



WORLD TRADE  
ORGANIZATION

# 2006 WTO Public Forum

“What WTO for the XXIst Century?”



25-26 September 06





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## FOREWORD

Over the years, the WTO Public Forum has become a very important and unique opportunity to promote positive dialogue among all the relevant stakeholders of the multilateral trading system. Given its distinctive ownership structure and set-up, the Forum provides a firm platform for participants to trigger ideas and articulate concerns on the shape, direction and performance of the World Trade Organization. This year's theme "What WTO for the XXIst Century?", successfully encouraged a frank exchange of ideas and reflections among all participants on the type of WTO they would like to see in the XXIst century.

The Doha Development Agenda (DDA) was launched in 2001 with the aim of generating new trade opportunities, as well as rebalancing the rules of the multilateral trading system in favour of the poor. As many of you know, strong differences among the WTO membership lead to the temporary suspension of the DDA in July 2006. The Public Forum scheduled on 25-26 September 2006, thus provided an exceptional opportunity for an honest and constructive dialogue among participants reflecting upon the potential consequences of a stalemate in the negotiations and identifying flexibilities required to achieve a successful outcome of the Round.

This publication provides a summary of the many views and concerns that were raised during the Forum. It is a recognition of their relevance and importance to feed into the architecture of a world trade system for the benefit of all. I strongly believe in the power of engagement and hope that we will continue to work together in the future to ensure that the WTO provides the world's citizens an opportunity to make their voices heard.

Finally, I would like to express my thanks to the European Commission and Norway, without whose generous contributions, the WTO Secretariat would not have been in a position to organize this important public activity.

Pascal Lamy







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The production of the Report was coordinated by Serge Marin-Pache of the Information and Media Relations Division. Special gratitude is also due to the translators of the Language Services and Documentation Division for their hard work.

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## ABBREVIATIONS

ABAC	APEC Business Advisory Council
ADB	African Development Bank
A4T	Aid for Trade
AGOA	African Growth and Opportunity Act
AITIC	Agency for International Trade Information and Cooperation
ANOPACI	National farmers organization in Côte d'Ivoire
APEC	Asia Pacific Economic Cooperation
AU	African Union
BHB	Behind-the-Border
BRICSAM	Brazil, Russia, India, China, South Africa, ASEAN states and Mexico
CCFD	Comité catholique contre la Faim et pour le Développement
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CEN	European Committee for Standardization
CFA	Canadian Federation of Agriculture
CIDSE	Coopération internationale pour le développement et la solidarité
CIEL	Center for International Environmental Law
CII	Confederation of Indian Industry
CISDL	Centre for International Sustainable Development Law
CoC	Center of Concern
COGEA	Confédération générale des Coopératives agricoles
COMESA	Common Market for Eastern and Southern Africa
COPA	Comité des Organisations professionnelles agricoles
COSATU	Congress of South African Trade Unions
CPQ	Conseil patronal de l'environnement au Québec
CTD	Committee on Trade and Development
CTE	Committee on Trade and Environment
DDA	Doha Development Agenda
DFAIT	Foreign Affairs and International Trade Canada
DFID	Department for International Development
DSU	Dispute Settlement Understanding

DTIS	Diagnostic Trade Integration Studies
DWP	Doha Work Programme
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community Of West African States
EIF	Enhanced Integrated Framework
EPA	Environment Protection Agency
EPO	European Patent Office
EPZ	Export Processing Zones
FAO	United Nations Food and Agriculture Organization
FES	Friedrich-Ebert-Foundation
FLA	Fair Labor Association
FTA	Free Trade Area
FTAAP	Free Trade Area of the Asia-Pacific
G-8	Canada, France, Germany, Italy, Japan, Russia, United Kingdom, United States of America. The European Union is always represented by the President of the European Commission.
G-20	Since 21 November 2006, 22 members: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe
G-33	Since 27 November 2006 understood to comprise 46 countries: Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Rep. Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe
G90	Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia, Zimbabwe



GAN	Global Academic Network
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GRET	Groupe de Recherche et d'Etudes Technologiques
GRM	Global Review Mechanism
GSI	Global Subsidies Initiative
GSO	Geneva Social Observatory
GSP	Generalised System of Preferences
HOD	Head of Delegation
HP	Hewlett Packard
IA	Impact Assessments
IBSA	India, Brazil and South Africa
ICCO	International Cocoa Organization
ICT	Institute of Computer Technology
ICTSD	International Centre for Trade and Sustainable Development
IDRC	International Development Research Centre
IF	Integrated Framework
IFPMA	International Federation of Pharmaceutical Manufacturers & Associations
IGTN	International Gender and Trade Network
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
IMF	International Monetary Fund
INADES	Institut Africain pour le Développement Économique et Social
INSEAD	Business School for the World
IP	Intellectual Property
ISO	International Organization for Standardization
ITC	International Trade Centre
ITU	International Telecommunication Union
LAP	Local Accountability Pacts
LDCs	Least-developed Countries

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MEBA	Middle East Business Associates
MFN	Most Favoured Nation
MTS	Multilateral Trading System
NAMA	Non-Agricultural Market Access
NEPAD	New Partnership for Africa's Development
NFTC	National Foreign Trade Council
NGMA	Negotiating Group on Market Access
NGO	Non-Governmental Organization
NTBs	Non-tariff barriers
NUMSA	National Union of Metalworkers of South Africa
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OIE	World Organization for Animal Health
PELUM	Participatory Ecological Land-Use Management
PRSP	Poverty Reduction Strategy Programmes
QUNO	Quakers of the United Nations
RIS	Research and Information System
ROPPA	Réseau des Organisations Paysannes et de Producteurs Agricoles
RTA	Regional Trade Agreement
S&D	Special and differential treatment
SAARC	South Asian Association for Regional Cooperation
SACAU	Southern African Confederation of Agricultural Unions
SADC	Southern African Development Community
SAIIA	South African Institute of International Affairs
SCCI	SAARC Chamber of Commerce and Industry
SD	Sustainable Development
SDC	Swiss Development Cooperation
SIAs	Sustainability impact assessments
SME	Small and medium size enterprise
SP	Special Products
SPS	Sanitary and Phytosanitary Measures

