LDCs' marginal gain in Bali

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WITH the conclusion of the ninth ministerial conference of World Trade Organisation, stakeholders are busy analysing the outcome.

The three major areas or pillars of the Bali package are: agriculture, trade facilitation and development—all issues of the least developed countries (LDCs).

Many believe LDCs, including Bangladesh, did not get anything from Bali, rather, they are the main losers. Some also argue that the Bali declaration is a backward step for the poor countries. All these propositions have their own logic and analysis.

Going through texts related to LDCs from the Bali package would also make it clear that the gains of the poor countries are questionable. There are mainly four LDC issues included in the Bali package—duty-free quota-free market (DFQF) access, service waiver, rules of origin and special and differential treatment. The critical cotton issue has also been addressed under the Doha Development Agenda (DDA).

The outcome of Bali is crucial for LDCs as it reaffirms the critical needs of the LDCs. Are the decisions enough to address the concerns of these countries?

The major demand of the LDCs is 100 percent tariff free market access to the developed and developing countries. The Hong Kong ministerial meeting in 2005 decided to allow full DFQF market access to poor countries on condition that countries "facing difficulties" shall provide DFQF free market access for at least 97 percent of products originating from LDCs "by 2008 or no later than start of the implementation period. ″

Almost eight years have passed since then and all developed countries, including Canada, Australia and New Zealand, have offered tariff free or preferential access to LDCs, including Bangladeshi products.

The one exception is the US. It is the only developed country that is yet to provide 100 percent market access to Bangladesh, Nepal and Cambodia. The US is the largest export destination of Bangladeshi products, led by apparel. The European Union is, however, the largest unified export market and Bangladeshi items are enjoying tariff free access there.

REUTERS/FILE

Protesters hold signs against the ninth World Trade Organisation Conference in front of United States embassy in Jakarta on December 6.

The US is denying full market access to Bangladesh on the plea that the Hong Kong ministerial declaration linked 100 percent market access with "no later than the start of the implementation period".

So, the US is actually stressing the implementation period, arguing that as the Doha trade talk is yet to be completed, there is no binding on implementing a full market access facility. And access to 97 percent is for 'members facing difficulties'. Certainly, the US is not a country that belongs to this category.

Bangladesh is not only deprived of duty-free access, but also facing higher tariff barriers while entering the US market. Only 4 percent of Bangladeshi export items enjoy duty free access. This means, 96 percent of export items, including garments, remain outside any preferential tariff arrangement in the US.

Statistics compiled by Global Works Foundation, a Washington-based organisation, revealed that in 2012, about $732 million was deposited with the US exchequer as import tariff against imports worth of $4.9 billion from Bangladesh.

The tariff rate is as high as 15 percent; the import tariff rates on Germany and France are 1.5 percent and 0.9 percent respectively. Cambodia is the only country facing a higher tariff rate over Bangladesh.

Statistics also revealed that importers of Bangladeshi products in the US had to pay the highest tariff among the South Asian countries. In 2012, average US tariff rates on Sri Lanka, Pakistan and India were 11.3 percent, 9.7 percent and 2.2 percent.

"Developed-country members that do not yet provide duty-free and quota-free market access for at least 97 percent of products originating from LDCs, defined at the tariff line level, shall seek to improve their existing duty-free and quota-free coverage for such products, so as to provide increasingly greater market access to LDCs, prior to the next Ministerial Conference," according to the Bali declaration.

Here it is clear that 100 percent DFQF access is not there and the main demand for LDCs is not addressed appropriately.

But, some hidden benefit lies within the decision. Firstly, it stressed the extension on existing DFQF. Secondly, it stressed 'greater market access'. Thirdly, it set a deadline of two years as the next ministerial is likely to be held after two years.

However, the word 'seek' added after the word 'shall' changes the tenor of the mandate and reduces it to just a best endeavour clause.

One must keep in mind that the implementation of the WTO decision is interpretive. Bangladesh can now negotiate with the US to extend DFQF coverage of products.

