



## U.S. Gender and Trade Network

### *Post Hong Kong Ministerial: Issues going forward* March 15, 2006

#### INTRODUCTION

The U.S. Gender and Trade Network (USGTN) is a group of trade and gender specialists looking at trade and investment in the United States from a feminist gendered critique. The components of this USGTN resource on the outcomes of the 6<sup>th</sup> WTO Ministerial in Hong Kong in December 2005 in the areas of Development, Agriculture, Services and Non-Agricultural Market Access (NAMA) will highlight what was and wasn't agreed upon at the ministerial and point to ongoing concerns as the negotiations progress. This resource also critiques the role of the U.S. government in this process and calls for more effective and sustainable policies as we continue to closely monitor multilateral negotiations from a gender perspective.

The Hong Kong Ministerial avoided a third collapse by agreeing upon a weak and general declaration. However, as negotiators return to Geneva, it is clear that countries remain deadlocked on many critical issues. The results of the Hong Kong ministerial highlight the fact that negotiations to complete the Doha Development Round are not about promoting sustainable development, but are geared toward opening new markets and promoting growth among a select number of developed countries. The push by developed countries to open key developing country markets while being resistant to demands for similarly opening of their domestic markets has prompted many in the Global South to characterize the WTO as the latest method of colonization. In their view, the lack of controls, the identification of workers as a comparative advantage and resultant abuse, the drive by developed countries for greater extraction of developing countries' natural resources, and the persistent power imbalance indicate that the focus is not on encouraging the economic and social development of the Global South, but rather furthering the corporate interests of wealthy, industrialized countries.

The most contentious area of negotiations, **agriculture**, did not significantly advance prior to or during Hong Kong. Countries did agree in Hong Kong to cut export subsidies by 2013. However, this date is far away and potentially subject to change when the European Union agricultural subsidies are up for review in that year.

In **services** negotiations (General Agreement on Trade in Services—GATS), trade ministers agreed to support plurilateral negotiations<sup>1</sup> in services (although there is concern that there

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<sup>1</sup> Plurilateral negotiations allow a country or group of countries to request that another country or group of countries enter into negotiations for a specific sector or mode of supply, and the respondents must consider those requests.

wasn't consensus among all the WTO member countries), including the incorporation of guidelines to revise domestic regulations. Revising domestic regulations as part of the GATS is dangerous in that it places international rules on services above domestic priorities for regulating social and environmental priorities.

Trade ministers also agreed to aggressive cuts in tariffs on industrial goods and natural resources as part of **non-agricultural market access** (NAMA) rules. Expanded tariff cuts in NAMA could potentially 'de-industrialize' developing economies through greater unregulated foreign direct investment and extraction of natural resources. Although agreement on how to increase liberalization in NAMA has not been defined, negotiators from the EU and the U.S. are aggressively pursuing new concessions from developing countries.

Regarding the **development package**, the overarching goal promotes a model centered on markets rather than on human rights and sustainable development. Thus trade continues to be generated without consideration of a broader development package that would include some fiscal and budgetary controls to protect local and national ownership and production in that process, and ensure international commitments on human rights, gender equality and sustainable development are achieved.

Moving forward from Hong Kong, U.S. feminist activists must engage in the trade debate. In recent decades increasing attention has been paid to the gender dimension of poverty and development, particularly in relation to the role of women in agricultural processes and the impact of agricultural trade liberalization on women. Nonetheless, statistics have also demonstrated that women tend to be disproportionately poor and disadvantaged; representing over 70% of the poorest global population and with comparatively low levels of ownership, control and access to productive and economic resources, assets and markets. The current WTO negotiations highlight the urgency of working together to incorporate a different model of trade than what we are seeing. What wasn't agreed upon in Hong Kong is still being negotiated in Geneva. We must take action as people's lives are largely being decided behind closed doors at the WTO.

The remainder of this document addresses the critical issues and advocacy opportunities in the post-Hong Kong negotiations in the areas of agriculture, services, NAMA and development.

