

THIRD WORLD *Economics*

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WTO discusses Bali outcome, bids Lamy adieu

Before breaking for the summer recess, the WTO convened meetings of its Trade Negotiations Committee (TNC) and General Council in the week of 22 July. The TNC session deliberated on the potential outcome of the WTO Ministerial Conference which will take place in Bali in December, while the General Council heard, among others, outgoing WTO Director-General Pascal Lamy's farewell speech to the membership.

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TNC considers state of play on Bali deliverables

The last meeting of the WTO's Trade Negotiations Committee (TNC) before the summer recess saw WTO head Pascal Lamy and member states discuss the potential outcome of the trade body's Ministerial Conference to be held in Bali this December.

by Kanaga Raja

GENEVA: Chairing his 53rd and final Trade Negotiations Committee meeting before stepping down at the end of August, WTO Director-General Pascal Lamy on 22 July presented his report on the state of play on the three potential deliverables at the Bali Ministerial Conference, namely, special and differential treatment (S&D)/least developed country (LDC) issues, agriculture and trade facilitation.

"My overall assessment from this state of play is that the road to Bali is much clearer than two months ago. There has been a relatively good level of refuelling from all formats of consultations including in negotiating groups and facilitator/friends of the Chair processes," said Lamy.

"Also encouraging is the increased level of momentum in substantive engagement. I believe that today, we have a much sharper sense of the key issues that remain for urgent decision and the links between. I also believe that you are in a better shape to resolve these issues in the time between now and Bali. I would say that the glass is two-thirds full. You are on track to deliver concrete outcomes in the three deliverables at the year's end," he maintained.

"But it would also be fair to say that you are not yet there. As we all know, the third part of the glass is no small beer! There remain only three months between now and Bali. You must make them count by sustaining this renewed momentum and remaining focused in your final stretch from the autumn."

A number of delegations spoke after the report by the TNC Chair at this last TNC meeting before the summer break here.

According to trade officials, the mood among the membership was considerably better than it was in May in terms of the work that was needed to be accomplished by the end of July, but the progress that had been made on many issues had not been sufficient so far.

Many delegations were of the view

that the Bali Ministerial Conference this December must not be considered as a negotiating forum, and that any deal must be struck here prior to the Bali meeting. This meant that the time available to negotiate was rapidly draining away, trade officials added.

Developing countries stressed, amongst others, the importance of a balanced Bali package that has the LDC issues at its core, as well as the issues of S&D and food security. They also called for more focus on Section II (on S&D provisions for developing-country and least-developed-country members) of the draft negotiating text on trade facilitation, and said that both Sections I (on commitments) and II of the draft text should move together.

Some trade diplomats said that while there was a general view emerging on the need for a balanced package and seeing the Bali package as just an "early harvest" – with the entire Doha Round having to be taken up after Bali and completed in order for the "early harvest" to survive – there was an uneasy impression, confirmed by the US intervention at the TNC meeting, that the US merely wanted to pocket a binding trade facilitation accord and walk away from the Doha Round and its single undertaking covering other issues of importance to the developing world.

Progress report

In his report to the TNC, Lamy said, on the S&D issue, that in recent weeks, work in the Special Session of the WTO Committee on Trade and Development had focused on the 28 Cancun agreement-specific proposals and the monitoring mechanism. The Chair of the Committee had consistently engaged with experts in the Committee and elevated to the level of ambassadors where necessary to unlock the issues on the table. This had proven valuable in resolving some issues and providing momentum to the work of the Committee.

Regarding the 28 Cancun agreement-specific proposals, work was proceeding not only on the six proposals that had initially been identified as having been impacted, but also on the remaining 22. Members were continuing with “step one”, an exploratory phase, to consider these proposals and better understand what they mean in a 2013 context. Members would then move to “step two”, that is, take a decision on whether to adopt these proposals.

While this work was ongoing, Lamy believed that it needed to be fast-tracked to get the necessary traction, also reminding members of the understanding that the stock-take of these proposals was about updates and not renegotiation. These proposals enjoyed an “in-principle” agreement.

Work on the monitoring mechanism continued to advance steadily, Lamy said, and there had been a good level of conceptual clarity, but work still remained to translate this into drafting language.

On the six agreement-specific proposals, Lamy said the Committee believed these could be better addressed post-Bali.

On the four LDC issues of duty-free, quota-free market access (DFQF), rules of origin, cotton and implementation of the LDC services waiver, Lamy said that Ambassador Steffen Smidt (Denmark), the facilitator for LDC Bali deliverables, began his consultations in June. A first round of discussion took place on all the four proposals forming part of the LDC Bali package.

Lamy understood that more work was required to find common ground with regard to the proposal on the implementation of the Hong Kong DFQF decision. In a few areas, the LDCs were continuing their own work to table operational proposals for members’ consideration, some of which he believed were to come during the summer break.

“So, the LDC Bali package is in the making, but at this point, the ball is in the court of the LDCs. I hope the LDCs will be fully prepared to take forward their proposals after the summer break, and that Members would be able to put forward a meaningful package for LDCs at Bali.”

Agriculture deliverable

On agriculture, starting with the proposal concerning public stockholding for food security and domestic food aid, the

TNC Chair said that consultations on this proposal had been held based on the four questions initially outlined by the Chair of the agriculture negotiations in April. Debates had been very engaged and at a basic level some elements of potential convergence had begun to emerge.

Overall, said Lamy, there seemed to be some convergence emerging around declaration/communique language for Bali that would recognize, in general terms, that the policies and programmes mentioned in the first part of the proposal by the G33 grouping – with some suggested modifications – could be considered to fall within the scope of “General Services” of Paragraph 2 of Annex 2 to the WTO Agreement on Agriculture (AoA), but with the proviso that the declaration makes clear that the chapeau contained in Paragraph 1 of Annex 2 would fully apply to such policies and programmes.

“The response to a political message to be delivered in Bali recognizing the role played by public stockholding in developing countries has also been positive at a general level. However, differences remain between those who have expressed their readiness to start working without delay on a text for a possible Bali Communique or Declaration and those who consider that the debate on this issue should take place once the ‘contours’ of the possible outcome on the other elements of the G33 proposal are clearer,” Lamy noted.

Different opinions had also been expressed on a possible “due restraint” statement along the lines of the 2001 implementation decision. The discussion in this area had also been in the minds of many members linked to the discussion on the other elements of the proposal.

“So, while no consensus has been reached on any specifics of the potential elements to be included in the Bali outcome text, I believe that as Members reflect further, a broader convergence becomes possible on this political messaging issue.”

Regarding the question of a potential amendment or interpretation of existing AoA disciplines, Lamy reported that the situation remained the same. “Members’ opinions are still divided between those favouring a general systemic solution to the issue for Bali (through an amendment or interpretation of the existing rules); and those questioning whether such amendment or interpretation is either possible or desir-

able by Bali.”

He further reported that the question of a possible interim mechanism that might provide for some additional flexibility for specific members had been the focus of quite a lot of discussion. This question had made probably the most progress since May. Different positions on the threshold conditions and the main characteristics of a potential mechanism had been expressed more clearly and some elements of convergence had been starting to emerge, for example, that the mechanism could: (i) cover public stockholding programmes of developing countries related to food security; (ii) be applicable to staple crops, given the food security focus; (iii) that its use could be subject to an ongoing provision of information that would allow members to monitor the situation; (iv) that members could look at safeguards or guarantees aimed at avoiding potential spillover effect on markets; and (v) that the WTO Committee on Agriculture would be the appropriate home for the mechanism in terms of notification and monitoring discussions.

The TNC Chair said that there was also a general sense that any flexibility delivered under a mechanism should be time-limited and the mechanism itself should be an interim one, adding that among the threshold conditions to access the mechanism, it had been also generally suggested that the member must find itself in a situation of near-breach of its commitments.

