



CUTS-FICCI Conference on
Global Partnership for Development
Where do we stand and where to go?

New Delhi, August 12-13, 2008

**Multilateralism will Reinvent Itself
in a More Resolute Avatar**

A Report of the Proceedings

Table of Contents

<u>Programme</u>	<u>2</u>
<u>Background & Objectives</u>	<u>5</u>
<u>Key Message</u>	
<u><i>Multilateralism will Reinvent Itself in a More Resolute Avatar</i></u>	<u>9</u>
<u>Executive Summary</u>	<u>11</u>
<u>Inaugural Session</u>	
<u><i>Global Partnership for Development: Where do we stand?</i></u>	<u>14</u>
<u>Session I</u>	
<u><i>LDCs and SVEs in the International Trading System: What future for them?.....</i></u>	<u>17</u>
<u>Session II</u>	
<u><i>Operationalising Aid for Trade: Who is (should) doing (do) what?.....</i></u>	<u>20</u>
<u>Session III</u>	
<u><i>UK's Aid for Trade Strategy: Lessons for future effective international trade and development architecture.....</i></u>	<u>23</u>
<u>Session IV</u>	
<u><i>Services Liberalisation and Domestic Regulation: Why it is so important?.....</i></u>	<u>25</u>
<u>Session V</u>	
<u><i>Roundtable on Mainstreaming Development in the WTO.....</i></u>	<u>29</u>
<u>Session VI</u>	
<u><i>Trilateral Development Cooperation: How to make it more effective?</i></u>	<u>34</u>
<u>Session VII</u>	
<u><i>The Future of the Global Trading System</i></u>	<u>38</u>
<u>Closing Session</u>	
<u><i>Global Partnership for Development: Where to go?</i></u>	<u>42</u>

Programme

Day One: Tuesday, August 12, 2008

08:45 – 10:00 **Registration**

10:00 – 11:30 **Inaugural Session**

Global Partnership for Development: Where do we stand?

Moderator Amit Mitra, Secretary General, FICCI

Pradeep S. Mehta, Secretary General, CUTS International

Rajan Bharti Mittal, Vice President, FICCI

Ransford Smith, Deputy Secretary General, Commonwealth Secretariat

Supachai Panitchpakdi, Secretary General, UNCTAD

Pascal Lamy, Director General, World Trade Organisation

Kamal Nath, Minister for Commerce and Industry, India

11:30 – 11:45 **Tea/Coffee Break**

11:45 – 13:15 **Session I**

LDCs and SVEs in the International Trading System: What future for them?

Moderator Edwin Laurent, Advisor & Head, International Trade and Regional Co-operation Section, Economic Affairs Division, Commonwealth Secretariat

Speaker T. N. Srinivasan, Professor of Economics, Yale University, USA

Panelists

Mustafizur Rahman, Executive Director, Centre for Policy Dialogue, Dhaka

James S. Kuleiye, Principal Customs & Trade Officer, East African Community Secretariat, Arusha

13:15 – 14:15 **Lunch**

14:15 – 15:45 **Session II**

Operationalising Aid for Trade: Who is (should) doing (do) what?

Moderator Shishir Priyadarshi, Director, Development Division, WTO

Panelists

Chris Milner, Professor of Economics, University of Nottingham, UK

Miguel Rodriguez-Mendoza, Senior Fellow, International Centre for Trade and Sustainable Development, Geneva

Per Botolf Maurseth, Senior Researcher, Norwegian Institute of International Affairs, Oslo

Rajesh Aggarwal, Senior Advisor, International Trade Centre, Geneva

15:45 – 16:30 **Session III**

UK's Aid for Trade Strategy: Lessons for future effective international trade and development architecture

Moderator Rachid Benmessaoud, Acting Country Director, The World Bank, India

Speaker Claire Durkin, Director, Europe, International Trade & Development, UK Government

16:30 – 16:45 **Tea/Coffee Break**

16:45 – 18:00 **Session IV**

Services Liberalisation and Domestic Regulation: Why it is so important?

Moderator Jayant Dasgupta, Joint Secretary, Department of Commerce, Government of India

Speaker Ramesh Chaitoo, Head of Services Trade Unit, Caribbean Regional Negotiating Machinery

Panelists

B. K. Zutshi, Former Indian Ambassador to GATT

R. S. Khemani, Principal, Microeconomics Consulting & Research Associates Inc (MiCRA), Washington DC

Day Two: Wednesday, August 13, 2008

10:00 – 11:30 **Session V**

Roundtable on Mainstreaming Development in the WTO

Moderator Pradeep S. Mehta, Secretary General, CUTS International

Panelists

Ransford Smith, Deputy Secretary General, Commonwealth Secretariat

Lakshmi Puri, Acting Deputy Secretary General, UNCTAD

Nitin Desai, Former Under Secretary General of the United Nations

G. K. Pillai, Secretary, Department of Commerce, Government of India

Pascal Lamy, Director General, World Trade Organisation

11:30 – 11:45 **Tea/Coffee Break**

11:45 – 13:30 **Session VI**

Trilateral Development Cooperation: How to make it more effective?

Moderator Lars-Olof Lindgren, Ambassador of Sweden to India

Speakers

Dominique Njinkeu, Executive Director, International Lawyers and Economists against Poverty, Ottawa

Jean-Raphael Chaponniere, Chief Economist-Asia Region, AFD, Paris

Panelists

Richard Carey, Director-Development Cooperation Directorate, OECD
Roger Nellist, Acting Head, Growth & Investment Group, DFID, UK
Peter Kiuluku, Executive Director, Trade Policy Training Centre in Africa, Arusha

13:30 – 14:30 **Lunch**

14:30 – 16:00 **Session VII**
The Future of the Global Trading System

Moderator L. Alan Winters, Professor of Economics, University of Sussex, UK

Speaker Richard Higgott, Pro-Vice Chancellor, University of Warwick, UK

Panelists

Debapriya Bhattacharya, Ambassador of Bangladesh to the WTO
M. Supperamian, Advisor, Federation of Malaysian Manufacturers
Stephen Lande, President, Manchester Trade

16:00 – 16:15 **Tea/Coffee Break**

16:15 – 17:45 **Closing Session**
Global Partnership for Development: Where to go?

Moderator Pradeep S. Mehta, Secretary General, CUTS International

Rapporteurs

Simon Evenett, Professor of Economics, University of St. Gallen, Switzerland
Veena Jha, Visiting Professorial Fellow, Warwick University, UK
Ratnakar Adhikari, Executive Chairman, South Asia Watch on Trade, Economics & Environment, Kathmandu

Closing Remarks

Ransford Smith, Deputy Secretary General, Commonwealth Secretariat
Lakshmi Puri, Acting Deputy Secretary General, UNCTAD
T. N. Srinivasan, Professor of Economics, Yale University, USA

Background & Objectives

This conference was conceived as a step in the quest for growth across the developing world through genuine partnerships and sincere cooperation. However, at that time, it was not known that the latest ministerial talks on the Doha Round at Geneva would be inconclusive.

This conference was conceived as a step in the quest for growth across the developing world through genuine partnerships and sincere cooperation. However, at that time, it was not known that the latest ministerial talks on the Doha Round at Geneva would be inconclusive. According to some estimates, the Doha Development Round would have infused another US\$ 136bn into the global economy. This infusion may not be adequate, but the flipside is that the Doha deadlock may lead to further down turn in the global economy, affecting the poor most. This can happen due to increased protectionism, trade disputes and the absence of the critical feel-good factor among businesses. The Doha Round was launched in 2001 when the world was reeling under the impact of the 9/11 disaster.

The background of the July 2008 Geneva meeting was not that tragic, but the food and oil crises did lead to a grim atmosphere. Thus, the meeting was already pregnant with issues that need to be deliberated on. However, despite the inability on the part of countries to arrive at a deal, the international environment is still marked by an air of optimism. Many countries have volunteered to keep their July 2008 offers on the table for the future.

As the worthy Indian trade minister Kamal Nath said, “It’s a pause and not the end of the road”. The indefatigable Director General of the WTO, Pascal Lamy rightly reported to the General Council on July 31, 2008 that the Trade Negotiations Committee had heard “multiple strong calls for preserving the package that had been so painfully negotiated in order to conclude this round successfully”. Quite prophetically, he said, there is no doubt that “looking at what is on the table now, members believe that the Doha Round is still worth fighting for”.

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On a more sombre note, the UNCTAD Secretary General Supachai Panitchpakdi observed: “The failure of the talks this week is undoubtedly a setback to the multilateral trading system. It adds to a growing list of global development challenges that must be confronted by countries in order to create the necessary and conducive conditions to promote development, eliminate poverty and accelerate the achievement of the UN Millennium Development Goals”.