## **AGRICULTURE**

### ***A. Critical issues for women at the Hong Kong ministerial***

Officially, the WTO talks on agriculture are focused on three pillars: agricultural export subsidies; domestic support; and market access. However, social movements around the world, including IGTN have stressed the crucial importance of ensuring that food sovereignty is at the heart of any trade talks. This is an issue of prime importance to women both as food producers and as those mainly responsible for family nutrition. The debate also involves two related concerns: the dumping of developed country agricultural goods at below the cost of production; and market access, both how developing countries can prevent the devastation of their farm sectors by unfair competition and to what degree market access to developed country markets would increase economic growth for developing countries. Agricultural liberalization is

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They push for aggressive liberalization in services, which is problematic in that they will potential strip developing countries of the flexibility they currently have in the GATS to define which sectors to offer and request at the WTO.

particularly important to women since there appears to be an emerging “feminization of agriculture” in the developing world, where women now represent 66% of the economically active population working in the sector and are identified as major providers of food and income for their families and communities in rural areas.

### ***B. What happened in Hong Kong***

The Hong Kong WTO declaration included a commitment to end agricultural export subsidies, by 2013. While establishing an end-date is an important first step, most countries (all except the EU) were in favor of ending export subsidies by the year 2010. However, the EU remained resistant forcing developing countries to accept the 2013 end-date. While the EU presented this as a significant concession on their part, the reality is that plans were already underway to phase out export subsidies. Even more troubling given the resistance of the EU to address its subsidy program, is that export subsidies represent only a small percentage of total trade distorting subsidies.

The fact that the U.S. agreed to cut its export subsidies does not represent much of a concession either because U.S. export subsidies only represent 3% of its agricultural support. In fact, the EU and the U.S. use the well-publicized domestic support programs (i.e. the green and blue boxes) to support their export production and those boxes are still left largely untouched in the WTO Agreement on Agriculture (AoA). In terms of the interests of developing countries, it is a positive sign that language was introduced and agreed upon in the Hong Kong declaration that allows developing countries to list Special Products (SPs) and Special Safeguard Mechanisms (SSMs) in order to protect key agricultural sectors. However, critical decisions were not made on the more significant issues of 1) how many tariff lines will be included, 2) what criteria will be used for SPs and SSMs, and 3) what are the deadlines for implementation.

Prior to the Hong Kong Ministerial, the US and EU made offers to reduce domestic support in the context of the negotiations, but most observers agree that there is little substance to those offers. The US offer would mainly shift domestic support from the highly trade distorting “Amber Box” to the “Blue Box”, which is supposedly less trade distorting and therefore subject to smaller cuts. In addition, the proposed cuts would be to “bound levels”, i.e., the maximum allowable ceilings, rather than actual spending. Several observers, including the Institute for Agriculture and Trade Policy and the French analyst Jacques Berthelot, have calculated that the US could actually slightly increase spending on domestic support under the current proposal. In addition, there is considerable controversy over whether the proposed cuts in subsidies would actually resolve the commodity overproduction which leads to dumping.

The U.S. considers that its agricultural producers are the best and most efficient producers and that food aid is helping hungry people around the world. The U.S. is resistant to revising its current domestic support programs and to incorporating limits on its food aid. However, many developing countries and civil society advocates argue that both programs contribute to “dumping” – selling below the cost of production. Dumping lowers world prices and displaces developing country producers in domestic and third country markets. Additionally, increasing consolidation and vertical integration of agribusiness firms creates additional downward pressure on farm prices in the U.S. and abroad. Although small farmers in the U.S. are aware of the negative impact that the consolidation of agribusiness has had in this country, they are now small in numbers (less than 2%) and we in the U.S. have not generated enough discussion about how to rectify unsustainable agricultural practices in this country and abroad, and what this might look like from a gender perspective. The WTO is particularly ill-equipped to address

the issue of market concentration in agriculture, and in fact seems to encourage the trend toward oligopoly competition – at the expense of small farmers across the globe.