“Despite this good progress, some issues remain. These include notably the question whether the flexibility delivered under such a mechanism should be i) automatic; ii) non-automatic; or iii) a hybrid arrangement that would involve some degree of automaticity as well as case by case elements. A related question here is the nature of the flexibility delivered under any self-executing or automatic mechanism. Some Members have also highlighted that any such mechanism would need to provide legal certainty to ensure that members were not challenged under the Dispute Settlement mechanism.”

In summary, said the TNC Chair, the discussions in this area had moved into serious consideration of the parameters of possible solutions. Moving towards convergence was doable but remained to be done.

On the proposal by the G20 grouping on export competition, Lamy noted that the Chair of the agriculture negotia-

tions had consultations in various formats to get a better sense of where members stood.

On one hand, the G20 and a group of other members clearly wanted a step forward in Bali on export competition, including in terms of legal commitments. This position was presented as in keeping with the 2013 deadline agreed in Hong Kong in 2005 for the elimination of all forms of export subsidies, which was of course also incorporated in the Rev.4 draft agriculture modalities text.

On the other hand, some of the members with the largest export subsidy commitments had underlined that, while they remained committed to the elimination of export subsidies and were ready to reaffirm this commitment, the conditions under which they could modify the legal commitments in the field of export competition were in their view not met.

"And this notwithstanding the fact that their actual use of export subsidies has significantly decreased in recent years. For them, the text agreed at Hong Kong in 2005 and the Rev 4 text was conditional upon the overall conclusion of the Doha Development Agenda, as was the implementation of the Rev 4 text overall. A partial implementation of the export competition pillar – or even the full implementation of the export competition pillar without accompanying delivery of other key elements of the Doha package – is therefore not seen by these Members as a viable option for the Bali meeting."

Lamy noted that there was also another group of members with export subsidy commitments who pointed out that the G20 proposal would have real practical impacts for their use of export subsidies rather than just "cutting water" out of their scheduled commitments. While not ruling out a discussion, these members pointed to the additional difficulty this would cause and highlighted, along similar lines to the previous group of members, that any move in the direction of the G20 proposal would only be possible in the context of a wider package of reform both across and beyond the agriculture pillar of Doha.

"This topic now urgently requires in-depth reflection by Members on the various options available, so that the discussions can restart immediately after the summer break. In my view, this is a political issue which will require political input," he stressed.

Regarding the G20 proposal on tar-

iff rate quota (TRQ) administration, Lamy said that members continued to see this as a useful one to explore for possible decision in Bali, and that the Chair of the agriculture negotiations intended to return to this proposal after the summer break.

Trade facilitation

On the third Bali deliverable of trade facilitation, Lamy was of the view that the 15-19 July meeting of the Negotiating Group on Trade Facilitation had ended on a positive note.

Further progress was made in cleaning up the text of the draft trade facilitation agreement, including some narrowing of the gaps on Section II of the draft text that deals with implementation flexibilities for developing countries and LDCs, he said.

Plans were made for finalizing the negotiations in the autumn, in time to present the results to Ministers in Bali.

According to the TNC Chair, the Chairman of the Negotiating Group had set out a three-track programme for the negotiations:

- First, further technical scrubbing of the text.
- Second, a more political, negotiating process engaging capitals to resolve differences that go beyond (or lie behind) technical issues. More involvement from capitals would be required in the negotiations in the autumn to inject the authority to negotiate compromises and work out solutions at a faster pace than members had been managing so far.
- Third, technical and legal work on parts of the draft agreement that have been left to one side for the time being, such as preamble language, cross-cutting issues and institutional arrangements. In order to get that work off to a quick start in the autumn, members had been asked to submit proposals by the beginning of September on the matters covered by Articles 13 and 15 of the consolidated draft text.

"When you resume after the summer break, you will need to be fully focused on the sensitive areas where consensus is not yet there: customs cooperation; transit; PSI [pre-shipment inspection]; customs brokers, consularization fees, which were already mentioned in the last TNC, as well as sharpening section II, if you are going to arrive at the finishing line in time," Lamy stressed.

[Speaking later on condition of non-attribution, some trade diplomats said

that progress towards a Bali package may only emerge after the new WTO Director-General Roberto Azevedo takes over and his consultations, and the parallel process that has been under way for some time now of an informal group of key and representative group of ambassadors who meet among themselves weekly, without the presence of any WTO officials, to discuss both procedural and substantive issues. – SUNS]

LDC priority

Following Lamy's report, several delegations presented their views at the TNC meeting.

According to trade officials, in its intervention, Nepal (on behalf of the LDCs) said that any Bali package must be balanced and must accommodate all members, adding that the LDC issues should be accorded priority.

It recalled that the LDCs had made a proposal on 31 May that included DFQF, cotton (both trade and development aspects), simplified rules of origin and a services waiver. The LDC Group was now in the process of reformulating some of these issues and was trying to strike an internal balance.

On agriculture, the LDC Group supported the G33 proposal on public stockholding for food security. On trade facilitation, Nepal said that this should go hand-in-hand with arrangements to enhance capacity for the LDCs so that they can implement the agreement. It also called for rapid agreement on the 28 Cancun agreement-specific proposals and on the S&D monitoring mechanism.

Indonesia (on behalf of the G33) said that it was encouraged by the positive atmosphere in the discussions on its proposal on public stockholding for food security, but cautioned that the Bali Ministerial Conference was fast approaching. It said that the G33 was open to any discussion that might offer reasonable solutions that were meaningful, operational and effective.

It said that it was clearly seeing some contours of an agreement but the question of "legal certainty" was an important issue, adding that there was a need to intensify the work and to ensure an outcome that can deliver in the areas of food security, livelihood security and rural development.

Speaking for itself, Indonesia said it supported the G20 proposal on export competition and the (upcoming) Cairns Group proposal, adding that the issue of

export competition was an important one for Indonesia. It also wanted a deal on trade facilitation and believed that the issue of the 28 agreement-specific proposals should be resolved.

Morocco (on behalf of the African Group) said that while members were seemingly close, they were also far away from getting an agreement. An agreement needed to be reached before Bali and was not to be negotiated there, it said, adding that it would be too late if members go to Bali with issues unresolved.

It said the African Group would do all it could in the three areas of trade facilitation, agriculture and development, stressing that the LDC issues were at the core and that S&D was also central. Work needed to be speeded up in these areas, and it was essential that there be a satisfactory outcome for the LDCs.

It said that the African Group was fully engaged on the question of trade facilitation and wanted a balanced agreement that is mutually beneficial and takes into account national specifics and levels of development in terms of commitments to be undertaken. There was a need for trade-related technical assistance and capacity-building in Section II of the draft negotiating text. Both Sections I and II must move together.

It further said that there must be an agriculture outcome in any Bali package and food security was central for the African Group. Cotton must also be part of any final Bali package. There must also be a post-Bali process that is spelled out so that this is not the end of the Doha Development Agenda (DDA) but a stepping stone.

Australia (for the Cairns Group) said that the issues of TRQ administration, food security and export competition were areas where work needed to be intensified. It was pleased at the way in which the G33 proposal had been taken up and engaged. This was something on which all Cairns Group countries were seriously committed to an outcome.

It said that export competition was a crucial issue for the Cairns Group and there needed to be an outcome of some kind in this area in Bali. An unwillingness to engage on this issue by some would be a risky strategy, it cautioned, adding that the G20 proposal (on export competition) should be the starting point in the discussions. The progress on the G33 proposal showed that it was possible to get through the tough issues with serious engagement, it said.

On behalf of itself, Australia said

that members were in with a chance for Bali now but more work needed to be done on the LDC issues, and mindsets and methods needed to be changed if there was to be an agreement.

Switzerland (for the G10) said that it appreciated the work that the Chair of the agriculture negotiations had done on the G33 proposal, adding that there had been some constructive and impressive engagement on this issue.

On the G20 proposal on export competition, it was not convinced that the proposal was calibrated realistically for a Bali package. On the G20 proposal on TRQ administration, it said that the G10 would be affected by this, so this was something where its interests would need to be considered. There was little time before Bali and there needed to be a balanced outcome, it added.

