

Revival of the multilateral trade regime

ASJADUL KIBRIA, back from Bali

THE conclusion of the ninth ministerial conference of the World Trade Organisation with a formal declaration and set of decisions in three areas—agricultural subsidy, trade facilitation and least developed countries—is a breakthrough in long stalled multilateral trade negotiation.

The four-day meeting that ultimately advanced to an unscheduled fifth day to come to a positive declaration in the panoramic island of Indonesia was a big challenge for the organisation as well as multilateral trade regime.

It now appears that members have to some extent become successful in overcoming the challenge. In fact, by approving the Bali declaration and adopting the Bali package, WTO members immediately reinstate the rationale and justification of the organisation, which has come under question for long.

As a governing body of the rule-based multilateral trading system, the necessity of WTO continuously comes under question and criticism, and these intensified in the last couple of years as members engaged in negotiations could not find a landing zone.

In this context, the Bali conference in Bali Nusa Dua Convention Centre on December 3-6, 2013, brought a historical opportunity for 159 member countries of the organisation.

Members also lowered their expectations as reflected in the three pillars of the Bali package, which is a small portion of the full Doha agenda.

"A minimal package has been brought into Bali for finalisation and three small parts of the overall Doha agenda are there," said Dr Matthes Buhbe, director of Friedrich-Ebert-Stiftung Geneva office.

"WTO has a lot of things to do. So, for survival of the global institution, a breakthrough is a must in Bali."

DOHA SAGA

The Doha Development Agenda was initiated in the fourth WTO ministerial conference in the Qatari capital with high ambitions to negotiate and revise a long-range of multilateral trade rules. These included trade in agriculture, industry and services, intellectual property rights, trade facilitation and dispute settlements.

As negotiations are based on the 'single undertaking' principle, many believe that it prolongs negotiation, which is still unsettled.



REUTERS

World Trade Organisation Director-General Roberto Azevedo gestures as he is congratulated by delegates after the closing ceremony of the ninth WTO Ministerial Conference in Bali on December 7.

Under the 'single undertaking' principle, it is said that "nothing is agreed until everything is agreed".

This means members have to conclude the Doha negotiation as a unified package and all the issues have to be settled and finalised as a single agenda. Thus, even when only one of 20 areas of trade is not negotiated, the rest 19 negotiated areas cannot be adopted.

The developing and developed nations are sharply divided on farm subsidy and tariff reduction, which are the two major areas for prolonging the Doha round trade discussion.

Developing countries, led by India, Brazil and South Africa (so called IBSA), are pressing for reduction of huge subsidies on agriculture production and export of developed nations. On the other hand, developed countries led by the US and European Union are pressing for cutting the higher level of import tariff in developing countries.

Year after year, very little progress is made on these two issues and so, many other areas

do not get proper attention. Since Doha, four ministerial conferences (excluding Bali) have taken place, namely, Cancun (2003), Hong Kong (2005) and Geneva (2009 and 2011). Only the Hong Kong ministerial came up with some positive output, while the last two in Geneva were almost nothing but formalities.

On the other hand, a series of complex issues have emerged and re-emerged in the global platform over the years. The hype over climate change and its effect became more prominent in the last couple of years and countries become busier negotiating climate deals.

BARGAIN IN BALI

Preparations for the Bali conference began with a new director general for WTO. Roberto Azevedo, a Brazilian diplomat, replaced Pascal Lamy and added renewed effort in Geneva, where the WTO head office is situated. In order to avoid another collapse, Azevedo moved with small elements of the Doha agenda to ease pressures and reduce negotiation complexities.

"Even after small agendas, it is not easy to negotiate as there are some differences on areas of agriculture subsidy and trade facilitation. Although all members earlier agreed on development issues focused on least developed countries, they will not get anything until there is settlement in two other areas," Buhbe of Friedrich-Ebert-Stiftung Geneva office said.

Tensions escalated when Indian Commerce Minister Ananda Sharma said his country would not compromise on food security. The US and EU criticised such a stance, saying that this was a place of negotiation and there should not be a non-negotiable agenda.

Although the Indian ambassador in Geneva has agreed on an initial draft text accommodating a so-called 'peace clause' for four years, the Indian government later strongly disagreed having the upcoming elections in mind.

The food security act was passed a few

months back to provide greatly subsidised food to 67 percent of the Indian population. Every month, a poor Indian person will receive 5 kilograms of cereal at Rs 3 a kilogram for rice, each kilogram of wheat at Rs 2 and each kilogram of coarse cereals at Rs 1.

To do this, the Indian government has to increase the amount of subsidy, which significantly crosses the permissible level of subsidy.