Developed countries have long claimed the right to designate “sensitive products” and keep them from being liberalized. Developing countries have worked hard to secure similar treatment. The Hong Kong declaration includes provisions to allow developing countries to designate “an appropriate number” of Special Products (commodities that could be exempt from trade liberalization) “guided by indicators based on the criteria of food security, livelihood security and rural development.” They will also have recourse to Special Safeguard Mechanisms to protect against destabilizing import surges based on price and volume. These are positive developments, although it is unfortunate that the criteria do not take into account gender biases in agricultural security and food production. Still, it means that developing countries could potentially maintain some protections on essential agricultural goods, especially the basic foods that women tend to produce. It will be very important to watch how that debate evolves over the course of the next few months.

U.S. agricultural policy has been highly controversial for many years in both multilateral and regional trade negotiations and the U.S. government has so far been unwilling to make major changes in its farm programs to resolve this serious problem. The combination of subsidies and other elements of the current U.S. farm program lead to overproduction and extremely low world prices for agricultural commodities. The Institute for Agriculture and Trade Policy estimates that U.S. cotton is exported at 47 percent below the cost of production. The level of dumping for wheat is estimated at 28 percent, for maize and soy 10 percent and 26 percent for rice. This has been devastating for developing country farmers. In South Africa, for example, the farm workforce has fallen 14 percent since trade liberalization began and prices to consumers have risen. Lower world commodity prices and higher consumer prices indicate that farmers are being squeezed while agribusiness processors, distributors, and other middlemen take the bulk of the increased consumer prices. Ghanaian rice farmers have been hit by a combination of trade liberalization and reductions in subsidies for farm inputs like seeds and fertilizers. Madam Adombilla Awelgya, a 47-year-old mother of four said, “The high cost of farming inputs make it difficult to make ends meet. There is no money after you pay for everything at a very high cost. We are appealing to the government to support farmers, especially women like myself, with credit and processing machinery...I am fed up and feel like giving up...”<sup>2</sup>

A special initiative on cotton was agreed to after the Cancun WTO ministerial in 2003 under pressure from developing countries, led by four African cotton producing countries (Mali, Chad, Benin and Burkina Faso, where cotton constitutes between 50 and 80 percent of their exports). The United States has also lost a WTO challenge to its cotton subsidies brought by Brazil. However, there was very little progress at the Hong Kong talks on the issue of cotton. As mentioned above, U.S. subsidies result in cotton being dumped on world markets at 47 percent below the cost of production, making it extremely difficult for African cotton farmers to compete on world markets. The response to these issues in Hong Kong was underwhelming, to say the least. There was an agreement to eliminate agricultural export subsidies, which make up a tiny portion of total U.S. support for cotton, and to offer those countries access to U.S. markets, something none of them particularly need or want, as they do not currently export to the United States.

Mrs. Ngarmbatina Soukate, the Minister of Trade and Industry of Chad, stressed that West African farmers need concrete solutions to the cotton issue. “It is our life,” she said. Despite

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<sup>2</sup> ActionAid Ghana, Voices of the poor on trade liberalization in Ghana, 2005.

sympathetic rhetoric in Hong Kong, however, she said that very little was actually achieved. She stated that the cotton producing countries need to be able to explain to their farmers what rich countries are willing to do to reduce their subsidies and what that will mean for the farmers. "This is why we are here at the WTO, we plead to all concerned to stop beating around the bush and instead tell us what you are going to do."<sup>3</sup>

### **C. Post-Hong Kong Advocacy**

- *The U.S. should respect the right of developing countries to direct their economic and social development and support developing countries in their requests to operationalize special products, special and differential treatment and SSM.*
- *The U.S. should judiciously categorize its "sensitive products"- those agricultural products not on the table for liberalization - so as not to impede the development opportunities of developing countries.*
- *U.S agricultural policy cannot be beholden to the interests of the largest producers and food processors. As the U.S. Congress begins considering the next Farm Bill, attention should be given to reforming the subsidies and other supports which artificially lower world agriculture prices, thus negatively impacting hundreds of thousands small and subsistence farmers across the globe. At the same time, effective, non-distorting measures must be taken to support family farmers and sustainable agriculture both in the U.S. and globally.*

## **SERVICES**

### **A. Critical issues for women at the Hong Kong ministerial**

The impact of service liberalization is not undifferentiated or "gender blind." In general, women, more than men, are affected as consumers and family providers by the liberalization of services. Because of socio-cultural patterns in most economies, women are expected to assume a disproportionate share of family and community support responsibilities. Since the General Agreement on Trade in Services (GATS) covers all services and negotiations could begin to move at a more rapid pace at the WTO without a process for impact assessments and special controls to protect populations and their environments – there is great potential for unnecessary harm to be done through the liberalization process.