Kamalesh Sharma, Secretary General of the Commonwealth Secretariat noted, “Despite the current impasse, it is important that the advances already made over seven years are not lost. “For the poorest, smallest and most vulnerable states, all these

are partial gains on which to build. This setback should not be allowed to undermine the concept of multilateralism, and the potentially large gains to be made by the global economy.”

The collapse came because developing countries were asking for justified protection against import surges in farm goods through a special safeguard mechanism so that their poor farmers are not adversely affected by the hugely subsidised agricultural goods from the West. Egged on by their agribusiness lobby, the US could not agree, saying they need to have real market access into developing countries in exchange for a cap on their agricultural subsidies, which is twice the present applied level. The more sensitive issue of cotton subsidies were not even discussed for a resolution.

This was not just an emotional issue. The well-being of a poor nation is tied to the well-being of its farmers. They number about 58.5 percent of the workforce in the low-income countries, whereas only 3.2 percent of the workforce is engaged in agriculture in the high-income countries.

A country cannot hope to prosper unless food production keeps up with demand; huge dependence on the rest of the world for staple foods will always produce instability in the balance of payments and sabotage growth. The plight of the cotton farmers in West Africa will continue to remain blighted. Unless farmers are able to prosper and plough back some of this prosperity into the enhancement of agricultural productivity, the onward march of a nation to higher levels of well-being will be threatened.

By not bowing to commercial interests, trade ministers of low-income countries have collectively made a momentous contribution to the preservation and advancement of the livelihood security of millions of farmers from all over the developing world.

The idea of organising this conference was conceived a year ago in the backdrop of slow progress at the WTO Doha Round of negotiations. The Doha Round was dubbed as a Development Round even though a completely successful Doha Round cannot possibly solve the serious developmental problems in most of the poor countries, many of which are domestic in nature and need to be addressed domestically. Besides, significant domestic supply and governance constraints limit their ability to take advantage of increased global trade and investment flows.

Many poor countries are now concerned that the possible outcomes are unlikely to offer anything meaningful to them

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since prospects of significant real reductions in market access barriers faced by many of them are dim.

An overwhelming majority of African, Caribbean and the Pacific group of countries are realising that their preferential trading arrangements with the European Union, which will be transformed to WTO-consistent reciprocal preferential schemes, can hardly help to increase their share in world trade and deliver development.

There is a widespread recognition of the need for developed countries to help their developing counterparts achieve development goals, which necessarily go beyond the development elements envisaged in the Doha Round and EPA (Economic Partnership Agreements between the EU and the ACP group of countries) negotiations.

Whilst international trade is still recognised as an important vehicle for fostering economic growth, lack of supply-side capacity along with market access barriers have reduced development opportunities for a large number of poor and vulnerable countries, thus threatening the achievement of their development goals.

There is a widespread recognition of the need for developed countries to help their developing counterparts achieve development goals, which necessarily go beyond the development elements envisaged in the Doha Round and EPA (Economic Partnership Agreements between the EU and the ACP group of countries) negotiations.

The reality is that the eighth Millennium Development Goal, the MDG-8, which stresses the importance of a global partnership for development remains largely rhetorical. There is no firm and concrete commitment by the high-income countries to reform their trade regimes, to provide effective opportunities and take concomitant measures to assist poor countries in their fight against poverty.

The direction and priorities of trade, aid and debt policies, the principal ways through which the North interacts with the South, are perceived by the South to be largely decided in the North. Yet they have profound impact on the socio-economic fabric of countries in the South. It is high time that both North and South are at least equal partners in the choice of schemes and modes of development impacting the latter.

Many observers are of the view that now, when the expectations of the developing countries from Doha and EPAs are quite low, an emphasis on a broad development agenda with a clear delineation of commitments and obligations of the North and the South might provide an opportune avenue for triggering joint North-South engagement in development cooperation.

Many observers are of the view that now, when the expectations of the developing countries from Doha and EPAs are quite low, an emphasis on a broad development agenda with a clear delineation of commitments and obligations of the North and the South might provide an opportune avenue for triggering joint North-South engagement in development cooperation.

With this in view, the conference was organised involving important stakeholders from various corners of the globe.

The specific objectives of this conference were to:

- assess the impact of the increasing delay at the Doha Round of negotiations on LDCs and SVEs and the prospects for achieving their enhanced and beneficial participation in world trade;
- discuss the scope for cooperation between developed and developing (including least developed) countries over and above multilateral trade talks and regional trading arrangements, including supply-side reforms, to strengthen the link between trade, growth and poverty reduction in the world;
- identify the scope for and means of ensuring fuller and more effective participation by developed and the more advanced developing countries in the advancement of growth and development in the rest of the world, and
- based on the above, to formulate concrete recommendations for making the global partnership for development more effective.

Key Message

Multilateralism will Reinvent Itself in a More Resolute Avatar

Clouds of doubt and despondency loomed over the future of multilateralism at the very onset of the Conference with the mini-ministerial talks hosted by the WTO at Geneva flopping. The deliberations at the meet, however, blew away these clouds and blazed a new bright trail for multilateralism in the near future.

The need for a just and equitable framework for trading relations was recognised as an imperative under the Millennium Development Goal-8, and its creation through the development of the following features was recommended:

- donors living up to their commitments for provision of additional and unconditional aid;
- countries themselves structuring their domestic and international policies to be mutually compatible and in sync with international trading rules;
- minimisation of privately installed non-tariff barriers;
- dismantlement of regulatory barriers to trade in services which nullify productivity increases or block market access;
- simple, well-defined, easily interpretable and broad-based trading rules which encourage wider participation across countries in trade with possible gains for the weakest members of the WTO; and
- inter-governmental organisations to work coherently to achieve the above features.

As the deliberations of the conference unfolded, all fears about multilateralism or even the Doha Round dying an untimely death were totally dispelled. This was evident in the spirited speeches and interventions of delegates and an expression of their resolve to support multilateralism as a medium for honing international trading relations.

The mentioned measures would serve as a crucial step towards mainstreaming trade into development and vice-versa. However, it has to be accompanied by aid for trade which could be utilised strategically to meet the adjustment costs associated with a transfer to more open regimes. More importantly, to buttress the supply side that prevents least developed countries (LDCs) and small and vulnerable economies (SVEs) from becoming effective exporters. Such aid, it was felt, needs to be dispensed on the basis of the declared needs of potential beneficiaries and a rigorous and transparent appraisal mechanism. Furthermore, aid coherence is very critical and the Paris Declaration must be followed in letter and spirit.

These and other capacity development programmes for the benefit of LDCs and SVEs, it was recommended, should take into account the specific characteristics of each country or at least those of groups of similar countries.

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Executive Summary

The conference provided a historic opportunity and responsibility for the trade community at large because it was held in the backdrop of the latest ministerial talks on the Doha Round at Geneva in July 2008. Collective deliberations in this meet at a particularly difficult time in international trading relations renewed the hope and commitment of all to a more prosperous, equitable and united world.

At the Inaugural Session, the speakers noted the slow progress of the Doha Round of negotiations, which is hampering the contribution of the international trading system to the development process, particularly that of the poorest countries, as well as the inability of donor countries to live up to their commitment in delivering aid to developing countries. They called for more cooperation not just between the North and South, but also among countries of the South and felt that more equity should be built into the current architecture of international policymaking.

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The following are some of the major issues that emanated from the Inaugural Session:

- The importance of achieving the Doha Development Agenda and making the WTO more equitable if global trade is to bring about real benefits for the poor in developing countries, and contribute to the development process;
- The significance of undertaking the commitments already made, the achievement of the MDG-8 that is, in increasing the volume and effectiveness of aid to developing countries; and
- The requirement of change in the mindset/attitude in global policymaking in order to achieve real cooperation and partnership.

Session I focused on key issues relating to the challenges facing LDCs and SVEs in the international trading system. T. N. Srinivasan suggested that: LDC/SVE programmes be designed more at the country-specific level; protection/preferences should remain temporary measures, with domestic policy supporting competitiveness; developed countries make more genuine commitments; and that global institutions be reformed to better address the needs of LDCs/SVEs. The discussants and questions from the audience emphasised the importance of the WTO addressing the issues of LDCs/SVEs better, the role and poor delivery of preferences, the need to address supply-side constraints and the importance of regional cooperation.

Current deliberations on aid for trade and the implementation processes as well as the nature of adjustment issues arising from trade reforms and liberalisation were discussed.

In Session II, current deliberations on aid for trade and the implementation processes as well as the nature of adjustment issues arising from trade reforms and liberalisation were discussed. It was stressed that the role of the private sector should also not be ignored as private sector has played a significant role in addressing supply-side constraints and infrastructure development. The discussion also focused on the need to implement schemes like aid for trade at the regional and national level; in this context needs assessment in developing countries and LDCs in order to better define the package is important.

