

Empty promises

What happened to 'development' in the WTO's Doha Round?

The Doha Development Round was meant to rebalance decades of unfair rules in agriculture and address the needs of developing countries. Instead, the negotiations have betrayed this promise. The trade Round has become a market access negotiation, in which developing countries are expected to give disproportionately more and will receive little but stale promises of the general benefits of liberalization. The economic crisis presents an imperative, and an opportunity, for real reform.

Summary

Multilateralism is central to the global effort to overcome poverty and inequality. All countries stand to benefit from the stability and confidence that a rules-based global trade system can provide. Developing countries stand to benefit most, as they lack the economic and political power to pursue their demands outside such a system.

The World Trade Organisation's Doha Round was launched shortly after the 11 September 2001 terrorist attacks in the USA and responded, in part, to recognition of the need to reform policies that had led to economic and social exclusion. WTO members agreed on the Doha Development Agenda (DDA) to guide negotiations and to boost global trade with a development focus.

A lot has changed in the world economy since then. We are in the midst of a global economic crisis unparalleled in our time. The financial crisis has exposed the dangers of unfettered liberalisation and has brought down large multinationals in a global chain-reaction whose aftershocks have wreaked havoc on many developing countries, which are less able to cope with the crisis. The food crisis, with its skyrocketing prices, failed to bring benefits to poor country producers and instead provoked severe shortages in many areas. The threats of climate change are already becoming a reality in many parts of the world, particularly the poorest, which are the least responsible for causing it and the least equipped to deal with it.

With such strong and growing imperatives to strengthen the multilateral trade system, why have eight years passed without any agreement in sight?

The seeds of this impasse were sown in the early days of negotiations and have been nurtured over the trajectory of the Doha Round. From the start, there was a clash between developed and developing country interests over whether the focus should be on market access or development. Developed countries wanted a market access Round focused on specific sectors that would give greater access to developing country markets, while developing countries insisted that, with a heavy implementation burden from the Uruguay Round, they would only respond to a Round that centred on development.

Doha mandated a development Round, and developing countries expect rich country promises to be fulfilled. This means rebalancing decades of unfair rules in agriculture and righting the wrongs of previous trade Rounds by making 'special and differential treatment' effective in all areas of negotiation. It means substantial reform of rich country agriculture policies to end trade-distorting subsidies and dumping, as well as sufficient policy space for developing countries to protect vulnerable farmers and to promote new manufacturing and service industries, together with more effective access to rich country markets for their farmers and industries.

Eight years on, however, and developed countries have won the day. The Doha Round has become a market access Round, with each area of negotiation – from agriculture to non-agricultural market access, services, intellectual property, and others – crafted around developed country interests. The negotiating process itself has become more exclusive, as smaller deliberative sessions that are undemocratic in nature and mostly dominated by developed countries have become the *modus operandi*.

At the same time, developed countries have dedicated more effort to negotiating bilateral and regional free trade agreements with developing countries, which place severe restrictions on the very policies that developing countries need to fight poverty and inequality. These agreements include rules that far exceed what could be negotiated at the WTO and which ultimately undermine the multilateral trade system.

On its current track, Doha has betrayed its development promise. Initial promises to end trade-distorting agricultural subsidies have been relegated to the periphery, with carefully drafted proposals designed to retain the status quo and even, in some cases, to allow for it to be strengthened. The latest negotiating drafts allow rich countries to take advantage of loopholes through ‘box shifting’ and to retain their current spending levels. At the same time, special and differential treatment has been turned on its head, with rich countries enjoying the flexibilities they want while denying developing countries adequate safeguards to protect themselves against dumping and import surges. The ability of developing countries to shield products from tariff reductions on the basis of food security and rural livelihoods has been weakened.

In negotiations on industrial products, the commitment to provide ‘less than full reciprocity’ to developing countries has been reversed. Negotiating texts have demanded that developing countries make steep tariff cuts, including in applied rates, and in some cases totally eliminate tariffs. Yet at the same time developed countries have been rushing to bail out their strategic industrial sectors through subsidies contained in economic stimulus packages that strengthen their own market advantage.

In an overall assessment, Oxfam gives the Round a failing mark on its ‘Development Scorecard’, which rates selected key areas in the negotiations according to how the most recent proposals on the table deliver on the development mandate of the DDA.

In the midst of a global economic crisis, such a conclusion to what began eight years ago as a development Round is untenable. Now is the time to re-think the course of negotiations. A crisis that has rocked the global economy and its financial architecture unlike anything since the General Agreement on Tariffs and Trade was established over 60 years ago – a crisis which began in rich countries but is taking its worst toll on developing countries – should be the impetus for a change in course. Now is the time for WTO members to recognise that the current crisis

provides an opportunity to address urgent development needs and to change the course of negotiations, much as they did nearly eight years ago in Doha.

In order to put Doha back on the 'development' track, Oxfam recommends that WTO members undertake actions to:

- Improve the process of negotiations to make them more transparent and inclusive;
- Ensure special and differential treatment for developing countries, through less than fully reciprocal commitments, greater effective flexibilities, and adequate policy space to promote development of agriculture, manufacturing, and services industries;
- Promote development by enabling the realisation of rights, such as the right to food, ensuring that trade rules respond to the needs of the most vulnerable people first and foremost;
- Carry out a development audit to assess proposals on the negotiating table in relation to Doha mandates, in order to allow members to differentiate among proposals according to their impact on development, thereby charting the way forward for an outcome; and
- Strengthen the WTO as an institution, to build greater confidence in its ability to achieve fairer trade rules for developing countries.

At this time of desperate need for a change in course, the Doha Round has to step up to deliver on its development promise. There is little credit left for another failure.

1 Introduction

Multilateralism is central to the fight against poverty and inequality; its role remains critical for states to work together to protect and develop the rights and opportunities of citizens. The world community has come to a crossroads in trying to address interlinked crises involving food, fuel, climate change, the global financial and economic system, and ongoing problems of poverty and inequality. Despite its limitations, multilateralism remains the key avenue through which to deal with these crises.

But for global policy-making to work in a fair and balanced way, political will is needed. Multilateral institutions have to protect weak countries from the abuse of economic and political power, rather than concentrate advantage in the hands of rich countries.

On the trade front, all countries stand to benefit from the stability and confidence that a rules-based system can provide. Developing countries stand to benefit most, as they lack the economic and political power to pursue their demands outside such a system.

The World Trade Organisation (WTO) has so far failed to realise its potential in many areas, as political and economic power still takes precedence over development imperatives in negotiations. This must change if trade is to reach its potential as an engine for development. The opening of markets must not be an end in itself; rather, it should facilitate development, once paced and scoped adequately.

Oxfam believes that development cannot be defined solely by economic growth and rising incomes. It also requires empowering people to acquire the means to enhance their quality of life and to fully exercise their rights. The economist and Noble laureate Amartya Sen characterised development *'as a process of expanding the real freedoms that people enjoy.'*¹ This means enabling people to realise the full range of economic, social, political, and cultural rights.

In many ways, the Doha Round of trade negotiations is deadlocked because of a clash in concept over what development actually means and how to achieve it. Developed countries tell developing ones that the only way to develop is through full liberalisation, by slashing tariffs, locking in domestic reforms, and opening markets rapidly and irreversibly. Yet this flies in the face of history, which shows that developed countries and emerging economies have used tariffs and subsidies to promote development and have only opened markets when they were ready to do so.² This notion also runs contrary to the responses of developed countries to the economic crisis, which include very inward-looking strategies combining tariffs and subsidies as tools to stimulate their economies.

Developing countries' insistence on their need to maintain adequate flexibilities continues to be met with developed country intransigence. Trade rules on agriculture that were crafted to accommodate developed

countries' political needs, without paying enough attention to food security and development prospects in developing countries, are a strong illustration of the imbalance that developing countries still face. Despite its formal system of 'one country, one vote', the WTO remains prone to domination by the powerful and a lack of transparency in negotiations. The accession process unfortunately provides a good illustration of this. Not only must an applicant country abide by all the WTO rules in order to become a member, but individual members can also demand further concessions from applicants, often resulting in a denial of the rights available to existing WTO members.

Yet despite all its shortcomings and its weak track record in dealing with development issues, the WTO remains the central institution for achieving fairer trade rules. In order to realise this achievement, all members must reflect on the commitments they made in 2001 at the Doha Ministerial conference and truly place development back at the centre of negotiations. This will require developed countries exerting political will to put aside their 'business as usual' approach and to stop demanding accelerated liberalisation from countries at far different levels of development, and which still need greater flexibility and policy tools, including tariffs, to build their economies.

A solution to the Doha impasse is all the more urgent as bilateral and regional free trade agreements (FTAs), in particular those signed between highly unequal parties, continue to pose a severe threat to multilateralism and to the core values of the WTO. Such agreements weaken the resolve of governments to achieve a multilateral deal. They provide a convenient illusion that a country's trade agenda might be moving forward despite the paralysis in WTO negotiations, while in reality most of these gains are illusory and actually undermine developing countries' collective bargaining power. Moreover these agreements impose far-reaching rules, beyond what could be agreed at the WTO, that place severe restrictions on the very policies that developing countries need in order to fight poverty and inequality.

2 New context, new challenges

It is imperative that we understand the crisis in all its dimensions and have the concerted effort of all the different players if we are to ease the effects and protect the innocent bystanders.

Supachai Panitchpakdi, UNCTAD Secretary-General, March 2008

A lot has changed in the world economy since the launch of the Doha Round in 2001. We are in the midst of a global economic crisis unparalleled in our time, compounded by food and fuel crises and accelerating climate change.

The financial crisis has exposed the dangers of unfettered liberalisation. It has brought down large multinationals in a global chain reaction whose aftershocks have wreaked havoc on many developing countries, which are less able to cope with the crisis. We are experiencing the sharpest drop of global trade in 80 years³ and the first global recession since World War II. All estimates show that the effects of unemployment, social unrest, and other adverse impacts will be felt most sharply in the poorest of countries.

The indirect blow for the poorest countries is even more painful. Countries that benefited so little from the process now stand to suffer the worst of its excesses, wiping away recent achievements.