Currently, China is giving Bangladesh market access to 65 percent of products, which includes many garment items. So, it is more effective. Moreover, countries have to inform WTO on extension of market access coverage in time.

Thus, the Bali decision of DFQF market access is not a big leap, but small and significant progress achieved through hectic negotiation. The next step is to continue the tempo of negotiation to bring some real results.

The Bali declaration brings a set global guideline for rules of origin (ROO) for the LDCs. Although it is not a binding commitment, it widens the scope. Already, LDCs including Bangladesh are enjoying relaxed ROO in many developed markets. For example, Canada accepts only 25 percent local value addition. Now, the guideline asks to simplify the calculation method and WTO will annually review progress.

The service trade waiver is a complex issue. The ministerial decision asks the poor countries to submit a joint request 'identifying the sectors and modes of supply of particular export interest to them'. This will be a hectic exercise but may strengthen the negotiation capacity of LDCs as a group.

READ MORE ON B3

Food prices: a bricks and mortar problem for Indian economy

REUTERS, *Gurgaon, India*

THREE months since journeying more than 700 miles (1,130 kms) from his village in Chhattisgarh to take a job in this bustling city near the capital, New Delhi, Charan is already looking forward to a 10 percent pay rise. He isn't an engineer or programmer. He hauls bricks and sand at a local construction site for less than $100 a month.

India's biggest cities face a worsening shortage of migrant manual labourers like 26-year-old Charan, who goes by only one name. While India has long suffered from a dearth of workers with vocational skills like plumbers and electricians, efforts to alleviate poverty in poor, rural areas have helped stifle what was once a flood of cheap, unskilled labour from India's poorest states.

Struggling to cope with soaring food prices, this dwindling supply of migrant workers are demanding - and increasingly getting - rapid increases in pay and benefits.

"After paying for food we are left with almost nothing. We need a wage hike," said Charan, who sends a part of whatever he and his wife, who works at the same site, manage to save to their parents back home in Chhattisgarh.

If their employer refuses to give them an adequate raise, they are confident they'll find better-paying jobs at one of the hundreds of other sites dotted around Gurgaon.

Such gains by migrants and the rural poor don't come without a cost to the rest of the country.

More than pressuring corporate profits, these rapid blue-collar wage increases threaten efforts to quell inflation by new Reserve Bank of India (RBI) chief, Raghuram Rajan, the former International Monetary Fund economist who took over as governor at the RBI in September. Rajan has made price stability a policy priority, calling it a prerequisite for reviving economic growth that has slipped to 5 percent a year, the lowest in a decade.

Despite little evidence that interest rates can control food prices, Rajan has raised rates twice since taking over to prevent food-price inflation from spilling over into the wider economy. He has warned of another hike next month if prices don't cool significantly.

"India has become a high-cost economy," said Devendra Kumar Pant, chief economist at India Ratings & Research. "Persistently high inflation is a recipe for disaster."

REUTERS

Labourers work at the construction site of an educational institute in the western Indian state of Gujarat.

Take onions, which figure in almost every Indian meal. Prices for onions shot up 190 percent to $1.60 a kilogram in the past year, making them more expensive in India than in the United States, where incomes are roughly 35 times higher. That helped push vegetable prices up 95 percent in the past year and pushed India's headline inflation rate in November to 7.5 percent, a 14-month high.

And while vegetable prices are expected to start easing next month following a bumper harvest, subsidised government purchases of grains and rising farming costs mean overall food inflation is not likely to slow down much.

Farming costs are also being driven higher by a government-run, rural employment guarantee programme that uses public works projects to provide at least 100 days of guaranteed wage employment each financial year to each rural household with adult members willing to work on irrigation, reforestation, soil conservation and road construction.

Since its rollout in 2006, the programme has helped boost livelihoods on poor Indian farms. In the largely rural Andhra Pradesh, according to one study, the programme has enabled households to boost spending by a tenth, and raise spending on items other than food by almost a quarter.

