

# Bali outcome: implications for Bangladesh

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**T**HE outcome of the Bali Ministerial Conference of the World Trade Organisation, billed as a historic achievement since formation of the multilateral trading system in 1995, has several ramifications for the member countries.

As has been said by experts, the Bali ministerial, which delivered mainly a three-pronged package, a sub-set of the Doha Round negotiations, has saved the WTO from becoming a defunct organisation having no role in advancing the global economy.

Though the Doha Round that began in 2001 at the fourth WTO ministerial conference was to be concluded by 2005, the subsequent WTO conferences failed to reach an agreement due to different positions of member countries on a number of important issues.

Some of the most difficult areas of the Doha Round negotiations have been agricultural and non-agricultural market access, reform of domestic support policies in agriculture and market access of services. The Bali outcome concerning a few important areas has become a milestone in fulfilling the commitments of the Doha Round.

The Bali package includes trade facilitation (TF), some agricultural issues and a few developmental proposals. TF aims to simplify customs rules and reduce cost of inefficiencies, which are created for a delayed delivery of goods across borders.

A striking feature at present is that the global production process is being disintegrated as the global economy is integrating fast.

The need for TF is urgent in recent years in order to operationalise global supply chains efficiently. The much circulated estimate suggests that the global economy can gain by \$1 trillion from trade facilitation. Trade costs are expected to decline by 10 to 15 percent through increased flow of trade, creation of a stable business friendly environment and attraction of additional foreign investment.

The most contentious issue of the Bali package was the agriculture subsidy on which India took a strong position. As can be recalled, the Doha Round aimed for a 'fair and market-oriented agricultural trading system'.

This was to be achieved by way of substantial reductions in trade-distorting domestic support for agricultural commodi-



Indonesia's Trade Minister Gita Wirjawan (R) shakes hands with WTO Director General Roberto Azevedo (L) after the final agreement before the closing ceremony of the World Trade Organisation conference in Bali on December 7.

ties, improvements in market access for agricultural goods, and reduction of export subsidy.

The deal on agriculture subsidy has been difficult since developing countries have urged reforms for the trade-distorting farm policies adopted by developed countries. Developing countries also demanded special treatment for their small farmers to allow for more flexibility for food purchased at subsidised prices. It allows countries to build public stocks of food grains for food security purposes.

The Bali outcome declares that developing countries will not be challenged legally even if the limit to trade distorting domestic support by a country exceeds 10 percent.

However, the proposed solution on food subsidy is an interim one until a permanent one is reached. Member countries have committed to setting up a work programme to find a permanent negotiation outcome within four years, which is no later than the eleventh WTO ministerial conference in 2017.

In the Doha Round talks, 'development' was placed at the core—to address the needs of developing countries, particularly the least developed countries.

The development package announced in Bali reiterates various issues that include simplified rules of origin, operationalisation of the 'services waiver' for LDCs, duty-free

and quota-free market access for LDCs and monitoring mechanism on special and differential treatment.

For LDCs such as Bangladesh, the Bali text has high significance. Bangladesh will need support to implement the TF agreement so that it can build infrastructure and an institutional framework to increase trade.

Besides, the Bali declaration indicates that developing and LDC members will get waivers in implementing the TF agreement provisions until they acquire implementation capacity.

Only on the basis of their individual development, financial and trade needs or their administrative and institutional capabilities, LDC members will have to undertake com-

mitments on TF.

The MC9 also calls upon developing country members to provide capacity building assistance to other developing countries and LDCs.

Though Bangladesh is not a food exporting country, it has to follow the implementation of the food subsidy issue carefully. Food prices may increase in the global market due to higher procurement by countries.

Moreover, during times of food shortage stock piling may encourage export bans. This will hurt consumers in Bangladesh as was experienced in 2008.

The operationalisation of the 'services waiver' offered during the MC8 in 2011 and reiterated at the MC9, is fraught with several challenges as it is not a legal binding on the part of the developed countries.

LDCs need to improve upon their capacities in order to take full advantage of this facility for which financial and technical support is a pre-requisite.

The major component of the development package for Bangladesh is implementation of the DFQF market access. The MC9 stipulates that developed countries, which are yet to provide DFQF to LDCs will do so for more than 97 percent tariff lines before the next WTO ministerial conference (MC10).

Developing countries are also required to start providing DFQF to LDCs. However, providing DFQF market access for more than 97 percent tariff lines by developed countries is not a legally binding commitment as is the case with services waiver.