The U.S. has voluntarily liberalized in many service sectors. Healthcare in the U.S. is not universal nor is it in many cases affordable as a result of privatization and corporate control of healthcare. The Enron energy scandal revealed that when state and federal controls are deregulated and the market is left to define provision and prices people pay more and receive less. Plurilateral negotiations at the WTO are aimed at increasing private provision of services, the natural outcome of increased liberalization. Already, a group has formed, chaired by the EU, to make a request in energy services. USGTN considers energy provision to be an essential service that should not be subject to the market. It is important, then, to show solidarity with those groups that are advocating that essential services are human rights and should not be subject to the rules of the market. Rather there is a clear role for government to regulate these essential services to achieve national priorities for service provision.

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<sup>3</sup> African cotton countries demand concrete results at Hong Kong, *Tetteh Hormeku, TWN-Africa*|1/9/2006

## ***B. What happened in Hong Kong***

Prior to the Hong Kong Ministerial, many developed countries had pressed for greater liberalization in services, noting the slow pace of the services negotiations and the “poor quality” of the few offers on the table. After proposing many schemes for increasing the scope and depth of services liberalization and despite opposition from developing countries, wealthy, industrialized countries successfully introduced a plurilateral services proposal for negotiations on a sectoral and modal basis in Annex C to the Hong Kong Ministerial text.

While not as drastic as earlier proposals for “benchmarking” in services negotiations, the endorsement of the plurilateral approach undermines the agreed upon request-offer procedure for services negotiations. The original bilateral request-offer procedure afforded countries much greater flexibility and policy space for determining which service sectors to open to international competition and investment. Under the plurilateral approach, a country or group of countries can request that another country or group of countries to enter into negotiations for a specific sector or mode of supply, and the respondents must consider those requests. The plurilateral approach thus changes the power dynamics within the round and speeds up the negotiating process so that more sensitive service sectors are opened up to foreign competition.

A major concern with the services proposal is that countries, particularly those with small and vulnerable economies and limited technical resources, will be more constricted in exercising their right to determine their development policy and face greater pressure to enter into negotiations and accept trade deals promoted by, and more favorable to the richer and politically more powerful countries. The Hong Kong text on services aims to accelerate the liberalization process in the South in sectors that are crucial for development, particularly for women’s development, such as essential services like water, sanitation, education, health, infrastructure and energy.

Countries interested in pursuing plurilateral negotiations quickly formed Friends Groups around the 12 service sectors and four modes of supply. The plurilateral process began in March. The US participated in requests on engineering, telecommunications, computers, construction, energy, environmental, financial, postal, and legal services. Women should track these issues carefully. Research conducted at the IMF, for example, has shown that increased presence of foreign banks in developing countries most often results in less access to credit, particularly for small-scale businesses.<sup>4</sup> This can be particularly detrimental to women-owned small businesses.

While the current request on environmental services excludes water for human use at this time, that limitation could change as the negotiations proceed, USGTN reiterates the IGTN call that there should *a priori* exclusion of essential services like water, health and education from the negotiations.

At the heart of the negotiations is the fundamental debate over public control of essential services versus private, commercial provision on a for-profit basis. Access to essential services like water, education, and health care is crucial for development and poverty eradication. The privatization and commodification that will likely result from faster and deeper liberalization in services at the WTO will mean that the provision of services will be dependent on one’s ability to pay and the extension of services dependent on its profitability. Access cannot be guaranteed

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<sup>4</sup> Foreign Banks in Poor Countries: Theory and Evidence, IMF Working Paper 06/18, January 2006. Available online at <http://www.imf.org/external/pubs/ft/wp/2006/wp0618.pdf>.

when profit maximization is the guiding principle. As the provision of essential services is removed from the responsibility of the state, access to these crucial services slips farther out of reach for poor and working women, men and families. Women, due to the gendered division of labor and women's primary responsibility for care work, will likely see their workload increase as they are called upon to pick up after the failed state. As IGTN argues in the Hong Kong Advocacy Document, "Conveniently and increasingly, the cost of the social reproduction of households and communities is left to women's unpaid caring functions and to labor's current earning power putting increasing strain on women's time and energy."