Dr. Donald Kaberuka, President of the African Development Bank

There is a real danger that the gains made towards meeting the Millennium Development Goals (MDGs) in many developing countries over the past eight years could be wiped out as the impact of the crisis spreads and financial flows dry up. In particular, goals related to hunger, child and maternal mortality, education, and progress in combating major diseases are the least likely to be met. An estimated 1.4 million to 2.8 million more children could die in the next six years if the crisis persists.⁴

As many as 50 million people globally could lose their jobs due to the crisis, and 22 million of them will be women.⁵ Oxfam continues to witness job losses and falling remittances from workers overseas. Worldwide, migrant workers send some \$305bn a year back to developing countries, three times the volume of aid such countries receive. As workers are laid off around the world, there is a real danger that remittance flows will collapse, leaving many families struggling. Remittance-dependent families in many developing countries are likely to resort to coping mechanisms such as taking girls out of school to raise family incomes.

Every year my sister in Boston sends \$200 at Christmas, which I use to do small business, selling food in the market. This year she only sent \$50 because she's lost her job. It's harder for me to pay the school fees and buy clothes for my children.

Olamatu Bangura, a resident of Susan's Bay, a slum in downtown Freetown, Liberia

Growth rates in sub-Saharan Africa are predicted to fall by 70 per cent in 2009, and an additional 90 million people could be trapped in extreme poverty this year due to the global recession.⁶ Furthermore, 200 million more workers worldwide could be pushed into 'extreme working poverty', mostly in developing economies.⁷ Global wealth in 2009 is predicted to decrease by 1.3 per cent, the first such global decline since the 1930s.⁸ Global output and trade plummeted in 2008, and the volatility of global commodity prices remains a significant source of market uncertainty.

Box 1. Crises have a female face

Women in developing countries are the backbone of their households and societies, given their triple role in production, reproduction, and community care-giving. Yet women continue to be marginalised in the social, economic, and political spheres, and bear the brunt of economic and social hardship.

Women represent 75 per cent of agricultural producers in sub-Saharan Africa. They are the primary food producers, yet in 2008 they suffered the heaviest burden of higher food prices, being forced to stretch their small incomes to the limit and eating last and least when necessary.

Women workers are the backbone of industries hit hard by the global economic crisis. They tend to be concentrated in insecure jobs, with meagre earnings and few rights. As supply chains are squeezed, women in export manufacturing, garments, and services sectors are often the first to be laid off, with employers evading their legal obligations and governments often turning a blind eye. Women's disadvantages in access to education and credit, new technologies, and training will increase their difficulties in adapting to new contexts, once the crisis starts to ease off.

I am a single mother with three kids. I worked as a supervisor in the factory, and would have been working there for 10 years in February. The factory closed in November. I am still looking for work. I am only buying the necessities, with the help of my family. I am renting where I live and I owe four months' rent. I've never been in a situation like this before.

Yolanda Estela Aquino Rojas, 37, factory worker, El Salvador

The food crisis, with its skyrocketing prices, failed to bring any benefits to poor country producers; instead, it provoked severe shortages in many areas. In 2007 and 2008, the world saw price increases in staple foods ranging from 30 per cent to 150 per cent and an equally sharp rise in the price of fuel. By the end of 2008, rising prices had added an estimated 109 million people to the ranks of the hungry,⁹ who already include about one in six of the world's population.

After a sharp rise, international food commodity prices fluctuated heavily. In spite of a 30 per cent decrease since mid-2008, food prices are still above 2006 levels.¹⁰ Consumers continue to suffer, as food prices paid by households have remained high in almost all developing regions. Oxfam has found that poor households in a number of countries have seen continued price increases in 2009. The food price crisis is likely to persist, particularly in poor countries that have not yet been able to respond with increases in production. Climatic and financial shocks have left poor communities even more hungry and vulnerable.

Our planet has been pushed to the brink of an environmental catastrophe. Each year, almost 250 million people are affected by 'natural' disasters.¹¹ By 2015, this number could grow to around 375 million, largely as a result of an increasing threat of climate-related disasters.¹² Environmental changes will increase the threat of new conflicts, with 46 countries currently facing 'high risk of violent conflict' owing to the exacerbation of traditional security threats.¹³

Threats from climate change are already a reality in many corners of the world, particularly in the poorest countries, which are least responsible for causing the problem and are least able to deal with its results. For example, agricultural production in many African countries is projected to be severely compromised by climate change, which will adversely affect food security and exacerbate malnutrition. Yields from rain-fed agriculture in some countries could be reduced by nearly half by 2020.¹⁴ Clearly, adaptation to climate change will require significant changes in the domestic policies and institutions that govern a range of economic sectors. Multilateral trade rules must support, not hinder, this process.

Energy insecurity continues unabated, marked by a historic rise and fall in oil prices. Yet inadequate technology transfer leaves developing countries lagging behind in industrial development and far from the low-carbon development path. Biofuels have grabbed attention as an alternative. However, their potential pressure on scarce natural resources and the varying effects of their production – depending on where, how, and by whom they are produced – have generated major concerns.¹⁵

Multiple crises challenge the current economic order

This new global context challenges the very fabric of the world economic order as we know it. Climate change, for example, is the consequence of a long-maintained growth model that has let actors off the hook for the harmful environmental impacts of their actions. The energy crisis results mainly from an unsustainable pace of consumption and dependency on non-renewable natural resources. The financial breakdown is the culmination of 35 years of 'the great deregulation' of financial markets in which speculation has eclipsed productive investment.

The food price crisis is in part a consequence of a system in which rich country subsidies, rigged agricultural trade rules, and externally imposed liberalisation have undermined domestic production in developing countries. This has been further compounded by decades of deregulation and inadequate investment in agriculture, particularly for small-scale domestic food production.¹⁶ In the wake of the food price crisis, it has become clear that developing countries lack productive capacity to meet their own basic food needs, as well as the means to acquire high-priced food from abroad.¹⁷

Wholesale market deregulation has not only failed to improve economies and livelihoods: it lies at the heart of today's crises. Properly regulated markets, inclusive growth, and well-managed trade policies should be key components of a healthy global economy.

Trade and its regulation are at the epicentre of debates on the current crises. These debates range from the potentially distorting nature of fiscal stimulus packages to the role of trade rules in the food vulnerability of developing countries, the operation of the carbon emissions market, the risk of 'green protectionism', and the stricter regulation needed to control international capital movements. There are crucial linkages between all of these concerns and the Doha Round of negotiations.

The world needs a new deal that re-regulates markets and finance to put economies on a more sustainable and equitable path, away from the damaging excesses of the past 35 years. Trade has to be an essential part of that new deal.

3 Doha Development Agenda: unfulfilled promises

This can be a Round which advances the cause of development and of developing countries more generally, ensuring that their voice is heard for the first time properly in a global forum.

Pascal Lamy, EU Trade Commissioner. 2001¹⁸

The Doha Round was launched shortly after the 11 September 2001 terrorist attacks in the United States and responded, in part, to recognition of the need to reform policies that had led to exclusion. In a bid to show strength in the community of nations, the WTO's fourth ministerial conference in Doha aimed to boost global trade while putting a focus on development. The negotiation agenda, dubbed the Doha Development Agenda (DDA), included an ambitious work programme in 21 fields, with a mandate to reform rules in a broad spectrum of areas, from agriculture to regional trade agreements and everything in between.¹⁹

Developing countries had been reluctant to launch a new Round, as they had already taken on too many commitments in the previous Uruguay Round. These commitments – including tariff concessions, commitments on the liberalisation of services, and rules on trade-related aspects of intellectual property rights (TRIPS) – already posed major implementation challenges, ranging from adjustment costs to the loss of domestic policy space to implement national development plans. At the same time, rules relating to agricultural trade remained biased toward developed country interests.

From the start, there was a clash between developed and developing country interests. In essence, the debate was over a market access versus a development Round. Developed countries wanted a market access Round that enhanced liberalisation in developing country markets, while developing countries rejected a new Round of trade negotiations unless it contained a strong development component. In order to get buy-in from developing countries, the compromise was a 'development Round'.

Ambition was high. There was hope for an end to 'business as usual' in the WTO, ushering in an era of the 'development test', whereby no agreement would be part of the final package unless it scored highly on a development scoreboard.

The Doha Round was not only going to rebalance decades of unfair rules in agriculture, but would also right the wrongs in the Uruguay Round commitments through review and 'operationalisation' of 'special and differential treatment' (SDT) in all of its aspects.²⁰ Some of the expectations that persuaded developing countries to agree to the Round are summarised in Box 2.

Box 2. Commitments made in launching the DDA to address developing country needs

- Developing country needs placed 'at the heart' of the entire negotiating agenda.
- Agriculture issues comprehensively addressed to:
 - Substantially reduce trade-distorting domestic support;
 - Substantially improve market access;
 - Phase out all forms of export subsidy;
- Introduce SDT for developing countries in all elements.
- Market access increased for industrial goods, with 'less than full reciprocity' in tariff reduction commitments: a concept that would allow for a certain level of tariff protection in developing countries.
- Liberalisation of services would only be progressive; developed countries would open services markets of export interest to developing and especially least developed countries.

With these promises came certain expectations, the primary ones being that negotiations would:

- Reform rich country agriculture policies to end dumping;
- Provide developing countries with sufficient 'policy space' to protect vulnerable farmers, together with manufacturing and service industries;
- Increase effective access to rich country markets for developing country farmers and industries;
- Increase markets for service suppliers from developing countries, especially through the movement of natural persons supplying services (Mode 4 under the WTO's classification of 'modes of supply').

Beyond the anticipation of new markets, expectations were linked to a new opportunity to lift millions of people out of poverty.

Ministerials narrowly avoid failure

By the Fifth WTO Ministerial Conference, held in Cancun, Mexico in September 2003 – only two years into negotiations – cracks were already visible in the development trajectory of Doha. Initial progress in agriculture talks made clear weaknesses in the will of developed countries to make the necessary reforms. A strong push for a reduction in cotton subsidies by the C4 (a group of four African countries that are major cotton producers: Burkina Faso, Benin, Chad, and Mali) put the domestic support policies of developed countries, in particular the USA, in the spotlight. However, the USA refused to engage in negotiations on cotton in Cancun and has never formally acknowledged the C4 proposals to address cotton, a clear signal of its potential failure to meet development needs.