Rural wage increases have jumped, from 2.7 percent a year before the programme to 9.7 percent after its passage. Since 2009, nominal agricultural wages have climbed by more than a fifth a year, with non-farm rural wages up almost 17 percent.

Adding to wage inflation is a pickup in economic activity and job creation in laggard states of central and eastern India, which in the past used to be the main source of migrant labour.

Improved law and order and greater focus on development have helped boost growth in poorer states such as northeastern Bihar, whose economy has been growing by roughly 11 percent a year since 2006.

While that's not enough to reverse India's broader economic slowdown, migration of workers has dramatically slowed down.

With jobs and wages rising so fast at home, big cities offer less of a lure to rural workers. Bihar estimates that immigration of unskilled workers last year dropped by two-fifths. That's shutting down an important source of workers for industries that have come to rely on them, particularly the construction sector that accounts for 8 percent of India's GDP.

"Wages in states like Bihar are more or less comparable to those in Delhi," said Ram Kumar, a contractor who supplies workers to different construction projects around Gurgaon. "But the cost of living is much cheaper than Delhi. So there's not much to gain from coming to big cities."

Wages for blue-collar workers, skilled and unskilled, are growing by an estimated 15 percent a year, according to government data, faster than the 6 percent average inflation rate, but barely above the 13 percent average annual increase in food prices. Construction workers have managed to do better, with wages rising at an average of 18 percent annually since 2009, according to data from India's Construction Industry Development Council, a joint government-private sector body.

"Inflation is leading to the need to increase wages," said Kumar Gera, Chairman at Gera Developments, a real estate developer in western India. "When workers come and tell you they can't afford essential food items with what they are earning, you have to raise wages."

Days of the 'bank job' are numbered, report suggests

BBC NEWS

THE number of robberies on British bank branches has dropped by 90 percent in the past decade, figures from the British Bankers Association suggest.

The BBA said there were 66 robberies in 2011, compared to 847 in 1992.

The drop has been attributed to a raft of innovative technologies making it extremely difficult for "traditional" robbery tactics to work.

"Banks are working hard to confine armed robberies to the world of TV dramas," BBA chief Anthony Browne said.

"Being caught up in a bank job is a terrifying ordeal for staff and customers that can scar lives for decades.

"It's great to see that the number of these crimes have fallen sharply in recent years. Anyone trying to rob a bank now faces much better CCTV, protective screens that can rise in less than a second and even special fog designed to disperse criminals.

"Banks will continue to work closely with each other, post offices and the police to make such raids a thing of the past."

A similar trend has been noted in the US, where FBI figures for 2012 put the number of bank robberies nationwide at 3,870 - the lowest in decades.

In an effort to deter criminals and make branch workers safer, banks have made significant investments in security technology.

These range from simple barriers - which drop down when a panic button is pressed - to special "fog" that disorientates criminals.

Barclays fined $3.75m after record-keeping failure

BBC NEWS

BARCLAYS has been fined $3.75m (£2.28m) by a US regulator for allegedly failing to keep proper electronic records, emails and instant messages.

The shortcomings occurred between 2002 and 2012, said the Financial Industry Regulatory Authority (Finra).

Finra said the bank failed to preserve data detailing its orders, confirmation of trades, records of accounts and other information.

Barclays did not admit or deny wrongdoing, but agreed to a censure.

It had not prevented the information from being altered or destroyed, said Finra.

The bank also failed to keep attachments to some Bloomberg emails between 2007 and 2010, and failed to retain about 3.3 million instant messages sent using Bloomberg terminals between 2008 and 2010.

Once one instant message with an attachment was processed by the bank, no more could be received that day, Finra said.

Brad Bennett, enforcement chief at Finra, said: "Ensuring the integrity, accuracy and accessibility of electronic books and records is essential to a firm's ability to meet its compliance obligations."