



“Emerging trends in trade, development and poverty linkages: Implications for the Doha Round”

Belgravia Function Rooms, 31st May 2006

Session 3: 3.30pm-5.00pm

IMPLICATIONS FOR THE DOHA ROUND

Gideon Rabinowitz, CUTS International

- I would just like to introduce this session by providing a brief overview of the key issues from our presentations on fisheries and textiles that have relevance for the Doha round of trade negotiations.
- *Preference erosion* - Preferences in the textiles and fisheries sectors are important for many LDCs and ACP countries. These include EU preferences and AGOA and the value of these preferences will be reduced by further liberalisation through the Doha Round.
- *The Africa-Asia clash* – Expanding trade in both sectors does provide opportunities for developing countries but there is also the possibility that increased liberalisation in sectors such as textiles and fisheries African producers might be marginalised by the expansion of production in Asia.
- *Diversification* – One of the major challenges facing developing countries (especially in sub-Saharan Africa) is in diversifying production and we need to think how the Doha Round will contribute to that process.

Matt Adey, UK Department for Trade and Industry (DTI)

- I have worked as an economist at DTI for the last three years.
- I will focus on the progress of the NAMA negotiations at the WTO, and Carlton from DFID will focus on development and adjustment issues.
- Need to put trade policy in context, it is important but many other factors will determine the progress of sectors such as fisheries and textiles.
- I just want to give an overview of textile and fisheries sectors trade, which both fall under the category of the NAMA negotiations.
- Asia dominates textiles trade together with Europe, with regions such as Africa a long way behind.
- The MFA phase-out has been timetabled since the end of the Uruguay Round and has been a factor in China increasing its market share, trade disputes between China and the EU and US and changes in the balance of trade within Asia.

- Modalities on tariff reductions still have to be decided upon in NAMA and daily discussions are ongoing to break the deadlock. There are also many other issues still to be decided.
- Agreed at Hong Kong that there will be a Swiss formula (linear tariff reductions) with multiple coefficients (i.e. at least one for developed and one for developing countries) which will decide the level that tariffs will be reduced towards.
- The formulae that have been discussed will halve EU tariffs for fisheries and textiles (fish to around 5%, textiles to around 4%).
- With EU tariffs going down so low there will be preference erosion which is a serious concern to developing countries. The impact of this will be felt by a small number of countries although they are very vocal. Overall the costs of preference erosion are outweighed by the overall benefits from further liberalisation.
- There is currently a lack of firm proposals on how to deal with preference erosion. It has been suggested that for the products that are affected, tariff reductions should be lower. However, that reduces the benefits to others that would benefit from lower tariffs in these sectors. Also, it provides cover to protectionist forces in developed countries.

Carlton Evans, UK Department for International Development

- I work in DFID's International Trade Department, although I have previously worked at DTI.
- I want to focus on Europe and some of the changes that are taking place in the world trading environment in relation to the EU.
- The EU is the world's largest agricultural importer and the largest trader in services.
- The EU impacts the global trading environment through the way it negotiates agreements and in the way it trades with other countries.
- There is an effort in the EU to improve coherence in trade and development policy, called the PCD (policy coherence for development) initiative.
- The UK recognises that for many developing countries tariff reductions through multilateral trade negotiations are far from sufficient for them to increase their share of world trade as they do not have the capacity to do so.
- The UK therefore recognises that there needs to be a strong development package to see to these needs. This should include Special and Differential Treatment, adequate availability of safeguards, adjustment assistance (e.g. for sugar for preference erosion), more flexible rules of origin, Aid for Trade (AfT) and spending on infrastructure.
- Bilateral donors have not been big givers to infrastructure projects, which have mainly been provided by the IMF and World Bank.
- Aid for trade pledges have been made, which fits in with the overall commitment of developed countries to increase their aid budgets. But there is still a lot to be decided about what it will be spent on i.e. does it include hard infrastructure? What other areas may it include? These discussions are ongoing in the OECD, World Bank and by the AfT taskforce.
- All developing countries also at this point need to ask themselves where they want to get to in twenty years time and what opportunities the present discussions provide.