Closely related to the adoption of plurilateral sectoral and modal negotiations is the increasingly controversial issue of **Mode 4**. The GATS defines four modes of trade in services, or four ways in which a service can be supplied. Mode 4 refers to the temporary migration of workers, to provide services or fulfill a service contract. The general understanding of Mode 4 has been that it applies to the cross-border movement of highly-skilled professionals or intra-corporate transferees. As IGTN correctly notes,

As a trade policy device, [Mode 4] treats workers as if they were commodities to be moved across borders in the global marketplace at the disposal of transnational corporations. The implementation of Mode 4 focuses on the temporary movement of skilled personnel, fostering brain drain from the South while ignoring the conditions and rights of all other documents and undocumented migrant workers.

With negotiations in Mode 4 potentially picking up through the plurilateral process, some developing countries have expressed the hope in expanding the scope of Mode 4 to permit the establishment of temporary labor contracts for low and medium skilled workers from developing countries. As Naty Bernardino of IGTN-Asia states, "For women who comprise half of the world's mostly low-skilled migrant workers, Mode 4 has become an issue of great interest."

However, the inclusion of migration and immigration issues in the WTO raises significant questions in terms of human and labor rights and national sovereignty. Further negotiating on the expansion of labor mobility in Mode 4 could be used as a bargaining chip by developed countries to gain greater concessions from developing countries.

### **C. Post Hong Kong Advocacy**

- *The U.S. should support efforts for greater transparency in the plurilateral process by calling for the full-disclosure of both the countries making the request and those receiving the request.*
- *The U.S. should approach Mode 4 negotiations from the lens of human rights and oppose the use of Mode 4 as a bargaining chip for greater concessions from developing countries in agriculture or NAMA.*
- *USGTN applauds the U.S. decision to exclude water for human use from the environmental services negotiations at this time, but cautions that all essential services like water, education and health care should be exempt from liberalization.*
- *USGTN calls for the U.S. and other countries to preserve the sovereign right of countries to domestic regulation of services for the benefit of all its citizens.*

## **NON-AGRICULTURAL MARKET ACCESS (NAMA)**

### ***A. Critical issues for women at the Hong Kong ministerial***

Women are heavily involved in many of the sectors covered by NAMA (Non-agricultural Market Access). NAMA covers a wide variety of goods, including natural resources (forest products, gems, fisheries), light manufactured goods (food products, footwear, leather goods) and industrial goods (machinery, electronic and technological equipment). Many countries have relied on women's work as the basis for competitive advantage. The promise of increased employment through trade liberalization of non-agricultural goods is contradicted by de-industrialization. Given the underlying gender realities (gender biases and inequalities in access to resources, training, technology and credit) women more than men are likely to work in the most vulnerable sub-sectors of these areas and will likely become unemployed first and for longer periods of time. The reduction of tariffs will contribute to lower public revenues that could be used for the provisioning of public services. This reduction in revenue will particularly affect women as the main providers for the health and care of their families and communities.<sup>5</sup>

NAMA seeks more unregulated foreign direct investment and expanded definitions of non-agricultural goods. This approach by the U.S. government is in line with its poor negotiating positions in the area of investment both regionally and bilaterally. We now know, however, that foreign direct investment (FDI) does not always have positive outcomes. In fact, new studies are indicating that FDI that doesn't invest in the community, the environment and the person will serve as a tool for corporate profit and will do little to benefit the host country. USGTN considers the NAMA negotiations to be potentially quite dangerous in their extractive nature and in their potential to reverse rather than contribute to sustainable development.