On behalf of itself, Switzerland said that a Bali package was doable from the point of view of substance but there were two challenges, one being the clock and the second the negotiating machinery. Geneva and the capitals would need to have their wheel gears clicking much more effectively or seamlessly.

On the development issues, it said that it was looking hard to try to find where the LDC issues could be harvested. There needed to be much more work done by capitals getting involved and the horizontal process needed to begin very soon in order to identify issues that were of importance and that could be traded off.

Crossroads

Saudi Arabia (for the Asian Group of developing countries) said that members were at a crossroads and must choose between flexibility and rigidity, and between cooperation and recrimination. There was no excuse for failing and members needed to be able to achieve a three-way balance. It did not want negotiations to take place at the Bali Ministerial Conference.

It took some solace from the wide recognition of the significance and importance of the G33 proposal and of the progress made, and of the openness of many to consider arriving at solutions. This was encouraging, it added. It also encouraged all stakeholders to be involved in finding a viable solution to the issues of importance to the LDCs.

Brazil (for the G20) said that it was deeply concerned by the state of any early harvest in agriculture for Bali. While it was good that the TRQ admin-

istration issue had been considered doable, the level of engagement on export competition (the G20's proposal) was disappointing and regrettable.

According to Brazil, the deadline of 2013 (in the Hong Kong Ministerial Declaration on elimination of export subsidies) could not be allowed to pass silently, and it was hard to imagine a successful outcome at Bali if there was no meaningful agreement on export competition.

Chinese Taipei (on behalf of the recently acceded members) said that there had been some technical progress in agriculture but it was too little, too late. The situation had improved but members were not at a point yet where they could say a positive outcome in Bali could be considered likely. Bali was just a small stepping stone to an overall Doha agreement but even this was proving somewhat difficult, it said.

On behalf of itself, Chinese Taipei said that it attached a great deal of importance to the multilateral trading system. On the agriculture issues, it agreed with the G10 statement. Trade facilitation would be good for both developed and developing countries and should be one of the deliverables for Bali, as should the agreement-specific proposals and the S&D monitoring mechanism, it added.

Burkina Faso (for the Cotton-4) endorsed the statements of Nepal for the LDCs and Morocco for the African Group. It was working on developing a proposal on cotton. It called on all its partners to show political will and commitment to reach an outcome in this area.

Brunei [on behalf of the Association of South-East Asian Nations (ASEAN)] said it remained confident that members would not arrive at Bali empty-handed, but all sides must be willing to compromise. It hoped to see more progress on the LDC issues. Time was running short and members needed to intensify their work in September, it said.

Egypt (for the Arab Group) said that it looked forward to a balanced package in Bali, and hoped for balance across the three areas of development, agriculture and trade facilitation. The Arab Group was working on all of these issues, which were very important, but this did not detract from the fact that the post-Bali process was very important also, and this was something that it would insist on, in terms of a clear roadmap coming out of Bali on what would be coming next.

On behalf of itself, Egypt said that the Doha Development Agenda was important to ensure that the integrity of the

WTO was preserved. It looked forward to a balanced Bali package.

On trade facilitation, there was a need for a balance between Sections I and II of the draft negotiating text, it said, expressing concern that the progress was not balanced and that Section I was too ambitious. There was a need to settle Section I issues without putting too onerous a burden on developing countries. If the proponents of this issue did not take seriously the concerns of developing countries, it would be very difficult to have an agreement on trade facilitation at Bali, it warned.

It also said that agriculture was central for development, and there must be an important outcome across the three key proposals in this area.

More work required

Jamaica [for the African, Caribbean and Pacific (ACP) Group] said that considerable work remained to be done if members were to succeed at Bali. On trade facilitation, it said that there should be a substantial outcome on Section II of the draft negotiating text. There should also be technical and financial assistance provided commensurate with the obligations that were being asked of the developing countries in terms of implementing these measures.

Bangladesh agreed with the LDC Group statement.

The European Union was of the view that trade facilitation was unfortunately an area where expectations for major progress had not been sufficiently met. On Section I, it said that the text contained too many issues that could be described as "trivial" in nature but on which precious time continued to be spent. However, there was a need to be pragmatic in this process.

According to the EU, the trade facilitation agreement could not reflect the specific wording used in the legislation of each and every one of the WTO's 159 members. Constitutions would not be changed and fundamental principles of legal systems would not be adapted because of the trade facilitation agreement.

All, however, had room for manoeuvre on the numerous technical issues that still remained to be resolved, it added.

Where fundamental issues existed, there was a need to dedicate time to resolving them, but they needed to be separated from those that were simply a mat-

ter of preference and on which flexibility was possible. This was the way to make adequate progress on these issues, it said.

On Section II of the draft text on trade facilitation, it said positions had significantly been clarified in recent weeks and that agreement on the main principles was not far away. It needed to be kept in mind that the flexibilities foreseen in Section II would in principle be available to all developing countries, it added.

On the G20 proposal on export competition, the EU said that it had indeed committed to phasing out export subsidies but this commitment had been made in a very specific context and was clearly part of the single undertaking and the successful conclusion of the whole Doha Development Agenda.

On development issues, it said that progress had been limited but that the monitoring mechanism and the agreement-specific proposals were clearly possible deliverables for Bali. A stronger effort was also needed on the LDC issues.

Japan said that there was a need to shift gears and step up the pace.

Mexico said that the Bali Ministerial Conference could not just be another ministerial meeting. There was a need for an outcome, and a balanced result was crucial for the continuation of the negotiating function of the WTO.

Korea said that more work was needed to achieve convergence on a Bali package. Some progress had been made on trade facilitation in terms of removing square brackets (which indicate lack of agreement), but more was needed. The political issues needed to be fleshed out so that they could go into a trade-off mode in the horizontal process.

It supported the G33 statement by Indonesia. On the G20 proposals, it said that any attempt to change the key sensitivities of the Rev.4 draft agriculture modalities text could be counterproductive. There was a need to move quickly into the horizontal process.

Keeping the ship afloat

The US (represented by Ambassador Michael Punke) said: "On the positive side of the ledger, it is possible to point to some very good work in this town over the past seven months. We should acknowledge in particular the labour-intensive efforts of our experts on

trade facilitation and agriculture. While all of us wish that more would have been accomplished by this juncture, these efforts have helped to narrow the ground and to clarify the issues."

The US added: "If WTO Members have not exactly shrouded themselves in glory, they have at least kept the ship afloat for the fall, and in some cases, managed to steer it away from obvious shoals. To paraphrase from the immortal Monty Python, 'We're not dead yet.'"

"We've probably managed to do just enough over the past seven months to give us one final shot at a meaningful package for the 9th Ministerial Conference in Bali," the US said, adding: "For the part of the United States, our new US Trade Representative, Michael Froman, has made clear that we are committed to working toward a successful outcome at Bali. The US agenda is full, but I can guarantee my colleagues here today that we will do our share and more. Our experts in Geneva and Washington are examining the degree to which we can be flexible in our positions on key issues."

"But we are far beyond the time for tactical manoeuvring. Which is why I have spent a significant amount of time over the past couple of weeks delivering some unpopular messages in this chamber. Given the shortness of time we will confront in the fall, we can't spin our wheels on repetitions of tired debates – and we all know what they are. I have heard many delegations complain recently about their 'disappointment' over this or that issue. And my response is, 'Join the club.' There is no monopoly on disappointment in the Doha Round. Certainly the United States has its own lengthy catalogue. But wallowing in our collective angst will not create a single new trade opportunity for any of our people. The question today – and the question for the fall – is can something meaningful be salvaged?"

According to the US, "Trade facilitation is widely acknowledged as the big ticket item most likely to come to fruition by Bali. And ministers from every corner of this membership have directed us to get it done. At various moments in the past few weeks, it's been possible to imagine we might succeed. In areas such as advanced rulings, we've seen that the combination of advance work by proponents, skilful chairing, and flexibility all around can deliver substantive results. We'll need to repeat that formula

throughout the text to deliver for Bali."