Furthermore, developed countries still pushed ahead to increase the

scope of negotiations to include the infamous 'Singapore issues': investment, competition law and policy, government procurement, and trade facilitation. Developing countries formed a new alliance, the G20 group of developing countries, which was critical in resisting this addition to the agenda. The Ministerial ended in disarray, with many fearing that the lifeline of the multilateral trading system was in jeopardy.

In the process that ensued at the WTO in Geneva, a compromise was found in the July 2004 package (General Council decision), which took all new issues off the table except for trade facilitation. This represented a minimal agreement that would keep negotiations afloat, though problems of commitment to the development agenda remained visible. Little progress was achieved over the next 18 months prior to the Sixth Ministerial Conference in Hong Kong in December 2005.

The final Hong Kong Ministerial Declaration included some qualified steps forward in agriculture for developing countries, but at the cost of losing policy space in non-agricultural market access (NAMA), where a very aggressive formula approach was agreed and the promise of 'less than full reciprocity' started to appear illusory.

In agriculture, the most notable gain for developing countries was the political commitment to phase out export subsidies. However, renewed application of these export subsidies in Europe's dairy sector in early 2009, followed by their re-introduction by the USA in late May, reflect the current political reality even on this limited gain. No progress was made in reducing rich country spending on overall trade-distorting subsidies, since the Hong Kong outcome would *de facto* permit increased dumping due to loopholes in the definition of subsidies (allowing a practice known as 'box shifting').²¹ On the positive side, developing countries secured some provisions to better prevent the abuse of food aid.

An important gain for development was the pledge by developed countries to provide duty- and quota-free (DFQF) market access for all products originating from least developed countries (LDCs). Yet this gain was only partial, as it would still allow rich countries to maintain barriers on these countries' most important export products. The agreement only obligated the provision of access for 'at least' 97 per cent of products from LDCs. Products in which LDCs are most competitive – textiles and clothing, as well as agricultural products such as sugar – comprise less than 3 per cent of all tariff lines and thus could easily be excluded from benefits. Indeed, this remains a major concern for LDCs that have the capacity to export textiles to the US market.

Furthermore, there is no requirement to lock in this access under WTO rules. Instead, developed countries need only notify their implementation annually to the committee on trade and development. This denies LDCs the benefits of certainty and predictability, thus leaving the full utility of the measure unclear.

Also importantly, there was agreement to find a fast-track solution to cotton-related issues, dealing with these ambitiously, expeditiously, and specifically in the sub-committee on cotton. This committee has not met for about two years now, and while consultations have been taking place in smaller groups (the cotton Quad: containing the EU, USA, Japan, and the cotton 4), progress remains limited.

Post-Hong Kong: development promise slips further away

Negotiations following the Hong Kong Ministerial have been characterised by further slippages in the development content of the DDA, in both process and substance, leading to bleak assessments of the likelihood of realising the Round's initial promises.

The push to agree modalities (which are the final blueprint, including formulae, that countries would be bound to use in reducing tariffs and trade-distorting support) in agriculture and NAMA has occupied this time, with various 'mini-ministerials' and loose, smaller groupings such as the G4 and G6. These smaller deliberative sessions are undemocratic in nature and remain dominated mostly by developed countries. Even when there is developing country representation, such countries are in the minority and are unable to represent all developing country interests. The expectation is that whatever decision these small groups make will be handed down to the rest of the membership as a 'take it or leave it' offer.

Various standing groups and newly formed alliances of developing countries have played important roles in trying to keep the Doha Round on a development track. These include the LDCs, the Africa Group, ACP (African, Caribbean, and Pacific countries), the G90 (uniting the Africa, ACP, and LDC groups), and the G33 (countries united on food security issues), as well as the G20 of developing nations (formed in Cancun) and the G110 (formed in Hong Kong).

These alliances have been strongest during Ministerial meetings, where developing countries have been more effective in defending their collective interests against rich country intransigence. However, in the four years since the Hong Kong Ministerial their joint efforts have been weakened as negotiations have been held in small groups dominated by developed countries. And because the interests of developing countries are varied and in some cases opposed to one another, developed countries have worked to weaken their joint resolve – in some cases offering compromises to individual countries on specific problems they face, such as in NAMA.

Still, developing countries have been much more effective in joining forces, despite their differences, than have developed countries. In fact, rich countries have dedicated more effort to competing with one another in negotiating bilateral and regional FTAs with developing countries than they have to joining efforts to reach a conclusion to

Doha. Since the DDA was launched, developed countries have engaged in an accelerated flurry of such negotiations, adding to the existing 'spaghetti bowl' of Regional Trade Agreements (RTAs).

The key division at Cancun was between the can-do and the won't-do. For over two years, the US has pushed to open markets globally and with sub-regions or individual countries. As WTO members ponder the future, the US will not wait: we will move towards free trade with can-do countries.

Robert Zoellick, USTR, 2003²²

Since 2001, the USA, the EU, Japan, and Australia have among them launched or completed negotiations for 54 RTAs involving 155 developing countries.²³ These agreements include new rules in areas such as investment, intellectual property, services, and government procurement that far exceed what could be negotiated at the WTO and which make a mockery of the concept of 'special and differential treatment'. Such RTAs do nothing to reduce trade-distorting agricultural subsidies in rich countries and in some cases – such as the EU's economic partnership agreements with ACP countries – they in essence validate the practice. Yet they place severe restrictions on the very policies that developing countries need to fight poverty and inequality.²⁴ They create complex carve-outs in North-South trade, displace South-South trade, obstruct regional integration, and undermine the multilateral trade system.

The world is now seeing dramatic changes in global leadership as well as in global governance in the wake of the financial crisis. The new role of the G20 in addressing global financial governance problems and the consequent changes on the horizon in decision-making structures in international financial institutions should also bring change to Doha. The new US administration of President Obama has the potential to bring fresh air into negotiations. Yet political will is needed to change course.

Change is needed, as in its current form the Doha Development Agenda has become a market access Round that might better be termed the 'Doha market access agenda'. Proposals on the table indicate that developing countries have been cheated on the promise of a development Round. Until this changes, negotiations are likely to remain stuck, as developing countries will continue to resist a deal that is bad for development. To do otherwise would mean relinquishing the demand for reform of global trade rules to meet development needs, which is even more critical now than it was when the DDA was launched eight years ago.

4 The DDA in practice: How it scores on development

The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration.

WTO Ministerial Declaration adopted in Doha on 14 November 2001, Paragraph 2

Oxfam's assessment is that the Doha Round's trajectory has failed on the promise of a development round (see the DDA Development Scorecard at the end of this section).

One of the greatest needs of developing countries in the global trade system has been to right the wrongs of decades of rigged rules in agriculture. In all areas of trade, developing countries need more favourable rules than their developed country counterparts. Fair rules of trade do not mean equal treatment for all, but rather greater advantages for those that have been left behind in order to help them get a leg up the development ladder. Such SDT has been a long-held principle of the multilateral trade system, though it has been applied more on paper than in practice. To date, the Round scores poorly on hopes to deliver on either of these two principal developing country needs.

Agriculture: greatest potential, most distorted

Seventy per cent of the world's poor people depend on agriculture for their livelihoods. Half of the world's undernourished people and those living in absolute poverty reside on small farms.²⁵ Sales and exports from agriculture constitute the main source of revenue for many poor countries, in some cases upwards of 40 per cent of gross domestic product.

Many developing countries have a comparative advantage in agriculture. Yet agriculture has no competitors for the title of most distorted sector of the global economy, even though fair rules in this sector would provide the greatest potential gains for developing countries. Agriculture is one of the few sectors where both quantitative restrictions (quotas) and export subsidies are still permitted. It is also the sector with the highest remaining barriers in rich countries, far higher than those established for manufactured goods.²⁶ Although the Uruguay Round was the first of the eight global trade Rounds under the GATT (General Agreement on Tariffs and Trade) to address agricultural trade distortions, it did little to lower the level of applied subsidies and trade barriers. Putting an end to rich countries' distorting policies and rigged international trade rules on agriculture remains the

major piece of unfinished business from previous trade Rounds. It is the critical 'must win' for the Doha Round.²⁷

Agriculture: broken promise to reduce subsidies

We commit ourselves to comprehensive negotiations aimed at ... reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.

WTO Ministerial Declaration adopted in Doha on 14 November 2001, Paragraph 13

The principal mandate of Doha was to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection, in order to correct and prevent restrictions and distortions in world agricultural markets. This was supposed to manifest itself in substantial improvements in market access for developing countries and an ambitious reduction in trade-distorting subsidies.

Agriculture: what is needed to pass on the Development Scorecard

Negotiations must substantially reduce trade-distorting subsidies; increase market access for products from developing countries; and allow developing countries adequate flexibility to shield products important for food security, including safeguards to deal with import surges.

There is an urgent need to rebalance years of old trade rules that permit developed countries to engage in below-cost production patterns and to dump their agricultural products in poor countries. For too long, this practice has helped to push poor farmers out of production, depress world commodity prices, and ensure that poverty remains a fixture on the economies of developing and, most especially, least developed countries. This has contributed to a structural problem of food production that was further exacerbated when commodity prices spiked, as most smallholders in developing countries were unable to take advantage of the price hike or increase their production. To correct this problem requires both a cut in the level of subsidies and the closing of loopholes that incorrectly classify trade-distorting subsidies as acceptable.

There is a hierarchy in the levels of distortion in different domestic farm payments. Therefore, overall spending is not necessarily a good measure of the ambition and scope of the current negotiating proposals. Disciplines are needed on both the cuts in overall spending and on the types of programme permitted – the so-called 'boxes'.²⁸ Some of the huge sums of self-nominated 'non- or minimally' trade-distorting 'green box' payments can and do cause harm to developing countries.

Despite the well-recognised need to substantially reduce, if not eliminate, trade-distorting subsidies, the current trajectory of negotiations not only condones current practices but also leaves room for expansion. This is clear from the positions taken by two of the largest offenders in this respect, the USA and the EU.

The USA has offered to reduce its Overall Trade-Distorting Support (OTDS) to a maximum of \$14.4bn a year. While that is a positive signal, it remains inadequate given that in 2007 it actually spent only \$7bn.

