

# **PANEL DISCUSSION WITH CIVIL SOCIETY ON ADVANCING DEVELOPMENT THROUGH MULTILATERAL TRADE: CAN THE HONG KONG WTO MINISTERIAL MEET THE CHALLENGE?**

**November 10 2005, Brussels**

## **INTRODUCTION**

The Doha Development Agenda (DDA), as conceived by world leaders in 2001, was supposed to place development issues and the interests of poor countries at the heart of multilateral trade. But after mixed results of recent WTO ministerial meetings and missed negotiating deadlines there is growing concern on whether the DDA will be able to make a significant contribution towards poverty reduction. The Hong Kong WTO Ministerial Meeting on 13-18 December 2005 now represents a decisive phase in the DDA, given the approaching expiry date of June 2007 of the mandate provided to the US Government to negotiate the DDA by the US Congress.

In advance of the Hong Kong meeting, the World Bank in collaboration with the European Commission, organised a panel discussion between civil society and the key actors following the multilateral trade discussions, the European Commission, the World Bank, the US Government, the ACP and the G20 to provide an exchange of views between civil society representatives on how best to ensure that the Hong Kong Ministerial meets the needs of developing countries.

## **PANEL PRESENTATIONS**

### **John Clarke, Head of Unit on Coordination of WTO, OECD, Trade Related Assistance, European Commission**

Mr. Clarke informed the participants that it had become clear that the Hong Kong WTO Ministerial will not fulfill the ambition that the European Commission (EC) had hoped it would, in advancing the Doha Development Agenda. Nevertheless the EC's ambition for the Round as a whole in delivering a development outcome remains undiminished. The EC sees the expected modest outcome from Hong Kong as only a delay in the timing of the conclusion of a more ambitious deal, rather than a reduction in ambition.

Still the EC hopes to have some form of a development package agreed in Hong Kong comprising of three key elements:

- Industrialized countries following the EC example in providing duty and quota free access for all least developed countries.
- An accompanying agreement of an aid for trade package to ensure that developing countries can realize the benefits of liberalization.
- Solutions to the preference erosion from more MFN based liberalization that many developing countries are facing. This could be either through an expansion of South-South trade, an extension of duty and quota free access to other developing countries, more gradual phasing of reduction in tariffs and quotas, or measures to address supply side constraints.

On services Mr. Clarke stated that the EC wants to see markets in industrialized and larger developing country markets opened up in a manner that is consistent with the flexibilities needs of developing countries. Mr. Clarke also referred to anti-dumping and trade facilitation as areas on which agreements in Hong Kong could benefit developing countries. On trade facilitation he cited results of World Bank research which show that an ambitious trade facilitation deal could

bring about increases in revenue of 200-300 billion dollars to the global economy, two-thirds of which would go to developing countries.

**Chris Wilson, Trade Policy Officer, US Mission to the EU**

Mr. Wilson in his presentation provided an update on results of recent discussions in Geneva while situating the US's position in this environment. He stated that following recent discussions in Geneva there was an understanding amongst the negotiators that Hong Kong would not produce detailed frameworks and modalities for the next steps of the negotiations. The key reason for this is the difficulty in reaching an agreement on agricultural market access, but also the lack of movement on Non-Agricultural Market Access (NAMA) issues.

The US is disappointed with this state of affairs, however, like the EC it still wants an ambitious development round. Unlike at previous trade ministerials developing countries are also aware of the risks of a failure at Hong Kong.

While the US understands the difficulty that the EU faces in making concessions on agriculture, it is still disappointed by the recent EU proposal on agriculture. World Bank research shows that 90% of the gains to be made in agriculture lie in increased market access. However, the new EU offer does not advance market access.

But the US agrees with EU commissioner for Trade, Peter Mandelson that there should be no further waiting for a deal on services

**Karinge Githinji, Multilateral Trade Expert, ACP Secretariat**

Mr. Githinji in his presentation focused on the challenges the ACP is facing in the trade negotiations and outlined its objectives for the DDA. He informed the meeting that ACP countries, who are mostly least developed or vulnerable countries, are looking to the multilateral trading system as a means of improving their situation.

Most ACP countries hardly took part in the negotiation of the Uruguay Round of trade talks. As a result implementation of agreements reached under Uruguay have been difficult. Since the signing of the Uruguay Round, poverty levels in Africa have gone up while opportunities to put goods on the international market have gone down.

Mr. Githinji listed a number of priorities for ACP countries in the DDA aimed at addressing this situation. These included:

- An agreement on effective Special and Differential Treatment to help address implementation issues from the previous round.
- A mechanism to support countries experiencing an erosion of preferences such as the sugar producing ACP countries.
- The less than full reciprocity principle in trade regarding NAMA.
- A revision of the WTO articles governing Regional Trade Arrangements to allow such Arrangements to be more development friendly.
- An agreement on TRIPS and public health that allows ACP countries to license drugs.
- An agreement to establish a WTO working group on commodities.