The US also said that there was a need for a meeting of minds on key issues, starting with the relationship between Section I and Section II, adding that it was the US that first put forward a proposal – four years ago – for unprecedented flexibilities in trade facilitation for developing countries.

"But we cannot lose sight of the underlying premise of this proposal. These state-of-the-art flexibilities offered to developing countries in Section II exist for one purpose – to support full implementation of meaningful, trade facilitating commitments that bring benefits to traders and developing countries alike. For there to be real benefits for all, obligations must be clear and binding," the US stressed.

"The value that the WTO adds to global trade is binding rules. If we don't create binding rules, our WTO negotiations add no value, and frankly, that type of outcome is of no interest to the United States. We already have a non-binding customs code in the World Customs Organization. Which is why we have pushed back against Section II proposals that would allow Members to avoid the establishment of definitive end dates for implementation," it added. Such proposals effectively made the trade facilitation agreement non-binding, the US said, adding that this issue must be addressed for a multilateral agreement to succeed.

"It is also important for all trade facilitation advocates to make their voices heard. Too often, we hear quiet encouragement in the corridors and hallways, but deafening silence in the critical debates. The few voices against a strong agreement thus attain disproportionate volume. If all those who support trade facilitation do not speak up, there is a very real chance that we will fail in the final push for agreement."

Beyond trade facilitation, the US said that it had engaged extensively to find calibrated deliverables in agriculture and the so-called development pillar, including discussions of the monitoring mechanism and the Cancun 28 measures, adding that at the same time, "we've been honest and clear that some issues are too integrally associated with balances of the single undertaking to be part of the Bali package."

"I do want to underscore the position of the United States on the G33 pro-

posal, which represents one area in which our extensive engagement has put the issues in much sharper relief than at the beginning of the year. Critically, there appears to be broad recognition that we will not amend the Agreement on Agriculture, a significant evolution in our discussion," said the US.

To succeed in reaching agreement, it stressed, it would also be critical to address food security in a way that minimizes distortions to global trade, promotes transparency in the context of WTO commitments, and encourages continued reform. "We are committed to work hard in finding a solution that strikes these balances."

Balanced package

South Africa said that the key to success at Bali was to deliver a balanced package that was in favour of the poorest countries. "Yet as we assess the state of play of the negotiations – with just 6-8 weeks of effective negotiating time before Bali – we are all aware that we will need a miracle to deliver such a package!"

On trade facilitation, South Africa said that it had worked hard during the past several years to modernize and develop its customs control procedures and systems and facilitate trade and was thus an active participant in these negotiations.

"We remain convinced that the incorporation of strengthened disciplines on customs cooperation will enhance the value of a trade facilitation agreement for all members and we will continue to work towards this end."

South Africa stressed that there were still many issues in trade facilitation where the level of ambition of the proponents remained too high. It was strange, to say the least, that at this stage of the negotiations, the major OECD members remained divided on issues such as advance rulings, authorized economic operators and appeal procedures, to name a few, and on which they sought to impose their systems on each other.

On issues such as the single window, where the level of ambition being sought was clearly not doable to the majority of members including OECD members, South Africa said, the proponents had yet to lower the ambition.

"On some other issues such as pre-shipment inspection, consular fees and

transit in fixed infrastructure, which are clearly highly controversial and where it has been argued that these issues go beyond the mandate, the proponents have still to withdraw these from the negotiations. The proponent-led process, chosen for this negotiation, clearly needs to be reviewed."

In addition, said South Africa, Section II of the text, which was intended to provide flexibility and capacity to the poorest countries, was still far from being resolved. These members that would have to bear the greatest burden of implementation of the trade facilitation agreement at least deserved to know what it was they would be asked to implement in Section I of the agreement. They also deserved to be provided the necessary capacity and flexibility to enable them to also benefit from the trade facilitation agreement, it added.

South Africa said it remained of the view that agriculture was the core issue of the Doha Round and should be an important part of the deliverables for Bali.

"There is still too little progress made on the core issues of the G33 proposal on food security, and little hope that there will be any positive outcome on export competition. Of these issues, export subsidies have long been regarded as the most trade-distorting and economically unjust of the imbalances in the trading system."

On the LDC and so-called development issues, South Africa said that the majority of members included in the ACP, LDC and African Groups would measure the success in Bali on the extent to which "we have been able to deliver any tangible and meaningful progress on this pillar of the package. Too little has been done at this stage."

According to South Africa, the real issues at Bali were about the big questions of the way forward on the Doha Development Agenda and the future of the multilateral trading system itself.

"We still have a chance to put the multilateral system back on track in Bali – towards its historic journey – of being fair, balanced, development-oriented and inclusive. If we fail to make this course correction in the little time available after the summer break, history will judge us poorly," it cautioned.

According to trade officials, Norway agreed with the G10 statement. It said that there was a lack of clarity on the de-

velopment issues, and there was a need to know who would do what and how. It was concerned that some seemed to think that a small Bali package would solve everything when in fact the bulk of the Doha Round still needed to be decided. It hoped that Bali could be a catalyst for progress later in the Doha Round. There also needed to be direction on the post-Bali process and that should be part of any agreement in Bali that emerges from a declaration.

Chile said that it had seen progress on trade facilitation. It supported the G20 and (upcoming) Cairns Group proposals.

On the G33 proposal, it said that there was now recognition that there was a real problem here, and Norway's idea of flexibility in terms of the pricing mechanism was something that had been appreciated by all. On the G20 export competition proposal, it called for a discussion, with the proposal taken as a starting point.

On the S&D monitoring mechanism and the 28 agreement-specific proposals, it said that there had been some progress but greater clarity was required.

On trade facilitation, it said that this was at the very heart of what members were trying to achieve. Without agreement on trade facilitation, there would simply be a plurilateral agreement without any recourse to dispute settlement and any of the benefits of Section II. It called on developing countries not to waste this opportunity.

Argentina supported the G20 and (upcoming) Cairns Group proposals. On the G20 proposal on export competition, it was seriously concerned at the objections it had heard from some people that this was an issue that could threaten the overall Bali outcome. There was a mandate from the Hong Kong Ministerial Declaration and the LDCs, the ACP Group and the African Group had all expressed support for the proposal. It hoped to have a discussion on this issue after the summer break.

Kenya supported the African Group, the ACP Group and the G33.

According to trade officials, India supported the G33, the G20 and the Asian Group. It said that progress had been made but more was needed if there was to be a successful outcome in Bali. It was encouraged to see that there had been greater engagement but there was an enormous amount of work to be done

in all areas.

On trade facilitation, it said that there had been considerable work done since last December. While it was true that the number of square brackets in the draft negotiating text had not been halved, it said that the number had, according to Indian technicians, been reduced by 110 and there were now about 400 square brackets. Of these, 87 were linked to customs cooperation and more than 100 to Section II, so that more than half of the remaining square brackets could be settled by just resolving two issues.

On customs cooperation, India said that this was one of four areas that were clearly spelled out along with Articles V, VIII and X, adding that it wanted a binding agreement on customs cooperation. There were difficult issues that still needed to be dealt with on trade facilitation. All delegates would have to show flexibility.

On the TRQ administration issue in agriculture, it said that quite a lot had been done but more work was still needed. Much more needed to be done on export competition, an issue that was supported by the African Group, the LDCs and the Cairns Group. Members were at a stage now where an outcome on the G33 proposal could begin to be seen, and this was something that was important for India. The G33 was open to any solution that was meaningful and provided relief with a degree of certainty, it added.

With only eight weeks to go, it hoped that the Bali Ministerial Conference could produce a meaningful outcome, but there would still be a need for a post-Bali process with still much to do after Bali.