This reveals how the USA continues to demand 'policy space' for itself while insisting on the rejection of policy space needed by developing countries. In fact, the 2008 US Farm Bill increases subsidies and market protections. Furthermore, the US proposal was conditioned on a sort of 'peace clause' that, in effect, would protect it from any legal challenge on the basis of its actual OTDS. Developing countries rightfully see this proposal as insufficient and as another instance of the double standards that are applied by developed countries in all aspects of trade negotiations.

The OTDS cap proposed by the EU in the 2008 WTO draft modalities ranged between €16.5bn and €27.6bn, depending on the final agreed cut (75 per cent or 85 per cent) of the Uruguay Round cap. This cap could effectively cut into current spending, but there is still room for manoeuvre.²⁹ In fact, the EU has already taken advantage of weaknesses in provisions determining subsidy classification through 'box shifting' by reclassifying a large chunk of its spending as non-trade-distorting.³⁰ It has done this by assuming that its decoupled payments included in the green box are not trade-distorting, an assumption that is wrong.³¹

Decoupling subsidies from price and production has not stopped dumping; production has only decreased in some sectors, such as maize, while that in others, such as wheat, soya, and barley, has increased or stayed stable.³² This is partly because payments are still given in similar volumes and are concentrated on the same small number of producers as they were prior to reforms.³³ These conditions imply a necessary predisposition for farmers to over-produce, effectively lowering production costs and acting as a hidden export subsidy.³⁴

Such box shifting is a major problem, particularly in situations of weak disciplines for the blue box (production-limiting subsidies) and green box (non-distorting subsidies). Strong disciplines are needed to govern both these boxes so as to prevent exploitation of existing loopholes in WTO rules. Unfortunately, this issue has not been adequately addressed in the negotiations. Even if more significant cuts in OTDS could be achieved, their positive effect could be undermined if loopholes that allow for clever reclassification of trade-distorting subsidies are not closed.

Both the USA and the EU have weak track records in implementing existing commitments. Both have been judged by the WTO's dispute settlement body to be in contravention of rules on export subsidies, with respect to their cotton (USA) and sugar (EU) sectors. Although late, the EU has now complied with these rulings. The USA, on the other hand, has largely snubbed the ruling, despite numerous dispute settlement outcomes adjudging it to be in default.³⁵

At a minimum, the USA should immediately honour WTO dispute settlement rulings that have clearly identified its practices as trade-distorting. Doing so would be a critical indicator of a real commitment to the development component of the multilateral trade system and the

issues at hand in DDA negotiations. It would give a tangible boost to farmers in West Africa and Latin America and would send a strong signal to developing countries that developed nations are willing to honour existing WTO rules, let alone agree to and abide by new ones.

Agriculture: SDT in reverse

We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development.

WTO Ministerial Declaration adopted in Doha on 14 November 2001, Paragraph 13

While developed countries have not agreed to meaningful cuts in their subsidies and have retained flexibilities for themselves, they continue to deny adequate flexibilities for developing countries on Special Products and the Special Safeguard Mechanism (SSM). Both these instruments are designed to enable developing countries to promote rural livelihoods and ensure food security, and to respond to import surges of agriculture products.

The recent food price crisis has shown the consequences of market failure on food security and has highlighted the need for developing countries to safeguard and strengthen their domestic food production. Yet the latest negotiating texts allow at most only 12 per cent of agricultural tariff lines to be designated as Special Products, a classification that is intended to allow developing countries to exempt their more vulnerable agricultural products from liberalisation. Not even all designated Special Products will be safe from cuts. Further proposals call for allowing only 5 per cent of these designated tariff lines to escape cuts, while the other 7 per cent will have to compensate with onerous tariff cuts to meet a required average cut of 11 per cent for all Special Products. This means that more than half of the products considered most strategic for food security by developing countries will receive a severe cut – according to Oxfam calculations, of up to 18.8 per cent.³⁶

As a result, the concept of special and differential treatment would be turned on its head. While developed countries have ensured continued protection for their sensitive products, which tend to be those agricultural goods in which developing countries are most competitive, developing countries would see an erosion of their ability to protect their own domestic food production.³⁷ In practice, developed countries will still be able to limit imports of key agricultural goods exported by developing countries – yet developing countries will be unable to effectively curtail dumping on their domestic markets by developed ones. While developed countries will be able to protect a small number of politically influential farmers, developing countries will not be able to protect smallholder farmers whose livelihood depends on their

production and who have a significant role to play in the domestic reduction of hunger.

The most important thing was the livelihood security, the vulnerability of poor farmers, which could not be traded off against the commercial interests of the developed countries.

India's former commerce Minister, Kamal Nath, 2008.³⁸

For example, Zimbabwe will be able to protect only 83 out of 690 tariff lines from cuts, India will be able to exempt only 84 out of 697 tariff lines, while Jamaica will be able to exempt only 144 out of 1,197 tariff lines.³⁹ Rich countries are getting carve-outs when they should be getting none, especially since they will continue to apply subsidies that give them an unfair competitive edge in the market.⁴⁰ For example, the EU15 will still be able to protect 132 out of 2,205 tariff lines, while the USA will be able to protect 106 of 1,777 tariff lines.⁴¹

The dairy sector provides a good illustration of the distortions that favour developed countries in the current negotiation text.⁴² Many developing countries are likely to designate milk and other dairy products as Special Products owing to the sector's importance in terms of earnings for poor households. That would allow them to maintain *ad valorem* duties (those expressed as a percentage of value of merchandise) to protect their domestic market. At the same time, the same products are likely to be designated as sensitive by developed countries. This would give developed countries the ability to maintain specific tariffs in addition to the massive subsidies they have traditionally applied to the dairy sector. The likely result would be continued dumping and enhanced market share for developed countries in developing country markets. The EU's recent adoption of export subsidies for the dairy sector is an ominous indication in this regard, as is a recent announcement by the US Department of Agriculture (USDA) that it is following a similar path for dairy products.⁴³

Cotton: failing the litmus test

Cotton is a key export product for a number of countries, including some of the world's poorest in Africa. Success on the cotton initiative is therefore a key litmus test on the Development Scorecard.

A specific commitment was made by developed countries to reduce trade-distorting cotton subsidies in a more ambitious manner than what would be agreed in the general formula on domestic support for agriculture, including through a shorter implementation period than would otherwise be applicable. However, the hope that cotton would get a fast-track solution has proved to be misguided, as developments in negotiations point in the opposite direction. Despite commitments in the July 2004 General Council Decision and repeated rulings of the WTO dispute settlement body against US cotton subsidies, there has been only minimal reform of these programmes to date. Furthermore, there has been very little concrete engagement in the negotiations on the trade aspects by the US delegation, despite several proposals by the C4 and Africa group to address the issue.

On the contrary, the 2008 US Farm Bill did not indicate any willingness to comply with the WTO ruling or the General Council Decision. This

throws into jeopardy any prospects of a multilateral solution on cotton that would meet the Hong Kong mandate.

Box 3. US cotton and the 2008 Farm Bill

According to the Congressional Budget Office's March 2008 Baseline, US cotton is projected to receive about \$1bn annually in subsidies over the life of the 2008 Farm Bill (through to 2012). This is broken down into direct payments (\$611m), counter-cyclical payments (annual average of \$465m), and marketing loans (annual average of \$11.6m). In addition, the Bill reintroduces a programme very similar to the Step 2 programme, which was eliminated following the WTO ruling on cotton. This Economic Adjustment Assistance for Users of Upland Cotton Program is likely to cost as much as \$400m over a total of five years.

At the same time, an agreement in Hong Kong on development assistance aspects of cotton has produced little in practice. The WTO Director-General was to lead a process of consultation with bilateral donors and multilateral and regional institutions, with emphasis on improved coherence, co-ordination, and enhanced implementation of assistance to build trade capacity, particularly in cotton-producing countries. A mechanism was to be explored to deal with declines in income in the cotton sector until the trade-distorting subsidies were fully eliminated. Development agencies were also urged to scale up their assistance specific to cotton. But according to recent UNCTAD estimates, while large financial commitments for cotton development aspects have been pledged (around \$500m, according to the latest WTO information), only \$100m has actually been disbursed so far.⁴⁴

During the latest mini-ministerial (July 2008), cotton was not even discussed, clearly indicating that its so-called priority status was no guarantee of fast or specific treatment. The USA has offered nothing to fix the significant trade distortions caused by its subsidies in the cotton market, as promised to cotton-producing African countries. In parallel, the Dispute Settlement Body ruled in June 2008 that the USA had failed to implement the changes required by the WTO ruling on cotton, and an arbitration panel is set to rule on the level of retaliation that Brazil can impose against it.

Non-agricultural market access (NAMA)

The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments.

WTO Ministerial Declaration adopted in Doha on 14 November 2001, Paragraph 16

NAMA negotiations set out to reduce, or as appropriate eliminate, barriers to market access. These include tariffs – tariff peaks, high tariffs, and tariff escalation – as well as non-tariff barriers. The DDA

called in particular for reduction of such barriers on products of export interest to developing countries. Furthermore, developing countries were to receive special and differential treatment by being exempted from demands for reciprocal market access from developed countries. Negotiations were clearly intended to give developing countries a leg up the development ladder. Yet the results to date make clear strides in the opposite direction.

NAMA: a win for developed countries

The latest negotiating text proposes a formula whose application results in steep cuts in developing country tariffs. Greater flexibilities are given only to those countries that agree to enact deeper cuts. In several cases, such as those of South Africa and Argentina, cuts will lead to reductions in applied and not just bound tariff rates.⁴⁵ This is despite the fact that, historically, requiring developing countries to bind and cut tariffs in the same Round is unheard of. These countries, which lack resources to bail out their strategic industries with extensive sector-specific stimuli like those that Europe and the USA have given their auto industries, will be left with no ability to cushion themselves against the negative effects of the economic recession, as it is these tariffs (that they could have used) which the Doha Round seeks to cut severely. The expected result will be costly not only in terms of adjustment costs and lost revenues for development projects, but also in terms of de-industrialisation, unemployment, and social unrest.

Recent history offers a sad set of examples of the failure of premature wholesale trade liberalisation in developing countries. In Côte d'Ivoire, following tariff cuts of 40 per cent in 1986, the chemical, textile, shoe, and automobile industries virtually collapsed. In Mexico, the two decades of extensive trade liberalisation before and after NAFTA (1985–2004) wiped out whole industrial sectors, provoking a slowdown in economic growth, loss of jobs, and drops in wages. In Senegal, following trade liberalisation, one-third of all manufacturing jobs were eliminated between 1985 and the early 1990s.

