

Exploring the Potentials of an Asian LDC Alliance

Rethinking Bangladesh's Strategy after Failure of Doha

Development Round: A Starter Note¹

Least Developed Economies in the Global Economy

The Least Developed Countries are getting marginalized in the global economy in an alarming rate. LDCs contribution to global trade now stands below 0.63%. A good number of LDCs are now trapped within aid politics and have become highly indebted borrowers and could not come out from abject poverty. Even the non-HIPC countries could not spend much on social services because of high debt servicing, Bangladesh is such an example which has to pay more than one-third of its foreign aid for debt servicing. LDCs are characterized by their exposure to a series of vulnerabilities and constraints such as limited human, institutional and productive capacity; acute vulnerability to external economic shocks, natural and man-made disasters and communicable diseases; limited access to education, health and other social services and to natural resources; poor infrastructure; and lack of access to information and communication technologies. In the context of these vulnerabilities and constraints, needed international support has been inadequate.

Ten years after the adoption of the Paris Programme of Action by the Second United Nations Conference on LDCs in 1990, the objectives and goals set therein have not been achieved. LDCs are being bypassed by the process of globalization, leading to their further marginalization, third UN Conference on the LDCs reported. UNCTAD reported that the results of economic reform in the LDCs have not achieved the expectations. Declining availability of financial resources, domestic and external, including ODA, a heavy and unsustainable debt burden, falling or volatile commodity prices, complex trade barriers, lack of economic and export diversification and market access for key products which LDCs benefit from, as well as supply-side constraints, have seriously affected the growth and development prospects of LDCs, it said.

Chronic marginalization of LDCs

It was said that international trade could benefit the poor countries specially after establishing the WTO in 1995 and Doha development agenda was adopted in 2001 with a view to incorporate development as the central agenda of international trade. However the essence of 'development' hardly found in the last two consecutive declarations of WTO ministerial summits, hitherto the post Hong Kong texts did not contain the development issues for the LDCs. On the contrary the LDCs have already liberalized their markets keeping their domestic industries and employment sector at high risk.

In 2003, the Trade and Development Board, at its fiftieth session, examined the impact of the most recent initiatives in favour of LDCs in the area of market access, including among others the "Everything but Arms" (EBA) initiative of the European Union and the African Growth and Opportunity Act (AGOA) of the United States. UNCTAD secretariat¹ pointed out that market access preferences have had a beneficial impact on investment, job creation and poverty reduction through trade in several LDCs, particularly those with competitive export capacities. However, the low degree of

¹ This concept paper is presented at Global Economic Justice Forum 2008 by Aamanur Rahman working at ActionAid Bangladesh on Trade and Economic Justice issues.

utilization of trade preferences was noted as a phenomenon that diminished the value of the relevant concessions. Erosion of market access preferences for LDCs arising from most favoured nation (MFN) tariff reduction and regional free trade arrangements was underlined as one of the most serious challenges to LDCs in their efforts to overcome their competitive disadvantages in the global economy.

Why the LDCs failed at negotiation table?

Critics claimed that poor negotiation capacity, diverse trade interests and low coordination amongst the LDCs made them powerless to stand as a strong bargaining force in the global trade. They could not even fix on their declared positions in the negotiation table. Analysts said, LDCs common manifesto failed at the negotiation table as their alliance was principally built on solidarity, not on common sectoral interests. Broadly their export interests could be categorized into issues around agriculture and agricultural commodities (like subsidy, SPS measures etc.) and industrial goods/ non-agricultural products (like DFQF market access). Even if we go through the latest declarations of the LDC trade ministers, we would find no priorities rather than a shopping list. We also did not see any coordination at Hong Kong amongst the LDC leaders. They were totally fragmented after day one and were knee-downed to the opponent parties. So from our experience we could say that without any common economic/ trade interests the LDCs could not stand as a strong force. Interestingly the 32 LDCs have different trade interest and only a smaller group can build specific agenda focus negotiation group.

What strategies could be adopted for effective and focused negotiation?

Following this assumption the potentials could be explored for initiating smaller LDC negotiation group on the basis of common trade interests. At first Asian LDC with common trade interests could be a starting point and gradually it would extend to Africa and Asia-Pacific depending on the dynamics of emerging interests in those regions.

The LDCs in Asia contains a large number of poor people of the least developed economies and are suffering from acute preferential erosion. Amongst the 32 members of WTO, 8 of them are Asian LDCs and major of these have common trade interests and similar kind of politico-economy. This could be seen as an opportunity for making stronger alliance within the LDCs.

The question of financial compensation for LDCs that are faced with the challenge of preference erosion should be at the heart of the current debate on "aid for trade", which is a cornerstone of the international community's thrust to meet the United Nations Millennium Development Goals. To be effective and have the desired impact, aid for trade should be neither debt-generating nor encumbered by conditionalities, and it should have a long-term approach to development needs as opposed to responding to balance-of-payments shocks with temporary adjustment measures.

Let's look at the Asian LDCs with common trade interests

Bangladesh, Nepal, Cambodia, Afghanistan, Lao PDR, Myanmar have common trade interests around DFQF market access particularly for their very few export product lines like garments, leather, frozen foods. Besides some Asian LDCs are facing preferential erosion due to common reasons arisen from most favoured nation (MFN) tariff reduction and regional free trade arrangements. These countries have liberalized their domestic market and investment policies long before keeping their local industries at vulnerability. Though their economy till now based on agriculture and these are net food importing countries. Apart from that service sector is rapidly booming in these three countries. So these countries could form a small group of common interests for effective negotiation within the strategic framework of LDCs. These countries received DFQF under GSP facilities provided by US, Japan and EBA initiative of EU.

Common export products as major product lines of some Asian LDCs

Bangladesh: Garments; footwear/leather; frozen fish (garments account for nearly 72% of foreign exchange earnings, following by frozen food and leather goods)

Cambodia: Garments; leather footwear (garments account for nearly 60% of foreign exchange earnings, tourism has become the second sector of the economy, and services in general are expected to increase)

Nepal: Wool carpets; garments; hats (the dominant garment sector suffers from preference erosion, tourism, business services and transport services now account for over a quarter of total foreign exchange earnings)

Lao People's Democratic Republic: Garments

Myanmar: Garments; leather footwear

(Source: UNCTAD)

Concluding remarks

Considering the current context and nature of global trade regime Bangladesh must search alternatives to come out from this stagnation of international trade. Asian LDCs with common trade and economic interest could build a new alliance to address their marginalization in international trade. Hence negotiators, people's representative, academia, civil society, business community could be the integral part of this forum with a view to find out new avenues and strategies for effective trade negotiation within the given resources and capacity for : a) exploring the potentials for initiating multi-stakeholders platform across Asia on the basis of common trade interests and gradually extend it to Africa and Asia-Pacific depending on the dynamics of emerging interests in those regions; b) creating linkage and collaboration with northern lobbyists to pursue the common interests of LDCs in various global meets; c) finding out alternatives to existing trade discourses on various issues such as aid for trade, S&DT, preferential erosion, alternative finance etc.