Defining moment

Mauritius supported the African and ACP Group statements. It stressed that Bali should not be a negotiating forum, and that Bali would be a defining moment in the history of the WTO. It said that food security was a critical element.

Paraguay, on behalf of landlocked countries, in respect of trade facilitation, wanted most favoured nation (MFN) and national treatment on transit issues and unbroken access to ports, but did not want interrupted travel, quantitative restrictions, quality control of products on

route, and fees to be charged.

On behalf of itself, Paraguay supported the G20 and (upcoming) Cairns Group proposals, as well as the G33 proposal.

China associated itself with the statements of the G20, the G33 and the Asian Group of developing countries, and supported the LDC group statement.

It said that through painstaking negotiations of the last one-and-a-half months, some encouraging signs had emerged and the mood here in Geneva had slightly changed as compared to the last TNC meeting in early June.

"On all subjects, Chairs have been working hard, and Ambassadors and technical experts have seriously engaged. Members now have a much better understanding of each other's concerns, of the scope of each subject, and of where to put our hands on for possible solutions."

More importantly, it said, members, major players in particular, had started to recognize the natural linkage among various issues of the Bali package. China said it was not in favour of the "hostage-taking" approach. "However, we have to realize that, as in any negotiation, there is an unavoidable linkage among different subjects. That is why it is extremely important for us to move and achieve progress in parallel on all subjects. China believes that now we are moving in that direction and calls on Members to continue in that regard."

On trade facilitation, China noted that some progress had been made, with around 60 square brackets removed recently. Of course, this pace was far from enough to clinch a deal by December. It called on all members to accelerate work to substantially reduce the square brackets and pave the way for political decision by Ministers.

On agriculture, China said that members had been focusing on the "gateway issue" – the G33 proposal on food security. "We appreciate the more open minds of the major players towards each other's concerns and encourage them to continue to engage each other."

In a nutshell, China said, "if we concentrate on questions 2, 3 and 4 raised by [agriculture] Chair Ambassador Adank, to find a landing zone is highly doable. Meanwhile, we look forward to more engagement on the issue of export competition."

On development, China noted that members were conducting intensive consultations on the major issues – monitoring mechanism and 28 Cancun proposals. “We understand that progress is limited and urge all participants to continue discussion in a constructive and pragmatic manner. We also encourage LDCs to speed up their internal coordination so as to allow Ambassador Smidt [the facilitator] to organize further consultations.”

China said that despite “our cau-

tiously positive tone, we have to soberly admit that the current pace of work remains too slow to guarantee a harvest at [Bali]. We have to do some serious thinking during the summer break.”

China cautioned that the clock was ticking and “we have no time to lose. As of early September, we must continue our work with full speed in the run-up to Bali Ministerial, which is a historical opportunity for the WTO and the multilateral trading system.” (SUNS7633/7634) □

Officers for MC9 elected, Lamy gives farewell speech

Meeting two days after the TNC, the WTO’s governing General Council addressed preparations for the Bali Ministerial Conference and also heard the farewell statement from outgoing Director-General Pascal Lamy.

by Kanaga Raja

GENEVA: The last WTO General Council meeting (24-25 July) before the summer recess here formally elected the full slate of officers for the upcoming ninth Ministerial Conference (MC9) to be held in Bali from 3-6 December, and also heard outgoing Director-General Pascal Lamy’s farewell statement to the membership.

According to trade officials, the Chair of MC9 will be Indonesia’s Trade Minister Gita Irawan Wirjawan (this had been previously agreed to at a General Council meeting on 4 June), while the Vice-Chairs will be Francois Kanimba, Minister of Trade and Industry of Rwanda; Stephen Green, Minister of Trade and Investment of the United Kingdom; and the Minister of Foreign Trade and Tourism of Peru (according to trade officials, yet to be named by the Peruvian government).

According to trade officials, the Chair of the General Council, Ambassador Shahid Bashir of Pakistan, announced that a special Council meeting will be held on the afternoon of 9 September at which the new Director-General Roberto Azevedo (who will take office on 1 September) will give a statement.

There will also be an announcement by the Chair (at that meeting), in cooperation with Azevedo, of an intensification of the work programme leading up to Bali, starting with the focus and shape

of MC9 and what members expect the outcome document to be from that Ministerial Conference, trade officials added.

On the question of the attendance of observers from international intergovernmental organizations at MC9, trade officials said that there was a continued lack of consensus on the request from the League of Arab States to participate as an observer at MC9.

The General Council Chair said that he will continue his consultations and expressed hope that some kind of an outcome can be found on this issue after the summer break.

Egypt (on behalf of the Arab Group) expressed disappointment that members could not reach a resolution on this issue.

As to the request for observer status by Palestine to MC9, members said that they will need more time to confer with capitals and give due consideration to this request.

MC9 agenda

On the agenda of work in the coming months to prepare for MC9, Ambassador Bashir reminded delegations of the roster of issues that had been put forward by Ministers at the last Ministerial Conference in 2011.

These included the issues of TRIPS non-violation complaints, e-commerce, the work programme on small econo-

mies, the extension of the LDCs’ transition period under the TRIPS Agreement, the accession of LDCs, the LDC services waiver, and the Trade Policy Review Mechanism.

Trade officials noted that decisions had already been taken on the guidelines for the accession of LDCs to the WTO and on the extension of the transition period for LDCs under the TRIPS Agreement, as well as on the work programme on LDCs.

The General Council Chair suggested that members focus on a few issues, namely e-commerce, TRIPS non-violation complaints, as well as other issues that may be put forward for consideration by members in the coming weeks.

Under the agenda item of the report by the Chair of the Trade Negotiations Committee, Lamy, as TNC Chair, said he thought that everyone shared the overall assessment that the road to Bali was much clearer than two months ago.

“In sum, I believe that the glass is two-thirds full and that Members are on track to deliver concrete outcomes in the three deliverables. Despite this positive momentum, Members realistically acknowledged that they were not there yet. More work is required to close remaining gaps in the short time left after the summer break,” he said.

In this regard, he added, all Members agreed that there was no time for complacency. This third part of the glass needed to be urgently filled. “Therefore, Members need to sustain the renewed momentum, be more flexible and substantively focused in the final stretch to deliver the desired outcomes at MC9.”

Lamy stressed that Bali offers a unique opportunity to reignite the Doha Development Agenda (DDA) negotiations. “Bali is important because of the systemic value it promises, if Members succeed. And as we look into delivering in Bali, our eyes must also be in crafting a post-Bali agenda of work for the [Doha] Round. The Bali opportunity must not be missed.”

According to trade officials, a few delegations that did not speak at the TNC meeting on 22 July took the floor at the General Council meeting. These included the Dominican Republic, Cuba, Barbados, Angola, Cote d’Ivoire, Bolivia, Oman and Ghana. Delegations that had spoken at that TNC meeting asked for their statements to be put on the record.

Aid for Trade

The Director-General also reported on the Fourth Global Review of Aid for Trade that was held here on 8-10 July, and said the intention of the review was to use the event to bring together the work streams of Aid for Trade, value chains and the "Made in the World" Initiative and examine the implications of a world built on trade in tasks from a trade and development perspective.

In his view, the Fourth Global Review has substantively contributed to this debate. Firstly, through the in-depth monitoring and evaluation analysis which the WTO secretariat, the Organization for Economic Cooperation and Development (OECD) and a range of other partners conducted for the meeting.

Secondly, through the debate that took place across the 54 sessions – a true development dialogue in which the private sectors from developed and developing countries were well-represented, together with senior policymakers with many diverse portfolios.

And thirdly, through the key issues that emerged. "This list does not contain surprises," said Lamy. "What the 4th Global Review did was to validate this list – and its relevance for connecting the least connected in our value chain economy."

According to Lamy, this list includes factors such as the importance of services for connecting to value chains; the key role played by skills in adding value; the critical importance of border management and transport services; access to finance, and trade finance in particular; and capacity to ensure standards compliance.