On the other hand, examples show how industries in some developing countries have flourished precisely because their governments did not blindly follow free trade orthodoxy. Thirty years ago, South Korea's Hyundai seemed to be nothing but a laughable initiative with no possibility of succeeding in the global market. Today it is the first best option in the mid-level segment of the US car market, thanks to a combination of government protection, subsidies, and a strong R&D commitment.⁴⁶ The pace and timing of market opening matters, and should be part of a broader development strategy.

Reduction of tariffs is particularly problematic in the midst of a global economic crisis. Recent WTO reports reveal that developed countries have not only used subsidies but have also increased tariffs in a bid to deal with the crisis.⁴⁷ At a time when the difference between applied and bound tariffs has come to the rescue of various countries in trying to absorb the effects of the global economic downturn, this push for the elimination of room to manoeuvre bites hard into the development

NAMA: what is needed to pass on the Development Scorecard

Negotiations need to result in an outcome that resolves the market entry barriers to industrial sectors in rich countries and ensures some market opening by developing countries that is in tune with their levels of development, but also allows them to retain possibilities to industrialise, keep people employed, and enhance livelihoods.

prospects of developing countries.

This is especially true in the context of the distortive and unfair advantages that subsidies from economic stimulus packages give to industries in developed countries – which developing country industries will now have to contend with in the market place. It is easy to understand why developing countries are not keen on further liberalising their industrial sectors when those countries demanding it are taking steps in the opposite direction.⁴⁸ It is also important to bear in mind that the triggers that have generated recent protectionist behaviour in developed countries – such as high unemployment, de-industrialisation, and fear of slipping into poverty – are in developing countries common features of day-to-day reality.

Box 4. The risks of sectoral liberalisation: fisheries

The USA, Canada, New Zealand, Norway, Singapore, and others have proposed the inclusion of fish and fish products as a sector for accelerated liberalisation in the Doha Round. This will pose important challenges for developing countries, while non-tariff barriers (such as health and environmental regulations) in developed countries may offset the positive aspects of potentially greater market access.

The main challenges developing countries may face are:

- Preference erosion: an LDC such as Namibia could lose its market access advantage on shrimp exports to the EU to strong competitors such as Thailand;
- Loss of revenue: some developing countries are concerned that liberalisation will result in loss of licence fees paid by foreign governments on behalf of their fishing vessels – in some Pacific island countries, such licence fees account for a significant portion of government revenues;
- Threats to food security: rapid sectoral liberalisation could provoke a sudden switch from local fishing for domestic consumption to a more intensive export-oriented model, due to both an increase in market opportunities and a greater number of competitors at home. All this will increase pressures on local livelihoods and is likely to have serious impacts on local fish supplies.

These tariff liberalisation impacts are amplified when added to the bilateral Fisheries Access Agreements, through which the heavily subsidised fleets of developed countries acquire the right to access developing countries' territorial waters, increasing the pressure on already over-exploited resources.

Source: Fisheries, International Trade and Sustainable Development: Policy Discussion Paper (2006). ICTSD Natural Resources, International Trade and Sustainable Development Series. International Centre For Trade and Sustainable Development. Geneva, Switzerland.

Furthermore, developed countries are insisting on complementing the formula-based tariff reductions with sectoral initiatives (negotiations in specific sectors aimed at tariff elimination). Formula-based reductions will substantially reduce but will not eliminate tariffs. Developed countries want to ensure that they get tariff elimination through these

extra (sector-based) negotiations. New proposals go so far as to link these sectoral negotiations to flexibilities, i.e. giving those countries willing to engage in sectoral negotiations more flexibility in their tariff reductions.⁴⁹ Although not part of the original mandate, sectoral initiatives have been presented as a thinly veiled condition to US offers in agriculture.

Flexibilities offered to developing countries are further weakened by the fact that countries cannot freely choose which products they apply those flexibilities to. An 'anti-concentration' clause prevents developing countries from concentrating the flexibilities on an entire chapter of the harmonised system (the international nomenclature for classifying goods used as a basis for customs tariffs), even within the approved limits. Given the particular needs of industrial sectors in developing countries, this limitation would impede them from protecting their existing industries and promoting their infant ones. This would be the case for automotive manufacturing, fisheries, and the textile and garment industries. This anti-concentration clause has been objected to by the main industry groupings in developing countries and by trade unions worldwide,⁵⁰ as have most of the provisions mentioned in this section. Yet it still comprises the operating basis for NAMA negotiations.

As a result, instead of a balanced level of ambition between agriculture and non-agricultural market access, both the NAMA and agriculture proposals on the table allow greater flexibilities for developed countries while insisting on significant market openings by developing countries. The contradiction between this reality and the promise in the Doha Round of special and differential treatment for developing countries is glaring.

Services

We reaffirm the right of members under the General Agreement on Trade in Services to regulate, and to introduce new regulations on, the supply of services.

WTO Ministerial Declaration adopted in Doha on 14 November 2001, Paragraph 15

Services - what is needed to pass on the Development Scorecard

Developing countries need to maintain flexibility after making significant concessions in the services negotiations of the Uruguay Round. The Doha Round needs to deliver on enhanced market access in sectors and modes of supply that are of export interest to developing countries, particularly Mode 4.

The mandate for services negotiations in the DDA is to continue the agenda set out in the General Agreement on Trade in Services (GATS). This means gradually expanding market openings in a way that promotes development in all of the world's developing and least developed countries.

Yet as negotiations have proceeded, developed countries have insisted that in order for them to make concessions in agriculture, they need developing countries to open up their markets in key services sectors, such as financial services, energy, and telecommunications. In order to achieve this, developed countries have been trying to uproot the inbuilt flexibilities under the GATS by forcing through new mandates that would judge each member's contribution by quantitative methods. To

date, developing countries have pushed back against these proposals with success, but the recurrence of the same proposals at various points in the negotiations from 2004 to 2008 has shown the ambition and obduracy that developed countries have in this area.

The situation is not helped by the fact that developed countries are not making any meaningful openings on Mode 4 (the supply of services through the presence of natural persons). Most commitments in revised offers on the movement of labour are targeted to very highly skilled professionals and remain heavily linked to requirements for commercial presence and subject to heavy administrative barriers. A number of proposals from developing countries and LDCs for removal of these barriers have gone nowhere.

Liberalisation of services based on a deregulation model in the current climate of an economic downturn is disturbing, as the crisis has shown that this model has severe shortcomings, and is indeed a major cause of the crisis. Rather, effective regulation has emerged as the clearest lesson to apply from the current crisis, and this should be the priority. A prudent approach would call for another look at financial regulation provisions in the GATS, juxtaposing these with their potential link to causes of the financial crisis or their ability to contribute to the solution. Blindly retaining an ambition to further liberalise and deregulate services in developing countries, in the financial sector as well as others, runs counter to the current reality and indeed to the development mandate of the DDA.

TRIPS and public health

The Doha Declaration on TRIPS and Public Health accompanied the launch of the DDA and brought with it hopes of addressing public health concerns in the face of worldwide harmonisation of intellectual property (IP) protection. While reaffirming and clarifying important flexibilities in IP rules to protect public health, it mandated two important measures to benefit poor countries. First, it required members to ensure that countries with insufficient or no domestic manufacturing capacity could import cheaper generic medicines under a compulsory licence. Second, it stipulated that LDCs would not have to fully take on TRIPS commitments for medicines until 2016. Yet both of these decisions have proved disappointing in their application.

Rich country intransigence during negotiations on the first point led to a decision in August 2003 that was meant to solve the problem, but which instead created barriers and bureaucratic hurdles that made the solution almost unworkable. Because it is wrapped in red tape, this mechanism has only ever been used once: to export generic antiretroviral medicines from a Canadian generic manufacturer to Rwanda. Given the scale and breadth of public health problems across the developing world, this is woefully insufficient.

The commitment that LDCs need not apply TRIPS obligations to medicines until 2016 has fallen by the wayside. Some LDCs, including

Nepal and Cambodia, have been pushed to introduce TRIPS at least a decade too soon through the WTO accession process, while others, such as Uganda and Rwanda, have already introduced IP protection. Most recently, there has been a concerted effort through a variety of channels supported by developed countries to introduce anti-counterfeiting legislation in LDCs, such as Uganda. While preventing the importation and use of fake or sub-standard medicines is an important objective, these efforts, among others, would instead block the import, production, and use of legitimate and safe generic medicines by incorrectly labelling them as counterfeit and illegal.

In sum, the gains achieved early in the Doha Round in terms of IP flexibilities to support public health in developing countries have proven largely illusory. This situation has been further worsened through regional trade agreements negotiated by the USA and the EU with developing countries that include 'TRIPS-plus' provisions, which further restrict generic competition and limit access to affordable medicines.

Aid for Trade

I must underscore that any aid for trade funds must go hand-in-hand with market access expansion by developing countries.

Robert Portman, USTR, 2005.⁵¹

Aid for Trade (AfT) and the Enhanced Integrated Framework (EIF)⁵² are important parts of the development dimension of the DDA. In this is a clear acknowledgement of the need for complementarities between providing market access and building developing country capacity to address a range of constraints on engaging in and expanding trade. The AfT agenda focuses on various issues, including assistance in trade policy formulation and regulation, mainstreaming trade in national development strategies, developing trade supply capacity, infrastructure building, and trade adjustment costs arising from implementation of agreements. A major aim is to overcome supply-side constraints that make it difficult for developing countries to engage in trade, especially beyond their national and regional borders. Its approach is to inject financial resources into developing and least developed countries to help cushion the implementation burden and enable them to take greater advantage of new trade opportunities.

Yet challenges remain. As was the case in the Uruguay Round, where WTO members agreed that LDCs would receive AfT but little was delivered, Doha faces the challenge of this mechanism being a diversion from substantive negotiations and weak on delivery.⁵³ AfT is formally part of official development assistance (ODA). Owing to the economic crisis, aid budgets are taking major hits, making reductions seem inevitable. In addition, valid questions remain as to the level of additionality of AfT funds. It is critical to ensure that AfT is not implemented simply at the expense of other development needs or by creative reporting on pre-existing activities. AfT can only be complementary to a sound outcome on rules and would have minimal impact where developing countries must compete in markets distorted by subsidies.

