-valorem, or change of tariff heading, or processing operation, should be defined in a manner that takes cognisance of domestic supply-side and productive capacities of the LDCs and are easy to comply with. 'Cumulation' should also be defined by preference-donor members in a way that enhances the capacity of the LDCs to access the benefits of preferential access. Indeed, the RoO as defined under the Canadian GSP, a flat 25 per cent local value addition requirement, could serve as a simple and LDC-friendly, general and unique criteria for preferential market access. However, as we understand, members are negotiating only *non-binding guidelines* and this is rather disheartening. LDCs should also ask that the documentary requirements for complying with RoO be simple and transparent, that the criteria are defined in a manner that services LDC interests, and that a system of periodic reviews is put in place to closely monitor compliance ability of LDCs vis-à-vis the RoO requirements of preference - giving Members. Also, LDCs should ask for built-in mechanisms to address their concerns originating from such periodic reviews.

Waiver in Services

As is known, for the first time at MC-8 in 2011 members adopted a *services waiver*. This allowed a waiver from MFN obligations as a modality for S&D treatment for the LDCs in GATS. The waiver allowed members to grant preferential market access to services and service providers from the LDCs. In view of the increasing importance of services in the domestic economies of the LDCs, and also growing share of services in the emerging global trade, this was an important development as far as LDCs are concerned. Everyone agrees that the next step is to take this forward through *operationalisation of the services waiver*. The proposal submitted by Nepal in this context, circulated on October 11, on behalf of the LDC group, is a recent development in the right direction, but remains primarily a *process-oriented submission* and hence less than ambitious. The proposal mentions about steps to be taken towards 'commercially meaningful preferences'. However, if the past DF-QF negotiations on goods are any cue, one can guess that it will perhaps be difficult to make 'developed and developing country members declaring themselves in a position to do so' to undertake a firm commit in this regard. To what extent such wordings get diluted in the course of further negotiations is yet to be seen. The LDC submission proposes holding of a *Signalling Conference* in July 2014 where members shall indicate sectors and modes of supply where they intend to provide preferential treatment to sectors and modes of supply of export interest to LDC services and services suppliers. The proposal also urges Members to eliminate or lower, domestic regulatory and administrative barriers that impede current or potential LDC services exports. As is know, Mode-4, movement of natural persons, is an area where LDCs have particular interest.

However, regrettably, the mode is often contingent on commercial presence in most of the current schedules, making it difficult for the LDCs. This concern of LDCs should be addressed.

It appears that key to operationalising the waiver will be in three areas: (a) A thorough and forward-looking demand side analysis, (b) identification of sectors and modes in which particular LDCs have existing and potential comparative advantages in view of this, (c) an indication from preference-donor members as regards preferential market access for those identified sectors and (d) mobilisation of technical and financial support to put in place the required supply-side capacities in the LDCs. The EIF and Aid for Trade programmes will need to be suitably calibrated towards this; perhaps a *dedicated window* with financial commitment apportioned towards this may be proposed. In Bali LDCs should demand that an agreement is reached as regards a concrete *post-Bali Work Programme* in view of the services waiver and the mandate of the proposed signalling conference should be spelt out in a concrete manner that obligates developed members to commit to concrete measures.

Monitoring Mechanism

The progress being made in Geneva in the context of putting in place a *Monitoring Mechanism for S&D provisions* also appears to be rather slow as of now. The way negotiations are going, the optimistic view is that there is a possibility to have an agreement on a Monitoring Mechanism to conduct regular reviews of the existing S&D provisions in the WTO. However, in all likelihood, this mechanism will be a forum for *diagnostic analysis* rather than having a *prescriptive role*. If this be the case, the envisaged Monitoring Mechanism will be a rather weak tool to make these provisions enforceable. In Bali there should be a demand to empower this mechanism to make binding recommendations. Indeed, the Monitoring Mechanism should have the ability to make recommendations to the appropriate technical body when any weakness is identified and it should be able to recommend to this body that negotiations be launched on particular S&D provision.