According to trade officials, many developing countries called for a re-commitment at Bali to Aid for Trade, as well as the mandate of the Director-General to continue with his work in this area.

Several LDCs said that this issue is of great importance to them, and that while global value chains (the theme of the Fourth Global Review) are important, there needs to be attention paid to the importance of special and differential treatment for developing countries. On trade facilitation, they said that there needs to be adequate balance between Section I (on commitments) and Section II (on S&D) of the draft negotiating text on trade facilitation.

On the agenda item of the manage-

ment of the WTO secretariat 2005-13, Lamy reported that he had tabled a document entitled "Management of the WTO Secretariat 2005-2013" as a compilation of all the reforms that have been brought about in the past eight years. It is, he said, a "reminder of the serious effort at modernizing our financial and human resources, our technology and information systems, as well as at delivering on a one-WTO campus".

Lamy said: "I hope that both secretariat and Members will have a better sense of what needs to be done in future to both consolidate and build upon the progress made. We live in a changing world. And as the world changes, we will have to keep on adjusting."

Lamy however said that he is aware that not everyone in the secretariat is happy with these reforms. "I think this is the inevitable cost of change. But I believe that compared to similar organizations, benefits and working conditions remain attractive at the WTO, especially in recent years during which taxpayers' money has become politically more expensive."

Farewell statement

In his lengthy farewell statement, Lamy said: "I think it is fair to say that, together, we have strengthened the WTO as the global trade body, as a major pillar of global economic governance. Despite the heavy headwinds and the turmoil in the global economy as well as on the geopolitical scene, together we have made this organization larger and stronger. This, I believe, is our main achievement during these last eight years."

On the experience of the last eight years, Lamy said because the Doha Round has not yet been delivered, some would be tempted to say that the organization is in crisis, that trade multilateralism does not function, that the WTO has become irrelevant. "I believe these are simple shortcuts at a much more complex reality."

"Opening trade and crafting multilateral rules have been impacted by the profound shifts in geopolitics and economics. The former two-speed model of a world divided between developed and developing countries no longer reflects today's economic realities. A serious conceptual adjustment is needed. We must find a new balance between reciprocity and flexibility in a multidimensional membership if we are to deliver on multilateral trade opening. This is com-

pounded by short-term politics that are becoming increasingly incompatible with the setting of the medium- and longer-term goals essential for designing consistent trade policies."

Lamy said that he often hears that the way forward is to abandon the WTO and simply move to plurilateral or regional arrangements. "But we have all seen the fate of a number of these plurilateral deals such as the ACTA or the Global System of Trade Preferences among developing countries. We also know that behind the headlines of the launching of mega regionals, as some refer to them, lie tremendous difficulties and sometimes even no final deal at all, as was the case of the Free Trade Area of the Americas."

"I do not wish to be misunderstood. I am not against trade opening outside the WTO. I believe that plurilaterals, mega regionals, regionals, bilaterals and unilateral arrangements CAN contribute to trade opening and hence to the leveling of the global trade playing field, which must ultimately remain our collective goal. Because this is what fairness is about. But I do think we would do well to recognize that the issue is not trade opening IN the WTO as opposed to trade opening OUTSIDE the WTO. The issue today is with the difficulties involved in trade opening."

He said that domestic trade politics have become more difficult and trade deals have become more complex because the nature of obstacles to trade has evolved. "We are no longer negotiating just the reduction of tariffs, but also of non-tariff barriers, which have gained enormous importance."

Lamy also used the opportunity to again air a longstanding secretariat agenda: a role for itself in contractual negotiations with legal implications, as he put it this time, "mirroring the processes followed by other international organizations."

"Much time could be saved in the negotiating process," he claimed, "if, after an initial phase of definition of objectives to be reached and principles to be observed", the secretariat was tasked to "mobilize its expertise to table proposals around which the negotiations would take place."

[According to Chakravarthi Raghavan, who has since 1978 been closely following and monitoring the trade negotiations at the GATT and later at the WTO, during the Uruguay Round

negotiations – both in the so-called FOGS (Functioning of the GATT System) negotiating group and in the final stages of concluding the agreements at senior officials' level in November-December 1993 – the then GATT Director-General Peter Sutherland had twice gone before a key group of negotiators (meeting outside the GATT premises and trying to reach an accord) to incorporate such a mandate for the secretariat in the Marrakesh Treaty. After considerable discussions, all the major delegations, both developed and developing, rejected it on the ground that in a treaty involving contractual rights and obligations enforceable through a dispute system, the secretariat could not have such a role.

[Since then, several trade observers have noted, if the secretariat is given a role as suggested now for tabling proposals, even if they are not accepted or if some ambiguously worded compromise is adopted by members, in future disputes, the secretariat working in the interests of the major corporations – “stakeholders” in WTO language – would bring the proposals it had tabled before negotiators as “negotiating history” and “context”, and enable dispute panels and the Appellate Body to interpret the language of the agreements to create “new obligations”. – *SUNS*]

According to Lamy, all of these are valuable lessons for the Doha Development Agenda, an unfulfilled promise which will need to be fulfilled in order “to redress the imbalance in some of our rules which is a legacy of history, starting with agriculture.”

Lamy believed “there is no escape” from achieving positive results in the Doha Round, just as there is “no escape from adjusting the Doha menu to today’s realities.” This will require the “introduction of new elements into the menu, new elements which require multilateral handling, so as to better level the trade playing field.”

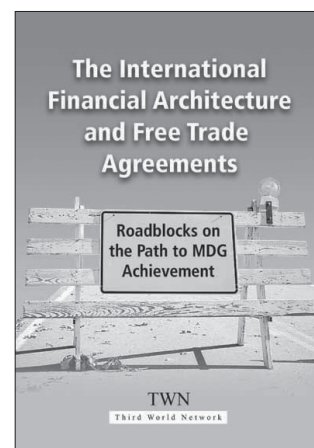
Lamy also said that perhaps because members since 1999 have mainly focused on the negotiating pillar of the WTO and perhaps because “we all took the administering of existing rules for granted, the reality is that the surveillance function of the WTO has been underperforming” for some years. The mandates for “notification and peer review” are clearly there, but their implementation is “somewhat spotty,” to put it mildly. While he felt the situation has improved, “more remains to be done.”

(continued on page 15)

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New threat to state's economic role

The economically successful developing countries are characterized as having a strong “developmental state”. But this role of the state is coming under attack in new global rules being created.

by Martin Khor

Two new trade agreements involving the two economic giants, the United States and the European Union, are leading a charge against the role of the state in the economy in developing countries.

Attention should be paid to this initiative as it has serious repercussions on the future development plans and prospects of the developing countries.

The role of the state, or of government, in development is a subject of longstanding and important discussion. In fact, some economists and analysts consider it perhaps the most important issue that determines the difference between economic success and failure in developing countries.

The immediate post-colonial period saw a tendency to a strong state, including government ownership of some key sectors, including industry and banking.

Past decades have witnessed a wave of privatization across both rich and developing countries. But the state still owns or controls utilities, infrastructure, public services, banks and a few strategic industries in many developing countries.

State enterprises or commercially run companies owned by or partially linked to the government play an important role in many a developing country.

Private companies also receive state assistance and support in many ways, including loans to small and medium enterprises and farmers, subsidies and tax breaks for research and development or technology purchase, preferences in government procurement, and infrastructure provision including in special economic zones.

Countries provide incentives for foreign companies, such as tax-free status. However, the state also has special treatment for local companies, such as grants, cheaper-than-normal credit and subsidies, and government contracts.

The developmental role of the state in developing countries is now coming under attack from developed countries.

This is promoted by the big companies in the US, Europe and Japan, which seek to enter the markets of developing countries which are the source of their future profits.

The support given by the state to domestic companies is seen by the multinational companies as a hindrance to their quest for expanded market share in developing countries. They are thus seeking to change the worldview and policy framework in developing countries, to get them to reduce the role of state enterprises as well as to curb the government's promotion of local private companies.