Putting Doha to the development test

The developed countries talk in the plenary halls of a Round for free for developing countries. Then they move into the green room and continue to ask for a Round for free, this time for themselves.

Former Indian Commerce Minister, Kamal Nath, 2005.⁵⁴

The key issues that the DDA set out to address to put the needs and priorities of developing countries at the heart of its negotiations remain unresolved. Progress in areas of importance to developing countries has been limited. Rather, negotiations in agriculture and NAMA continue to present systemic problems for the prospects of development.

The following table presents a scorecard that rates selected key areas in the negotiations according to how the most recent proposals on the table hold up to expectations, based on the development mandate. It uses a simple 'pass/fail' evaluation, with 'poor' indicating only a partial gain for development.

The DDA Development Scorecard

What is needed	Latest DDA proposals	Development score
<i>Agriculture: comprehensive reform of trade rules in agriculture</i>		
Substantially reduce trade-distorting domestic support	<ul style="list-style-type: none"> • Inadequate reductions in overall trade-distorting subsidies, allowing rich countries to retain current spending levels and even to substantially increase spending in some cases • Allow 'box shifting' – loopholes whereby rich countries can re-classify their trade-distorting subsidies into other, legal categories 	<i>Fail</i>
Phase out all forms of export subsidy	<ul style="list-style-type: none"> • Phase out export subsidies by 2013 	<i>Fail⁵⁵</i>
Substantially improve market access for developing countries	<ul style="list-style-type: none"> • Allow developed countries wide room to protect their 'sensitive' products, i.e. those in which developing countries are most competitive 	<i>Fail</i>
Special and differential treatment for developing countries that enables promotion of food security and rural development	<ul style="list-style-type: none"> • Through unrealistic triggers, cumbersome procedures, and insufficient remedies, prohibits developing countries from having adequate safeguards to protect themselves against dumping and import surges • Fail to allow developing countries sufficient room to exclude products from liberalisation through the 'special product' classification 	<i>Fail</i>
Cotton: fast-track solution to deal with issues ambitiously, expeditiously, and specifically	<ul style="list-style-type: none"> • No fast or specific treatment – the USA has offered nothing to fix trade distortions in cotton • The USA has failed to comply with dispute settlement rulings and the 2008 Farm Bill has reinstated subsidies ruled illegal • Agreement on development assistance aspects of cotton has produced little in practice 	<i>Fail</i>

<i>NAMA – increased market access for industrial goods for developing countries and SDT through less than full reciprocity in reduction commitments</i>		
Modalities in industrial products that allow developing countries to make contributions to the Round, but also to retain the right to industrialise, keep people employed, and receive revenue from tariffs	<ul style="list-style-type: none"> • Make steep cuts in developing country tariffs, elimination of tariffs in some cases • Severely reduce scope to raise revenues from trade taxes 	<i>Fail</i>
Special and differential treatment for developing countries through less than full reciprocity in tariff reduction commitments	<ul style="list-style-type: none"> • Less than full reciprocity has been turned on its head with likely beneficiaries being developed countries. Developing countries will have to slash applied tariffs and even eliminate some entirely, as a result of proposals in sectoral negotiations. 	<i>Fail</i>
<i>Services: Enhanced commitments in sectors and modes of export interest to developing countries, and support for developing regulatory capacity</i>		
Offers in trade in services that allow for increased access for natural persons supplying services	<ul style="list-style-type: none"> • No likelihood of meaningful enhanced Mode 4 access 	<i>Fail</i>
Developed countries support developing countries to upgrade capacity to regulate services in public interest	<ul style="list-style-type: none"> • Do nothing to improve regulatory capacity 	<i>Fail</i>
Least developed countries under no obligation to make further concessions	<ul style="list-style-type: none"> • Exempt LDCs from the requirement to do so 	<i>Pass</i>
<i>Aid for Trade: New resources injected into developing countries to boost productive and supply capacity so as to enhance market utilisation</i>		
Developed countries provide additional commitments on AfT to assist in development of productive and supply capacity	<ul style="list-style-type: none"> • No additional financing specific to AfT as it is monitored in the context of ODA 	<i>Poor</i>
<i>Access to developed country markets: Enhanced and utilisable market access commitments for developing and least developed countries</i>		
Developed countries open their markets to exports from developing countries by removing especially non-tariff barriers and improving rules of origin	<ul style="list-style-type: none"> • Many tariffs removed, but no real discussion on non-tariff barriers such as SPS, TBT, and rules of origin – thus significant barriers remain 	<i>Poor</i>
Additional access for LDCs	<ul style="list-style-type: none"> • At least 97 per cent duty-free and quota-free market access for LDCs 	<i>Poor</i>
		<i>OUTCOME: FAIL</i>

5 What will it take to get 'development' back in the Doha Round?

From this analysis, it is clear that the Doha Round of trade negotiations has betrayed its development promise. It has instead become a market access Round in which developing countries are expected to give much more, with little in return to correct the decades-long imbalances in trade rules that have favoured rich country interests.

In key areas such as agriculture and non-agricultural market access, developed country interests have determined the course of negotiations. If the Round were to be concluded under these terms, it would strip many developing countries of the tools they currently have to sustain their development process, while preserving protections on which developed countries have relied to promote their own agriculture and industries.

In the midst of a global economic crisis, such a conclusion to what began eight years ago as a 'development' Round would be untenable. Rather, now is the time to re-think the course of negotiations. A crisis that has rocked the global economy and financial architecture unlike anything since the foundation of the GATT over 60 years ago – a crisis which began in rich countries but is taking its worst toll on developing countries – should be the impetus for a change in course.

The Doha Round was launched in a moment of crisis following the terrorist attacks of 11 September 2001. These attacks on US territory raised awareness of the conditions of marginalisation and vulnerability in many parts of the world that create fertile ground for terrorist groups to exploit. By putting development at the centre of trade negotiations, Doha sent a message that no country was going to be left behind and that trade was going to be used to ensure a broader distribution of the benefits of globalisation. In today's crisis, which has much more far-reaching consequences, particularly for the one billion people around the world who survive on less than a dollar per day, that message must be made a reality. Failure to do so would constitute a failure for all.

Today's crisis has reminded all countries of the importance of trade for their economies, as trade flows have dropped precipitously, with declining demand and constrained credit. Yet the global economic crisis, along with the food and fuel crises, as well as worsening climate change, have not been caused by developing countries. Those nations with the least responsibility for these crises and with little capacity to cope with the consequent effects must not have to pay even more to enable their economies to develop.

Now is the time for WTO members to come back to the negotiating table, recognise that the current crisis provides an opportunity to address urgent development needs, and change the course of negotiations, much as they did nearly eight years ago in Doha. Now more than ever, it is necessary to correct decades of rigged trade rules and the skewed benefits that globalisation has given to some countries at the expense of others.

Five steps to put ‘development’ back in the Doha Round

In order to put Doha back on the ‘development’ track, Oxfam recommends that WTO members undertake the following actions.

1. **Improve the process:** Negotiations need to be open and transparent, with an inclusive process in which all countries can take an active part. The process of negotiations taking place in small groups in mini-ministerials dominated by rich countries marginalises the interests of others, especially smaller developing and least developed countries. No country, however small, should be forced into accepting an overall package that is fundamentally bad for its national development. It is important that all developing country interests are properly represented at the negotiating table, as their industries, jobs, and the prosperity of their people depend, in part, on the outcome of the Round.
2. **Ensure special and differential treatment:** SDT is a cornerstone of the WTO architecture and needs to be respected, not only rhetorically. It must be embodied in the very detail of rules. This means addressing fundamental asymmetries through less than fully reciprocal commitments for developing countries, greater effective flexibilities, and adequate policy space to manage food security and promote the development of agriculture, as well as manufacturing and services industries.

SDT must be utilisable; otherwise it remains a paper tiger. It should allow developing countries to strengthen their agriculture and to protect products necessary for food security. SDT should allow developing countries to protect their strategic industries and facilitate the development of new ones. It should allow developing countries to regulate services in the public interest in order to meet human development goals. Meaningful and workable provisions on SDT can help developing countries to weather crises, protect the most vulnerable people, and promote development.

3. **Promote development by enabling the realisation of rights:** If development rather than liberalisation is to be the central objective of negotiations, then trade rules must respond to the needs of the most vulnerable people first and foremost. This would enable the realisation of rights such as the right to food, as well as broader economic and social rights. Recent global crises have highlighted the importance of trade rules in maintaining balance and mediating conflict in the global trading system, but have also demonstrated that rules must permit adequate policy space to protect the vulnerable. The food price crisis has clearly shown that food and livelihood security cannot be realised by depending on the whims of market forces.

In this light, proposals on both the procedures and substance of WTO negotiations by the UN Special Rapporteur on the Right to Food should be seriously considered. These proposals are intended to take into account the human rights obligations of states and to help ensure that trade contributes to the realisation of the right to food and does not

If trade is to work for development and to contribute to the realization of the right to adequate food, it needs to recognize the specificity of agricultural products, rather than to treat them as any other commodities and to allow more flexibilities to developing countries, particularly in order to shield their agricultural producers from the competition from industrialized countries' farmers.

UN Special Rapporteur on the Right to Food, Olivier De Schutter⁵⁷

constrain the ability of countries to determine their own agricultural and food policies.⁵⁶

4. **Carry out a development audit:** It is important to analyse the effects in developing countries of implementing current proposals on the negotiating table. Such an audit exercise would assess progress in negotiations in relation to the benchmark of Doha mandates, as well as key indicators such as food security and strong and efficient regulation, in the context of new economic realities. It would allow member states to differentiate among proposals according to their impact on development and to chart the way forward. And it would give a much clearer indication as to how far from the development mandate the negotiations have digressed, which should signal to the WTO's membership how urgently a change in direction of negotiations is needed to meet the needs of poor countries. A fully transparent, independent, and participatory review would indicate whether provisions would facilitate or undermine governments' ability to promote development and ensure basic rights, including the right to food.
5. **Strengthen the WTO as an institution:** The current crises have highlighted the importance of the WTO as an institution, as well as some of its weaknesses. Nevertheless, developed countries have recently adopted measures that are contrary to the spirit and content of the DDA negotiations, such as the increases in dairy subsidies introduced by the EU and the USA. In addition, the poor track record of the USA and the EU in abiding by Dispute Settlement Body findings has eroded confidence in the dispute settlement process and in the willingness of the most powerful economies to respect their commitments. Strengthening the WTO as an institution is critical to making it responsive to new realities such as the economic crisis, allowing it to rein-in measures taken by members that contravene current obligations, and enabling it to respond to exigencies created by the breakdown of the financial sector. This would help to build greater confidence in the ability of the institution, through the Doha Round, to achieve fairer trade rules that will benefit developing countries.