Session III discussed the mechanisms of aid for trade strategies through a case study of efforts made by the UK in this regard. The session focused on means for developing an efficient mechanism for allocating aid for trade and implementing associated development programmes after identification of beneficiaries.

In Session IV, the presentation focused on the challenges of services liberalisation and domestic regulation in line with the General Agreement on Trade in Services (GATS) among members of the WTO in view of the current proceedings at the WTO. The key suggestions include the need to address specific issues in the areas of licensing requirements, qualification requirements, procedures, and technical standards. There is need to ensure that their enforcement is not a barrier in itself. Developing countries need to assess their needs in setting their agenda for seeking technical assistance which should include services. If liberalisation in the services sector is to succeed and result in economic growth, it must be supported by concomitant structures and policies such as competition and regulatory policies.

There was an unanimous conclusion that the WTO system has to ensure equity and participation to mainstream development into the organisation. The WTO has become pro-development over the years with increased participation of the developing countries and specific initiatives within the system.

Session V unanimously concluded that the WTO system has to ensure equity and participation to mainstream development into the organisation. The WTO has become pro-development over the years with increased participation of the developing countries and specific initiatives within the system. The challenge is in ensuring enhanced effective participation of the developing countries through enabling environments.

While emphasising that Trilateral Development Cooperation (TDC) is a potential framework for aid to be more efficient and productive, Session VI reviewed merits and problems/challenges in the existing trends in TDC. It presented illustrations from the experiences of China and Africa to draw lessons for the implementation of TDC in a country-specific context. It was acknowledged that TDC can assist a recipient country in achieving its ultimate objective of economic

sustainability but associated limits on the policy space of the recipient country were sighted as a major issue. The Paris Declaration on aid effectiveness does provide some policy space to the recipient countries, but these poor countries lack good local institutions to successfully put in place a suitable policy. Therefore, forthcoming new development aid is increasingly moving towards policy influencing and capacity-building activities.

The world trading system is becoming more complex and the same needs to be simplified. This is a crucial factor since it has the potential to help developing countries increase their participation in the WTO system.

In Session VII, a pressing need for better political will and leadership on the part of member countries was highlighted and emphasis was laid on the need to understand an increasingly complex relationship between the multilateral trading system on the one hand and the growing number of preferential trade arrangements on the other. The discussion suggested that improvement in participation of member countries in global trade and better institutional coherence are needed.

In the Closing Session, the speakers noted the importance of the conference and acknowledged the rich discussion that had taken place over the two days. The key messages that emerged were:

- The world trading system is becoming more complex and the same needs to be simplified. This is a crucial factor since it has the potential to help developing countries increase their participation in the WTO system;
- It is important to conclude the Doha Round of multilateral trade negotiations and frame a right developmental agenda for the benefit of all, particularly the poor; and
- All countries are committed to achieving the MDGs and international trade can and should play an important role in this regard. However, there are new issues that are emerging such as climate change, food and oil crises. There is a need to analyse these emerging issues in the light of the WTO process.

Inaugural Session

Global Partnership for Development: Where do we stand?

Introduction

The Global Partnership for Development Conference was conceived against the backdrop of the slow progress in the Doha Round of trade negotiations by the WTO members. It is meant to take stock of the progress made in achieving the MDGs, especially MDG-8 (Global Partnership for Development).

At this important juncture of the functioning of the international economic order in general, and international trading system in particular, this event jointly organised by an NGO and an industry association, and involving participation of a diverse set of stakeholders provides a historic opportunity for finding out various means for a better global partnership for development.

The Inaugural Session was addressed by several dignitaries: Pascal Lamy, Director General of the World Trade Organisation; Kamal Nath, Commerce & Industry Minister of India; Supachai Panitchpakdi, Secretary General of the United Nations Conference on Trade and Development; Ransford Smith, Deputy Secretary General of the Commonwealth Secretariat; Rajan Bharti Mittal, Vice President of the Federation of Indian Chambers of Commerce & Industry; Pradeep S. Mehta, Secretary General of CUTS International; and Amit Mitra, Secretary General of FICCI. It was jointly organised by CUTS International and FICCI. The panelists discussed the current state of play with regard to MDG-8 and other important issues, which need to be addressed to achieve a real and meaningful global partnership for development.

More than 500 participants, including about 120 international delegates attended this meet.

Proceedings

Welcoming the dignitaries and participants, Amit Mitra said that at this important juncture of the functioning of the international economic order in general, and international trading system in particular, this event jointly organised by an NGO and an industry association, and involving participation of a diverse set of stakeholders provides a historic opportunity for finding out various means for a better global partnership for development and deliberating on the necessity of concluding the Doha Round of trade negotiations as soon as possible but without compromising on its development objectives.

Despite its pro-development nature, the Doha Round cannot solve the critical problems in most developing countries; aid is not helping them to increase their share in international trade as they are hampered by a lack of supply-side capacity.

Pradeep S. Mehta emphasised the historic timing of this occasion – the first meeting which would address contentious issues after the collapse of the WTO mini-ministerial meeting in Geneva in July 2008. He stressed that despite its pro-development nature, the Doha Round cannot solve the critical problems in most developing countries; aid is not helping them

to increase their share in international trade as they are hampered by a lack of supply-side capacity. Thus, rich countries need to help the poor countries beyond the Doha Round.

Rajan Bharti Mittal stressed the importance of adopting an inclusive approach for globalisation and a multilateral platform where critical issues, needs and views of all partners can be discussed. According to him, India and other developing countries have a lot to offer to the poorest countries of this world, especially in agriculture and areas such as textile, services. However, this potential can only be fully exploited if developed countries cooperate and provide the necessary support and market access. He said this conference would provide valuable ideas towards a successful conclusion of the Doha Round.

Ranford Smith questioned the extent to which global trade talks and development partnerships have been contributing to building a rules-based transparent, accountable and equitable global system, particularly in addressing the needs of LDCs and SVEs such as small island states as their needs are diverse. The commitment of developed countries to help developing countries achieve real development goes much beyond global trade, he said. He stressed the need for the Doha Round to reconsider the special needs of LDCs and SVEs.

The WTO mandate constitutes an important element in development and poverty reduction. Trade, can be a powerful development tool. However, opening to trade would be beneficial only if accompanied by appropriate domestic policies.

Supachai Panitchpakdi expressed the hope for brighter perspectives coming out of this conference for the future despite recent failures. He said the successful implementation of the global partnership for development needs a properly functioning world trading system with beneficial impacts for the participants. He stressed on the need for trade negotiations to be buttressed by technical assistance which can integrate the developing countries better into the global scene. He also suggested finding new funding arrangements in addition to official development assistance by the rich countries to address new issues like food crises.

Pascal Lamy added that the WTO mandate constitutes an important element in development and poverty reduction. Trade, according to him, can be a powerful development tool. However, opening to trade would be beneficial only if accompanied by appropriate domestic policies. Balanced international cooperation across the board and trade openness alone cannot bring about growth and development. He pointed out that in these turbulent times, when multilateralism is being challenged, we need more organisations like CUTS to bridge differences and build a real global partnership for development.

Development is the bottom line of global trade talks and the need to change the mindset/attitude so as to break the current deadlock.

Kamal Nath underlined the importance of endorsing development as the bottom line of global trade talks and the need to change the mindset/attitude so as to break the current deadlock. He called for equity to be integrated into the current architecture so that trade integration can be achieved and be meaningful for people in developing countries. Global trade talks should not be about the survival of the fittest, but the revival of the weakest, and about reducing poverty, not increasing wealth. He thanked CUTS and FICCI for organising this event at this critical juncture.

Pradeep S. Mehta acknowledged the participation of various dignitaries and the support of the Government of India; Commonwealth Secretariat; Commonwealth Foundation; World Bank; UK's Department for International Development; the French Development Agency (AFD); Government of the Netherlands; International Development Research Centre of Canada; Friedrich Ebert Stiftung, Germany; and the Government of Norway. He thanked FICCI for partnering and hosting this event at their premises.

Session I

LDCs and SVEs in the International Trade System: What future for them?

Introduction

This session deliberated on opportunities and challenges faced by the LDCs and SVEs in the international trading system. Possible mechanisms of interaction of trade, growth and poverty reduction in the developing world on the one hand, and their presence or absence as well as their strength in the specific context of the LDCs on the other, were discussed. The scope for public policy at national and international levels was debated.

Despite two decades of trade liberalisation and other market reforms and significant levels of development assistance, LDCs and SVEs still remain marginalised in global markets and their citizens struggle to produce and trade at levels that can help them alleviate poverty.