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SSM	Special Safeguard Mechanism
TBT	Technical Barriers to Trade
TNCs	Transnational Corporations
TPR	Trade Policy Review
TPRM	Trade Policy Review Mechanism
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-related aspects of intellectual property rights
TRQs	Tariff Rate Quotas
TRTA	Trade Related Technical Assistance
TT	Transition Team
UECBV	Union Européenne du Commerce du Bétail et de la Viande
UMA	Union du Maghreb Arabe
UMOA	Union monétaire ouest africaine
UNCPC	United Nations Central Product Classification
UNCTAD	United Nations Conference for Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNICE	Union des Industries de la Communauté européenne
UPA	Union Professionnelle Artisanale
USAID	U.S. Agency for International Development
USGTN	U.S. Gender and Trade Network
WCO	World Customs Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
WTR	World Trade Report







## INTRODUCTION

The 2006 Public Forum was held at WTO headquarters in Geneva from 25 to 26 September. Its title was "What WTO for the XXIst Century?". This publication presents a summary of the proceedings in the 36 panels included on the program. Each report has been prepared under the responsibility of the individual organizer(s) of each session. The publication is divided into five main parts structured around the following general themes: systemic issues, development, agriculture, sustainable development and environment, and issue specific topics. The latter refers to specific topics related to the work programme of the WTO, including: regional trade agreements, international standards, subsidies, and accessions, as well as others, such as employment and trade, gender and trade, and migration.

The discussions on systemic issues in Part I focus mainly on: the functioning of the WTO, the challenges for the multilateral trading system (MTS), the current global environment in which it operates, the future role of the WTO, the improvements that can be introduced into the system in order to ensure its viability in the XXIst century and the options available to realize a successful outcome of the Doha Development Agenda (DDA). In addition, the role of civil society actors in the system including, NGOs, media, academia, and business is also considered. Specifically, this section addresses the following questions: Can the WTO face current and upcoming challenges with its existing decision-making process? What is the real cost of a non-agreement in the Doha negotiations? How can it be salvaged and by whom? Should the current time out be used to redefine the Doha work programme? To remain relevant and viable in the XXIst Century, what will the WTO need to deliver? Should WTO Member Governments provide more scope for input from NGOs at the national level? What is the role of the media in boosting public awareness and debate about trade policy-making?

Part II deals principally with development issues and capacity building for trade. It discusses the relationship between trade and development, the growth versus inequality debate, the development component - or lack of it - within the DDA, the trade-related development needs of developing countries and examines how to ensure coherence and effective capacity-building for trade. In particular, the Aid for Trade (A4T) and Enhanced Integrated Framework (EIF) initiatives are examined in detail. Part II considers the following questions among others: Is the WTO the adequate forum to deal with development? How can the WTO work more coherently with other actors, including multilateral development agencies, regional financial institutions and the governments of donor and recipient countries to operationalize A4T? How can governments ensure that a more effective and timely delivery of increased financial resources can address the trade-related development needs of developing countries?

Part III examines issues related to agricultural trade and the agriculture negotiations in the Doha Round. The following issues are considered: the implications of the Doha Round for agriculture; outstanding issues in the negotiations; new directions for agriculture trade

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rules and the identification of the solutions needed to break the current deadlock. In addition, trade policies and their influence on agricultural transformations and growth are part of the discussions. The following questions are addressed in more detail: What are the outstanding issues in agriculture? Does agricultural growth contribute to overall economic development and especially to poverty alleviation? Should there be new directions for agriculture trade rules? If so, which ones? Farm subsidies: who gets what and why? Are there any flexibilities in the agriculture market access negotiations? How can non-trade concerns be best safeguarded: within the WTO or by strengthening wider global governance?

The themes of Sustainable Development and Environment in relation to trade are considered in Part IV. The discussions address the opportunities and challenges for further strengthening the mutual supportiveness of trade and environment in the Doha Round; the current state of the trade and environment debate and its evolution over recent years; the significance and scope for trade negotiations to yield results that could contribute to advance sustainable development objectives; the benefits and challenges of undertaking environmental impact assessments of trade negotiations and the potential of the WTO fisheries subsidies negotiations to deliver a triple-win outcome for trade, environment and development. The questions dealt with include: What are the challenges and prospects for further strengthening the mutual supportiveness of trade, environment and development? Is there a possibility of integrating IAs into future WTO negotiations? What would a pro-development NAMA outcome look like? What are the objectives and challenges to fisheries management that developing countries have identified?

And finally, Part V deals with specific issues related to the work programme of the WTO, including: regional trade agreements, international standards, subsidies, accessions, as well as others, such as, employment and trade, gender and trade, and migration. The main questions examined are the following: Are regional trade agreements (RTAs) a threat or an opportunity for the WTO? How do different kinds of standards affect trade flows and consumer welfare? How can the participation of developing countries in standard-setting be improved? What is the theoretical rationale for using subsidies, the main justifications offered by governments to explain their subsidy policies and the degree to which subsidies are used and in what sectors? Do countries consider the accession process a burdensome price worth paying? Can trade deliver decent work in the XXIst Century? Is there a role for the WTO to play as regards migration and development? Are there any chances for a gender-sensitive development?

The speeches delivered during the opening plenary of the Public Forum by Pascal Lamy, WTO Director-General, H.E. Pakalitha Mosisili, Prime Minister of Lesotho, Ted Turner, Chairman, UN Foundation, and Antony Burgmans, Chairman, Unilever, as well as the written message sent by Kofi Annan, Secretary-General of the United Nations, are reproduced in Annex I. Annex II presents the programme of the 2006 Public Forum.



## I. SYSTEMIC ISSUES

### A. **Decision-making in the WTO: Medieval or up-to-date?, Organized by the World Trade Institute (WTI), Berne, Graduate Institute of International Studies (HEI), Geneva and University of Lausanne**

Report written by Dr. Manfred Elsig, World Trade Institute (WTI), Berne and Graduate Institute of International Studies (HEI), Geneva

#### **Abstract**

*The session tackled the question of how decision-making in the WTO functions and aimed to contribute to discussions on how to improve the current system. Is it a medieval system where economic power is the dominating bargaining tool; or are we witnessing a maturing system which increasingly meets a number of “democratic” standards related to decision-making?*

*This session focused on various institutional challenges and was guided by the following questions:*

- *How does the system work? What are the effects of existing decision-making rules such as consensus-seeking and the single package approach?*
- *How does “decision-making” perform in light of concepts such as participation, transparency, accountability and legitimacy?*
- *Can the WTO meet current and future challenges with the existing decision-making apparatus?*
- *What (if anything) should be (and what could be) changed?*

The session was furthermore an attempt to bridge the academic, diplomatic and NGO debates on how institutional design matters. The panellists represented various viewpoints based on substantial practical experience and drew from various academic traditions and research interests.