### ***B. What happened in Hong Kong***

In the run up to Hong Kong, NAMA negotiations have been playing out in the shadow of the Agriculture negotiations. Conventional wisdom held that arriving at an agreement on Agriculture was the key to opening up the rest of the negotiations, including NAMA. The outcomes of Hong Kong proved that wisdom wrong. In Hong Kong, NAMA emerged from the shadows with a strong anti-development direction. The Ministerial Declaration now calls for "a comparably high level ambition in market access for Agriculture and NAMA" (24).

Hong Kong set the direction on two key issues that will have far-reaching effects on development for the developing countries: the formula for tariff reduction and the endorsement of the "sectoral initiative." Pre-Hong Kong the formula debate was between the industrialized nations, particularly the U.S. and the EU, for an "ambitious" lowering of tariffs using the Swiss Formula"-in which higher tariffs are cut by a greater amount than lower tariffs-and the developing countries' position for a flexible tariff using a "Swiss-type Formula" which would result in more moderate cuts. The outcome was the endorsement of the ambitious Swiss formula with an undetermined set of coefficients, thus while higher tariffs would be reduced more than lower tariffs, the rate would differ for developed and developing countries to provide some flexibility. But the details were shifted back to Geneva and promise some tough negotiations in the coming months.

The "sectoral initiative" aims to harmonize or eliminate tariffs in various sectors. It was a pre-

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<sup>5</sup> IGTN Advocacy Document for the 6<sup>th</sup> WTO Ministerial, page 14. Available at <http://www.igtan.org/page/641/1>.



Hong Kong member-driven process, outside the official negotiation process, hence non-transparent. Upon the insistence of the developed countries, it was included in the Declaration. Many developing countries, but particularly the African and ACP (Africa, Caribbean and Pacific) group have called for it to be dropped. The sectoral initiative could have serious implications for the erosion of preference agreements that the African and ACP countries had with the EU. It also could add another layer of commitments to lower tariffs or to eliminate them entirely.

These market openings will lead to the de-industrialization of many developing countries. They will significantly narrow development policy space through which developing countries could build an industrial base and protect infant or emerging industries in order to compete in the global economy. Their natural resources will be vulnerable to the technological and competitive advantages of the developed world. Many local industries would not be able to compete with the influx of goods produced by larger and more technologically advanced manufacturers. Also, the loss of revenue from tariffs will further cripple small and vulnerable economies on their path to development and poverty eradication.

Although industrial tariffs have always been key issues in the GATT, the Doha Declaration introduced them into the current round of negotiations. The Declaration explicitly situates the NAMA negotiations within a pro-development framework, calling for attention to the special needs and interests of developing and least-developed countries, “including less than full reciprocity in reduction commitments” (tariffs). Since the Doha Declaration, the development dimension of the negotiations has been consistently eroded and “less than full reciprocity” reduced to rhetoric. The current NAMA framework for negotiations first appeared in the draft for the Cancun Ministerial Declaration. The majority developing countries rejected it at that time. It reappeared unchanged in the revised Cancun draft to be yet again rejected by the majority of developing countries. However, when it reappeared in the post-Cancun August Framework paper it became the working document for the current negotiations and despite the objections from the developing world emerged in the Hong Kong Declaration with a strong anti-development direction. The democracy deficit remains a critical issue at the WTO.

Pre-Hong Kong a Group of 10 developing nations<sup>6</sup> formed to attempt to preserve the development dimension in the NAMA negotiations, arguing among other issues for a flexible tariff structure and a voluntary commitment to the sectoral initiative. Post-Hong Kong they have reassembled stating, “The main objective of the group is to reclaim and emphasise the developmental content of the Round.” “Reclaim” is the operative word. Their demands are not new: the special and differential treatment enshrined in WTO documents and language, less than full reciprocity, flexibility in the tariff formula and in the sectoral initiative. The NAMA G10 also will seek to address the concerns of “small and vulnerable economies” who will be the hardest hit if the current negotiating formula are not modified. They will work to ensure that the “duty-free quota free” commitments of Hong Kong are operationalized.