Thus, after difficult bargaining, the Bali package offers member countries an interim mechanism to safeguard the minimum support prices for farmers against WTO limits, till a permanent solution is adopted.

It also asks members to develop a permanent solution to the public stockholding issue in four years. Thus India, as well as other developing countries, is insulated from being challenged on its agricultural subsidies through the dispute settlement mechanism for the interim period.

Regarding trade facilitation, developed countries have completed a lot of work and it is actually the developing countries' turn to do their work.

Buhbe believes that trade facilitation would be beneficial to both developed and developing countries, as it would reduce the unnecessary cost of entry and exit at the borders of the countries.

"Bribes at customs points to move consignments faster benefit a few people financially, keeping bureaucratic ineffective and corruption in place," Buhbe said. "This is costly for trade."

The agreed text on trade facilitation will have binding commitments in customs procedures and regulations by the member countries. And the Bali declaration also provides assurance that developing countries and LDCs will get technical and financial support in building capacities to implement the agreement.

The LDC package needs detailed analysis and is in the greater interest of Bangladesh. It can be said that the actual development benefit is still questionable.

Several estimates revealed that the Bali deal could produce economic gains of anywhere from \$500 billion to \$1 trillion. To tap the gain, it is now the members of the WTO who need to continue the intensive multilateral negotiation in the next few months. Thus revival of the multilateral trade regime has a long way to go.

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BlackBerry loss widens, unveils tie-up with Foxconn

AFP, Ottawa

BLACKBERRY said Friday it fell deeper into the red in the past quarter as the struggling smartphone maker unveiled a manufacturing partnership with Taiwan-based Foxconn and a revamped organizational structure.

The Canadian firm reported a massive \$4.4 billion loss in its third quarter, four times higher than in the previous quarter, as smartphone sales slumped by half.

The company also unveiled a five-year partnership with Foxconn, described as "the world's largest manufacturer of electronic products and components."

Foxconn will jointly develop and manufacture a number of new devices and help manage inventory -- an area where BlackBerry has struggled.

Foxconn, the marketing name for Hon Hai Precision Industry Co., is also a main supplier of one of BlackBerry's chief rivals -- Apple.

The new partnership, according to BlackBerry, demonstrates its long-term commitment to selling smartphones, after speculation that it might abandon device sales to focus on software and services.

BlackBerry has made repeated public pleas over the past year for customers to stick with it amid forecasts of its pending demise.

The Waterloo, Ontario-based firm attributed the extent of its quarterly loss to a \$4.6 billion charge for an inventory write-down and other one-time costs.

But the company is also seeing plummeting sales, with third quarter revenues of just \$1.2 billion, 56 percent lower than a year earlier.

The results were "worse than depressed expectations," said RBC Capital Markets analyst Marc Sue.

The company sold just 1.9 million smartphones in the quarter, nearly half the figure

from the previous quarter, suggesting the release of the Z10 handset -- a touchscreen device launched this year and aimed at competing against Apple and Android rivals -- has failed.

But the company said that 40 million new iOS/Android users have registered over the past 60 days to use its messaging system.

Sue summed up the results as reflecting the company's challenge in maintaining customers, predicting "more layoffs to come" as it burns through cash.

The company's "lack of clear strategy (will) weigh on shares," he said in a note to clients.

This was the first financial report since John Chen was slotted into BlackBerry's top job last month, in a management shakeup that also saw several top executives depart.

Chen said BlackBerry's enterprise services for organizations and its messaging products are in good shape, and its "most immediate challenge" is to turnaround its handset business.

"We have accomplished a lot in the past 45 days, but still have significant work ahead of us as we target improved financial performance next year," Chen said.

The chief executive said BlackBerry is "financially strong" and has "a broad and trusted product portfolio to work with."

"With the operational and organizational changes we have announced, BlackBerry has established a clear road map that will allow it to target a return to improved financial performance in the coming year," he vowed.

In September, the company announced that it was laying off 4,500 staff -- or one third of its global workforce -- after losing \$965 million in its second quarter.

BlackBerry helped create a culture of mobile users glued to smartphones, but lost its luster as many moved to iPhones or devices using Google's Android software.

British economy in cautious recovery heading into 2014

AFP, London

Britain is cementing its economic growth recovery, official data revealed on Friday, as the government's deficit-reduction programme won support from the Standard and Poor's ratings agency.

But analysts voiced doubts surrounding the duration of the recovery as separate figures revealed a widening of the country's public deficit, adding to market concerns over Europe-wide growth.

The Office for National Statistics said British gross domestic product (GDP) grew by 0.8 percent in the third quarter, confirming previous estimates, while the data came at the end of a week in which Britain announced a larger-than-expected drop to unemployment.