Given the limited productive capacity, LDCs sought simplified preferential rules of origin (RoO) for implementing the DFQF decision and keeping the threshold level of value addition as low as possible so that LDCs can comply with it.

Overall, the Bali package is expected to bring in a number of positives for Bangladesh as much as it will do for other member countries. The rest of the Doha Round work programme will be revisited in the next twelve months as to how to address them. Among these, the most important one would be making the commitments legally binding. The work programme to be devised by the members during the coming months will shape the implementation process.

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## Malnutrition and votes drove India's tough WTO stance

AFP, New Delhi

**S**IXTY-YEAR-OLD Anju Sharma points to the family's meagre food supplies in her one-room shanty in a New Delhi slum as she clutches her skinny two-year-old grandchild on her lap.

There's a bag of rice and a half tin of pulses in the windowless shack where daylight and pungent smells from a nearby garbage dump enter through a rusting open door.

"We have food but it's never enough for these kids," said Sharma, gesturing to the girl on her lap and her two other grandchildren -- wiry boys who appear far too short for their ages of 11 and 12.

Food shortages are rampant in India, despite years of mainly galloping growth and the nation's aspiring superpower status.

To tackle what development experts call "a malnutrition epidemic" and with general elections looming, India stood firm on a massive food subsidy scheme to feed its poor at last week's global trade talks in Bali.

"For India, food security is non-negotiable," Indian Commerce Minister Anand Sharma told the World Trade Organization summit.

India -- home to a quarter of the globe's hungry, according to UN figures -- passed a food security act in August increasing subsidised grain purchases to feed hundreds of millions of poor.

But it feared a WTO rule capping subsidies at 10 percent of farm output jeopardised the 1.2 trillion rupee (\$19.5-billion) scheme, the world's largest, and demanded exemption from the rules.

In the end, compromise wording allowed New Delhi to accept a deal -- reeling the WTO back from failure as it clinched its first-ever trade reform agreement.

India's new food plan extends an existing scheme to 800 million of the country's 1.2 billion population -- entitling them to five kilograms (11 pounds) of rice, wheat or millet per person per month at below-market prices.

The left-leaning Congress party government's measure also guarantees midday meals for school children and calls for nutritious food for children younger than six.



Homeless people eat at a feeding programme for the poor in Hyderabad, India. To tackle what development experts call a malnutrition epidemic and with general elections looming, India stood firm on a massive food subsidy scheme to feed its poor, at last week's global trade talks in Bali.

Critics say supplying grain at a fraction of market cost will weigh on public finances at a time when the economy has slowed sharply. Other critics see the scheme as a sop to the poor -- traditional Congress core supporters.

"The Congress's DNA is populist. It believes this food scheme will help it win voters -- it could not jeopardise its main electoral plank by backing down at the WTO," Subhash Agrawal, head of think-tank India Focus, told AFP.

Italian-born Congress matriarch Sonia Gandhi, who has made food security the party's campaign centrepiece for the polls due by May, says India must implement the plan to tackle a malnutrition rate worse than in many sub-Saharan African states.

"We have to figure out the means," Gandhi, Congress party's president and widow of slain former premier Rajiv Gandhi, told parliament in August.

"The question is not whether we can do it or not. We have to do it," said Gandhi, 66, who is believed to regard the food security scheme as

her political legacy.

One-fifth of Indians are undernourished, exposing them to disease and early death, says the US-based International Food Policy Research Institute.

Some 42 percent of children below five are chronically malnourished, stunting them physically and intellectually, according to an NGO study last year cited by the prime minister.

"This measure is to address the failures of economic growth -- we need some sort of safety net guaranteeing basic nutritional requirements," Mumbai development author Sudhya Narayanan told AFP.

Economists Amartya Sen and Jean Dreze in a recent book argued India's inability to adequately feed its population represents "catastrophic failures with wide-ranging implications not only for the people of India today but also for the generations to be born in the near future".

But economist Rajiv Kumar argues Indians need more nourishing food, not just grains.

"They lack nourishment and that nourishment is not going to be

achieved with food grains but with a bigger supply of proteins, dairy, fruits and vegetables," he told AFP.

Other critics say the money would be better spent on such areas as sanitation so children are no longer afflicted by chronic diarrhoea which stops them absorbing nutrients and kills thousands yearly.