The NAMA G10 demands seek to limit the potential harm of the negotiations. Women’s concerns and agendas not only seek to do no harm, they call for a positive development agenda in the negotiations which will protect countries’ policy space to pursue a healthy industrial base as a source of employment and national income and to ensure that the natural resource wealth of the country serves the needs of the citizens. These development outcomes are fundamental to women’s well-being as workers and as care-givers.

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<sup>6</sup>Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Tunisia and Venezuela.

As post-Hong Kong negotiations get underway, key divisions are emerging around the "Paragraph Eight" provisions. Paragraph 8 of the NAMA section of the July Framework provides for flexibilities that would let developing and least-developed countries retain some unbound tariffs or apply tariff cuts smaller than those required by the formula to a to-be-determined percentage of products (or even exempt some altogether). Some developing countries have argued that Paragraph 8 is a stand-alone provision in the mandate. China has argued that "Paragraph Eight" is a fundamental principle in the negotiations. Developing countries have proposed a minimum of 10 percent of their tariff lines for the application of less-than-formula cuts or 5 percent not subject to tariff cuts at all. The U.S. has argued that developing countries should accept a tariff reduction formula with a coefficient that would leave their tariff levels at a higher level than those of developed countries—even if the percentage cut would be greater since developing countries often have higher NAMA tariffs—and give up recourse to the Paragraph 8 flexibilities. Many developing countries counter that it is not a question of either flexibilities or a favorable formula, rather the negotiating mandate provides for both the flexibilities and a formula that is more favourable to developing countries.

### ***C. Post Hong Kong Advocacy***

- *The U.S. should fully respect the developmental dimensions of the NAMA negotiating text, including the Paragraph 8 flexibilities and principle of less-than-full reciprocity.*

## **DEVELOPMENT**

### ***A. Critical issues for women at the Hong Kong ministerial***

According to the Doha Ministerial declaration, the "Doha Development Round" was initially conceived to specifically address the concerns of developing and least-developed WTO country Members:

The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Program adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programs have important roles to play.<sup>7</sup>

However, the outcome of the Hong Kong Ministerial—specifically the LDC<sup>8</sup> Development Package (Annex F), Aid-for-Trade offers, and treatment of SDT provisions—reveals that development is far from the heart of the WTO Work Program. .

In the lead up to the Ministerial, IGTN supported developing countries call for increased and adequately financed technical assistance. However, IGTN demands that developing countries explicitly take into account, through accountable and transparent governance processes, in their technical assistance programs: supply-side reinforcement, gender-equitable education, and health services and well-being needs. Adjustment challenges should be concerned not just with

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<sup>7</sup> Doha Ministerial Declaration, November 20, 2001, paragraph 2. Document WT/MIN(01)/DEC/1.

<sup>8</sup> Least Developed Countries

market factors but also equally address the right to social protection and development.<sup>9</sup> IGTN also stressed that unless and until special and differential treatment (SDT) measures are clarified and operationalized, agreements in the other work areas should be delayed. However, the deadline set for the review of all the SDT provisions is December 2006, significantly later than the deadlines for final draft schedules in Services (October 31, 2006), and NAMA and Agriculture (July 31, 2006). USGTN urges developing country Members to demand that all SDT measures be clarified and operationalized before moving forward in negotiations in the other areas.

## ***B. What happened in Hong Kong***

Flexibilities could be made available through special and differential treatment that would enable governments to adopt national development plans to strengthen economies for meeting social needs, including programs supporting social reproduction and other aspects of women's human rights. However, the commitment in the Doha Ministerial Declaration to review all special and differential treatment provisions with the goal of strengthening them and making them more operational has yet to be realized.

During the Hong Kong Ministerial, the much-debated **LDC Development Package** was put forth by developed countries as a means of addressing the concerns of LDC countries and garnering their support for the continuation of talks. However, upon close inspection, the Annex F commitments made on duty-free, quota-free market access for all LDC products and increased trade adjustment assistance for LDCs ring hollow.

