

INTRODUCTORY STATEMENT

by

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Dhaka Sheraton Hotel, 3:00 pm, Monday, 3 October 2005

Respected Chairperson
Hon'ble Commerce Minister
Excellencies
Esteemed Guests
Members of the Media
Colleagues and Friends!

A very good afternoon to you all.

1. Welcome and Acknowledgements

The last streaks of monsoon clouds are making way to the autumn blue and gentle breeze here in Dhaka – in these days of seasonal transition in Bangladesh, which resonates the twilight period of global despair and hope, I stand here to warmly greet all of you at the Inaugural Session of the *International Civil Society Forum 2005: For Advancing LDC Interests in the Sixth WTO Ministerial*.

On behalf of the convenor of this *Forum*, the Centre for Policy Dialogue (CPD), on behalf of the eight co-organisers of the *Forum* and on behalf of the 26 organisations represented in the National Advisory Committee (NAC) of the *Forum*, it is my unique privilege to thank you all for being with us here today.

CPD would like to particularly welcome the foreign participants who have travelled from all over the globe to join this conclave. For record, as of now, 49 foreign participants from 26 countries have been able to make it to the *Forum*. As it always happens in such congregations, we have about half a dozen casualties of foreign participants for unforeseen reasons.

Our foreign colleagues will be joined at the *Forum* by more than 250 local experts and activists. I have been told, “your dinner is as successful as your guest list”. Looking at our list of participants from home and abroad, I can venture to forecast, we are indeed going to have a very successful *Forum*.

In this opening session of the *Forum*, we have the gracious presence of the Hon'ble Commerce Minister of the Government of Bangladesh, Mr Altaf Hossain Choudhury, MP. His advice and encouragement have been a great source of strength during organisation of this *Forum*. Thank you, Mr Minister, for your interest in this *Forum* and for your support in its organisation.

We are greatly honoured by the presence of His Excellency Mr Love Mtesa, the Permanent Representative of Zambia at the WTO. Ambassador Mtesa is representing Hon'ble Mr Dipak Patel, Minister for Commerce and Industry, Government of Zambia and the Spokesperson of the LDCs at the WTO.

We also have the privilege of welcoming Ms Annet Blank, Counsellor and Head of the LDC Unit in the WTO. Ms Blank is here as the personal envoy of His Excellency Mr Pascal Lamy, Director General of the WTO.

Finally, we are very pleased that His Excellency Dr Toufiq Ali, Ambassador and Permanent Representative of Bangladesh at the WTO, has been able to join us. We are very happy that he has carried for us a message from Dr Supachai Panitchpakdi, Director General of the UNCTAD. CPD owes a special debt to Dr Toufiq Ali for his support and cooperation.

Ladies and Gentlemen!

It is said *distance is nothing, it is only the first step that is difficult*. CPD took one such first step in 2003 by way of taking the initiative to organise an International Civil Society Forum prior to the Second LDC Trade Ministers' meeting which was convened in Dhaka in preparation of the Cancun Ministerial. We recall with some satisfaction that the outcomes of the first LDC Forum on WTO in Dhaka was accorded due recognition at the time of the drafting of the Dhaka Declaration of the LDC Trade Ministers, and subsequently played a guiding role in coalescing citizen's support in favour of the collective position of the LDCs in the WTO. We carried on this outreach and dissemination campaign right at Cancun and continued beyond Cancun.

Encouraged and inspired by the success of the first LDC Forum on WTO, CPD decided to convene the second *Forum*. I am pleased to report that this Second LDC Forum on WTO has evolved through a drawn out participatory process which involved deepening the national ownership base, broadening the global civil society engagement, dialoguing with political and diplomatic leadership of both developing and developed countries, and consulting the academics and experts at home and abroad.

This collective process of organisation of the Second LDC Forum on WTO has been sustained by contributions of many eminent institutions and distinguished individuals. I would like to recall with gratitude the deep sense of solidarity demonstrated by the co-organisers of the *Forum*. We have the leaders of these partner organisations on the dias and we look forward to listening and learning from them.