Despite two decades of trade liberalisation and other market reforms and significant levels of development assistance, LDCs and SVEs still remain marginalised in global markets and their citizens struggle to produce and trade at levels that can help them alleviate poverty. This session focused discussion on how the international trading system can better address the needs of LDCs/SVEs, how inclusive growth and trade development can best be stimulated in LDCs/SVEs and the role that the international community can play in partnering LDCs/SVEs in addressing the economic development challenges they face. T. N. Srinivasan, Professor of Economics at the Yale University, USA, presented a paper on this subject. Mustafizur Rahman, Executive Director of the Centre for Policy Dialogue, Dhaka and James S. Kuleiye, Principal Customs & Trade Officer, East African Community Secretariat, Arusha, were the designated discussants. Edwin Laurent, Advisor & Head, International Trade and Regional Co-operation Section, Economic Affairs Division, Commonwealth Secretariat, moderated the session

There is a strong consensus that LDCs need to receive special treatment in international agreements and in terms of cooperation, but it is questionable whether LDCs with their great variety in terms of economic, social and geographical characteristics should be treated as a group. They are only really linked in terms of outcome variables.

Proceedings

T. N. Srinivasan presented his views on key issues relating to the challenges facing LDCs and SVEs in the international trading system, including the following:

There is a strong consensus that LDCs need to receive special treatment in international agreements and in terms of cooperation, but it is questionable whether LDCs with their great variety in terms of economic, social and geographical characteristics should be treated as a group. They are only really linked in terms of outcome variables.

Trade and openness has the potential to create growth and benefits for all, including the poorest. However, case studies (including those produced by CUTS through the Linkages

between Trade, Development and Poverty project) show that the impact on countries and groups within them is often significantly influenced by domestic policies.

It is clear that LDCs and other vulnerable economies need special treatment in trade agreements. However, this should be in the form of extended implementation timeframes not permanent exemptions/preferences as the latter removes incentives for domestic policy reform, which is what delivers development outcomes. It is also clear that LDCs lack a strong voice in global trade governance.

The response of the international community to the challenges posed by LDCs in benefiting from globalisation, has to date been illustrated by limited commitment. The Integrated Framework has not been supported and donors have not yet moved beyond rhetoric in response to the aid for trade initiative.

There was a consensus amongst participants that there is a long way to go before a genuine partnership for development in relation to trade emerges. The international trading system does not adequately address the issues of utmost concern to LDCs/SVEs; the voice of these countries is marginalised in the system of global economic governance and the commitments of the international community to LDCs/SVEs are yet to be operationalised.

The Doha Round has already been discussed at length; the question is whether the single undertaking helps to conclude a deal or whether de-linking its individual elements can provide a stimulus. In conclusion, there is currently no genuine partnership for development with progress hampered by a lack of consensus on what needs to be done and limited concrete commitments from the international community. The following recommendations would be appropriate:

- To downsize the World Bank and focus its work on countries that cannot access global finance (i.e. less support for China and India);
- To ensure that the IMF sticks to its core mandate and reduces its involvement in day-to-day development management (i.e. leave PRSPs alone);
- To reform the governance of the World Bank and IMF so developing countries have more of a say in how they function;
- To reform key aspects of the WTO i.e. excluding IPRs from its mandate, improving capacity-building, making dispute settlement more developing country-friendly, clamping down on FTAs.

Mustafizur Rahman emphasised the importance of focusing more attention on why LDCs are not progressing, suitable approaches to sequencing and designing trade policy reforms, operationalising duty and quota free access at the WTO and improving the efficacy of trade preferences (especially by reforming rules of origin).

James Kuleiye emphasised the importance of tackling supply-side constraints, ensuring developed countries make genuine

commitments of support, and paying attention to the challenge openness has posed to domestic production and trade in the poorest countries and implementing comprehensive packages of domestic reforms and not piecemeal approaches.

Questions and remarks from the audience focused on the following:

- Respect for regional cooperation programmes when dealing with LDCs;
- The importance of foreign investment;
- The role of preferences;
- The need to organise the poor to advocate their concerns; and
- The importance of gender issues being addressed.

Conclusion

There was a consensus amongst participants that there is a long way to go before a genuine partnership for development in relation to trade emerges. The international trading system does not adequately address the issues of utmost concern to LDCs/SVEs; the voice of these countries is marginalised in the system of global economic governance and the commitments of the international community to LDCs/SVEs are yet to be operationalised. At the same time, new thinking is needed on how to develop country-specific trade development programmes, with emphasis on necessary domestic reforms and achievement of balance between openness and trade empowerment measures.

Session II

Operationalising Aid for Trade: Who is (should) doing (do) what?

Introduction

There has been a growing academic and policy interest in recent years on whether and how to impart additional support to enable developing countries to adjust to trade reform and greater international integration. The aim of this session was to review the arguments and issues surrounding the aid for trade debate, and specifically to review and assess the nature of the adjustment issues arising out of trade reform/liberalisation.

The panelists included Chris Milner, Professor of Economics at the University of Nottingham, UK; Miguel Rodriguez Mendoza, Senior Fellow at the International Center for Trade and Sustainable Development, Geneva; Rajesh Aggarwal, Senior Advisor at the International Trade Center in Geneva and Per Botolf Maurseth, Senior Researcher at the Norwegian Institute of International Affairs in Oslo. It was moderated by Shishir Priyadrshi, Director of WTO's Development Division.

The rationale for aid for trade can be traced back to the 1990s, although this process mainly focused on trade policy reforms with emphasis on macroeconomic stability and sequencing and timing in order to make trade policy sustainable.

Proceedings

In his presentation, Chris Milner mentioned that the rationale for aid for trade can be traced back to the 1990s, although this process mainly focused on trade policy reforms with emphasis on macroeconomic stability and sequencing and timing in order to make trade policy sustainable. However, trade policy reforms were not sufficient; hence, there was a need for aid for trade to address supply-side constraints. He further mentioned that to succeed, it has to be complemented with a commitment for additional funds from donors as well as ownership by the developing countries and LDCs as these countries should determine the composition of the aid for trade package. Linkages between aid for trade and trade policy reforms should also be linked in order to achieve the implementation of the process.

Miguel Rodriguez Mendoza highlighted the need for the WTO to commit itself to aid for trade as this will enable developing countries and LDCs to participate fully in international trade by facilitating market access. He also re-emphasised the fact that aid for trade will enable the underdeveloped countries overcome supply-side constraints, enhance knowledge about markets and develop infrastructure. Hence, there is a need for analysing how much aid is required as this is not clear yet.

A report by the Organisation for Economic Cooperation and Development reveals that between US\$ 20- and 25bn of aid for trade will be required on an annual basis. It is not yet clear whether these would be additional funds and whether full commitments have been made.

However, a report by the Organisation for Economic Cooperation and Development reveals that between US\$ 20- and 25bn of aid for trade will be required on an annual basis. It is not yet clear whether these would be additional funds and whether full commitments have been made. He further proposed the way forward as follows:

- LDCs and developing countries will need to get more organised;
- They will need to identify specific projects to address their needs in order to access aid for trade; and
- These countries will have to table these facts to the donors and lobby for financial support. It is also important that a sense of ownership is instilled in the developing and LDC countries for the success of aid for trade.

Rajesh Aggarwal looked at the role of the private sector in implementation of aid for trade. He started by mentioning the important roles that the private sector has performed in the past in advocating for policy reforms, infrastructure development and addressing the supply-side constraints. In this regard, aid for trade would assist the private sector build their capacity in meeting the above-mentioned goals. Aid for trade should continue to assist the development of infrastructure including development of laboratories to overcome SPS challenges and technical know-how. He further mentioned that public private partnership (PPP) should be further strengthened and highlighted how small and medium enterprises (SMEs) could benefit from aid for trade: assistance for collective selective market access, data analysis of markets, provision of linkages with value chains, assistance for addressing SPS challenges and finally assistance for accessing credit (as mostly SMEs are denied the chance to acquire loan due to lack of collateral).

The last speaker, Per Botolf Maurseth mentioned that aid would help in developing negotiating capacity, infrastructure capacity, increasing exports as well as making trade-related adjustments. However, the definition of aid for trade is not yet known and will only be defined when the developing countries and LDCs present their needs; hence, there is a need for integration of aid for trade in regional and national development strategies.

Questions and comments mainly focused on the definition of aid for trade of different stakeholders in the trade arena as well as the question of additionality in commitment by donors. It was said that the only concrete conceptualisation of aid for trade has been provided in the enhanced integrated framework. Participants also appreciated the fact that aid for trade is now being recognised in the WTO. In the recent past, the slogan had been “trade not aid”. It was also felt that discussions on aid for trade needs to shift to

regional levels and need-assessments of various countries/regions should be undertaken.