Oxfam believes that real reform is both necessary and possible. The current economic crisis has shown that 'business as usual' will not do. It has also demonstrated that countries are able to show great resolve in taking action to avert problems at home. This resolve needs to be translated to the multilateral trade agenda so that the much-needed conclusion of the Doha Round can be achieved in a manner that addresses developing country needs first and foremost.

The WTO is a key international forum in which countries can pursue an ambitious outcome that will put trade at the service of development. It is the responsibility of WTO member states to analyse the role of trade in the recent global crises so that the Doha negotiations take into account the new global context and contribute to a solution, rather than exacerbate the problem. At this time of desperate need for a change of course, the Doha Round has to step up to deliver on its development promise. There is little credit left for another failure.

Notes

- ¹ A. Sen (1999) *Development As Freedom*, Oxford: Oxford University Press.
- ² H.-J. Chang (2005) 'Why Developing Countries Need Tariffs: How WTO NAMA negotiations could deny developing countries' right to a future', Oxfam International and South Centre, South Perspectives, Geneva.
- ³ WTO economists have forecast that the collapse in global demand brought about by the biggest economic downturn in decades will drive exports down by roughly 9 per cent in volume terms in 2009; the biggest such contraction since World War II. The contraction in developed countries will be particularly severe, with exports falling by 10 per cent this year. In developing countries, which are far more dependent on trade for growth, exports will shrink by some 2–3 per cent in 2009. See WTO (2009) 'World Trade 2008, Prospects for 2009', press releases, Press/554, 23 March 2009, Geneva.
- ⁴ World Bank (2009) 'Crisis Hitting Poor Hard in Developing World', <http://go.worldbank.org/PGNOX87VO0>
- ⁵ ILO (2009) 'Global Employment Trends 2009', Geneva: ILO.
- ⁶ In 2009 growth in sub-Saharan Africa is predicted to drop to 1.7 per cent from 5.5 per cent in 2008. See IMF and World Bank (2009) 'Global Monitoring Report', April 2009, Washington: World Bank.
- ⁷ The ILO defines the 'working poor' as people who are working but who also fall below an accepted poverty line (\$1.25 a day in the case of the 'extreme working poor'). ILO (2009) *op. cit.*
- ⁸ IMF and World Bank (2009) *op. cit.*
- ⁹ The figure of 109 million represents the difference between 854 million in 2007 and 963 million announced by FAO in December 2008. See FAO (2007) 'Agriculture key player to stop degradation of vital ecosystems', www.fao.org/newsroom/EN/news/2007/1000542/index.html; and FAO (2008) 'Number of hungry people rises to 963 million', www.fao.org/news/story/en/item/8836/icode/ (both last accessed December 2008).
- ¹⁰ For an update on the latest trends in international food prices, see FAO database service, <http://www.fao.org/giews/pricetool>, summarised March 2009 in blog by Duncan Green, <http://www.oxfamblogs.org/fp2p/?p=201>
- ¹¹ Oxfam International (2009) 'The Right to Survive: The humanitarian challenge for the twenty-first century', campaign report, Oxford, UK: Oxfam International, see www.oxfam.org.uk/right-to-survive.
- ¹² For details of this projection, see 'Forecasting the numbers of people affected annually by natural disasters up to 2015', internal Oxfam study, April 2009, available at www.oxfam.org. See also the chart on p.24 of the Oxfam report 'The Right to Survive', *op. cit.*
- ¹³ D. Smith and J. Vivekananda (2007) 'A Climate of Conflict: The Links Between Climate Change, Peace and War', London: International Alert report.
- ¹⁴ Intergovernmental Panel on Climate Change (IPCC) (2008) 'Summary for Policymakers of the Synthesis Report of the IPCC Fourth Assessment Report', Table SPM-2, 'Examples of some projected regional impacts', Geneva.
- ¹⁵ Oxfam International (2008) 'Another Inconvenient Truth: How biofuel policies are deepening poverty and accelerating climate change', Oxford: Oxfam International.
- ¹⁶ Cash-rich but land-poor countries continue implementing international land grabbing strategies in land-rich but cash-poor countries. This is another sign of the existing inability of deregulated market structures to deliver on food security. For more information see: FAO (2009) 'Land Grab or Development Opportunity? Agricultural investments and international deals in Africa', Rome: FAO.
- ¹⁷ S. Chen and M. Ravallion (2008) 'The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty', Washington: World Bank.
- ¹⁸ 'The Role of Europe in Today's Globalised World: Seventh Conference on Globalisation', Felix Meritis 'Connecting Cultures', Amsterdam, The Netherlands, 31 May 2004.
- ¹⁹ The negotiation agenda included agriculture; cotton; services; NAMA; TRIPS; trade facilitation; WTO rules: anti-dumping (GATT Article VI); WTO rules: subsidies; WTO rules: regional trade agreements; dispute settlement understanding; trade and environment; implementation-related issues and concerns; the relationship between trade and investment; interaction between trade and competition policy;

transparency in government procurement; electronic commerce; small economies; trade, debt, and finance; trade and transfer of technology; technical co-operation and capacity building; least-developed countries' special and differential treatment; and organisation and management of the work programme.

- ²⁰ Making SDT more precise, effective, and operational.
- ²¹ See Paragraph 5 of the Hong Kong Ministerial Declaration, http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm
- ²² Financial Times, September 22 2003, Monday London Edition 1, p. 23, 'America will not wait for the won't-do countries'.
- ²³ See <http://www.bilaterals.org> for more information (last accessed May 2009).
- ²⁴ Oxfam International (2007) 'Signing Away the Future: How trade and investment agreements between rich and poor countries undermine development', Oxford: Oxfam International.
- ²⁵ IFAD (2008) 'The Future of Smallholder Agriculture', Global Donor Platform for Rural Development, Platform Policy Brief No. 2, Rome.
- ²⁶ On average, developed countries' agricultural tariffs are more than five times higher than their industrial tariffs. The average import tariff in the manufacturing sector, in which developed countries have comparative advantage, has decreased from 40 per cent to 2 per cent in recent decades. Meanwhile trade in agriculture, where developing countries' biggest potential gains reside, continues to allow much higher barriers. See Anderson, Martin and van der Mensbrugghe (2006) and Rodean (2005) cited in K.A. Elliot (2006) 'Delivering on Doha: Farm Trade and the Poor', Centre for Global Development, Institute for International Economics, Washington.
- ²⁷ However, even the most equitable and development-oriented outcome of the Doha Development Agenda would not be enough to offset decades of unfair trade rules and faltering international and domestic support to the agriculture sector in developing countries. Rich country liberalisation is thus only part of the answer. Even substantial changes in trade policy in rich countries are likely to produce disappointing results for the poorest people, unless the need for complementary domestic policy reforms and investments is also addressed. If both sets of challenges are addressed, the World Bank calculates that the long-term and dynamic gains from global trade could lift from 100 million to as many as 400 million people out of poverty by the middle of the next decade. That said, however, an ambitious outcome in agriculture is a core part of the development component of Doha. See K.A. Elliot (2006) *op. cit.*
- ²⁸ The 'amber box' (also known as the Aggregate Measure of Support, or AMS) is the category established for subsidies that are unequivocally trade-distorting, with countries given an allowance for a *de minimis* amount excluded from reduction commitments. The 'blue box' is the classification used for payments that are trade-distorting but with some redeeming feature that serves to limit production. The 'green box' classification includes those support measures considered non- or at most minimally trade-distorting.
- ²⁹ The Uruguay Round OTDS cap for the EU, which is the one currently in force, is €110.3bn. The most recent forecast for the EU's OTDS in 2006–07 is €31.3bn. This means that the EU would still have to reduce, during the years of implementation of the Doha agreement and depending on the chosen scenario, between €14.8bn and €3.7bn of its OTDS spending on 2006–07 amounts to comply with the OTDS cap proposed under the DDA. That said, estimated EU expenditure on the most distorting type of subsidies (the, 'amber box'), was €25.8bn in 2006–07. This means that the EU could be allowed to spend all of its OTDS on the worst type of subsidies and, depending on the scenario, could still be able to increase or minimally reduce its current spending on this type of subsidy. For that to be possible, the EU would have to 'shift' all its blue box subsidies into the green box, something it has already done through past CAP reforms. For estimations of the EU's 2006–07 OTDS, see S. Jean, T. Josling, and D. Laborde (2008) 'Implications for the European Union of the May 2008 Draft Agricultural Modalities', International Trade and Sustainable Development, Geneva, Switzerland.
- ³⁰ Of all the OTDS reductions that the EU has made since 1995 (€37.9bn), less than 55 per cent has been made through the effective reduction of subsidies. The rest (€17.2bn) has come from transferring funds from the blue box (which is part of the OTDS) to the green box (which is not part of the OTDS and as such has no WTO ceiling).
- ³¹ By definition, 'decoupled payments' are those payments that are independent from the current production of the beneficiary farm. Experts have questioned the compatibility of the decoupled payments included by the EU in the green box and the green box's non-trade-distorting requirement. See Swinbank and Tranter (2005) 'Decoupling EU Farm Support: Does the New Single Payment Scheme fit within the Green Box?'; or Josling and Swinbank (2008) 'European Union: Shadow WTO agricultural domestic support notifications', IFPRI discussion papers.

³² European Commission's Agricultural and Rural Development Directory General (2007) 'Agriculture in the European Union – Statistical and economic information 2007', http://ec.europa.eu/agriculture/agrista/2007/table_en/index.htm

³³ About 80 per cent of the subsidies are concentrated in 20 per cent of the farms. See Intermon Oxfam (2005) 'Goliat contra David', Madrid.