Mr. Githinji also informed the meeting that ACP countries could benefit from liberalization of services, however most of the countries lacked the capacity to analyze the proposals made in this area at the moment.

On trade facilitation Mr. Githinji said donors would have to provide an aid for trade package, alongside the reforms on customs, they are calling for, in order to fully address the high costs of trade for ACP countries.

**Maria Clara Carisio, Counselor, Embassy of Brazil to the EU**

Ms. Carisio focused her presentation on agriculture. She said this was the most important sector for Brazil, as the capacity to promote jobs and growth in Brazil is largely dependent on foreign markets. However, agriculture is the most distorted of all the sectors under discussion in the negotiations. Tariffs in agriculture are three times higher than for non-agricultural goods. Rich countries also provide a huge amount of domestic support to their agricultural products to the detriment of agricultural producers in developing countries. For these reasons Brazil and the G20 cannot envisage a new trade Round without significant changes in agricultural trade. Ms Carisio outlined Brazil and G20 positions on issues being debated in the in the DDA.

- The G20 has proposed the total elimination of export subsidies and export support within a five-year period. But some developed countries are proposing to eliminate subsidies only after a twenty-year period. However, the poor cannot wait that long. Substantial reduction in domestic support will also have to be agreed to address their needs.
- The G20 wants substantive improvement in market access. Brazil, for one, will not be able to internally justify the offer by rich countries to reduce tariffs on agriculture from 800% to 100% when the highest tariffs Brazil employs are 35%. It cannot also accept the EU's new offer on agriculture as it provides no new market access. Furthermore the EU's Common Agricultural Policy (CAP) reform will not result in the elimination of subsidies.
- Brazil cannot first offer liberalization on NAMA and services, as a condition for receiving further offers on agriculture when it has already been waiting for agriculture liberalization for fifty years.

Ms. Carisio also added that Special and Differential Treatment will need to be revised to ensure that it was reserved for developing countries and not abused by rich countries to protect their markets.

**Carlos Braga, Senior Advisor on Trade, World Bank**

Dr. Braga in his introduction echoed the view of previous speakers that despite low expectations of the Hong Kong Ministerial high ambitions would have to be maintained in the Development Agenda if it is to deliver a pro-poor outcome. He added that due to fear of a systematic failure there will be incentives for all to come to the table, however achieving a development outcome may not be easy.

He identified the following three issues that are key to a development outcome.

- Agriculture will have to be at the centre of negotiations. This is because 60% of the poor of the world depend on agriculture. It is also the sector that is most distorted by trade protection. Providing more market access in agriculture is the key to securing most of the real benefits for developing countries, as 90% of the gains of liberalization will come as a result of improved market access. An ambitious outcome in the DDA would amount to about a third of full free trade in merchandise. World Bank research shows that full merchandise liberalization could contribute 28 billion in extra income to the world

economy by 2015. As a proportion of GDP, developing countries would benefit the most. It is evident however that some developing countries could be adversely affected, especially with regard to preference erosion. However this should not be an argument against Most Favored Nation liberalization. Rather aid for trade should be fashioned in a way that supports developing countries to make the adjustment to liberalization.

- Liberalization in other areas such as services and NAMA by all countries including developing countries is important for a development outcome. It is important to note that there is a huge difference between bound rates and applied rates of tariffs in this area and there is flexibility to agree on deals that are advantageous for developing countries.
- Aid for trade together with trade facilitation is essential in addressing issues like poor infrastructure which increase the costs and difficulty of trade in developing countries. This will require an effort that goes beyond the WTO. It should involve the institutions that make up the Integrated Framework for Trade Related Technical Assistance (IMF, ITC, UNCTAD, UNDP, the World Bank and the WTO. The World Bank's paper on up scaling the Integrated Framework and its activities was accepted by development and finance ministers at the World Bank Annual Conference in September 2005. This shows that finance and development ministers have subscribed to this idea.

Dr. Braga also emphasized that while Special and Differential Treatment is important, its ability to contribute to development should not be over stated.

## QUESTIONS AND ANSWER SESSION

### **SOMO (Center for Research on Multinational Corporations)**

- Are there calculations on which countries or groups of peoples will actually reap the benefits of trade liberalization?