Conclusion

Aid for trade can go a long way in assisting developing countries and LDCs in developing their capacity to produce and trade, thereby integrating them into the global partnership for development.

Aid for trade can go a long way in assisting developing countries and LDCs in developing their capacity to produce and trade, thereby integrating them into the global partnership for development. Currently these countries are not participating fully in the trading system in terms of negotiations as well as taking advantage of market access. In order to implement aid for trade effectively, participation of all the major players including governments, donors, private sector and civil society organisations is needed.

Session III

UK's Aid for Trade Strategy: Lessons for Future Effective International Trade and Development Architecture

Introduction

Continuing the discussion from the previous session, Rachid Benmessaoud, Acting Country Director of the World Bank's India office invited Claire Durkin, Director, Europe, International Trade & Development, UK Government, to discuss UK's strategy on aid for trade. He began the session by saying that the debate on 'aid for trade' has become a burning issue. The reform process around the globe has led to questioning of the very mechanism for providing aid for trade.

Aid for trade must be an integral part of a developing country's growth strategy. It has to be used as an integrated, strategic economic tool, not as a means of providing off-the-shelf aid supplies. Planning such spending is complex and needs to be country-led. It needs to be focused on building capacity and capabilities for sustainable trade and development. Adding to this complexity are the bilateral and multilateral aspects of aid for trade. The UK's aid for trade strategy aims to show how we can together tackle the challenges of transforming the economic trading infrastructure of a fast developing nation.

Speaking on UK's aid for trade strategy, there was emphasis on the need for increasing capacity within developing countries to trade so that they can be integrated successfully into the global economy whilst easing the costs of adjustment.

Proceedings

Claire Durkin began by quoting Thomas Macaulay (1824): "Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular". She presented UK's policy and strategy on aid for trade as well as its major successes and failures. She also made some prescriptions to guide the mechanism. .

Dunkin said that trade and foreign direct investment always goes hand-in-hand implying that aid which stimulated investment would also stimulate trade. Thus, aid for investment is indirectly aid for trade.

She presented the current tariffs on agriculture products at the regional and global level and emphasised that developed country tariffs on agricultural products are still too high while those of developing countries are still moderate. The speaker was critical of UK's North Sea policy and cotton policy.

While speaking on UK's aid for trade strategy, she emphasised the need for increasing capacity within developing countries to trade so that they can be integrated successfully into the global

economy whilst easing the costs of adjustment. The challenges are as follows:

- Cutting transport costs;
- Upgrading trade-related infrastructure;
- Increasing regional trade & integration;
- Expanding, diversifying & adding value to agriculture & manufacturing;
- Improving trade & investment climate;
- Managing adjustment.

Conclusion

Aid for trade can act as a powerful tool for enhancing supply-side capacity and reducing transaction costs for carrying out trading activities. However, the mechanism for allocating aid and identifying beneficiaries has to be well thought out.

Session IV

Services Liberalisation and Domestic Regulation: Why it is important?

Introduction

Domestic regulation is a very complex issue in services trade policy formulation. On the one hand, it is necessary to ensure consumer protection, services standards and several other public interest objectives, and on the other, it can act as a very significant restriction and curtail the market access granted to foreign service suppliers in any trade agreement. This session examined various issues regarding service trade liberalisation and domestic regulation and their implications for effective market access.

Issues of consumer protection, discipline, standards and regulation have been said to contribute to the complexity of these issues. In many instances these issues have resulted in barriers to market access. This session, therefore, aimed at:

- The examination of various issues regarding services trade liberalisation and domestic regulation; and
- The analysis of the implications of liberalising services in trade and its effect in ensuring market access.

Domestic regulations, both discriminatory and non-discriminatory (nationality and residency requirement) have become barriers to trade, an aspect that has practically locked out foreign professionals.

The moderator, Jayant Dasgupta, Joint Secretary at the Department of Commerce, Government of India, opened the session by reiterating the challenges in services liberalisation; chief among them being the fact that domestic regulation has led to an increase in trade barriers, both implicit like visa requirements, different rates of taxation and explicit barriers such as qualification requirements. These measures, as he pointed out, have mostly been counterproductive and ‘more burdensome than necessary’, yet are expected to serve domestic policy regulation purposes. Ramesh Chaitoo, Head of Services Trade Unit, Caribbean Regional Negotiating Machinery made a presentation on the subject while B. K. Zutshi, Former Indian Ambassador to the GATT (the General Agreement on Tariffs and Trade; the predecessor of the WTO) and R. S. Khemani, Principal, Microeconomics Consulting & Research Associates Inc (MiCRA), Washington DC were the discussants.

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Ramesh Chaitoo emphasised on the following issues:

Domestic regulations, both discriminatory and non-discriminatory (nationality and residency requirement) have become barriers to trade, an aspect that has practically locked out foreign professionals.

Multilateral negotiations have attempted to craft generic disciplines in three key areas, namely, requirements for qualifications and procedures, technical standards and licensing requirements.

These disciplines have tried to ensure that the requirements are objective and transparent: they are not more burdensome than necessary in ensuring quality and licensing. These disciplines do not restrict supply of services.

Negotiations on domestic regulations, however, experience limitations as professions are controlled by their associations and bodies. National treatment and scheduled barriers are not subject to rule making on domestic regulations. In January 2008, requirements for the disciplines were published, key among them being that of ensuring transparency by publishing information on all requirements and processes for foreign suppliers. How this was to be done was contentious, whether electronically, through print, etc.

Licensing requirements need not act as trade barriers; technicalities and standards set by developed countries have made supplying services very difficult for some developing countries. Furthermore, transparency and predictability need to be imbibed in the same. Other issues that the speaker emphasised were the need for impartial procedures and ample time frame in processing. Reasons for rejection of application should be given. One issue also under discussion is whether application fees in license processing should reflect administrative costs or should also incorporate a revenue element.

On qualification requirements and procedures, the speaker pointed out competency, verification and assessment as areas to be observed.

On technical standards, the speaker raised a key query on whose standards these should be. He held that if a subject is of domestic nature, it should not be overtly difficult or different from other countries. A key challenge that he pointed out was on the capacity of small countries to develop standards.

Other key challenges that he posed included: whether LDCs should be exempted from rules and also on the kind of technical assistance (TA) that needs to be given to these countries in meeting regulations overseas.

In conclusion, he pointed out the existence of challenges of liberalisation in the absence of a regulatory regime. The

liberalisation of a sector should send a clear signal that government will regulate it.

Developing countries need to focus on services sector development or regulatory regimes in technical assistance programmes. WTO rules on domestic regulations will only help to some extent.

Developing countries need to focus on services sector development or regulatory regimes in TA programmes; this is currently focussed on goods. WTO rules on domestic regulations will only help to some extent. Mutual recognition of qualifications among professionals should be encouraged. Outsourcing contracts can help avoid the hassles of domestic regulations.

B. K. Zutshi emphasised the fact that crafting out rules on services liberalisation and domestic regulations still remain a thorny issue. There is need for what he terms as a necessity test. Despite liberalisation, services have been avoided, the main reason being that most developed countries are already in the developing world. Hence they lack the incentive to give anything in exchange.

R. S. Khemani pointed out the need for flanking policies in addressing liberalisation in services. Barriers to trade in services are not only through licenses and technical aspects but also through market structure and preparedness. For instance, competition policy is one such preparation; these lead to development of a sector by blocking trade-restricting practices like cartels.

In this respect, it is not only public policy barriers that should be looked at but also private ones. Developing countries will, therefore, find policies like competition policies very useful. Professional bodies need to ensure measures to counteract restrictive business practices.

There is the need for flanking policies in addressing liberalisation in services. Barriers to trade in services are not only through licenses and technical aspects but also through market structure and preparedness.

Questions and comments were focussed on issues of sequencing of regulation and liberalisation i.e. whichever comes first; what other policies can be used to mitigate the shocks of liberalisation of service sectors. A question was raised as to why Mode 1 (cross-border movement) and 2 (consumption abroad) of services trade have been ignored. The need for supply capacity of LDC and DCs need to be addressed, according to some. Competition policy should be introduced at the multilateral negotiation table.

Conclusion

Sequencing leads to a 'chicken and egg' situation between liberalisation and regulation; it will vary from one sector to another. Competition law remains among the key policies needed to address service liberalisation challenges; this is important also in regulating private player's conduct. The

subject of competition should not be shielded away from. Many developing countries are ready for services liberalisation and have adequate mechanisms to counter competition from outside. There is a need to look at the least trade distorting options; thus, the emphasis is on the necessity test. There is also a need to effectively get regulatory mechanisms in place to ensure certainty and predictability among suppliers.