We are also greatly appreciative of the civic responsibility demonstrated by the member organisations of the National Advisory Committee (NAC) of the *Forum*. All these organisations, ranging from business chambers, exporters associations, trade unions, women and environmental rights groups, development NGOs and organisations focusing on trade policy and trade advocacy, are the premier institutions of Bangladesh civil society on their own right. I would like to particularly mention the contribution of the Chair of the NAC Mr Mahbubur Rahman, President of the International Chamber of Commerce (ICC), Bangladesh, a leading light of the business community in Bangladesh and the Asia-Pacific region, who has the unique distinction of being present as a delegate in all the five Ministerial Meetings of the WTO.

I also take this opportunity to acknowledge the generous support we have received towards the *Forum* from the international development partners as well as from a number of trade bodies in Bangladesh. CPD is truly fortunate to be endowed with friendship and cooperation of such national and international supporters.

Indeed, my most sincere and humble thanks will go to all the members of the CPD family. If I start recalling their names, it will be an honour to call of our entire staff list. I take great

pride in the fact that CPD, with its limited institutional capacity, has been able to deliver this International Forum thanks to the dedicated and efficient services rendered by its in-house professionals and staff. They have worked ably under the leadership of Professor Mustafizur Rahman, Research Director, CPD and Ms Anisatul Fatema Yousuf, Additional Director, CPD in charge of Dialogue and Communication Division. And the person who worked as the kingpin of all our efforts was the Focal Point of this *Forum*, Dr Fahmida Khatun, Senior Research Fellow, CPD. I would like to take this opportunity to say a special *thank you* to Fahmida.

2. The LDC Forum 2005

Distinguished Guests and Participants!

The Cancun Ministerial drama revealed in an unabashed way the limits of real space for the development dimensions which is allowed in the ongoing trade negotiations at the WTO. Road to the Hong Kong Ministerial promises to be both slippery and bumpy. The inability of the last General Council meeting of the WTO (August, 2005) to come up with the so-called “First Approximations” speaks volumes about the state of affairs in the Doha Round Negotiations.

While the Gleneagles meeting of the G-8 made some progress towards enhancing the flow of aid to the LDC, particularly in the case of Africa, the World Summit at the UN (September 2005) has largely failed to generate a political consensus to push forward the implementation of a fully equitable multilateral trading system with proper recognition of LDCs development needs in its heart. The watered down final text of the 2005 World Summit Outcome on trade issues was a total let down as the compromises were made mostly at the cost of the LDCs.

Today we have gathered here at a time when the multilateral trading system remains seized in a state of “permanent negotiation” (a term I borrow from Mr Pascal Lamy’s first press briefing as the Director General, WTO). As the Doha Round remains in a state of atrophy, we are enjoined here by our commitment to give voice to the trade interests of the disparate and disenfranchised citizens in the LDCs. We are also united by our common concern regarding the diminishing ambition level for the LDCs in view of the Hong Kong Ministerial. We have, thus, converged here to hold high the spirit of the Livingstone meeting of the LDC Trade Ministers (held in May 2005). I salute you all present here today, as well as those who in spite of best efforts could not make it, for your high thought, firm resolve and demonstrated action.

It is a matter of great strength that, in these challenging times, the LDCs are enjoying the support of their enlightened and responsible counterparts from both the developing and developed countries. I trust these non-LDC governments and their people are informed by the famous quote of Dr Martin Luther King – *injustice anywhere is a threat to justice everywhere*.

We hope that this *Forum* will emerge as a platform to scrutinise the pre-Hong Kong status of the *Geneva Process* of the WTO. It will also provide an opportunity to reflect on the work programme of the Hong Kong Ministerial. Hopefully, these will help us to articulate the priorities of the global civil society from perspective of the LDCs. It is our earnest hope that armed with these priorities and perspectives, the governments of the LDCs will feel more empowered in advancing the interests of LDCs at the Sixth Ministerial of the WTO.

3. LDCs in the Global Economy

Excellencies, Respected Guests, Fellow Participants and Colleagues!