Also on Friday, the ONS said the government's public sector net borrowing requirement, excluding taxpayers' money used to rescue banks, rose to £16.5 billion (\$27 billion, 19.7 billion euros) in November compared with £15.6 billion a year earlier.

Ahead of the data, Standard and Poor's confirmed its top 'AAA' credit rating for Britain, noting the government's commitment to reducing its budget deficit even if the deep austerity measures continue to slash public sector jobs.

Offsetting these losses has been a pick-up in jobs created by the private sector.

"Markedly rising employment and a robust housing market will likely underpin consumer spending over the coming months," Howard Archer, chief European & UK economist at consultants IHS Global Insight, said on Friday.

Archer also noted however that "if the recovery is to be sustained at a healthy pace, it really does need a marked, extended pick up in business investment and for exports to improve markedly".

Gross domestic product grew by an upwardly-revised 1.9 percent in the third quarter or three months up to the end of September, compared with output a year earlier, the ONS added on Friday. The prior estimate had stood at 1.5 percent.

At 0.8 percent, the quarter-on-quarter rate marked the fastest pace for more than three years.

The government welcomed the figures.

Why do New York politicians hate small business?



New York City Mayor Michael R Bloomberg meets with incoming Mayor Bill de Blasio (L) at City Hall after his election victory in New York.

GROVER G NORQUIST and PATRICK GLEASON FOR REUTERS

New York Governor Andrew Cuomo appointed a commission to figure out how to make the Empire State more business-friendly and change its reputation for high taxes. The New York state government is now running commercials on national television touting the tax breaks that businesses can get by relocating there. "Small Business Saturday" – the annual post-Thanksgiving event encouraging folks to patronize small businesses – was heavily promoted in nearly every media outlet.

However, there may be no place in the country that treats small businesses worse than New York. Harmful policies come out of both City Hall in Manhattan and the State House in Albany. The commercials, narrated by Robert DeNiro and set to Jay-Z's iconic song, Empire State of Mind, may look cool, but what New York needs to make itself more conducive to investment, job creation and economic growth, is better fiscal policy. Not more glamour.

Though it's great to see Cuomo own up to the fact that New York's tax climate is inhospitable to employers – and events like Small Business Saturday are nice – this doesn't change the fact that New York's political class is uniquely hostile to small business. To the detriment of the

entire state economy.

Step one is admitting you have a problem and Cuomo has done this with his commission. He has offered to waive taxes for businesses that set up shop in certain parts of the state, such as Albany. But then he signs bills that harm employers across the state.

If Cuomo, a 2016 presidential prospect, does decide to run, he might have trouble explaining the 2011 tax package he signed – if he makes it to the general election.

Cuomo's tax plan, as the Wall Street Journal described it, tossed out "the most desirable part of New York's tax code, which is its relative flatness... The new code will include a 'progressive' ladder: 6.45 percent for couples earning between \$40,000 and \$150,000, 6.65 percent from \$150,000 to \$300,000, 6.85 percent from \$300,000 to \$2 million, and 8.82 percent above \$2 million (\$1 million for individuals)."

Cuomo portrayed his proposal as a tax hike on "the rich." That may sound like music to the ears of many New York Democrats. But the unmentionable target of this tax increase was small business.

Cuomo's tax plan hit more than 8,000 New York small businesses with a whopping 27 percent rate increase, according to Internal Revenue Service data. This figure, however, only accounts for sole proprietors. Factoring in S-Corps and partnerships that also pay the indi-

vidual income tax, more than 10,000 New York small businesses saw their taxes go up under Cuomo's plan.

Employers with tight profit margins can't survive such a big increase in Albany's cut of their business. Those that can saw a significant reduction in their job creating capacity as a result of Cuomo's tax hike.

In addition to his tax policies, Cuomo's continuation of New York's ban on hydraulic fracturing prevents some of the most depressed parts of the state from realising the economic growth and prosperity taking place just across the border in Pennsylvania, where local businesses are benefitting from the Keystone State's exploitation of the resources found in the Marcellus Shale – which also runs under New York.

Small business owners in New York City, where employers face some of the highest tax rates in the world, have it particularly bad. Unfortunately, the election last month of Bill de Blasio as mayor suggests their plight is only going to get worse.

The Big Apple is one of few U.S. cities that levies a personal income tax, and de Blasio ran on a proposal to raise it by 14 percent for those earning more than \$500,000. Taking a page from President Barack Obama's playbook, de Blasio portrays his cash grab as a tax hike on rich plutocrats like Scrooge McDuck-like vaults of money in which they can swim around.