Session V

Roundtable on Mainstreaming Development in the WTO

While the United Nations has looked at the domestic enabling environment in countries to attack poverty, a look at the terms of trade has also become important in this regard. Questions like how aid can enable countries to trade have become pertinent.

Introduction

The launch of the Doha Round of multilateral trade negotiations in 2001 was marked by developing countries in criticism of the Uruguay Round. This session argued that the main concern of the developing countries is in the area of Special and Differential Treatment (S&DT). However, merely deepening of existing trade preferences and providing greater flexibility for the WTO rules will hinder the growth of a more development-oriented WTO. What then constitutes development in the WTO?

Pradeep S. Mehta, Secretary General of CUTS International and the chair of this session stressed that the focus of the conference is the progress on MDG-8 – that is, Global Partnership for Development. While the United Nations has looked at the domestic enabling environment in countries to attack poverty, a look at the terms of trade has also become important in this regard. Questions like how aid can enable countries to trade have become pertinent. He opined that the conference should go on to address issues than remain a talk shop on outcomes. Therefore, the important questions that need to be answered are:

- What are the responsibilities of countries to ensure justice in trading relations?
- What is the role of developing countries in the system, in terms of leadership?
- How do developing countries contribute to the rule-based system?

Effective participation in trade by both developing and developed countries is limited by capacity constraints. Inclusiveness of the WTO also needs to be looked at.

It is important to recognise the value of WTO in promoting trade by creating a framework on trade rules and the associated dispute settlement mechanism.

Proceedings

Ransford Smith, Deputy Secretary General of the Commonwealth Secretariat said that it is important to recognise the value of WTO in promoting trade by creating a framework on trade rules and the associated dispute settlement mechanism. Though the aggregate data does not reflect the individual cases of disputes faced by the LDCs, their plight is indicated by the decline in their share in trade from the 1960 level. The existing trading system should be moulded to reverse this trend.

He said that there is a clear challenge of using the WTO to operationalise development. Development is multi-faceted and varying for different countries which differ in terms of market access, supply capacity, competitiveness, trade adjustment and so on. Such differences need to be taken into account in the process of operationalisation. Such a process should be associated with:

- Consideration of costs and benefits to members;
- Strengthening of capacities through aid for trade; however, aid for development should also be emphasised;
- Strengthening of negotiating capacity at the multilateral and regional levels as much improvement in this regard is necessary;
- Improved market access, especially in areas of interest and potential for developing countries like agriculture and services;
- Rules with a special emphasis on implementation time frame; and
- Processes that determine outcomes.

Lakshmi Puri, Acting Deputy Secretary General of the United Nations Conference on Trade and Development stated that UNCTAD has been contributing to the process of mainstreaming development in the trading system. There is a marked difference between the earlier and existing system. There is a need to put development at the heart of the trade system. She put forward six benchmarks for mainstreaming the processes:

- Prominence to development objectives and aspirations over narrower mercantilist concerns;
- Effective market access for developing countries by reining in non-tariff barriers;
- Identification and quantification of the impact of standards imposed in trading to streamline these;
- Removal of asymmetries in agriculture trade;
- Minimisation of adjustment costs; and
- Development solidarity.

The trading system faces an important challenge of adjusting to the changing power equations in trade negotiations with developed countries no longer being able to dictate the agenda. They are now being challenged by developing countries.

According to her, the trading system faces an important challenge of adjusting to the changing power equations in trade negotiations with developed countries no longer being able to dictate the agenda. They are now being challenged by developing countries.

Pradeep Mehta intervened to ask the speaker to elaborate on crucial determinants of participation in the system and support in the form of aid for trade.

The real issue is to ascribe authority for making decisions on how and where the aid for trade is to be used; for instance, currently the focus is on IPR (intellectual property rights) related aid for trade, which may not be that desirable for most developing countries.

Puri replied that wider participation in the rule-making process is limited by the capacities of the developing countries. Thus, further capacity-building is needed though the developing countries have gained in terms of 'voice' and share in trade.

In regard to aid for trade, there is a problem with distinguishing between aid for trade and aid for development. Aid for development may be contributing to trade capacity as well.

Nitin Desai, Former Under Secretary-General of the United Nations held the view that the real issue is to ascribe authority for making decisions on how and where the aid for trade is to be used; for instance, currently the focus is on IPR (intellectual property rights) related aid for trade, which may not be that desirable for most developing countries. In his opinion, mainstreaming development in trade requires the following:

- Extension of the rules-based regime: Much of the injustice in today's world trade is in areas such as cotton, where we have no rules-based system;
- Progressive liberalisation of market access; and
- Extension of trading regime to other areas and achievement of coherence among agendas. For instance, interconnection between finance and trade, especially the impact of exchange rates, needs to be achieved. Trade within enterprises has grown exponentially over the past years; the relevance of associated WTO rules will have to be examined.

Pradeep Mehta pointed out that the system is also hampered by donor incoherence in addition to incoherence of agendas: several agencies pursue the same agenda, leading to duplication and inefficiency.

We live in an iniquitous world. For instance, in the WTO regime, only developed countries can go above international standards. In the codex negotiation, the representation of developing countries is limited as they cannot participate effectively due to various capacity and financial constraints; the likely result is that the standards will be

G. K. Pillai, Secretary, Department of Commerce, Government of India started by pointing out that we live in an iniquitous world. For instance, in the WTO regime, only developed countries can go above international standards. In the codex negotiation, the representation of developing countries is limited as they cannot participate effectively due to various capacity and financial constraints; the likely result is that the standards will be discriminatory. He pointed out that the financial constraints force even a country like India to have sub-optimal participation at international standard setting bodies. He argued for:

- Fully-funded participation of developing countries in the international standard-setting bodies; and
- Upgradation of domestic standards in developing countries to keep pace with the changing standards in the developed countries.

Pradeep Mehta pointed out that rules of origin are also very important.

Pascal Lamy, Director General of the WTO stated that WTO through the stipulation of rules and norms has made a big contribution to development. There is, however, a need to ensure that these rules remain aligned to the objective of development. Over the years, the system has moved into a pro-development mode through initiatives like special and differential treatments for the poor countries, specific flexibilities for developing countries; and trade related technical assistance (TRTA). For instance, in WTO annual budget of US\$ 200mn, 20-25 percent is spent on TRTA. However, many developing countries have a problem in indicating their priorities in the WTO provided TRTA programme.

He said that participation of developing countries in the WTO has undergone considerable change from the scenario twenty years ago. We have as many as 15 trade unions in the WTO (meaning the various blocks). It has made the system complex; however, such groupings have made the WTO more representative.

WTO through the stipulation of rules and norms has made a big contribution to development. There is, however, a need to ensure that these rules remain aligned to the objective of development. Over the years, the system has moved into a pro-development mode.

Pointing out the importance of participation, Lamy said the WTO still works through consensus. However, he pointed out, “consensus is good if you can build one”. It is a formidable constraint. It took EU more than 50 years to develop a consensus among member countries. WTO will have to build consensus in concentric circles like G-7, G-35, G-153 and the like. There is need to ascertain whether transparency exists within these groups. Besides, the members report to their constituencies. This implies a protracted result negotiation process. A positive development is that the negotiating ability of the developing countries has improved.

Similarly, litigation system aids development In the DSM, representation of developing countries is good and in proportion to their share in world trade. Some countries do not go for litigation largely due to political considerations.

The safeguards system is becoming development oriented with some developing countries knowing how to use it.

On standards he opined that non-tariff barriers would be very important in the coming years, though they may arise from non-trade issues. We have to look especially at private standards that have much more impact than public standards. The legality of these under the WTO is disputed.

Rules of origin are important as well, though often neglected. Multilateral rules of origin have not been defined well yet.

Mainstreaming is more complex than 10-20 years ago, he said; as development strategies today do not meet the “one size fits all” property. The differences within developing countries have to be taken into account. For instance, the Indian Textiles & Clothing (T&C) exporters have a problem with the duty free, quota free access to EU and the US granted to other developing countries. This inherent difference between current and past development strategies and patterns has to be recognised and the next generation of mainstreaming will have to be with more ‘differentiated’ provisions.

Mainstreaming is more complex than 10-20 years ago as development strategies today do not meet the “one size fits all” property.

In the discussion that followed, the speakers opined that rules negotiated multilaterally should be treated as a desirable global public good. However, the bilateral trade rules cannot be categorised as one.

Rules of origin are important in utilisation of preferences, but restrictiveness of such rules and their complexity will have to be addressed.

Pascal Lamy in his conclusion tried to impress upon the fact that the negotiation process, however problematic, is essential for practical reasons. However, he agreed that the trading system is becoming far too complex and needs simplification.