And even Congress concedes India's famously corrupt public distribution system, which already covers 100 million "below poverty line" families and another 140 million "above poverty line" families, must be reformed to ensure the grains reach intended recipients.

The food is to be allocated through state-owned "fair-price" shops, which one 2005 study showed divert 58 percent of subsidised grains on to the open market.

While Gandhi hopes the new scheme will win votes, many of the Delhi slum residents backed Hindu nationalist rival Narendra Modi, chief minister of prosperous Gujarat state and candidate to be India's next prime minister.

## Expectations grow for Trans-Pacific trade deal

REUTERS, Singapore

**E**XPECTATIONS are growing that an ambitious trade pact between a dozen nations around the Pacific Rim may be wrapped up in 2-3 months, with signs that political desire for a deal is trumping a string of technical difficulties in drawing it up.

Just days after the first World Trade Organisation trade reform deal was pushed through on Saturday, trade ministers from 12 countries are in closed-door talks in a Singapore hotel to try to tie up the Trans-Pacific Partnership (TPP).

Agreement would establish a free-trade bloc stretching from Vietnam to Chile and Japan, encompassing some 800 million people and almost 40 percent of the global economy. More far-reaching than other deals, it would go beyond tariffs on physical trade and try to regulate sensitive areas such as government procurement and give companies more rights to sue governments.

Just a few months ago a deal looked a long way off, with Japan only entering into the talks in July and many countries at odds over issues ranging from tariffs on farm produce to rules on Internet freedom and state-owned enterprises.

However, a push by the United States to try to reach some kind of agreement by the year-end looks as if it may be starting to pay off. Yasutoshi Nishimura, a senior vice minister at Japan's Cabinet Office, told reporters on Monday that progress was made during talks over dinner on Sunday, and observers say plenty of pre-work for the TPP talks went on during last week's WTO meeting in Bali.

"I would like to continue to make efforts toward an agreement by the year-end," Nishimura said, adding he planned to hold bilateral talks with the United States later on Monday.

Observers say that while an agreement in Singapore by the time the 4-day talks end on Tuesday is unlikely, there could be enough impetus to conclude a deal within the next couple of months, even if many technical issues are not finalised.

"If they're close enough on the political issues, they could announce a sort of political agreement and say 'we're done', and the last little bits will be resolved on their own," said Deborah Elms, head of the Temasek Foundation Centre for Trade & Negotiations. "That's possible."

One sticking point has been Japan's long-stated aims to exempt five sensitive farm products - rice, wheat, beef and pork, dairy products and sugar - from the

scrapping of tariffs.

Nishimura said they are unlikely to move far on that issue. "I've already mentioned the parts we can't budge on, so the issue is what both sides can do based on that," he said, referring to the bilateral talks between Japan and the U.S.

"For my part, I would like the United States to show flexibility."

The TPP negotiations, which have run for three years, have been mired in controversy over a lack of transparency, and slowed by the conflicting interests of the negotiating countries, U.S. lawmakers and advocacy groups.

No draft of the entire text has been released - a move criticised by campaigners, who say they are being kept in the dark about what's at stake. A leak of a draft chapter on intellectual property, released by Wikileaks last month, revealed a number of serious rifts among the countries, which would have suggested a deal was some way off.

However, observers say political manoeuvring is likely to push it through.

"We are not in a rational zone, we are in a political zone and this agreement has increasingly become one about foreign policy issues and strategic alliances, and making the least worst trade-offs to achieve a final agreement," said Jane Kelsey, a law professor at the University of Auckland, who is in Singapore to try to observe the talks.

The U.S. has also faced roadblocks at home, with Congress complaining about a lack of consultation over the deal and opposing proposed new legislation that would give the White House a freer hand to clinch such trade agreements.

Even if a deal is reached within the next few months, it's likely to be some time until it comes into effect.

With the U.S. government lacking the ability to "fast track" approval of the deal and mid-term elections coming up next year, it may not be put before Congress for approval until November at the earliest. "Best case scenario is July 1, 2015, and probably more likely is January 1, 2016 for this to come into force," said Elms at the Temasek Foundation Centre.

The agreement could also be expanded - last month, South Korea said it planned to join the 12-nation talks soon, while there is also a possibility that China could eventually enter the talks, too.

The full list of those already in the talks is the United States, Canada, Japan, Australia, New Zealand, Singapore, Malaysia, Brunei, Vietnam, Chile, Mexico and Peru.