#### **1. Presentations by the panellists**

The session was moderated by Dr. Manfred Elsig, Senior Research Fellow, World Trade Institute Berne, Graduate Institute of International Studies Geneva.

The moderator welcomed the audience and the panellists and outlined the objectives of the session: first, to provide different assessments of how the current system of decision-making functions; second, the necessity for institutional reform; and third, to highlight and connect parallel debates in academia, diplomacy and civil society. The moderator further

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introduced the thinking of institutional design and reform by sketching and briefly defining key concepts for assessing legitimate political systems derived from political theory and the so-called global governance literature (e.g. input and output legitimacy, participation, efficiency, internal/external transparency, and internal/external accountability). He went on to differentiate decision-making in a narrow and a wider sense in order to facilitate discussions on decision-making and to pre-empt claims that the concepts were too elusive.

(a) Robert Wolfe, Prof., Queen's University, Kingston, Canada

Robert Wolfe made a PowerPoint presentation entitled "The WTO in Suspense: is Medieval Decision-Making Part of the Problem?" He used this provocative title to argue that the WTO universe was more plural than medieval. He hinted at the different levels of development among participants and existing political and legal systems. He briefly assessed guiding rules for decision-making such as consensus (which is here to stay), single undertaking (importance of package deals), bottom-up approaches (and the "death by square brackets") and referred to difficulties in relation to the elusive concept of "development", the role of reciprocity and modalities (e.g. request-offer, formula approaches). He further drew attention to the newly emerged tangled web of bargains with particular emphasis on the so-called BRICSAM group (Brazil, Russia, India, China, South Africa, ASEAN states and Mexico) that will lead to new dynamics and power relations. He further elaborated on the role of consensus in the system, the marginal effects using formal procedures, the many informal meetings and the emerging net of new and overlapping coalitions. In the final part of his presentation he outlined two overlapping scenarios to discuss whether the system needs fixing. The scenarios were based on an interest and a learning "reading". In closing, he showed little enthusiasm about formal changes to the design of the system as he argued that the WTO changed through practice and experience. As such he pictured the Doha negotiations as a journey during which parties learn to negotiate in a truly multilateral way with many more and more disparate members.

(b) Vicente Paolo B. Yu III, South Centre, Global Governance for Development Programme, Geneva

Vicente Paolo B. Yu III in his contribution analyzed the role of consensus from the perspective of a developing country (in particular those developing countries which have to deal with capacity constraints to actively engage in the system). He elaborated on the difficulties for many participating parties in using the power of veto in a system of "passive consensus" (i.e. silence is taken as agreement) and called for the introduction of "active consensus" (everyone needs to agree) which would in turn increase the overall legitimacy and accountability of the system. In addition, he critically assessed informal processes and advocated using the formal processes more actively (in accordance with rules of procedure). Informal processes again worked against the interests of those with limited capacity to participate in various platforms simultaneously. He also warned against using executive-board type bodies to streamline decision-making for similar reasons. He assessed coalitions in a more positive light and described group-based negotiations involving developing

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countries as a tool for more forceful and active engagement. He further advocated additional international cooperation in the form of technical assistance to enhance the capacities of developing countries to negotiate more efficiently thus improving overall legitimacy. Finally, he called for a bottom-up approach to tackling structural issues by using existing formal institutions such as the Ministerial Conference and the General Council.

- (c) Anthony Hill, former Ambassador of Jamaica to the GATT and WTO, and to the UN, Geneva

Anthony Hill made a presentation titled “Faith, Reason and the Metaphysics of Trading Places” which was also available in written form. While he acknowledged that the system worked well, it didn’t deliver as much as it had promised to developing countries. He didn’t agree with the claim in the title that the system was medieval, because in a medieval world, the lords would send out the word and the rest would follow. He alluded in his presentation to the re-emergence of large economies, notably, China and India, and how potential economic power (the economic transformation) might (or might not) translate into political power. He raised important questions including whether the open MTS was designed to infuse more powerful Members’ decisions with ethics and whether implementing decisions became more equitable. He addressed the session’s objective of bridging the debate among academics, trade negotiators and civil society. In his words, this interaction was an important element of the so-called open MTS. He advocated an opening up to the general public, increasing outside participation and limiting WTO-type technical jargon. Finally, he addressed the functioning of the system and called for more clarity as to the nature of decisions taken by Members, whether legally binding commitments or administrative or procedural decisions, and drew on empirical facts from the Uruguay Round.

- (d) Carolyn Deere, Senior Researcher, Oxford University, UK

Carolyn Deere highlighted two aspects that she considered crucial for decision-making. First, a number of least-developed or acceding developing countries still lack negotiation capacity. There are 33 Members that still have no official representation in Geneva. Second, research on coalitions needs to address more clearly issues of accountability and mechanisms of participation. Following her introduction she called for a more systematic study on the practice (including decision-making) of implementation – an area which hasn’t been sufficiently explored from the political science and legal perspectives. In particular she referred to the role of the WTO Secretariat in implementation-related matters, including the Trade Policy Review, the work of Councils (e.g. TRIPS Council), training and technical assistance, public communication and research. As all these functions have a potentially political nature and in light of calls to increase the Secretariat’s role in these areas, additional research is needed that could help guide political discussions on changing decision-making in implementation. Finally, she exemplified the politics of implementation by offering her observations based on her own research on the implementation of the TRIPS Agreement and on the regime overlap and coordination with other actors dealing with such issues (e.g. WIPO, USAID, the EPO, etc.).

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(e) Thomas Cottier, Prof., Managing Director of the World Trade Institute, Berne, Switzerland

Thomas Cottier, who was unable to attend the session, provided a written contribution. In his paper he called for the creation of a forum within the GATT/WTO system to debate systemic and horizontal issues as recommended by the International Law Association in its 2006 Report. He outlined a number of key institutional challenges ahead and called for a committee which would be mandated to deal with them in a systemic and coherent manner. In terms of institutional set-up, it was suggested that a two-tier structure would channel and shape discussions. A first tier would operate as a think tank, a forum of expertise, information-exchange and non-hierarchical deliberation (a consultative Committee) and a second tier would be charged with negotiating and preparing political decisions in the field (a negotiating or standing Committee).