He further pointed out that exceptions have always been part of the system. Sometime they have been very explicit and other times hidden. Sometimes the only way to get consensus is to give exceptions. However, they should be temporary and subject to periodical review. But we cannot do away with these altogether.

For mainstreaming development through the WTO, according to Lamy, we should start with the low hanging fruits like Doha than go for issues like climate change, emissions, burden sharing etc.

Session VI

Trilateral Development Cooperation: How to make it more effective?

Introduction

This session focused on projects which are jointly planned, financed and carried out by an established donor country which is a member of the Organisation for Economic Cooperation and Development and a partner country together with a cooperating country which, although itself a recipient of development cooperation, has either started providing aid or accumulated expertise.

Introducing the session, Lars-Olof Lindgren said he is impressed with the efforts of CUTS in getting development results out of the resources invested through trilateral development cooperation (TDC). It is an opportunity to look at the development aid process and find out ways to make it efficient. He posed the following three questions:

- Are emerging donors treading the same path as traditional donors?
- Do emerging donors at all need to engage in the OECD's Development Assistance Committee (DAC) framework of traditional donors? If not, how do we assess the costs and benefits of aid from the new donors and integrate them within the DAC framework? A related question was how trilateral aid can be made more effective.
- Are there any specific projects being implemented in the framework of TDC?

It is important to focus on who is involved in trilateral development, how to make it more effective and the characteristics of the agencies involved in the process. To be successful in addressing the challenges of development in countries like Africa, it is important that TDC draw lessons from previous failure in aid policy.

Proceedings

Dominique Njinkeu said it is important to focus on who is involved in trilateral development, how to make it more effective and the characteristics of the agencies involved in the process. To be successful in addressing the challenges of development in countries like Africa, it is important that TDC draw lessons from previous failure in aid policy. The target group is aid-dependent countries which have problems associated with aid delivery/effectiveness. The two broad sources of this failure have been the way in which the aid system is designed and constraints to aid effectiveness like absorptive capacity and Dutch Disease, through which large inflows of foreign currency have a negative impact on production.

It is expected that new donors, building on their experiences with identical issues in comparable situations may not be faced with the same constraint. New donors such as China should

make interventions which are consistent with long-term development goals but also must take account of international consensus such as that captured in the Paris Declaration on aid effectiveness. Thailand and Brazil give indications of how development aid can be implemented. In addition, in bilateral aid, the United Nations has some key elements which can be used. Non-state actors should be given more prominence in trilateral development cooperation.

Jean-Raphael Chaponniere spoke on issues of Chinese aid to Africa. The emergence of China as a key donor needs to be understood. The trend of decoupling US from Asian/emerging economies has been accompanied by coupling of Asia and Africa. China-Africa trade increased at a time when trade between Africa and rest of the world was declining. China was a large donor in 1970s, but the lack of statistics in this regard lead to underestimates of Chinese aid to Africa. Various estimates conclude that China is not yet a major donor in Africa.

The emergence of China as a key donor needs to be understood. The trend of decoupling US from Asian/emerging economies has been accompanied by coupling of Asia and Africa. China-Africa trade increased at a time when trade between Africa and rest of the world was declining.

However, the presentation asserted that while OECD countries may not meet their objectives regarding aid, China will probably double its aid by 2009 and will be a major donor in Africa during the next decade. He pointed out that while lack of infrastructure is one of the critical constraints to African development, OECD aid has shied away from infrastructure projects. Among the reasons is the CAD's Helsinki Arrangement that forbids interest rate subsidies to commercially viable projects and advocates leaving that to the private sector. As the private sector did not engage in those projects in Africa, this opened the way for Chinese ODA. Chinese projects are considered less costly and more effective as their implementation period is shorter; however, they are criticised on grounds of being less sustainable and of leading to problems once the Chinese experts leave. However, OECD's aid has a framework for ownership.

He concluded that as China is now financing large projects, the Chinese may have to change their view on effectiveness. This could lead to some convergence with established donors that could further take into account the social and environmental responsibility. For instance, OECD donors have started to negotiate with the Chinese Export-Import Bank. Cooperation with China in Africa could lead to an effective trilateral cooperation.

Richard Carey emphasised on the need to understand the basic rationale for trilateral cooperation. He said that the DAC is a body of the OECD which discusses issues of aid effectiveness involving nine networks, 23 development members, and now

The Paris Declaration of 2005 showed the shortcomings of the donor-driven aid process. Keeping this in view, a partner country must develop strategies and mutual accountability to ensure that donors can facilitate predictability and coherence in systems of local delivery, and address issues of capacity development and dealing with fragile funds and those related to South-South trade.

an advisory group of NGOs. How do aid effectiveness and aid for trade come into this equation? It is emphasised that development is a learning process. In the last couple of decades, catch up growth has enabled the hastening of the learning process and many more opportunities have been created. The focus now should be on how these poor countries can get into this learning process/mode. The Paris Declaration of 2005 showed the shortcomings of the donor-driven aid process. Keeping this in view, a partner country must develop strategies and mutual accountability to ensure that donors can facilitate predictability and coherence in systems of local delivery, and address issues of capacity development and dealing with fragile funds and those related to South-South trade.

Roger Nellist, while stating UK DFID's successful experience in implementing TDC-type projects, mentioned the collaboration with CUTS on Competition Policy Research & Advocacy Projects. He gave an account of its successful coordination with CUTS in implementing four multi-country (27 countries in Africa and Asia), multi-donor, multi-phase programmes. He also mentioned that there are a number of attributes required for fruitful development cooperation like the following:

- programmed but flexible approach to delivery (to all parties);
- building on lesson learning and replicating successful models;
- attitudinal aspects such as appreciation and resolution of differences and determination to deliver;
- long-term commitment to the agenda;
- networks, stakeholder buy-in, sustainability; and
- ability to deliver strong results.

He provided some reflections on making TDC effective. He emphasised on needs such as setting workable but good enough standards, strong standing of co-operating partner and local presence and ownership.

There should be emphasis on setting workable but good enough standards, strong standing of co-operating partner and local presence and ownership.

Peter Kiuluku gave specific examples of projects based on TDC such as the Arusha-based Trade Policy Training Centre in Africa, which has been established by the Swedish International Development Agency in partnership with the Lund University of Sweden to provide technical support to African countries on trade capacity-building. He pointed out that the biggest challenge/question is whether the vision of the donor country can or should be imposed on the recipient country. Talking on ways to make aid more effective, he suggested that aid effectiveness through multi-stakeholder approaches should create an understanding of beneficiary

Aid effectiveness through multi-stakeholder approaches should create an understanding of beneficiary countries. There is need to create a forum and platform where issue-based projects can be taken up for discussion in a harmonised way; then, whether it is project or programme aid will not matter.

Self-sufficiency is important and therefore donors like UK's Department for International Development are moving away towards projects that are policy influencing and capacity-building in a way that could bolster domestic revenues and ultimately reduce the need for aid.

countries. There is need to create a forum and platform where issue-based projects can be taken up for discussion in a harmonised way; then, whether it is project or programme aid will not matter. Institutions and processes which are sustainable should be developed. The long-term vision of a country should be the rallying point for TDCs.

The discussion threw up issues of how aid can lead to creation of sustainable projects. There were some specific questions on Chinese aid to Africa: how far is China's aid directed by its need for energy security, and is it to the beneficiary's interest? How much of Chinese aid is tied and what happens after the Chinese leave a country?

Conclusion

The panel agreed that the infrastructure aid is a valid development strategy for Africa as it creates capacity, local entrepreneurship and fills up a huge gap in trained human resource. Development is at a core of governance. In the case of Africa, it needs peacekeepers and a security framework.

At a recently held meeting of the African finance ministers in Mauritania, they made a declaration about promoting greater transparency in investment and aid projects by new donors. Key problems on the recipient side include the need for coherence in trade not just among key donors and emerging donors, but also among regional partners; for instance, South Africa could play a key role in the Southern African Development Community. It was emphasised that costs and benefits of trilateral cooperation must be assessed. The research community has a key role in designing the trilateral framework, and there is a need to focus on specific issues rather than just on awareness creation.

It was said that while aid can be tied, balance of interests between donor and recipient can only be achieved through transparency. The recipient countries must enter into contracts which are beneficial for them. Investment from private sector must also be explored as an option. Governance and security problems are important in delivery of aid which makes an effective case for cooperation between OECD-DAC and TDCs. The Paris Declaration, while emphasising the need of recipients for policy space, highlights that such space needs to be utilised and non-governmental organisations should develop capacity for this. Self-sufficiency is important and therefore donors like UK's Department for International Development are moving away towards projects that are policy influencing and capacity-building in a way that could bolster domestic revenues and ultimately reduce the need for aid.

