

# WORLD TRADE ORGANIZATION

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## UNITED NATIONS DEVELOPMENT PROGRAMME

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*(as an Observer)*

#### Overall

The Doha agenda holds great promise for achieving the globally agreed Millennium Development Goals (MDGs). A global trade regime as envisaged in Doha could make a real difference for the poor, especially in the least-developed countries. Trade reforms that are driven by human development concerns will boost MDG progress in countless villages and slums around the world.

UNDP considers the MDGs as a "global deal", based on the notion of joint responsibility and mutual accountability. Slow progress in the crucial area of trade will eventually call into question the seriousness with which developed nations are addressing the goal of building a global partnership for development, as embodied in MDG 8.

#### Background

Cancún is seen as a mid-term review of the Doha Round. However, as progress since Doha has fallen short of expectations, at Cancún, Ministers will be called upon to take decisions in a wide range of areas where Doha agreed deadlines have been missed and the negotiating process has failed to produce agreement. Against this background, the recent breakthrough in finding a solution for access to essential medicines for countries without domestic manufacturing capacity is a promising development, and will hopefully be applied in the spirit of the Doha Declaration on TRIPS and Public Health. However, deadlines for establishing modalities for negotiations on agriculture and providing greater substance to special and differential (S&D) treatment for developing countries under WTO rules have come and gone without tangible results. At the country level, there is also little evidence of progress in integrating trade strategies with broader national development goals and in poverty reduction strategy papers (PRSPs). Without major breakthroughs at Cancún, the Doha 'development' agenda is likely to fall short of its aspiration.

UNDP considers the following as central areas of concern to the "development" content of the Doha Round that should be addressed in Cancún:

- (i) Agriculture
- (ii) Implementation Issues and S&D
- (iii) Services

(iv) LDC specific commitments

(v) Capacity development

The Doha Development Agenda is much broader than the above issues, and progress in these five areas can only be viewed as partial steps towards making the global trade regime more "development friendly" and better oriented towards achievement of the MDGs. From a human development perspective, UNDP recognizes the need for progress in these areas so that poor people everywhere can gain the tools and opportunities to build a better life for themselves, their families and their communities.

## **1. Areas of concern**

### *(i) Agriculture*

Seventy per cent of the world's poorest people live in rural areas and depend on agriculture. The Millennium Goal of reducing poverty and the target of halving the proportion of people earning less than \$1 per day can only be achieved by improving the lot of poor farmers and creating viable agricultural communities. Poor farmers cannot escape the poverty trap, if they are forced to compete with products subsidized by the treasuries of the richest countries, in world trade and their own domestic markets. The elements of a solution include effectively pursuing the process of reform in the three areas of market access, domestic support and export competition, while providing greater flexibility for developing countries to pursue rural development and food security. Most importantly, there is need for the EU, Japan and the United States to reduce subsidies, cut tariff and non-tariff protection, address tariff peaks and escalation. The recent decision to reform the EU's Common Agricultural Policy is a positive step, although this needs to be translated into ambitious negotiating proposals.

In Doha, agreement was reached on reducing export subsidies, "with a view to phasing them out". This offers the possibility for agreeing on concrete targets for rich countries for phasing out such subsidies well before 2015, as part of a global partnership for development (MDG 8). However, reductions must be agreed for all subsidies which depress world prices and undermine the livelihoods of poor farmers.

Comprehensive proposals embodied in the "development box" can provide developing countries with greater policy flexibility at the national level to pursue food security and broader pro-poor agricultural policies. Clearly, an agreement on the key elements of a "development box" would be an acknowledgement, in the multilateral trade rules, of the striking difference in the role of agriculture in developed and developing countries.

A related issue is the crisis in commodities. Since the mid-1990s, prices have collapsed for several major export commodities. Deteriorating terms of trade have had dramatic implications for human development through reduced employment, lower wages and incomes, vulnerable livelihoods, and less access to basic social services. This is an issue that the WTO should not ignore. An agreement on commodities must embrace the principles of fair trade and must cover supply issues as well as market access.

### *(ii) Implementation and Special & Differential Treatment*

In preparation for the Third WTO Ministerial Conference, developing countries submitted a series of proposals aimed at improved implementation of the provisions of the WTO Agreements, including by giving special and differential treatment in their favour a stronger contractual status in the system. These proposals were fully recognized in the Doha Development Agenda. While action has been taken with respect to some of these proposals, important deadlines have been missed in

priority areas. The implementation / S&D package, if accepted would make the multilateral trading system more aligned and responsive to the realities faced by developing countries.

*(iii) Services*

Cancún should provide new impetus to the GATS negotiations. Progress on the movement of natural persons in the GATS negotiations can assist people in developing countries to derive greater benefits from the process of globalization and would foster attainment of the MDGs. It could be a tangible indicator of progress towards a global partnership for development. It has been estimated that an increase in workers' quotas by developed countries equivalent to one per cent of their own labour market would generate an annual gain for developing countries equivalent to the current level of global ODA. The offers should include specific categories of occupations where developing countries have a clear comparative advantage, and where greater opportunity to work abroad could support human development objectives.

In the GATS negotiations progressive liberalization is being sought in sectors such as water, energy, health and education - all of these are basic public services critical to the achievement of the MDGs. While liberalization in these sectors, if done gradually and appropriately, can provide needed capital and technology, it is vital that developing countries ensure that any commitments they make in these sectors protect the access of the poor to basic utilities and are in their national interest.

*(iv) Least-developed countries*

The granting of duty free quota free treatment to all exports of the least-developed countries, by the developed countries is included among the Millenium Targets, was a commitment accepted at the Third UN Conference on LDCs in 2001 and reiterated in the Doha Ministerial Declaration. Some developed countries have made major steps toward this goal, and the Cancún Conference should provide the opportunity of incorporating this commitment into the WTO framework of rights and obligations.

*(v) Strengthening capacities*

The Integrated Framework for Trade-Related Technical Assistance (or IF) was established in response to the complexity faced by the LDCs in trade-related policies. It represents a major mechanism for mainstreaming trade policies into national development strategies. Good progress has been made and UNDP will continue to play the role of IF trust fund manager and strengthen its partnership with all participating agencies and countries. But if the IF is to realize its ultimate objective, it will need to intensify capacity development efforts to help integrate trade policies with national development strategies and the PRSP. A concrete way of translating Doha commitments into reality would be by way of substantial additional contributions of at least \$50 million to the second window of the IF fund.

UNDP also takes seriously the concerns of certain developing countries about the erosion of their tariff preferences and is committed to working with them to address these concerns.

## **2. Areas of support**

UNDP is involved in a range of activities on trade-related issues. In particular, it focuses on trade negotiations as part of MDG 8 and capacity development. Current activities at global, regional and national levels include:

- Advocacy on the linkages between trade, human development and the MDGs through MDG country reports; policy-oriented studies and discussions at the national level, encompassing government officials, parliamentarians and stakeholders from civil

society and the private sector; and analytical work to improve the trade negotiating position of poor countries;

- Incorporating human development concerns into the Integrated Framework and in other country level trade capacity development interventions, including strengthening linkages between national poverty reduction plans and PRSPs and pro-poor trade policies; facilitating donor coordination and South-South cooperation on trade-related issues; and the management of the IF Trust Fund;
  - Establishment of a corporate database as a tool for knowledge sharing on trade capacity development experiences. The poverty and MDG knowledge networks provide a platform for discussion of pro-poor issues of which trade is a subset.
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