## 2. Questions and comments by the audience

Two rounds of questions were collected from the audience. In response to the presentations, the following comments and questions were raised and debated. These addressed different sets of issues:

*On decision-making in a wider sense:*

- A free-lance journalist alluded to the important role of decision-making at the national level. Doesn't trade policy start at home? He also wanted to know whether the public at large understood the relationship between the WTO and the UN system.
- One representative of a BRICSAM mission to the WTO called for differentiation among developing countries and asked how LDCs in particular were strategically using the lack of negotiation capacity to raise their priorities higher on the negotiation agenda.
- One academic questioned the truth of the assertion that the technical jargon of the WTO was a real barrier to participation and called for lower ambitions; she favoured either smaller steps within a broad agenda or larger steps with a narrow agenda.
- One academic wanted to know how the Trade Policy Mechanism could be strengthened and be more useful in the future, while a member of the WTO Secretariat questioned the described role of the WTO Secretariat in implementing the TRIPS Agreement and argued that countries had also to fulfil other (more far-reaching) obligations in the field of intellectual property rights.

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*On decision-making in a narrow sense:*

- A representative of civil society asked whether there shouldn't be more thinking and debate on how to use variable geometry more effectively (including differentiation) and thus questioned the principle of single undertaking.
- A member of the WTO Secretariat asked for clarification on the notions of explicit consensus, positive consensus and unanimity.

### **3. Conclusion**

The session showed that recommendations for changing the institutional design are determined by differing assessments of how the system works. The panellists presented various areas of policy domains (e.g. negotiations, adjudication and implementation), concentrated on many aspects related to decision-making and put forward different assessments of how the system works. The overall message of the session was that no quick fix is yet in sight, while different solutions to increase legitimacy were addressed by focusing on procedural issues.

Furthermore, the discussions showed that additional research is needed to gain a clearer picture of how the current design affects participation and outcomes and how it scores in relation to key concepts related to legitimate political systems. There was consensus that increased exchange of ideas and thoughts among various groups from academia, diplomacy and civil society could substantially help in this endeavour and this approach was welcomed by those actively engaged in the discussions.

Is the WTO system medieval or up-to-date? We do not know for sure, but the answer is certainly a reflection of what we think about medieval times, how the world works and how we assess the current design. In other words, echoing Robert Wolfe's argument, "if the decision-making process (if Doha) looks medieval it is because the world looks so too". Compared to other international organizations (e.g. IMF/World Bank) the democratic deficit is probably limited and the situation has clearly improved since the Seattle debacle, yet many small and vulnerable economies are still unable to be adequately represented in Geneva (capacity gap). While most panellists agreed that formal institutional change is difficult, they acknowledged that, in the past, the system had already demonstrated that gradual change within the current legal boundaries on decision-rules is possible. The optimistic conclusion flowing from the session is that the Doha Round might come to be judged, some years from now, as a new era during which new powerful actors emerged (e.g. BRICSAM); coalition-building became more institutionalized and all had to learn (some of them the hard way) the new game of reaching decisions in an open MTS.



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**B. To remain relevant and viable in the XXIst Century, what will the WTO need to deliver?, Organized by the National Foreign Trade Council (NFTC)**

Report written by the National Foreign Trade Council (NFTC)

**Abstract**

*Panellists coming from developed and developing countries representing NGOs, the private sector, and a think tank addressed the question of what the WTO would need to deliver in order to remain relevant and viable in the XXIst century. The WTO was in a state of crisis, with the Doha Round in suspension, and no agreement as to how or when or even whether to restart negotiations. The panel discussed the importance of a strong rules-based MTS and voiced their perceptions of the structural and cultural issues facing the WTO, and offered a diverse range of ideas of how these should be addressed.*

**1. Presentations by the panellists**

The session was moderated by John M. Weekes, Senior Policy Adviser, Sidley Austin LLP.

(a) Introductory Comments by John M. Weekes

*I feel it is essential that we lucidly look together at where we are and what remains of our goal of concluding the Round by the end of the year. I cannot hide the sad truth: we are in dire straits.*

...

*Failure, in my view, would also send out a strong negative signal for the future of the world economy and the danger of a resurgence of protectionism at a time when the pace of globalization is weighing heavily on the social and economic fabric of many countries and when geopolitical instability is on the rise.*

-- Introductory Remarks of WTO Director-General Pascal Lamy to the Informal Meeting of the Trade Negotiations Committee, 24 July 2006.

*Further progress in global economic integration should not be taken for granted.... The challenge for policy-makers is to ensure that the benefits of global economic integration are sufficiently widely shared--for example, by helping displaced workers get the necessary training to take advantage of new opportunities--that a consensus for welfare-enhancing change can be obtained. Building such a consensus may be far from easy, at both the national and the global levels. However, the effort is well worth making, as the potential benefits of increased global economic integration are large indeed.*

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-- Concluding Remarks of US Federal Reserve Chairman Ben S. Bernanke at the Federal Reserve Bank of Kansas City's Thirtieth Annual Economic Symposium, Jackson Hole, Wyoming, August 25, 2006

I believe the panel's topic of discussion – to remain relevant and viable in the XXIst century, what will the WTO need to deliver – takes on even greater importance in light of the suspension of the Doha Round negotiations. The question has two aspects: the immediate issue of what is needed to bring the DDA to a successful conclusion, and the longer term dimension of what WTO Members will need to do in the years ahead to ensure the relevance and viability of the institution.