As we all know, currently 148 countries are member of the WTO. This number includes 32 LDCs – 6 of them are founding members (Bangladesh being one of them), 24 more LDCs signed-in or joined later, and another 11 are either observers or in the accession process. As you can readily observe, more than a quarter of the WTO members and observers come from the LDC rank. In an organisation which is supposed to be membership driven, where every member theoretically enjoys veto power in decision-making process, one would expect that the interests and concerns of the LDCs would be acted upon on priority basis, particularly given their formidable numerical presence. However, as is said, *in England justice is open to all – like the Ritz Hotel*. One wonders whether the WTO often behaves like the *Ritz Hotel* when it comes to its income-poor members.

As we mark the first decade of the WTO, one may be also curious to know what has happened to the LDCs during this period.

According to UNCTAD, in 2004, LDCs share in world trade (export + import) stood at 0.68 per cent (approximately \$13 billion), compared to 3.06 per cent in 1954. However, according to our estimate, based on WTO data set on 48 LDCs, the share of the LDCs in global export has increased marginally from 0.46 per cent to 0.58 per cent between 1995 and 2003 (last year for which figures are available). The share of these LDCs in global import also registered marginal increase from 0.65 per cent in 1995 to 0.71 per cent in 2003.

In this connection, one needs to be reminded of the fact that the top 5 LDC exporters in 2003 (Angola, Bangladesh, Yemen, Equatorial Guinea and Myanmar) accounted for about 57 per cent of the total exports of the group. This process of exports concentration within the LDCs is increasing. During 1995-2003, LDCs as a group continued to experience high negative trade balance. Indeed, average trade deficit increased by more than 30 per cent in the non-oil primary commodity dependent LDCs.

Concurrently, the share of LDCs in global FDI inflows experienced an upward trend during the period of 1995-2004, increasing from 0.43 per cent to 1.65 per cent. However, these FDI inflows to the LDCs were highly concentrated in oil exporting/producing countries, e.g. top 5 LDCs (i.e. Angola, Sudan, Equatorial Guinea, Myanmar and Chad) accounted for about 61 per cent of the FDI inflows.

We do, however, observe some progress in the case of Official Development Assistance (ODA) flow to the LDCs, increasing at an average rate of 8.7 per cent per annum between 1995 and 2003. This resulted in an increase in the share of LDCs in total ODA flows to all developing countries from about 26.3 per cent (1995) to 38.8 per cent (2003) during the same period. As a matter of fact, perceptible increase in ODA flow to LDCs was observed particularly in the post-2001 period.

Some increase in the inflow was also observed in the case of trade-related technical assistance and capacity building support, although the quality of such support still remains suspect.

The positive changes which we observe for the LDCs as a group, in terms of trade and investment performance, coupled with foreign aid inflow, were paralleled by some improvement in the real GDP growth rates. Indeed, the LDCs recorded an average growth rate of about 5.2 per cent per annum during 2001-2004, against about 4.8 per cent during 1995-2000.

Thus, one cannot deny the fact that we observe some dynamism in the economies of the LDCs. There is a positive interpretation of this, which gives us hope and which global community of nations should take into cognisance. When development-friendly domestic reforms are pursued and when global environment is conducive, LDCs are indeed able to ensure growth and register progress. LDCs are not a *black hole*, as some would like to project them. What we need is support of the global institutions such as the WTO to help us actualise the potentials about which we are aware, potentials which we are capable of realising. The indicators of success give us hope and imbue us with confidence. We want the developed countries to keep this perspective in view when we negotiate concessions and place our demands.

However, we should also not lose sight of the broader picture of marginalisation of the LDCs as a group. The dynamism I have just mentioned is also characterised by a continuing and persistent process of severe differentiation and acute polarisation. The flip side of these apparent indicators of progress in the LDCs is that these marginal advances have been hardly adequate to precipitate any significant and tangible improvement in the lives and livelihood of the overwhelming population in the LDCs. These average macroeconomic aggregates can at best tinker only at the margin, and conceal the unabated trends of deprivation and desperation within and between countries.

For example, the proportion of undernourished population in the LDCs has remained stagnant at 38 per cent since the early 1970s. According to IFPRI, the food security index of the LDCs is much worse than it was before – their per capita food consumption index has declined by 6 per cent over the last 20 years. Today nearly 650 million poor and hungry people live in the LDCs – a number which has hardly changed during the last decade. This process was largely underwritten by a steady deterioration of income distribution in the LDCs.