Cancun-28 Proposals

We feel disappointed that Members have failed to demonstrate readiness to consider the *Cancun 28 agreement-specific proposals*. One will recall that in Cancun members had agreed to an *in-principle agreement* relating to 28 S&D provisions in the WTO Agreements. At MC-8 members had agreed to take stock of these proposals, both to incorporate subsequent developments as well as examine the possibility of advancing the cause of implementation. The African and LDC group have reiterated their position in Geneva that it is 'all as a package or nothing'. This stance of the LDCs is dictated by the apprehension that opening some provisions could lead to opening of others, inducing a review of the provisions and undermining the prospect of their subsequent adoption in Bali. Regrettably, it appears now that these proposals will be taken up only in the post-Bali work programme within the framework of the mandate of paragraph 44 of the Doha Ministerial Declaration, without concrete results and without commitments on the part of developed members. We shall expect that in Bali LDC Ministers will bring some clarity to the work programme towards enforcement of the Cancun proposals.

Trade Facilitation

Dear Guests: As we know, after several years of exploratory work, WTO members formally agreed to launch negotiations on trade facilitation, an issue first raised in 1996 as part of the four Singapore issues. Discussion was initiated in July, 2004, on the basis of Annex D of the so-called 'July Package'. As it now stands, Trade Facilitation Agreement could well be one of the key deliverables in Bali. As far as we understand, the current discussions have covered all parts of the mandate: (a) new disciplines; (b) customs cooperation, (c) flexibilities for developing countries and LDCs and (d) implementation plans. As we could follow, concerns continue to persist in the TF negotiations in many areas including access to and coherence of assistance.

Recent discussions reveal that convergence is yet to be reached as regards level of ambition, the 'commitments' to be undertaken by developing countries and the still pending issues of the level of flexibility, technical assistance and capacity-building to be provided to developing and the LDCs for implementing any agreement on trade facilitation. LDCs do appreciate the economic benefits that could originate from enhanced trade facilitation: for producers, for consumers, for exporters and importers, for raising competitiveness of their products in the global market and for the economy-wide positive multiplier impact of TF. The critically important issue for the LDCs is access to finance for trade-related infrastructure and other support measures that address their particular TF concerns. In a recent joint statement seven major financing institutions, that included the World Bank Group, ADB, and the IMF, have come out strongly in support of a TF Agreement within the ambit of the WTO. They have also recognised the need to discuss how to ensure a coordinated and effective response to requests for support from developing countries and particularly the LDCs. They have urged WTO Members to *seize the opportunity*. Can the Ministers think of a dedicated support window, beyond the remit of general AfT or the EIF, to which these major institutions will then commit significant resources? Let us try.

Cotton Issue

In 2004, the WTO General Council agreed that the cotton issue should be addressed ambitiously, expeditiously and specifically within the agriculture negotiations in relation to all the trade-distorting policies in the three pillars of market access, domestic support and export competition. In Hong Kong it was agreed that all forms of export subsidies would be eliminated by 2006, and developed countries would give DF-QF access for cotton exports from LDCs from the commencement of the implementation period. Regrettably, as current negotiations in Geneva indicate, developed countries are not ready to make any firm commitment on cotton. We would expect Ministers to demand an agreement on cotton as a key deliverable in Bali which is likely to also have a favourable impact as regards DF-QF decision that takes care of both ambition and distinct concerns of the LDCs.