It is time we recognized that we are in real trouble and need to look ahead in a clear sighted and honest manner. In answering the question, "What will the WTO need to deliver?" we need to realize just how serious the current situation is. Questions that might have been considered politically incorrect may now need to be asked, and answered. I do not suggest the panellists try necessarily to answer these questions but they may help them consider the importance of their answers. Some of these questions might include the following:

- Is the WTO capable of addressing the expectations created by the DDA, or indeed some might ask even competent to do so? How far can the WTO go in addressing the challenges of economic development? What sort of trading system can best address the trade interests of the more vulnerable countries?
- Does the WTO need major reform to achieve its objectives, or is it the Members who need to bring a greater degree of commitment? Is there even a common understanding of what these objectives actually are?
- Is it possible to negotiate new agreements in an organization with the diverse range of interests now present in the WTO? Have multilateral negotiations run their course?
- Would a regional approach to liberalization be less intimidating for those who are concerned about the impact of globalization and easier to manage for the governments involved? Would it produce results in a more timely fashion for business?
- Can the WTO remain viable if it becomes essentially a juridical body?
- The WTO is an intergovernmental organization but its work attracts increasing attention from a range of actors outside government. Business is the obvious front line beneficiary of the liberalization and stability provided by the WTO, and used to be the only non-governmental group to take any real interest. Now the general public is also interested. Labour, environmental groups and development organizations all have views about what the WTO does, or doesn't do. Do WTO Member

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Governments need to provide more scope for input from the non-governmental sector? Where is the political constituency for the open MTS?

- (b) Mary A. Itrace, Vice-President, Trade and Export Finance, and Co-Chair of the NFTC Doha Round Working Group, National Foreign Trade Council, Washington, D.C.

As a leading US business organization, the NFTC has engaged proactively and demonstrated consistent US business support for an ambitious outcome to the Doha Round negotiations. Like many other NGOs, we have issued a set of comprehensive position and research papers on the benefits and importance of a successful Round and have communicated those views to WTO member governments.

The topic of our session – how to ensure a viable and credible WTO for the XXIst century – is in my view the primary challenge before WTO Members and the Doha Round. There are two overriding reasons for this – the rapid and revolutionary changes in the global economy and the proliferation of bilateral and regional trade agreements.

There are two striking characteristics about the global economy today, in addition to its fast pace. First is the fundamental transformation in the way in which companies, workers and economies operate. In this era of globalization and fast technological change, successful enterprises today are those which are integrated on a global basis. For example, as Tom Friedman highlighted in his book *The World is Flat*, a Dell computer is made in at least 12 countries and possibly as many as 20, including several developing countries. The second striking change is the exciting global rise of emerging market players. The NFTC's own research has documented the growing involvement of developing countries in the global economy. Our recent services report, for example, found that 50 developing countries export \$1 billion in services each year and four developing countries are four of the top ten service exporters.

On balance, these dynamic changes in the global economy are very positive. Developed and developing countries as a whole are benefiting from the global economy and the GATT and its successor the WTO deserve a lot a credit for it. The GATT/WTO has served as a vital foundation for peaceful economic engagement based on the principles of openness, transparency, and common, market-oriented rules. In so doing, it has been a key ingredient of economic development, especially in those countries which have fully participated in opening and reforming their own economies.

The WTO foundation is in need of strengthening and modernization. In key respects, the Doha Round will determine if the GATT/WTO continues to serve as a leading force for trade liberalization. The NFTC believes that the future credibility of the WTO is at the heart of this negotiation and an ambitious outcome to the Doha Round has the potential to achieve deep and lasting positive results for all WTO Members.

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Absent a successful Doha Round, WTO Members will be forced to move forward more aggressively with alternative approaches, especially regional and bilateral negotiations. Small and medium-sized companies and lesser developed economies would face the most difficulty in dealing with the complexities of a trading system increasingly based on bilateral and regional agreements.

What is the path forward? My views can be summed up as follows:

First, the NFTC believes it is time for a new mindset which gets get back to the basic reasons for and purpose of belonging to the WTO, namely to advance greater market opening and improved trade governance as a way to raise living standards worldwide. Frankly, from afar, the debate seems to be more about the opposite, namely, how not to open markets through exceptions and loopholes.

Second, there is a need for new alliances and stronger leadership and political will. The G-6, G-20 and G-33 should not be the only primary vehicles and voices. The G-2 – the US and EU – must both lead in breaking the logjam on agriculture. It is worth noting, however, that agriculture is less than 9 per cent of world trade, and services and industrial goods are other core issues in this negotiation and deserve their due recognition.

Just as important is the role of emerging economic leaders, which have a critical stake in a healthy and vibrant WTO MTS, including China - the third largest trading nation today. If ever there was a time to show visible and clear leadership for a substantial market opening outcome in which they are full participants, it is now. For example, on NAMA, key developing countries should be prepared to state publicly that they will support an ambitious coefficient of 15 per cent. Such a step would be a major catalyst and breakthrough.

Greater recognition also needs to be given to the specific pro-development elements in the pending Doha package, such as A4T, duty-free, quota-free treatment for least-developed countries (LDCs), and much more effective coherence between the WTO and developmental institutions, all of which may be lost if the Doha Round fails to conclude successfully.

I remain optimistic that the Doha Round will be restarted because the costs of failure are high and the benefits from success are widespread.

Assuming the Doha Round is concluded successfully, the WTO should not rest on its laurels. There are many important issues to address that are not on table now. Moreover, there will no doubt be plenty more room for deeper liberalization post-Doha. The WTO should move forward in a timely manner on a new agenda post-Doha. At the very least, there should be a built-in agenda After the Doha Round. Part of this agenda should focus on implementation, particularly on the A4T package to ensure lesser developing countries have the tools and assistance necessary to secure the benefits of the WTO and new WTO commitments. The NFTC would also strongly support a “continuation clause” for negotiating the eventual elimination of tariffs, which are a tax on consumers and development, and complete the job begun on tariffs when the GATT was first created in 1947.

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Other issues that should be high on the agenda going forward include the growing use of non-tariff barriers, particularly in the regulatory arena. There also will be a need for deeper and continued liberalization of agriculture and services post-Doha.

These are just a few of the issues that the WTO should take as soon as the Doha Round is concluded.

(c) Celine Charveriat, Head of Advocacy Office in Geneva, and Head of Make Trade Fair Campaign, Oxfam, Geneva

What does the WTO need to deliver to remain relevant and viable in the XXIst century? Nothing short of a miracle, requiring a 180-degree turn-around by key WTO Members.