The two latest big attempts towards this are through the proposed Trans-Pacific Partnership Agreement (TPPA) and Trans-Atlantic Trade and Investment Partnership (TTIP).

Targeting SOEs

A sub-chapter on state-owned enterprises (SOEs) is a prominent part of the TPPA which is currently being negotiated by 12 Pacific Rim countries. The US and Australia are leading the move to have rules to discipline the role of the government in the economy, through a two-pronged approach. The first is to get government or other monopolies to behave in a “non-discriminatory” way, including when they buy or sell goods and services. This includes prohibition against their giving preferences or incentives to local firms.

Secondly, companies that are linked to the government (including through a minority share) should not get advantages vis-à-vis other firms in commercial activities. Of course the developed countries that are proposing this are thinking of their companies – how they can get more access to developing countries' markets.

In the TTIP, a US-EU agreement for which negotiations started in July, the EU is preparing a sub-chapter on SOEs

with rules that seem quite similar to what the US and Australia are proposing in the TPPA.

Although the TTIP only involves Europe and the US directly, the rules it sets are intended to have consequences for other countries. According to press reports, the two economic giants are planning that the TTIP rules will become the standard or template for future bilateral agreements that also include developing countries. They also hope that these rules will be internationalized in the World Trade Organization, which has over 150 member states.

The EU's position paper on SOEs says that its aim is to “create an ambitious and comprehensive standard to discipline state involvement and influence in private and public enterprises”. It adds that “this can pave the way to other bilateral agreements to follow a similar approach and eventually contribute to a future multilateral engagement.”

In other words, the constraints on the role of the state, and the reduction of the space for behaviour or operations of state-linked companies, will become the way of the future for all countries, if the US and European plans succeed.

What is moving these countries in this direction? It is quite well known that the negotiating positions of the developed countries are greatly influenced and in fact driven by their big companies. Their trade policymakers and negotiators usually act on behalf of these companies.

Reports by the specialist trade bulletin *Inside US Trade* show how corporate groups like the US Chamber of Commerce and the Coalition of Services Industries have been pushing for the new rules on SOEs, and also how they are seeking to open up the markets of developing countries especially China.

These attempts to curb the role of the state in the economy are worthy of serious study and counter-action.

Developing countries that succeeded in economic development were able to combine the roles of the public and private sectors in a partnership that advanced overall national development. Asian countries, including Japan, South Korea, Malaysia, Singapore and China, have pioneered this model of public sector collaboration with the private sector.

Those few developing countries that managed to get development going were all driven by the “developmental state”,

or the leadership role of government in establishing the framework of economic strategy, and the collaboration between the state, state enterprises and commercial companies, including those in which the state has an interest.

If developing countries have to come under new international rules that curb

the role of the state and that reshape the structure of their economies, then the prospects for future development will be adversely affected. □

Martin Khor is Executive Director of the South Centre, an intergovernmental policy think-tank of developing countries, and former Director of the Third World Network.

World's poorest nations slowly mending

The world's least developed countries look set for a reduction in their ranks and are meanwhile attracting record levels of foreign investment, but does this necessarily herald a brighter development outlook?

by Thalif Deen

NEW YORK: The number of "least developed countries" (LDCs), which rose from the original 24 back in 1971 to the current 49, is beginning to shrink – haltingly.

So far, three countries – Botswana, Cape Verde and the Maldives – have "graduated" from LDCs to the status of developing countries. And as economies improve, at least six more countries – Tuvalu, Vanuatu, Kiribati, Angola, Samoa and Equatorial Guinea – are on the verge of leaving the ranks of LDCs by 2015.

But some of them have been reluctant to graduate – and sought postponements – since LDC status provides several benefits, including preferential tariffs on exports and increased development aid.

Still, the growing list of potential "graduates" comes in the midst of a new UN report that says inflows of foreign direct investment (FDI) to LDCs grew by 20% last year, registering a record \$26 billion.

The strong gains were led by Cambodia, as well as five African countries: the Democratic Republic of Congo (DRC), Liberia, Mauritania, Mozambique and Uganda, all of them LDCs.

The recently-released *World Investment Report 2013*, authored by the Geneva-based UN Conference on Trade and Development (UNCTAD), says growth was led by strong gains in Cambodia (where inflows were up 73%), DRC (96%), Liberia (167%), Mauritania (105%), Mozambique (96%) and Uganda (93%).

Still, 20 LDCs reported declines in FDI, and the trend was particularly pronounced in Angola, Burundi, Mali and the Solomon Islands.

Described as the poorest of the world's poor, LDCs are mostly characterized by extreme poverty and economic structural weaknesses. According to the United Nations, these have been often compounded by geophysical handicaps, limited capacity for growth and development and vulnerability to external shocks.

The most recent addition to the list of 49 LDCs is the new nation state of South Sudan, which joined the UN as its 193rd member in July 2011.

The FDI challenge

Asked if the FDI increase in LDCs is the beginning of a new trend or just a flash in the pan, Arjun Karki, international coordinator for LDC Watch, a global civil society alliance solely focused on developmental issues and concerns of the LDCs, told Inter Press Service (IPS), "The scenario is not crystal clear."

Given the fall in FDI inflows to developed countries, the LDCs are now on the FDI radar, he added.

"If you observe the trend, it's the resource-rich LDCs, such as the DRC, Liberia, Mauritania, Mozambique and Uganda, that are receiving FDI inflows," he pointed out. But investments are reported to be highest in the extractive sector, he noted.

"From the development perspective, this trend is not very encouraging as this reinforces the commodity-led growth in LDCs which is not sustainable," Karki said.

The UN Committee for Development Policy (CDP) usually determines "eligibility" for LDC status – based on several factors, including population, national income and other economic indicators – but the ultimate decision rests

with the countries themselves.

UN Secretary-General Ban Ki-moon says the increase in FDI comes at "an important moment" when the international community is making a final push to achieve the Millennium Development Goals (MDGs) by the target date of 2015.

One of the primary objectives of the MDGs is to reduce and eliminate extreme poverty and hunger, two of the major problems facing most LDCs. At the same time, he said, the UN is working to forge a vision for the post-2015 development agenda. Credible and objective information on FDI can contribute to success in these twin endeavours, Ban added.

Karki told IPS the new Istanbul Programme of Action for LDCs for the Decade 2011-2020 is a slight shift from the commodity-oriented growth towards building productive capacity of LDCs in order to achieve structural economic transformation of LDCs. Therefore, FDI inflows to LDCs would be welcome if they are targeted at the manufacturing sector, infrastructure and basic services such as health, water and sanitation, electricity and communications.

The key problem with FDI inflows targeting the extractive sector is that the benefits fail to trickle down, with only the multinational and transnational corporations and the recipient country's elites minting money at the expense of the poor, marginalized and vulnerable communities, he pointed out.

"The key issue of widening inequality gap and redistribution of resources remains a development challenge," he said. "This fact was blatant during my recent visit to Liberia and Sierra Leone – two extremely resource-rich LDCs but unfortunately, with the poorest populations."

"Given such a sad irony, our civil society partners were of the opinion that all the riches should remain in the soil/ground as they fail to ensure the right to sustainable development of the peoples anyway."

The negative growth – particularly in Angola, Burundi and Mali – could be attributed to the political instability in these LDCs, which is not a good breeding ground for FDI.

"Having said this, it is also interesting to note that FDI inflows are high in both authoritarian regimes as well as in vulnerable governments as is the case in Africa and Asia," Karki noted.

He said the other reason for FDI decline could be the evolving role of de-

velopment-oriented governments in LDCs that are attempting to safeguard national interests and rights of peoples over profit and plunder.

"If this is truly the case, then LDC governments are in the right direction towards genuinely uplifting their populations out of the structural causes of

poverty, deprivation and injustices," he said.