- **John Clarke** It is difficult for institutions like the European Commission to make judgments on whether it is right to assist a poor farmer in one developing country such as Brazil if it comes at the expense of another farmer such as one in the ACP, if both of them are living in poverty.
- **Carlos Braga (World Bank)** The General Equilibrium Model used in calculating the benefits of liberalization is open to criticism as we often do not have good data on Africa. Therefore you cannot use it take specific policy decisions, however it provides broad policy advice that liberalization lifts people out of poverty. However, it is clear that there are always losers and winners amongst the poor. It is difficult to make a choice on which groups of poor people most merit to be the winners. World Bank studies also show that in Brazil liberalization mainly favors unskilled labor in poor parts of the country as opposed to large farmers.

### **Greenpeace**

- Does the EC's development package for Doha include measures on TRIPS and support for African cotton farmers?

- Why is the EC's development package only being offered at this late stage of the negotiations?

**John Clarke** On TRIPS, the EC hopes that an agreement could be secured even before the Hong Kong meeting. An agreement on cotton is more difficult as it is part of the difficult agriculture discussions.

The EC's Development package is not new. It has been on the table from the beginning of the negotiations. However what is new is that the EC wants to secure an agreement on these issues at the Hong Kong ministerial.

### **World Society for the Protection of Animals**

- Instead of focusing on short term development would it not be in the interest of developing countries if negotiators gave greater focus in the trade talks to certain non-trade issues such as the environment and natural resources, which are important to long term development?

- **Maria Carisio (Brazilian Mission to the EU)** Liberalization leads to more investment in the environment and the sustainable use of resources. Sustainable use of resources is an important point but I am not sure the WTO could deal with it. Developing countries should be assisted to develop an exporting sector that is sustainable.

### **Compassion in World Farming (CIWF)**

- We feel that rule making on trade should not be restricted to those that create trade, but also those that limit external costs of global trade. There should be better integration in the WTO of rules from other international organizations such as those on bio-diversity and other non-trade concerns such as animal welfare etc.

- **John Clarke:** The EC has been a strong proponent of integrating rules from other organizations into the WTO, as WTO rules are much stronger. We strongly support non-trade concerns such as those on the environment and animal welfare. But other members have resisted the. We will still continue to push for them.
- **Karinge Githinji** Most developing countries acknowledge non-trade concerns but feel the WTO agenda is being overloaded, while other international organizations could better deal with these issues. Many trade ministers who represent the ACP at the WTO do not have the capacity to follow these non-trade issues.
- **Carlos Braga** - Capacity is the main reason why developing countries cannot deal with non-trade concerns. This brings us back to the aid for trade agenda to support a strong capacity to deal with these issues. At this point it may too much to ask to ask developing countries to negotiate these concerns in the WTO.

### **Oxfam/Global Coalition against Poverty/Trade Justice Movement**

- Negotiators claim they are trying to achieve a balance amongst the different positions on offer, but a true balance seems closer to the demands made by Brazil and the ACP, rather than those made by the EC and the US. Yet the EC and the US do not seem to have made any meaningful offers to developing countries. Where does the balance lie?

- What can be realistically expected from the Hong Kong Ministerial? Is it feasible that the big players will make better offers after Hong Kong?

- **John Clarke** I agree the right balance has not been found but we are still evaluating all offers on the table. But I disagree with that we have not made meaningful offers to the developing countries. We are offering to completely eliminate all EU subsidies, reduce by 70% all EU domestic support, and halve average rates of tariffs.

I am convinced our ambitions will be met after Hong Kong even if we do not achieve them in Hong Kong.

- **Chris Wilson** - None of us know where the balance is on development. We (US) have conviction that opening markets does open tremendous potential for creation of wealth including in the poorest parts of populations. But we have had made mistakes in how we have articulated this.

It is impossible to predict outcome of Hong Kong and Doha.

- **Maria Carisio** – The main imbalance in the negotiations is in the fact that the US and EU do not need the Round. Thus there is very little the G20 or other developing countries could offer them that could change their positions.
- **Karinge Githinji** – The balance of power in the negotiations is changing. In the Uruguay Round you had the QUAD group: US, EU Japan Canada leading. But India Brazil and Australia are now coming to the fore.
- **Carlos Braga** – I fully endorse Karinge's view on the balance of power. In the old days US would fashion an agreement and the others would accept it. However, the DDA may fail if others think they cannot influence the process. We have to think what its failure will mean to the credibility of the multilateral trade system. The WTO system is global public good. It promotes transparency, disputes settlement, allows weakened countries to voice concerns and enhances coordination among countries trying to manage globalization process. The losers in the collapse of the system will definitely be developing countries.

### **African Professionals in the Diaspora**

- Are ACP countries negotiating from a weak position, since they are also requesting aid from their negotiators?

- **Karinge Githinji** - To a certain extent this is true. But the ACP has decided to work as a group and with other LDCs known together as the G90, and so benefits in strength in numbers.