(i) *The WTO needs to deliver a pro-development round that addresses current imbalances in the world trading system*

The Doha Round was primarily initiated in order to correct the rigged rules, which are still preventing poor people and countries from exiting poverty. But prospects of a meaningful Doha development Round are grim. Why? The deal that was on the table in July of this year nicknamed Doha light was in fact “development light” and even that deal was not possible for rich country Members of the WTO. If we look back at what was on the table, there was:

- Little to no progress on agricultural dumping except for the elimination of export subsidies;
- Bigger demands on developing countries to open up their markets than during the previous Round, with strong adverse implications on vulnerable livelihoods in most developing countries in the agricultural and industrial sectors;
- Little improvement in market access for developing countries in agriculture and industry due to proposed exemptions and little progress on non-tariff barriers. Not even 100 per cent duty free quota free for LDCs;
- Reverse S&D treatment in favor of developed countries. Protectionist tools used by developed countries are less restricted by the negotiation framework than those used by developing countries, as clearly demonstrated by the proposed treatment of domestic support or sensitive products versus special products and special safeguard measures;
- The TRIPS Agreement, in spite of the Doha Declaration, is still contributing to pricing medicines out of reach for poor people around the world.

To be meaningful a restart of negotiations should respond to these key challenges. What would be needed?

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- Political commitment at the highest level, with a strong reaffirmation of the core objectives of multilateral cooperation—mutual prosperity and stability.
  - Some concrete steps by rich countries to restore confidence in the process: Irrespective of when talks restart, rich countries must end dumping. The poorest countries of the world must not be made victims of this failure that is not their fault. This is why the least-developed countries should be given full 100 duty-free quota-free access to rich country markets. This must also include reforming the “rules of origins”. Finally, the EU and the US must make serious financial commitments to a meaningful A4T package, made up of new money and with no strings attached.

(ii) *Finding a sensible way to deal with potential unfinished business from the Doha Round*

*RTAs/WTO:* As they are currently pursued, FTAs pose a real threat to the future of the WTO by undermining the MFN principle and putting in place a spaghetti bowl of rules, some WTO-plus, some WTO-minus.

*Rules of origin, TBT, SPS and antidumping, or how to make market access real for developing countries.* There has been a lot of talk about the necessity to make market access real during this Round, and the debate has entirely focused on the level of tariffs, while it is common knowledge that other impediments to market access play a bigger role for many if not all products. These non-tariff barriers are particularly pernicious because of their complexity and put at a clear disadvantage poor countries as well as SMEs.

*TRIPS Agreement:* in spite of efforts to fix the problems caused by the TRIPS Agreement on public health, IP rules still contribute to making the price of medicine out of reach for poor people around the world. A credible review process must be engaged and rapid action taken to resolve this problem once and for all if the WTO wants to retain any credibility.

(iii) *Revisiting some of the cornerstone principles and assumptions of the WTO to put them more in line with economic, social and developmental realities*

a) Adverse side effects of trade liberalization are not a WTO issue (but whose issues are they really?). To date, nobody has provided a good answer for losers from trade liberalization whether they are countries or displaced workers and farmers, especially in developing countries. Worse, institutions like the WTO are even failing to acknowledge the existence of this problem, and legitimate concerns of countries are being brushed aside in the interest of the global good. The failure to address the problem of losers and to make growth more inclusive means that in spite of robust growth of trade and GDP worldwide, inequality is on the rise. Of course, all these trends cannot be attributed to trade liberalization and world trade rules, but the WTO, like other global institutions and governments, needs to start facing these challenges.

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b) One size must fit all: This principle makes it very difficult for WTO outcomes to be positive for development. While it is clear that rules must generally apply to all Members, there is insufficient flexibility into the system to allow developing countries to make commitments that are commensurate with their development needs.

c) The state is an impediment to trade and economic growth. This is the belief that flexibilities in terms of rules, or special products, or the right to regulate services, are not valid reasons to adapt rules, but are convenient excuses for governments, especially developing countries, to conduct bad policies. On the other hand, there is an assumption that trade liberalization, non discrimination and national treatment will lead to desirable results. This makes the WTO a particular medieval institution, at a time where many economists – like Dani Rodrik – show the pivotal role of the state in spurring development and growth.

d) Everyone needs to give to be able to receive anything. This widely held belief means that LDCs who are exempted from tariff reductions are being told that this is a big concession to them (rather than a sensible way to address their needs, which does not hurt their trading partners given their small import capacities) and that they cannot possibly ask for duty free and quota free market access. This is a rather cruel way to weaken the position of the world's poorest countries which are already struggling because of small delegations and limited political power within the WTO.

*(iv) Conclusion*

Today's world badly needs a strong and fair rules-based MTS, but we are still very far from this. As one of the key global institutions for global economic governance, the WTO has a lot to do, together with the Bretton Woods and UN institutions, to be able to face the opportunities and threats posed by the XXIst century. Otherwise, the WTO risks becoming at best irrelevant and worst deceased. But nothing will happen –neither a development round nor more fundamental reforms-- if key member states, especially the US and the EU do not accept to open their eyes and fundamentally change their approach to trade and sustainable development.

(d) Fredrik Erixon, Director, European Centre for International Political Economy, Brussels

The question today is framed in the context of crisis. The WTO is at risk of drifting into irrelevance – some say it is already happening and in fact has reached a mature stage. The recent suspension of negotiations calls for reflection. We should use this time to provide deep and discerning analysis of what the problems are.

There are two different views explaining what has happened in recent times. The armchair economist's view is that, "it's a pity." The skeptical multilateralist's view is, "yes, it's a pity, but it is what we expected." I will elaborate.

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The armchair economist's view is that there exists a grand bargain in the current Round, and that it is possible to use traditional mechanisms of GATT-style reciprocity. This was designed into the DDA, as it was agreed that everyone should get something from this Round and everyone should pay something in return – that is, by delivering market access to other countries. The armchair economist's view is that the deal is out there, and we can see it from here, and it is just a matter of getting the Geneva negotiators to deliver results. Why have they not delivered results? We lack leadership from the “big beasts,” the U.S., the EU and the major developing countries, Brazil, India, China, South Africa, and a few more. And there has been a lack of situations leading to concentrating of the minds, where all focus on a specific result and contribute all of the resources and energy necessary to get there.

