

Hong Kong / WTO Conference

The “development package” that isn’t

Friday 16 December 2005, by [HORMEKU Tetteh](#) (Date first published: 16 December 2005).

The “development package” touted by the European Union and the United States is dangerous and will prevent real development for Africa. This was the conclusion by Tetteh Hormeku of the Africa Trade Network in a presentation made at a TWN panel discussion on “Services, NAMA and Agriculture: What is at Stake?” Below is a summary of his presentation.

WTO Director General Pascal Lamy and European Trade Commissioner Peter Mandelson are pushing for early agreement on the development package to demonstrate their “good faith”. The failure of the Doha Round so far to deal head on with development has led to this flurry of activity. What is this package and what is it not?

There are two central features of the development package in the Ministerial text. First, the supposed “special and differential treatment” (SDT), as it applies to LDCs. Secondly the aid for trade promise.

Before the Seattle Ministerial Conference, developing countries began to complain that after conclusion of Uruguay Round, the process of implementing the agreements resulted in difficulties to their economies which can only be addressed if WTO rules are corrected and rebalanced.

SDT was supposed to be part of the integral rules of GATT as well as the new Uruguay Round rules which allowed developing countries to adopt less onerous obligations than developed countries because they have different levels of development and different capacities.

The history of SDT predates the Uruguay Round. Countries at different stages of growth and development should not assume the same level of responsibilities in international agreements as these are unequal partners. But by end of the Uruguay Round the spirit of SDT was reduced to a narrower concept: developing countries had to essentially accept the same obligations as developed countries, and may be exempted from implementing some measures, as well as allowed different time scales. But almost all obligations would be adopted by them.

SDT provisions in the final agreements are mostly “best endeavour” clauses and developing countries cannot hold developed countries to them or enforce them. Thus in Doha, developing countries asked for effective SDT implementation, to move away from simply longer timeframes for implementing obligations, to fully integrating SDT into the architecture of the WTO.

Over 200 proposals were made relating first to strengthening SDT and second to resolving implementation issues. Since the Round has been launched, all discussions on SDT and implementation issues have made no progress except on 22 issues which are widely described as of having little or no commercial value.

In an attempt to attain a more balanced package in time for the July approximation this year, 5

proposals specific to LDCs were selected for inclusion into the package. Out of these, the two most valuable — duty free and quota free access for LDC products, and exemption from TRIMS obligations — are subject to interminable controversy.

On the issue of duty free and quota free market access, the demand by LDCs for these to be made legally binding and enforceable in the WTO continue to be resisted by both the EU and US. These developed countries prefer the continuation of the current situation where duty free and quota free status exists as unilateral offers which they can change any time they wish.

The most farcical saga is being played out. For example, the US and EU argue that there will be MFN problems if this status is bound in the WTO. In the Geneva negotiations the EU offered cold comfort by saying that although they won't be bound they are sincere and will honour their offer. An LDC can resort to the European Court of Justice to enforce any non-compliance. At one point the US and EU even argued over what "binding" means.

As the moment the US is insisting on two things: first, not extending duty free and quota free access to all products, which makes the concession useless since this allows for market access for products that LDCs don't produce. For instance, giving duty free access for computers to an LDC is meaningless. Secondly, they want to reserve the right to exclude countries, an insistence which led to some of the most heated moments in the negotiations in HK so far. A strong letter of protest has been submitted by Zambian Minister of Trade and Industry, Mr. Deepak Patel, who is the Chair of the LDCs Group.

On the issue of the TRIMS (trade related investment measures) Agreement, which prohibits the use of some performance requirements such as the use of local content policies, LDCs want to be able to obtain exemptions for existing and future TRIMS. LDCs did not notify enough in the Uruguay Round because most of them had not been aware and did not have the capacity to safeguard their rights.

The increasingly marginalized issue of cotton also makes a mockery of any development package. The US has offered to eliminate duties but only when there is full agreement on full modalities for agriculture. In the interim, money will come from the Millennium Challenge Account (MCA) to address supply side constraints. Again this promise rings hollow as most of the funds (if they materialize) will be likely used to pay for services from the US to "assist" African producers.

The other central piece of the development package is "aid for trade" which is meant for developing countries (and not just LDCs) to help improve production and other supply capacities. As it stands now in the text, there is only a promise to hold a meeting to discuss this at the WTO before the mid-2006.

The terms of this "aid for trade" are also not clear as to whether it will come from new money or old money, whether it will be concessional grants or loans. African countries say that there must be clear criteria: the funds must be predictable, adequate and unconditional with the countries themselves deciding what those resources shall be used for. There are estimates that 80% of the MCA funds has gone back to the US.

From discussions so far in Hong Kong, the aid is for trade liberalisation. For instance it has been proposed that as part of aid for trade, a fund be set up to compensate developing countries for revenue losses arising from tariff reduction. Apart from the absurdity of taking money from developing countries and returning a part of it as a grant later, this ignores the problem of removing the right of those countries to use tariff as a policy to support and nurture local industry.

There are also serious concerns that the aid for trade package will be used as a trade-off ploy. At

this stage of the negotiations, the entire development package looks more like a ploy to soften the developing countries so that they will accept the extraction of concessions from them. They are offered the promise of some funds which may not be from new and additional resources (but may simply be shifted from another aid box), so that they will agree to new onerous obligations (such as huge tariff cuts in industrial products, significant tariff cuts in agriculture, and a basic change in the rules of negotiations in services) that would jeopardize their development prospects. That is an unfair and imbalanced bargain, and it is cynical to ask developing countries to accept it.

Peter Mandelson has even told developing countries that he is working hard for them, and in return they must give him services. He has openly stated that he is not happy with the highly contentious Annex C on services and wants it “strengthened.” The developed countries should drop this charade. They should not impose new and onerous liberalization obligations on developing countries that will cripple their economies. They should agree to strengthened SDT measures and to resolving the implementation issues. They should offer genuine assistance to developing countries to help them build their capacity to produce, first for the local market, and for exports. Unfortunately, this is not what the “development package” is about.

P.S.

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