More than half of the LDC population continue to live on less than \$1 a day, while about 81 per cent live on less than \$2 a day. Number of people living in extreme poverty in LDCs is likely to increase from 334 million in 2000 to 471 million in 2015. There goes your Millennium Development Goals!

Indeed, the aggravation of in-country income inequality was paralleled by a growing income gap between the richest and the poorest countries in the world. Between 1960-1962 and 2000-2002, the gap of per capita GDP between the 20 richest and 20 poorest countries increased by 3 times. In the same vein, the share of richest 10 per cent of the world's population has increased from 51.6 per cent to 53.4 per cent of total world income.

Reviewing the progress indicators of the LDCs, the optimists proclaim that we live in the best of all worlds, and the pessimists fear that this might very well be true.

4. LDCs and the Global Trading Regime

Ladies and Gentlemen!

I trust this house does not need to be convinced about the fact that the LDCs are confronting an unbalanced and inequitable global trading regime. To refresh our memory, let me cite a few illustrations.

On average, LDCs exporting to high income countries face tariffs 4 to 5 times higher than barriers applied in trade between high income countries. This is indicative of the fact that very high tariffs are imposed on labour and resource-intensive products of the LDCs. We are all aware of the celebrated comparison between Bangladesh and France as regards their

relative market access in the US. Customs duty on Bangladesh's export of \$2 billion worth of goods to the US is \$300 million, whereas the duties on goods exported by France are same although France's export to US is worth \$30 billion.

It has been estimated that LDCs are losing about \$2.5 billion per year as potential exports earning as a result of the high levels of tariff protection in the developed countries. There are, however, notable differences among the developed countries regarding market access to LDC products. For instance, effective US import duties imposed on countries like Bangladesh is about 10 times higher than most countries in the European Union. Price distortions caused by US subsidies on cotton lower world prices by 9 per cent to 13 per cent, allowing US producers to dominate world markets.

I shall spare you from the infamous data concerning the European Union's Common Agricultural Policy which supports a sector accounting for 2 per cent of employment but absorbs more than 40 per cent of total EU budget, where agricultural subsidies account for 40 per cent of the value of farm outputs in EU.

The absence of free and fair play does not end with discriminating tariff, questionable export subsidies and market distorting domestic support measures. There are, of course, also the non-tariff barriers as well as technical barriers to trade. LDCs are at a loss to comply with the health and environmental safety standards imposed by the developed countries on LDC products.

Does this mean that deliverance is in renunciation of the WTO? Definitely not! The LDCs need a rule based enforceable system more than any other countries to protect themselves from arbitrary and discriminatory actions of the powerful and influential countries. It is in the best interest of the LDCs to embrace a proactive engagement at the WTO based on a positive agenda.

There is, however, no scope for being oblivious of the systemic issues which militate against the LDCs. We have spent enough time in criticising the rules; the task now is to change them by articulating our own demands and through more vigorous and competent engagements in the negotiating process.

5. The Hong Kong Outcome for the LDCs

What does the Hong Kong Ministerial hold out for the LDCs in this respect?

We need to, however, remember that Hong Kong Ministerial is not the end of the Doha Round, rather it is a mid-term stock taking exercise where the primary task is to agree on the modalities and framework issues of the ongoing negotiations. This needs to be done in order to complete the negotiations by the end of 2006 so that the country schedules are ready by mid-2007; more importantly, before the First Track authority of the US Presidents runs out.

All indications, including the recent World Bank study, suggest that there is a high probability that the LDCs may come out as a loser from the Doha Round. Let me cite at least three reasons for this highly possible, but undesirable outcome.

First, due to multilateral trade liberalisation, the Most Favoured Nation (MFN) tariff is expected to come down. As a result, the tariff preferences enjoyed by the LDCs are going to erode substantially. Currently a concerted campaign has been launched on behalf of the international financial institutions, partly shared by the WTO Secretariat, to prove that trade preferences did not help the LDCs. No country better than Bangladesh knows how much the

various trade preference schemes have helped her to survive in the post-MFA world. This inevitable preference erosion remains a major concern for the LDCs.