The skeptical multilateralist says the collapse is a pity but it is what we expected because of the weaknesses in the current Round that reflect the larger problems in the WTO today. To be frank, the skeptical multilateralist would say, the Doha Round would not have been launched had it not been for one man: Osama bin Laden. The 9/11 atrocities led to a concentration of the minds – it gave direction and a sense of purpose to the discussions which is no longer present. The failure is not because of leadership, personalities, process, or recent events like failed ministerial meetings – instead, the problems are fundamental to the WTO system. As a Swede, I should take a middle ground view, but instead I will take sides and say that the skeptical multilateralist view is the correct description of the current situation.

There are four structural concerns regarding the WTO: 1) ideas matter; 2) liberalization slowdown; 3) global governance hubris; and 4) lack of direction (and leadership).

1) Ideas Matter. The WTO and the world trading system is embedded in a larger view that is based to some extent on ideology. If we look to the development of the world trading system, we see the ideas of the 1944 post-war climate – the idea of trying to find a system to achieve international economic integration so that we might avoid a recurrence of the atrocities of the World Wars and of economic nationalism. But at the same time we sought to endorse international economic integration, countries were also en route to building welfare states, which could not really exist in tandem with the idea of international economic integration. So the idea was to separate these two worlds from each other – to have international economic integration on one side, dealing with industry affairs and commercial goods, and welfare states' regulatory ambitions on the other side. This has been called “embedded liberalism,” – to use international organizations to deliver liberalism from above, but with clear boundaries, as it should not interfere in domestic policy affairs.

Then came the 1980's with Reagan and Thatcher and economic neo-liberalism. The ideas popular at that time stressed the need for economic liberalization as a whole, that economic integration abroad rested on economic integration at home.



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None of these ideas exists in the current climate of ideas. We have seen a breakdown of the old order and old ideas. To an extent, we had a time and an opportunity to seek the higher truth by moving in a direction of enlightened mercantilism or even economic liberalism but today we are on retreat from that idea.

2) Liberalization slowdown. In OECD countries today, we see very little liberalization in actual terms, and on the contrary, we even see a backlash against liberalization and a slowdown. In developing countries, in the post-Washington consensus climate, there is a bias against liberalization. Organizations like Oxfam point to tenuous links between economic liberalization and economic growth in developing countries, and endorse an idea of policy space or even infant industry protectionism; they are critical of intellectual property rights, and so on. Former OECD chief economist David Henderson calls this “new millennium collectivism.” This view of what should be done in developing countries embraces trade and some liberalization, but at the same time argues for less markets and more government intervention. The trend in the discussion developing country policies today is against liberalization. The only exception is China, with its unilateral program for trade and investment liberalization.

All of these developments have spillovers in the WTO, because as an organization, the WTO is embedded in a specific context, and the context refers both to ideas, mentalities or prejudices, and it also refers to basic economic fundamentals. In my view it cannot really function in a climate where you have a bias against open markets or against further liberalization. The WTO needs to be framed in a climate of liberalization.

3) Global governance. We have seen WTO “mission creep” – an inflation of ambitions for the organization inside as well as outside the WTO, with new issues, new areas, and new ideas. This leads to increased difficulties in trying to achieve results when we multiply the areas being worked on. And decision making with 150 Members is hard to achieve. Ministerial meetings have become festivals – they are P.R. events with not much happening apart from some windy rhetoric, adversarial point-scoring, political grand-standing, and procedural nit-picking. We do not see any real negotiations or tough business being done. Perhaps big rounds like the Doha Round are not possible any longer.

4) Lack of direction. I would like to quote from the Sutherland report, released in 2004: “In recent years, the impression has often been given of a vehicle with a proliferation of back-seat drivers, each seeking a different destination, with no map and no intention of asking the way.” This points to a real concern that the trade agenda is drifting away, and the purpose of the WTO is drifting away. If we listen now to the negotiations, it is hard to find a coherent idea of why we are negotiating and what we are doing – but this sort of direction is needed for a big international organization if it is going to be efficient and deliver results.

*Conclusion.* It is clear what needs to be delivered if the WTO is to remain relevant: there must be meaningful liberalization in developed as well as developing countries; we

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must improve the rules-based order; and the decision-making process must be made much more effective. I am skeptical that the WTO can do this in the future, but we must try, as the WTO is a wonderful idea and a wonderful organization that can deliver good things to its Members.

If the WTO is to deliver, what must be done? It must be given the purpose of opening markets rather than closing markets; to give new possibilities to increase trade between actors within the Members. Members need to embark on a new journey of economic liberalization and commit to economic reforms so it is possible to negotiate in a meaningful way.

We need to get back to the basics which is the market access agenda – this is the core idea of the WTO. In the WTO, we can achieve what cannot achieve at home; this is the political economy of the WTO.

And finally, governance – I think we need to think clearly about how the WTO can deliver results in the future – in what form and with which coalitions can results be delivered. I think it is very difficult to do in the current form, but I do not think negotiations on reforming the decision-making procedures would lead anywhere. We need new energy; there must be new ideas coming from the “big beasts” and from other heavily involved Members to find new ways of pushing the reform agenda forward and pushing the WTO forward.

(e) Dr. Magdi Farahat, Chief, Office for Africa, Division of Technical Cooperation Coordination, International Trade Centre, Geneva

As an Egyptian, I tend to have a longer term vision of history, thinking not in terms of the last century, but more like three millennia ago. Roughly three millennia ago, Egypt negotiated a very tough trade deal with the country of Punt, and it is registered on the walls of a monument that Egypt got more out of the deal than it paid into it – so it seems that we were not believers at that time in the GATT/WTO principle of “give and get.”

What has changed in the XXIst century that was not existent, at least in the XXth century? First, there has been a quantum change in the political and social expectations of the negotiating parties and their domestic constituencies. Coupled with a change in communications technology, these changes put great pressure on what negotiators are trying to do in Geneva. There has also been a backlash about the apparent extra-territoriality of WTO law. In most countries, there is a perception – and I emphasize the word perception – that the WTO is imposing law on our countries. This must also be discussed.

Another major change coming with the DDA was the introduction of the ideas of “development” and “development perspective” which were not present in prior rounds. In addition, the DDA included a plethora of new subjects – like the “Singapore issues” and the environment – all of which were new to the WTO, and like all new things, they were feared. The entry of these issues onto the agenda broadened the scope of the work and created doubts in the minds of governments and civil society as to where the WTO is heading.