Session VII

The Future of Global Trading System

Introduction

This was a forward-looking session on the future of the international trading system. There will be both continuity and considerable change in politico-economic characteristics and institutional structure of the system in the coming decades. The speakers focused on the sustained and uneven transformation of the global economy, with the associated rise of new powers, heightened aspirations and considerable pockets of social discontent as its contemporary determining features.

The discussion on the future of the global trading system bore significance in the wake of considerable changes in politico-economic characteristics and the institutional structure of the global trading system. Furthermore, it drew attention to the sustained as well as uneven transformation of the global economy due to rise of new powers, heightened aspirations and the presence of considerable pockets of social discontent.

Proceedings

Alan Winters initiated the proceedings by putting forward the following questions:

- Why is freer trade less popular now than earlier?
- Is the multilateral trading system consistent with regional trade agreements and what can the WTO offer to small countries?

Richard Higgott, in his introductory remarks, said that the global trading system is standing at a precarious juncture. Major remedial measures need to be taken. A long-term perspective beyond the Doha Round is essential at this point in time, he added.

He addressed a broader global, politico-economic context in which any understanding of the contemporary trade system is embedded and provided five major challenges facing the global trade regime in this century. He explained the following challenges:

- the shifting politico-economic landscape and the absence of leadership in the agenda-setting process of the global trade regime;
- the need for greater institutional coherence in the relationship between trade and development; and
- the challenges to the multilateral trade regime arising from the rise of preferentialism at the regional level.

The global trading system is standing at a precarious juncture. Major remedial measures need to be taken. A long-term perspective beyond the Doha Round is essential at this point in time.

He averred that the international trade regime will definitely be affected by the fallout of the current economic and financial turmoil and in turn will further affect the wider global economy by its failure to round off the Doha Development Agenda. He mentioned that the multilateral trading system is threatened by the perception that globalisation has been tarnished by speculative investment and other excesses in financial markets seeking ever-larger profits at the expense of sound business practice. The rise of Sovereign Funds has also created protectionist sentiments with attendant risks for open markets in times of uncertainty.

He then described that pressures on resources and population growth pose challenges for the continued integration of the global economy generally, and for the trading system in particular.

The multilateral trading system is threatened by the perception that globalisation has been tarnished by speculative investment and other excesses in financial markets seeking ever-larger profits at the expense of sound business practice. The rise of Sovereign Funds has also created protectionist sentiments with attendant risks for open markets in times of uncertainty.

He further suggested that the future collective management of the global economy is crucial for the environment in which trade governance exists and added that the architecture of the trade regime will need to accommodate the new stresses placed upon it by the questions of sustainability and economic development. He mentioned that in this increasingly interdependent world, trade policymakers cannot ignore either the context in which they operate or the need to contribute to the resolution of these challenges.

He listed five central challenges facing the international trading system and identified by the Warwick Commission:

- The paradox between continued governmental liberalisation of economies in major OECD countries on the one hand and an attendant marked reduction in popular support for open markets in significant sections of the population of these countries on the other;
- The need to ensure that the increasingly multi-polar nature of the global trading system does not itself become a source of stalemate and dysfunction;
- The need to reconcile the sometimes-competing objectives of the WTO;
- The need to examine the extent to which the issues of fairness and justice are addressed at the WTO;
- The growing frustration with slow decision making in the multilateral regime.

As a result of the above challenges, policymakers are turning to other vehicles for trade reform, notably bilateral and regional trade agreements.

He went on to add that in contrast to growing public fears about globalisation in the industrialised countries, many developing countries are concluding that open borders are beneficial for their region. He deliberated on the waning popularity of globalisation in the industrialised countries and also explained the elements of justice and fairness on the global trade agenda.

He said that the management of agenda setting is crucial and member countries need to determine the scope and coverage of it. The core challenge is to shape the agenda in a way that it respects the interests of the entire membership while at the same time securing the continued commitment of all parties. He also dwelt on various methods of arriving at decisions such as the critical mass approach as advocated by the Warwick Commission.

He also deliberated on the rise of preferential trading arrangements. Today's preferential agreements create an environment, which poses threats to the multilateral trading regime, he said. He suggested that the major developed and advanced developing countries should restrain from entering into regional trade agreements. Regionalism diverts attention from multilateral negotiations and governments may believe that they can acquire all they need by way of trade policy through regional arrangements. He stressed that this is a major challenge that needs to be addressed by the global trade policy community and mentioned that if the WTO membership is to engage seriously in addressing what has become a challenge to the coherence and stability of the trading system, the largest trading nations in the system must show leadership.

Today's preferential agreements create an environment, which poses threats to the multilateral trading regime. Regionalism diverts attention from multilateral negotiations and governments may believe that they can acquire all they need by way of trade policy through regional arrangements.

Debapriya Bhattacharya stressed on the need to finish the Doha Development Round as early as possible and said internal reforms of rules and improvement in transparency, monitoring and surveillance are the need of the hour. He also emphasised on the need to seek some clarity on the interface of multilateralism and regionalism.

M. Supperamaniam mentioned that the rule-based system is going to stay whether or not the Doha Development Round survives; he laid emphasis on the need to review and strengthen Article XIV of GATT to ensure that it is not a stumbling block. He expressed the need for greater political will and leadership for a better global trading system. Stephen Lande criticised the duty free quota free system and mentioned that the current Doha Round is not a Development Round but has been turned into an Agriculture Round.

Conclusion

The global economy in general and the multilateral trading system in particular are at the cross-roads. All stressed that there is a pressing need to improve the management of agenda setting, decision making and participation in global trade, define more tightly and precisely the relationship between trade and development and to understand and respond to the increasing complexity in international relations characterised by the growing number of preferential trade agreements.

Closing Session

Global Partnership for Development: Where to go?

Proceedings

Following the presentations by the Rapporteurs, Pradeep S. Mehta, Secretary General of CUTS International requested all the speakers to briefly mention the key message that, according to them have emerged over the two days. According to him, the following were some key messages:

- There is a need to use aid for trade as a powerful instrument of trade. There is also the need to ensure that it is provided on the basis of active participation from the countries receiving aid.
- There is a need to overcome domestic barriers to trade;
- The world trading system is becoming complex day by day and the same needs to be simplified. This is very important, as it would help in increasing the participation of the developing countries in the WTO.
- There is a need to promote the flow of information and lower transaction costs in order to increase the trade flows between countries.

There is a need to develop a coherence agenda when we talk about the trading system; we also need the same kind of rule-based system for monetary and financial systems.

According to Lakshmi Puri, some key messages are:

- It is important to close the Doha round and frame the right developmental agenda;
- There is need to go beyond the multilateral trading system to pay attention to regional trading systems and to analyse to what extent they are consistent with the multilateral rule-based system;
- Further, there is need to go beyond the multilateral trading system and the RTA agenda to identify the key issues that require not only traditional approaches but also innovative approaches;
- The rise in transportation cost due to energy cost going up could change the way in which countries trade;
- There is a need to develop a coherence agenda when we talk about the trading system; we also need the same kind of rule-based system for monetary and financial systems.

Ransford Smith placed the following on the table:

- The Doha agenda needs to be completed, but the conditionalities that are going to be imposed on the developing countries, should to be right;
- The aid for trade mechanism needs to be properly structured; its boundaries need to be clear and it should not contain conditionalities;

We all agree on the importance of rule-based multilateral trading system, which as a process is a member driven organisation that ensures full participation of all countries.

- We all agree on the importance of rule-based multilateral trading system, which as a process is a member driven organisation that ensures full participation of all countries. Thus far, the WTO negotiations were being dominated largely by developed countries. But with the emergence of various groups comprising developing countries, the situation has changed and the groups play an important role.
- All the member countries are committed to achieving the objectives of the MDG. However, there are new issues that are emerging such as climate change, food and oil crises. There is a need to analyse these emerging issues in the light of the WTO process.

T.N. Srinivasan said that the WTO was an institution that formulated and administered trading rules. Thus, focusing on issues going beyond trade (such as global warming) under the WTO is not going to be a feasible option.

Conclusion

International trade issues are one third of the agenda under MDG-8. With the support of its partners, CUTS would be able to disseminate the messages that have emerged out of this deliberation to a wider audience.

Pradeep Mehta while delivering the vote of thanks mentioned that the conference was targeted at the international community at large. He emphasised that international trade issues are one third of the agenda under MDG-8. He said that with the support of its partners, CUTS would be able to disseminate the messages that have emerged out of this deliberation to a wider audience.

He acknowledged the support of various agencies for making this event a success. He thanked the speakers and the participants, and acknowledged FICCI (Federation of Indian Chambers of Commerce & Industry) for partnering and hosting it in their premises.