Second, implementation of the justifiably demanded reduction of various agricultural subsidies in the EU may lead, in the short run, to global food price rise, while immediately opening up export opportunities for agri-products for a limited number of LDCs. However, 40 out of the 50 LDCs are net food importing developing countries, whereas only 10 LDCs demonstrate some comparative advantage in exporting agri-products. Indeed, we need to remember that total food bill in the LDCs remains as high as 20 per cent of their total import value.

Third, reduction in cotton subsidies is absolutely necessary, but it may also lead to rise in cotton price which may affect not only the export competitiveness of the cotton-importing countries, but textiles and apparel exporting LDCs. We may recall that textiles and apparels together account for 15 per cent of the total exports for LDCs; for some these constitute between 60 and 85 per cent of their national exports.

How can we ensure that the LDCs, for perverse reasons, do not lose out from multilateral trade liberalisation? Our *Forum* has to give meaningful guidance regarding this dilemma. The *Forum* needs to identify ways to compensate for preference erosion, ensure food security and pre-empt industrial employment losses in the LDCs.

It appears that with adoption of the July Package of 2004, most of the *Defensive Agendas* of the LDCs have been addressed upto a point. These include resolution of the controversy surrounding Singapore Issues, progress on export subsidy reduction, waiver on liberalisation commitment for the LDCs, etc. It is now imperative to focus more on the *Offensive Agendas* which include effective zero tariff market access in the developed countries for all LDC products, zero tariff market access in selected advanced developing countries, phasing out of trade distorting domestic support measures in agriculture sector of the developed countries, perusal of LDC modalities for GATS Mode 4 and meaningful implementation of S&DT provisions for the LDCs.

Is this to say that a generous and broad based preferential market access offer, with a high degree of flexibility in other areas of negotiations, supported by enforceable special and differential treatment (S&DT), can ensure significantly enhanced trade performance of the LDCs and concomitant improvement in the living conditions of their disadvantaged citizens? We do think so! Let me cite two most important domestic impediments to translating possible trade gains into improved employment opportunities and increased income dividends for the poor.

First, without addressing the supply-side constraints afflicting all the LDCs, no market access offer will automatically generate competitive export growth. Thus, the governments in the respective LDCs shall have to address reform issues to develop the investment-supportive and trade-supportive infrastructure on a priority basis.

Second, even if the LDCs are able to achieve better export performance, it does not mean that this incremental income will trickle down proportionately to the real producers, workers and consumers. For that matter, one would definitely need to improve the state of economic and political governance in all the LDCs for empowering the marginalised classes, communities and groups.

I trust that the LDC Forum on WTO 2005 convened in Dhaka will also throw light on trade policy reforms within LDCs and also focus on trade, poverty and governance nexus.

Do we see a light at the end of the tunnel? Well, this *Forum* has to tell us that it is, if at all, not the light of an oncoming train.

6. Concluding Remarks

In closing of my statement, I would like to emphasise three points regarding importance of the present Civil Society Forum for advancing the interests of the LDCs at the WTO.

Firstly, there is a need for an ongoing dialogue among civil society actors within countries to identify concerns, search for options and prioritise solutions for harnessing trade benefits for the disadvantaged sections.

Secondly, one needs to underscore the importance of an ongoing interaction between the civil society and the policymakers within the LDCs which could be mutually strengthening and complementary from the point of view of trade-related capacity building. Let us not forget – it is the prerogative of the governments to negotiate on behalf of the citizens. And in this task governments stand to be strengthened, benefited and empowered if they interact closely with their own civil societies.

Thirdly, one would like to reemphasise the imperative for consultation and sharing among global civil society actors from various countries including non-LDCs as they do have wide ranging perspectives with different understanding of priorities. This is particularly pertinent for forging a united front in support of a trade agenda serving the interest of the LDCs.

I am very happy to note that this *Forum* of ours represents a confluence of all three points that I have just mentioned. This triangulation of interfacing of state and various non-state actors is what gives this *Forum* its inclusive character and its unique distinction.

I think the spirit of the Dhaka LDC Forum on WTO 2005 was adequately captured by Lord Tennyson in *Ulysses* when he wrote:

*That which we are, we are:
One equal temper of heroic hearts,
Made weak by time and fate, but strong in will
To strive, to seek, to find, and not to yield.*

Thank you for your attention.