The commitment to duty-free, quota-free market access for all LDC products is qualified by an exception allowing developed countries to exclude up to 3 percent of tariff lines from duty-free/quota-free access. That 3% exclusion will allow developed countries to continue to deny market access to the very products which are of specific export interest to LDCs—the specific products which could improve the livelihoods of millions of farmers (over 60% of whom are women) and workers. For example, the U.S. could exclude specific textile goods so that a globally competitive country like Bangladesh would not have effective market access for their most competitive goods even though it is an LDC. U.S. exclusion would then deny expanded access to the U.S. market for a good or goods that could improve the lives of the majority women workers upon whose labor the Bangladeshi industry depends.

The HK Ministerial Declaration “urges all donors and relevant international institutions to increase financial and technical support aimed at the diversification of LDC economies...” Japan, the U.S., and the European Commission came forward with **Aid-for-Trade** offers before and during the Ministerial. However, many critics have noted that aid-for-trade offers are not necessarily backed up with money in the bank and could be given in the form of loans (plunging LDCs deeper into debt).

The U.S. offer to double Aid-for-Trade over the next five years from \$1.3 billion a year to \$2.7 billion failed to provide details on the implementation, source of funds, and scope of the assistance – key details that will determine whether the proposal offers meaningful assistance to developing countries. USTR has failed to clarify whether the commitment represents new money for development or is merely a shuffling of money between accounts. In such a scenario, the new Aid-for-Trade funds may in fact drain money from broader social and economic development projects in areas like education and health which are crucial to the realization of

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<sup>9</sup> IGTN Advocacy Document for the 6<sup>th</sup> WTO Ministerial, page 22. Available at <http://www.igtn.org/page/641/1>.

women's economic and social development and equality. In fact, President Bush's 2007 budget proposal includes a cut to foreign assistance which may affect the U.S. aid-for-trade offer.

As Aid-for-Trade proposals continue to be used as bargaining chips for greater concessions in agriculture, NAMA, services, and ultimately for acquiescence to a final deal, developing countries should seriously consider the terms and conditionalities of the aid. Policy flexibility must be secured within the final WTO agreement and in any supplemental arrangements, like an aid-for-trade package, in order to secure the political autonomy necessary for a country to direct its own development agenda and respond to the needs of its people. This is a right the U.S. claims for itself and should support for all countries.

The Doha Ministerial Declaration affirmed that **Special and Differential Treatment** is an integral part of the WTO and noted the importance of well-targeted, sustainably-financed technical assistance and capacity building programmes, along with enhanced market access and balanced rules for the economic development of developing and least developed countries. Despite the reaffirmation of these commitments in the WTO General Council July Framework of 2004, some developed countries have viewed SDT in particular as a short-term concession to developing countries.

Going into the Hong Kong Ministerial groups like the International Gender and Trade Network argued that "In a context where the WTO seeks to put in place a harmonized system of trade rules, SDT [could] provide a small window of opportunity for safeguarding the interests of developing countries in pursuing their social and economic development, and specifically resisting any agreement that would destabilize or shock their economies."<sup>10</sup> Thus, until all countries reach an advanced state of development and are able to eradicate poverty and ensure that their citizen's needs are met, SDT must guide negotiations and commitments.

### **C. Post Hong Kong Advocacy**

- *The U.S. must address the apparent disconnect between its grand promises of Aid-for-Trade in Hong Kong and subsequent inaction in moving Aid-for-Trade and preference programs forward and apparent budget reductions in foreign assistance. While expanded Aid-for-Trade is not sufficient in itself to meet the developmental aims of the Doha Round, the U.S. must, at a minimum, fully fund any Aid-for-Trade offers it makes during the negotiations.*
- *U.S. trade policy must take a broader, longer and more holistic view than immediate gratification of corporate interests. The growing push for bilateral trade agreements in which the U.S. can negotiate a final agreement that is more favorable to U.S. corporate interests and the current national trade agenda fails to recognize the interconnections between countries and peoples in a globalized world, the reality that equitable and substantial development and poverty reduction in developing countries is in the interest of the U.S. and the country's own needs in terms of sustainable communities, thriving local economies, and decent, well-paying jobs.*

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<sup>10</sup> IGTN Advocacy Document for the 6<sup>th</sup> WTO Ministerial, page 20. Available at <http://www.igtan.org/page/641/1>.

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