³⁴ The main principle that is violated by decoupled payments is the non-trade-distorting requirement, since direct payments affect production in various ways, as Oxfam has described in 'A Round for Free' (2005):

- **Wealth effect:** A guaranteed stream of direct income may increase producers' willingness to plant. For instance, decoupled payments can help farmers cover fixed costs and stay in business when they would otherwise go bust. This is particularly true in the case of large, fairly competitive farms, where fixed costs are reduced to a minimum. Due to the highly regressive nature of European subsidy distribution, this is the type of farm that attracts most subsidies.
- **Risk/insurance effect:** Direct payments create an insurance effect, changing the producer's perception of risk. At higher levels of wealth, farmers may be willing to take more risks, including expanding agricultural production. Guaranteed support based on land ownership also strengthens land values, and hence the capacity to borrow and invest in land, equipment, or inputs.
- **Land allocation effects:** As farmers know the payment reference year may be updated, they may want to keep up production levels. If updating today leads farmers to anticipate that future legislation will again update base acreage and yields, there is a clear incentive to build acreage for future assessments. In Europe, the requirement to keep land in good agricultural condition may cause farmers to continue to cultivate land that would otherwise be left fallow.
- **Accumulation effect:** The distorting effects of decoupled payments are multiplied when such payments are given to farmers already benefiting from insurance or price support mechanisms. A farmer who receives a decoupled direct payment on a commodity crop that is also eligible for a loan rate (in the USA, for example) will have an incentive to keep both payments, thereby undermining the decoupling effect. Concerns relating to this accumulation effect have been consistently raised by G20 developing countries.

³⁵ WTO chronological list and update of disputes cases: http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm

³⁶ If the 12 per cent of tariff lines that can be designated as Special Products need to meet an average 11 per cent cut, and 5 per cent can have no cut at all, it means that the remaining 7 per cent will need to compensate with higher cuts in order to meet the 11 per cent cut threshold. The average cut that would need to be made to this 7 per cent of tariff lines need is 18.8 per cent.

With $x = 0$ being the average cut of a 5 per cent of the Special Products and b the average cut that the 7 per cent of the tariff lines need to keep to meet the 11 per cent required cut:

$$\frac{5 * x + 7 * b}{12} = 11; \frac{5 * 0 + 7 * b}{12} = 11; b = \frac{12 * 11}{7}; b = 18.8 \text{ percent}$$

³⁷ Most likely, developed countries will choose as sensitive products those commodities that currently receive the greatest protection, strongly limiting the extent to which they are affected by the agreed tariff cuts. The following table shows which products are involved for the EU, USA, and Japan:

Commodity	Weighted average applied tariff		
	EU	Japan	USA
Sugar	90.4	227.0	24.2
Dairy	38.0	82.4	16.7
Beef, sheep meat	75.8	38.2	2.6
Pork, poultry, other meat	15.2	36.5	3.3
Rice	110.8	886.7	5.2

Wheat	0.7	214.4	3.2
Corn, other grains	17.2	53.2	0.9
Fruits, vegetables, nuts	19.1	21.4	5.0
All agricultural	34.4	58.0	5.0

Sources: Roodman (2005) and Gibson et al. (2001), cited in K.A. Elliot (2006) *op. cit.*

Developed countries also impose much higher duties on more heavily processed products than on commodity inputs. The applied tariff on raw cocoa in the EU, for example, is 60 times lower than the one applied to the final chocolate product. Similarly, the US tariff on raw coffee is 20 times lower than the one applied to the final product. This tariff escalation prevents developing country exporters from being able to develop important value-added processing activities themselves. The inclusion of these products as sensitive will prevent the agreed tariff cut from putting an end to this tariff escalation practice.

A large number of products that are most highly protected by rich countries are those of key export interest for developing countries. For example, sugar is a top agricultural export for 29 low- and middle-income countries. Cereals are similarly important for 34 of these countries, and coffee, tea, and cocoa for 59 of them (see UNCTAD Trade Analysis and Information System (TRAINS) database (http://r0.unctad.org/trains_new/index.shtm)). Once developed countries reduce their tariffs and domestic support, other highly protected products have the potential to become increasingly important for developing country exporters (fruits and vegetables, meat, and dairy, for example). This would allow them to increase the added value of their tropical exports or move into specialisation in more dynamic and less volatile agricultural sectors.

It is important to remember that the tariff reduction on some of these products by the big developed countries is likely to have an important negative impact on some developing countries' sectors in the short run. This is due mainly to the erosion of preferences that some developing countries have enjoyed during the past decades. This suggests a need for caution in determining the pace and sequencing of liberalisation, and for a strong commitment by developed countries to provide the necessary adaptation and compensation support to the affected countries and sectors. In any case, in the long run, the end of rich countries' protectionist policies will also benefit those developing countries as it will allow them to compete fairly and push them to reallocate resources to areas in which they really can be competitive.

³⁸ Cited in the *Guardian* 'Doha: India accuses US of sacrificing world's poor at trade talks', 31 July 2008.

³⁹ Source: WTO Members Consolidated Schedules.

⁴⁰ In the July 2008 agriculture text, the proposal for sensitive products is to allow the inclusion of between 4 and 6 per cent of the tariff lines. There are also issues regarding the treatment of the tariff cut. According to the July 2008 agriculture text, 'Members may deviate from the otherwise applicable tiered formula for reduction in final bound tariffs on products designated as sensitive. This deviation may be one-third, one-half or two-thirds of the reduction that would otherwise have been required by the tiered formula for reduction.' See: World Trade Organization (2008), TN/AG/W/4/rev.3. 10 July 2008, Geneva: WTO.

⁴¹ *Ibid.*

⁴² The International Centre for Trade and Sustainable Development (ICTSD) notes that milk and dairy products are at 85.5 per cent, rating only second to poultry in the list of most common Special Products, as identified in at least 30 per cent or more of ICTSD country studies. See ICTSD (2007) 'Indicators for the selection of agricultural special products: some empirical evidence', Geneva.

⁴³ See 'USDA announces 2008–2009 allocations for dairy export incentive program', available online at <http://www.usda.gov>.

⁴⁴ See UNCTAD (2008) 'UNCTAD Secretary-General's Multi-stakeholder Meeting on Cotton', 2 December 2008, <http://www.unctad.org/Templates/meeting.asp?intltemID=2068&lang=3&m=16538>

⁴⁵ The case of South Africa is just one of many examples. The country has 1,122 NAMA tariff lines with bound duties of 30 per cent or higher. If the Swiss formula (the formula that WTO member states have chosen to calculate the reductions of import tariffs on industrial goods) is applied, 800 tariff lines (71 per cent) will have their current applied tariffs higher than the new bound tariff rates and will therefore have to be cut. Sectors such as chemicals (plastic and rubber), textiles and clothing, footwear, vehicles, machinery and mechanical appliances, etc. will be hurt. Current discussions on flexibilities offer no comfort, as they will be applicable only to clothing or footwear, with the potential for just one and not both.

- ⁴⁶ See H.-J. Chang (2005) op. cit. and M. Khor and C.Y. Goh (2004) 'The WTO Negotiations on Non-Agricultural Market Access: A Development Perspective', Malaysia: Third World Network.
- ⁴⁷ See WTO (2009) First and Second 'Report to the Trade Policy Review Body from the Director-General on the Financial and Economic Crisis and Trade-Related Developments', WTO Job (09)/02 and Job (09)/30, Geneva.
- ⁴⁸ *Ibid.*
- ⁴⁹ Targeted sectors for these negotiations include automobiles and related parts; bicycles and related parts; chemicals; electronics/electrical products; fish and fish products; forest products; gems and jewellery; hand tools; open access to enhanced health care; raw materials; industrial machinery; sports equipment; textiles; clothing and footwear; and toys.
- ⁵⁰ International Trade Union Confederation (ITUC) (2008) 'Briefing Note on the NAMA Anti-Concentration Clause'.
- ⁵¹ Reported by AFX Asia (2005) 'US seeks new WTO meeting early next year if no Hong Kong accord', 14 December 2005.
- ⁵² The EIF is the vehicle through which LDCs can access Aid for Trade.
- ⁵³ See <http://www.oxfam.org/sites/www.oxfam.org/files/aidtrade.pdf>
- ⁵⁴ TWN Info Service on WTO and Trade Issues (Dec05/23), 17 Dec 2005.
- ⁵⁵ Elimination of export subsidies should have been agreed for a much earlier date. In addition, domestic policy in the EU and the USA clearly shows that this promise has been relegated in importance: the EU renewed the application of these export subsidies in the dairy sector in early 2009, followed by their re-introduction by the USA in late May.
- ⁵⁶ Special Rapporteur on the Right to Food, O. De Schutter (2009) 'Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, Including the Right to Development', Report A/HRC/10/5/Add.2, 4 February 2009, pp.17–24, Geneva. The specific recommendations in the report for WTO Member States are as follows:
- Ensure, notably through transparent, independent and participatory human rights impact assessments, that their undertakings under the WTO framework are fully compatible with their obligation to respect, protect and fulfil the right to food.
 - Define their positions in trade negotiations in accordance with national strategies for the implementation of the right to food.
 - Encourage national parliaments to hold regular hearings about the positions adopted by the government in trade negotiations, with the inclusion of all groups affected, including in particular farmers' organizations.
 - Limit excessive reliance on international trade in the pursuit of food security and build capacity to produce the food needed to meet consumption needs, with an emphasis on small-scale farmers.
 - Maintain the necessary flexibilities and instruments, such as supply management schemes, to insulate domestic markets from the volatility of prices on international markets.
 - Fully implement the Marrakesh Decision and, in order for it to be fully effective, ensure that it includes a mechanism to systematically monitor the impact of the Agreement on Agriculture reform process on NFIDCs and provides a definition of the notion of "adequate supplies" of basic foodstuffs that refers to the need to ensure that each individual has access at all times to adequate food or to means for its procurement – i.e., that the increased prices which may result from the reform process shall not result in violations of the right to food.
 - Adequately regulate private actors over which the State may exercise an influence, in discharge of their obligation to protect the right to food.
 - Explore ways to reorient trade towards products and modes of production which better respect the environment and do not lead to violations of the right to food.'
- ⁵⁷ *Ibid.*, p.9.

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