Ulrich Kleih

- The NRI are in the process of completing the sustainability impact assessment for the EC on fisheries.
- For tariffs there will be a Swiss formula used in the fisheries sector which will put pressure on developed countries to reduce their tariffs by a greater amount than developing ones.
- The tariff reductions will be felt more in sectors where high tariffs currently remain and by countries benefiting from high tariffs (either because of the protection this provides or because of preferences).
- ACP/LDCs are already feeling the impact of increased competition due to the expansion of the Generalised System of Preferences (GSP) and the Everything But Arms (EBA) system of preferences. It is therefore important not to exaggerate the threat posed by preference erosion.
- Negotiations are also ongoing to strengthen the disciplines on fisheries subsidies. There are three groups of countries here. One that wants increased disciplines, one that wants a mixed approach (includes the EU) and one that wants to negotiate subsidies line by line (supported by Japan, South Korea, Taiwan and possibly the ACP).
- There have been submissions by some to protect artisanal fisheries through special and differential treatment and discussions are ongoing at WTO level.
- Prevention, mitigation and enhancement measures include a gradual reduction of tariffs, AfT, compensation for preference erosion, environmental measures and better management of fisheries production and better monitoring, control and surveillance.

Questions

- **Q1.** - We tend to talk about increased exports from regions such as Asia as occurring as easy as turning on a tap. But it has occurred following decades of investment and good policy. Don't we need to link processes such as the WTO to domestic policy better?
- MA – Yes you are right and that is why things like trade facilitation need to be included in the discussions. However, there is a serious issue as how these issues should be incorporated directly into the negotiations.
- CE – Yes, we do need to be more sophisticated in developing links to the domestic process and aid for trade could help by providing up front support to deal with the problems of adjustment and support to gain from liberalisation. There also needs to be more coordination amongst donors to improve the support that is provided.
- **Q2.** - There is a problem of differentiation within the EU as there are protectionist pressures within the EU in sectors such as textiles, from countries such as Italy and France. How do we deal with that?
- MA - The discussions surrounding preference erosion do provide fuel to protectionist forces within the EU. The issues within the EU are political and it is very difficult to find solutions.

- UK – There are more sensitivities in the EU in relation to textiles because it will hit a larger number of people than fisheries liberalisation.
- **Q3.** - Carlton, you mentioned a moral obligation to compensate countries for preference erosion. Why should we compensate them more than those that are impacted by liberalisation without preferences? Also you said that AfT will increase because there will be increased aid overall and AfT should get a proportionate increase. Hasn't AfT been neglected so shouldn't we increase its share?
- CE - If I used the word compensation I meant not to. What I mean is that we need to respond to countries that are opposing liberalisation because of preference erosion. This needs to be negotiated. Also, I do agree that there may be a case to increase the share of trade support in overall aid budgets.
- MA – We have played a role in distorting the economies of preference receiving countries so we should be part of the solution as well.
- **Q4.** - How can we ensure that development perspectives are built into the negotiations and that benefits trickle down to the poor?
- CE – There is very little that the WTO can do to make sure these linkages are made as much of this is dependent on the domestic policy response and environment. Trade policy has limits and the WTO has institutional boundaries and can only deal with certain issues. There need to be linkages to development and poverty reduction strategies but hard to see how the WTO can do this.
- Important to think about how UNEP and FAO can be brought into the process somehow so that these issues can receive more attention.

Comments

- Japan has been a significant donor of infrastructure and this has been designed around the older form of conditional aid. The suggestion for increasing infrastructure aid lead back in this direction, which might not be such a bad thing.
- It has been said that trade policy is a blunt tool for combating poverty, but research has shown that trade policy has a major impact on prices and market signals and those countries that have liberalised little have performed worse.
- The Doha Round is not going to have major impact on the trade policy of the poorest countries as the LDCs are exempt from the majority of commitments. The key point is that countries like Vietnam did more than just liberalise as the Government provides a lot of support and a wide range of support measures have been implemented.