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Developing Countries Find Voice in Hong Kong

By Mary Rekas

Last December, 150 member nations of the WTO (World Trade Organization) met in Hong Kong to gain consensus on new rules for world trade. This third ministerial of the DDA (Doha Development Agenda) resurrected the hope for trade liberalization, culminating in a ministerial declaration that clarified agreements and set a schedule for continuing negotiations.

At the Hong Kong meeting, the least-developed WTO nations found their voice and ended a stalemate that began at the second Doha ministerial in Cancún, Mexico, in 2003. Leaders from developing nations articulated the needs of their constituencies in very specific terms and became an integral part of the negotiation process.

This welcome change was not happenstance. It came through support by developed nations for measures to help least-developed nations become participants in the world trading community. Trade capacity building, through bilateral assistance and international institutions, has helped these developing economies to define and articulate their needs, and has helped them acquire the technical expertise they need to be globally competitive.

Developing Nations To Benefit Most

After an optimistic beginning in Qatar in 2001, the WTO's DDA went off track in Cancún. Developing countries felt their interests were not being represented and joined together to disrupt the negotiation process. The DDA's three pillars—export competition, market access, and domestic support—seemed imperiled when the Cancún Ministerial ended in disarray.

This was unfortunate, since from its inception, DDA has been considered the round that would more fully bring developing nations into the global trade arena. Agriculture is its major focus and, rightly so, since the economies of developing nations are usually founded on agriculture. Without fundamental reform in agricultural trade, the DDA will not live up to its name.

Two-thirds of the WTO membership is comprised of developing countries; 32 are considered least-developed countries. In these countries, over 70 percent of the poor live in rural areas where agriculture is the largest employer. Agriculture accounts for about 60 percent of the labor force in developing countries and about 25 percent of their GDP (gross domestic product).

Trade liberalization achieved through DDA will have enormous reach throughout the global economy, with developing countries standing to gain the most. The outcome of this round will determine not only whether WTO members will have greater access to international markets, but whether developing countries will have the opportunity to share in the prosperity that free trade brings.

United States Leads in Trade Capacity Building

The U.S. government intensified its trade capacity building efforts for developing countries following Cancún, tackling many of the issues that had led to the alienation of these WTO members—ratcheting up training in technical and sanitary and phytosanitary measures, helping set up legal and administrative processes for international trade, and finding investment partners for infrastructure. These initiatives were designed to help producers in developing countries participate in the global marketplace.

During the Hong Kong Ministerial, to demonstrate support for what has become known as aid for trade initiatives, many nations came forward with significant pledges for developing countries. The United States announced new trade capacity building initiatives and pledged another $2.7 billion to be provided by 2010, in addition to the $1.3 billion already invested. Among other U.S. proposals: further duty-free, quota-free access for more products from developing nations, including cotton.

Development Initiatives Strike Positive Accord

Consensus on the importance of development initiatives brought least-developed countries to the table at Hong Kong. The three provisions in the declaration that oiled the negotiation mechanism included the right of least-developed nations to self-designate special products that will receive protective status and to institute a special safeguard mechanism based on price and, possibly, quantity triggers. The declaration also included duty-free, quota-free status for most imports from the world's poorest countries.

There was also ministerial agreement regarding the three pillars of the DDA:

Export competition. The year 2013 was inked in as the final year for elimination of all agricultural export subsidies. Disciplines for export credits, state trading enterprises, and food aid were also established. The best way to provide food aid remains a contentious issue between the United States and the EU (European Union). While the United States consistently provides more food as aid than other nations, the EU promotes a cash-only policy in lieu of commodities. The United States agreed to disciplines to address the commercial displacement effects of its food aid programs, but will continue to provide food for emergency situations and in areas of chronic hunger.

Market access. Minimal progress was made, with market access in key markets such as the EU left unresolved. However, there was some agreement on improving trade facilitation by cutting costly and confusing customs procedures. With an open marketplace already in place, the United States continues to stress what it must bring home from the Doha negotiations—a level playing field for its producers.

Domestic support. A three-band system was established for cutting domestic support, with deeper cuts for countries with higher domestic support. The EU is in the top band with the highest percentage for support reductions, Japan and the United States in the second tier, and all other countries in a third band of lowest reductions. There were also discussions of how to limit use of WTO classifications of support (categorized under amber, blue and green boxes), along with reducing the de minimus levels of support, a catchall category based on a percentage of a country's agricultural production.

Alliances Based on Goals

Alliances were formed at Hong Kong based on common goals, rather than developed vs. developing nations or north vs. south. For example, the United States, Japan, and several developing nations worked on development initiatives. The United States also worked with the G-20 developing countries to set the 2013 date for ending export subsidies and working on market access issues, and with the Africans on the duty-free, quota-free initiative and on cotton.

Next Steps

The Hong Kong negotiations were based on the July 2004 Framework that built on earlier progress in trade issues. The October proposal of the United States, which set time frames for the elimination of trade distorting measures, subsidies, and tariffs, boosted the credibility of the U.S. position on the Doha talks and formalized the U.S. demand for market access. The tepid EU response to the proposal has been largely discounted by other WTO members.

Members set April 30, 2006, as the deadline for establishing modalities (rules), the first in a series of dates for setting the terms of the new agreement. Other interim meetings are expected to help move the negotiations toward completion, but a lot of work remains to be done. ■

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Doha Follows in Footsteps of Uruguay Round

The GATT (General Agreement on Tariffs and Trade) was established by 23 countries in 1947 to bring ground rules to international trade. The last of eight trade negotiations under the GATT, the Uruguay Round, established the WTO and set maximum tariffs for members, but did little to liberalize agricultural trade or get poor countries trade-ready. However, the Uruguay Round set the core pillars of negotiations that are still used by negotiators today. It also encouraged transparency in nontariff barriers and introduced new rules for sanitary and phytosanitary measures and other technical regulations.

The primary goal of Doha, the first trade round of the WTO, has been liberalization that will enable developing countries to compete effectively in the global market. While ministers and governments fret that the Doha Round is not meeting the time frames set in Qatar and is not achieving the level of ambition that had been hoped for, this state of affairs is not unusual in global trade negotiations. The Uruguay Round lasted from 1986 until 1995. While it was significant in introducing new international trade rules, this initial round achieved far less ambitious trade reform than that set forth in Doha.