The issue of sovereignty is critical in terms of respecting and complying with country systems. Otherwise, it has been proven that FDI is more of a bane than a boon for sustainable development, Karki concluded. (IPS) □

US and EU frustrate peasants' rights declaration

A proposed international declaration on the rights of peasants is facing opposition from the US and European states.

by Gustavo Capdevila

GENEVA: Staunch opposition by the US delegation and, to one extent or another, by European countries has blocked the approval this year of a draft multilateral declaration on the rights of peasants and other people working in rural areas, which is backed by the developing world.

Bolivian diplomat Angelica Navarro, chair of the intergovernmental working group tasked with drafting the declaration, recommended that it meet again in mid-2014.

Navarro said that in the meantime, she would hold consultations with representatives of governments, civil society and the United Nations, which is promoting the initiative through its Human Rights Council.

"From the start we knew the process would be difficult, because the positions of some countries clashed with certain provisions in the declaration," said Malik Ozden, representative of the Europe-Third World Centre (CETIM), a Geneva-based non-governmental organization (NGO) that is behind the draft declaration.

Ozden told Inter Press Service (IPS) that industrialized nations critical of the draft document wanted to remove some fundamental elements from the text, such as references to land grabbing and intellectual property rights over agricultural technologies and inputs, especially seeds.

The draft declaration seeks to protect peasants who work the land themselves and rely above all on family labour in agriculture, cattle-raising, pastoralism and handicrafts related to agriculture.

The term peasant also applies to landless people in rural areas engaged

in various activities such as fishing, making crafts for the local market or providing services.

Besides the human rights and fundamental freedoms of peasants, the document recognizes their right to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, as well as their right to define their own food and agriculture systems.

The declaration also upholds their right to land and territory and to benefit from land reform, as well as their right to determine the varieties of seeds they want to plant and to reject varieties of plants which they consider to be dangerous economically, ecologically and culturally – aspects that collide with the interests of transnational agribusiness corporations.

Christophe Golay, from the Geneva Academy of International Humanitarian Law and Human Rights, said the draft declaration guarantees individual rights that can be collectively exercised.

But in the case of seeds and ecological diversity, the document includes completely new rights, he told IPS.

However, Golay pointed to a few gaps in the draft declaration, such as the lack of references to social security for peasants and to their protection in conflict zones.

Working group discussions

The working group, which met on 15-19 July in Geneva, heard reports from experts, academics and delegates of peasant organizations.

In the meeting, UN Special Rapporteur on the Right to Food Olivier de

Schutter and his predecessor Jean Ziegler (2000-08) did not hesitate to support the draft declaration.

But the United States raised jurisdictional objections, arguing that the Human Rights Council and its subsidiary bodies were not the right forum for discussing many of the issues proposed by the declaration.

A US delegate even noted that the Council's Advisory Committee, where the peasants' right initiative first emerged, frequently mentioned the UN Food and Agriculture Organization (FAO) in its report. For that reason, he maintained, many of these debates should also take place in the FAO Committee on World Food Security.

"The Advisory Committee final study admits that the draft declaration enumerates new rights, but many of these proposed new rights are not human rights," the US delegate said. "That is, they are not universal rights, held and enjoyed by individuals and that every individual may demand from his or her own government."

He also said the draft declaration proposed to afford peasants collective human rights. But "we believe that efforts to create human rights for groups instead of for individuals are inconsistent with international human rights law", he said, adding that "I want to be clear that we are not prepared to negotiate a draft declaration on the rights of peasants."

The European Union also criticized the Council's creation of the working group, and said it would not participate in negotiations of the draft declaration, although it left open the possibility of discussing improvements in the conditions of peasants in other forums.

The developing countries said they would continue backing the draft declaration, but conceded that certain points could be modified in order to reach a consensus.

Navarro told IPS that the working group was authorized by the Human Rights Council to hold sessions for three years in a row, and mentioned the possibility of the negotiations dragging on, even for decades, as has occurred in the case of international treaties in other areas.

But Ozden was optimistic, even though he agreed with Navarro that the process could take years. "We hope the representatives of the states will be sensitive to the arguments of citizens and not just those of transnational corpora-

tions," he said.

The number of peasants worldwide has not been stated in the documents presented to the working group. In 2010, FAO estimated the number of people involved in agriculture at 1.394 billion, 1.357 billion of whom were in the developing world.

The UN agency noted that since 1950, the proportion of people dedicated to farming had steadily gone down, as the percentage of people involved in other economic activities had grown. (IPS) □

(continued from page 11)

There was a time when trade negotiations could be conducted and agreements could be reached and even implemented largely away from the public eye. "But our societies no longer allow this", and there is "a growing need to engage with our stakeholders [which in WTO language appears to mean private corporations] and with the public at large."

"This is why ministers' and capitals' involvement is decisive. But experience shows that engaging both ministers and ambassadors is a delicate chemistry. Too much time spent with ministers and the ambassadors get restless. Too much time spent with ambassadors and the ministers become distant and mobilizing their support at the right moment becomes harder. On this, my successor will have to find the right recipe. Mine did not always work!"

Over the last eight years (of his tenure), Lamy said there has been a building of the WTO as "a stronger institution" – providing benefits to its members and, as an institution, an asset in itself, "a global public good that each and every one of its members must nurture."

Lamy said over eight years, he had also seen the political economy of trade opening better integrated into a set of domestic and international policies. However, support for more open trade will not be sustained without ensuring greater fairness between winners and losers of trade opening, and without more convergence on values-based preferences that lie behind differences in non-tariff measures. "This remains a challenge ahead."

Lamy ended his peroration with the remark: "My journey at the WTO is coming to an end ... It is time for me to embark towards another life cycle." (SUNS7635) □

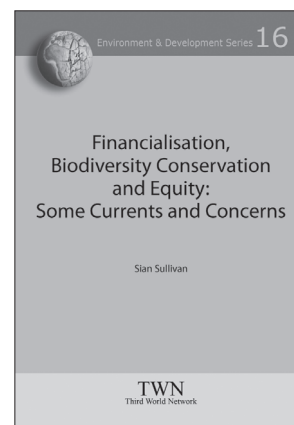
Financialisation, Biodiversity Conservation and Equity: Some Currents and Concerns

By Sian Sullivan

Present high rates of biodiversity loss have directed attention towards market-based mechanisms that seek to create tradable financial assets out of species and ecosystems. This 'financialisation' is said to encourage biodiversity conservation by incorporating monetised ecological values into economic decision-making.

This paper explores how financialisation of conservation is made possible through the monetisation of nature and the establishment of environmental markets. It surveys the latest developments in this field, which encompass esoteric financial instruments such as forest bonds, species credits and biodiversity offsets.

The paper cautions that these innovations should not blind conservation advocates to the dangers of financialisation, which include perverse incentives for ecological harm. More fundamentally, the value of biodiversity, and the complexity of nature, cannot be conserved simply by conveying and incorporating these in monetary terms, although this indeed may facilitate their inequitable capture as 'natural capital'. Instead, as the author suggests, both ecology and ethics call for recognition and restitution of 'the diverse other ways of knowing and living with "biodiversity" embodied by peoples who value things differently'.



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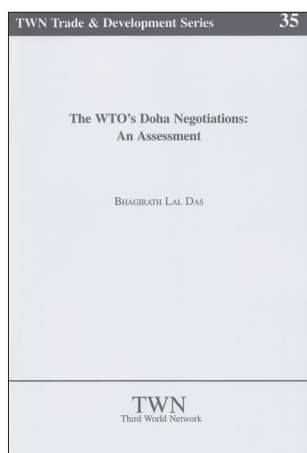
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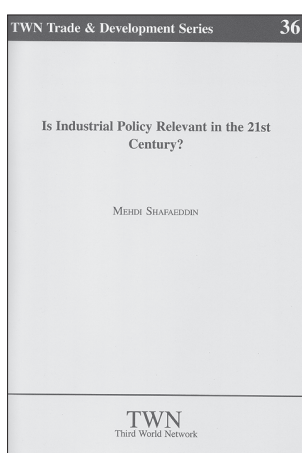
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