Agriculture and Food Security

As regards Negotiations on Agriculture the three issues which have been covered in the current negotiations relate to the *G-33 proposals* on public stockholding for food security and domestic food aid purposes, and *the G-20 proposals* on administration of TRQ and export competition. It is reckoned that without changing the rules of the WTO Agriculture Agreement, it is still possible to

identify ways to allow developing countries some cushion and flexibility to exceed their domestic support limits when they buy, stock and supply cereals and other food to ensure food security for the poor. Whilst it will take time to strike a deal on a complex formula involving inflation indexing, shifting baseline years, and other methods for calculating levels of support for agriculture, it is likely that the Members will agree to a *peace clause* or *due restraint agreement* to provide some breathing space to the developing countries. We don't as yet know whether this will take the form of a *waiver from legal exemptions*, or a *non-binding political statement* by the Conference Chair. Whilst the justification of such flexibility and some decision with regard to administration of TRQ, export subsidies and export competition to safeguard the interests of the developing countries cannot be denied, there is perhaps a need for careful assessment of their implications for food availability in the global market and the dynamics of global food prices. This is of critical importance given that 42 out of the 49 LDCs are net food importing countries. In view of the recent volatility with regard to food prices and problems with access to marketable food in the global market that led to severe food shortage in some LDCs, one reckons that these concerns should demand attention of the LDCs. A balanced Bali outcome should take into consideration the concerns of the LDCs in this regard and should have safeguard measures put in place to address their concerns.

Dear Guests: The future of the multilateral trading system itself, as envisaged under the WTO, has come under question because of the current state of negotiations. Three strands of arguments are visible in this context: (a) a search for solutions primarily within the WTO system; (b) keep negotiating within the WTO but also go for faster regional liberalisation (this has been increasingly practised during the DDR period) through preferential trading arrangements (PTA) including establishment of free-trade areas (bilateral and regional and cross-regional) and (c) try forging broad-ranging and wide-encompassing alliances *a la* Trans-Pacific Partnership (TPP) and Trans-Atlantic Investment Area (TAIA). Some look at this as undermining the value of the WTO as the most significant institution managing the multilateral trading system; others argue that these could serve as a model which WTO could follow. The ongoing negotiations have also brought forth a number of systemic issues concerning the functioning and decision-making process of the WTO. Because of the intractable differences and lack of progress towards convergence on key issues, some have argued for different options of negotiation which are likely to have important systemic implications for the WTO and interests of the LDCs. The principle of 'single undertaking' itself ("nothing is agreed unless everything is agreed", which provides the 'balance' in the overall decision) has come under close scrutiny. *Plurilaterals* is being seen by some as an alternative negotiation modality which has a better prospect of outcome, most notably in GATS negotiation. We look forward to have an interesting discussion on these and related issues in our sessions on the Way Forward.

Dear Guests: In our two Panels and four thematic sessions, we will have a thorough discussion on these and other issues with a view to come up with concrete proposals that will contribute to the outcome document we intend to prepare. Our ambition is to use this document for advocacy purpose and for influencing the discourse, during the run up to Bali, at Bali where we shall pursue the LDC cause through various programmes, and also beyond and after Bali. We are grateful that you have joined us in this common task to identify the LDC deliverables and strategise how best to secure these deliverables in Bali.

Dear Guests: Let me now end by expressing my profound gratitude to my CPD colleagues. I shall fail in my duty if I don't express my deep gratitude for the single-minded dedication, and exceptional hard work put in by my colleagues in organising this International Conference, at not the easiest of times, as we all know. Our Research Director Dr Fahmida Khatun was the anchor person and focal point for this Conference, supported by a team of our talented researchers. Our Head of Dialogue and Communication Ms Anisatul Fatema Yousuf had put in enormous effort to make the Conference a rewarding experience for all the participants. In undertaking this task she was helped by our hardworking and motivated colleagues at Dialogue & Communication, Finance and Administration Divisions of the CPD. And, last but not the least, I would like to take this opportunity to thank my good friend, the Chair of today's session Dr Debapriya Bhattacharya. As always, his sound advice and wise guidance were a great support for me personally, for my colleagues collectively. His formidable experience as a leading trade professional, as a trade diplomat and as Special Adviser to the UNCTAD Secretary General for the LDCs, was of immense help to all of us at CPD in organising this particular event, both in form and in substance.

Dear Guests: Along with you, I thank them. And along with them I thank you.