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Another significant point that has changed in the XXIst century are the economic realities on the ground, particularly for developing countries. Agricultural trade may represent a small fraction of global trade, but for many developing countries, it is everything. In addition, the share of world trade of LDCs has not improved; as the recent WTO trade report shows, LDCs are locked in a time warp, and despite statements of good will at Cancún and Hong Kong and so on, their exports have not improved at all.

Another factor is what I call fragmentation and consolidation. The purpose of the WTO is to set trade rules that apply to all, and in a sense, equality and justice are a part of any governance system. However, because the negotiations have been suspended, they are causing a trend toward RTAs and FTAs. These can be very difficult for developing countries to negotiate.

The final piece of the puzzle relates to the big beasts – countries like China, India, Brazil, South Africa – that are the best exporters of the developing world, and that are able to fit into the international supply chains of the XXIst century. Does that mean the rest of the developing world should be losers? What can be done to help them?

In forming my view of what the WTO needs to deliver, I look to where we would want the WTO to be in 2050. As an optimist, I would assume the Doha Round would be successfully completed, and Doha II would also either be finalized or in progress. If we want Doha II to be successful, there must be something done regarding the scope, so we do not find ourselves with 15-20 negotiating groups. Also the duration would have to be controlled because some countries do not have the resources to sustain participation in a 12-15 year round. The final content of the Round would have to be changed. A successful round needs some market access liberalization but also some rules (not in the WTO sense) – on domestic support, TRIMs, TRIPS, etc. And above all, the next round must have LDC interests above all others in the negotiations. What agenda is there for the WTO in the future? Market access tariff negotiations, yes – but also basic rules, fair rules, and just rules.

If the agenda of the WTO is to change, the WTO itself must also change. In my view, we will need a change in the negotiating modalities, as those which operated in the prior rounds are no longer possible with 150 Members, the majority of which are developing and LDCs. Secondly, the WTO will have to deal with human resource constraints. The organization has not grown much since the time it was handling a much smaller agenda. It has also become somewhat of a technical assistance delivery organization – with a major lack of human resources.

Finally, thinking beyond 2050, where does it all end? I think it will be somewhere around 2100 when we will be living in a world with no tariffs, minimal support for agriculture, industry and services, with fair liberty to move about – what would happen to the WTO? Is there an embedded phase-out clause? Because once that happens, we will no longer need the WTO. Food for thought.

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(f) Dr. John Vassallo, Senior Counsel and Director of European Affairs, GE, Brussels

GE employs over 300, 000 people in over 100 countries. We have manufacturing in more than 32 countries. Through links with suppliers, customers, their families in all these countries the number of persons in contact with our organization is very large and we realize that we have to listen and a lot to learn. That is why participating in such a forum is important. But again that may not be enough for us to have a say in the definition of what a MTS should produce to remain viable.

Without an open trading society that continues to expand to all regions of the world securing the rights of investors and local markets alike, protecting Intellectual Property, improving market access for the developing economies and pushing developed economies to higher technological innovation to make up for some of the initial volume reduction, there would be less scope for businesses like ours to come to more remote areas bringing the benefits of entrepreneurship and opportunities for wealth creation.

In a nutshell, everywhere GE does business we strive to improve the local conditions and the world through our commitment to integrity and compliance, our commitment to excellence, our commitment to philanthropy, our commitment to the environment, and our commitment to only work with suppliers who uphold our values. If the WTO were to stand still resting on past laurels we will not see many such examples that bring up the global standards of all our populations. This is the principal role of the WTO in this century.

A second role for the WTO is to provide stability through a commonly accepted rule of law, minimum standards of fair and open transparent competition. Of non corrupt procurement practices, increased facility to do business anywhere and everywhere, ease of export and import formalities, delivery of services electronically or physically and movement of people to do so.

Some may say that the previous 12 agreements at the GATT and the WTO in the last 60 years actually did eliminate most of the tariffs and covered a large percentage of world trade. It is also true that trade in goods forms a smaller portion of global GDP today than it did in the early days of World Trade liberalization. One may rightly ask whether these agreements and international order thus created suffices, provides enough space for business to thrive and that one can simply stop here. Others may say that since time for the deadlines set by those who started the Round is running out and that certain areas are proving too difficult to tackle so let us just build upon what we have through bilateral and regional agreements. To both of these questions the answer is a “ yes but.....”

Yes, a lot has been achieved and yes bilateral and regional trade agreements are positive and bring like-minded countries together and yes some areas may seem intractable at first sight. But there is almost half the world’s population not yet benefiting from the 12 agreements of the past. Billions live on one or two dollars a day, communities not yet reached by transport energy or water and health infrastructures, would all benefit from

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the WTO moving that next step forward in the search for agreement on the development, market access, services and trade facilitation agendas before them. Protection of Intellectual Property, Tariff elimination for Energy Environmental goods, Water and Healthcare equipment for example. As the citizens in the emerging economies who have been so reached by the past successes of the GATT and WTO can testify, they move into the new middle class structures created.

As long as companies feel the pull from consumers and as, long as the global challenges are unresolved there will be room for R and D, innovation, jobs and wealth creation in the domestic economies of developed nations too. That is why a new Development Agenda is needed.

On the other question concerning time running out, yes its true but it is also relative. A quick historic look in the rearview mirror, which we rarely do nowadays, will show that the first 4 rounds lasted one year each. With 23 to 26 countries and limited subjects. The next batch lasted between one and two years each but began to tackle a wider scope. The Kennedy Round in 1964 took 3 years to end. The Tokyo Round took 6 years with 102 countries involved. The Uruguay Round started in 1982 and then restarted in 1986 and lasted 6 years until it closed with 123 signatory states: a total of either 8 or 12 years. Thus we should not be too pessimistic, as we have only been working on the present Development Round for 5 years.

While these negotiations continue, we will see a proliferation of FTAs, of bilateral agreements and regional trade deals. This is all positive and can only improve existing status quo. They are not mutually exclusive. They are not however very easy to function within. Just one regional patchwork of such agreements can look like a very complicated network. It is never a substitute to the multilateral system with its regulatory framework and dispute mechanisms. Trade, commerce and economic development needs stability and rule of law and respect for the environment and human rights.

Lack of agreement in this Round would only produce an unstable trading system where the respect and enforcement of existing rules may be undermined. This is certainly not in the interest of the common good. Some of the gains of the last 60 years may begin to unravel. The global threats and challenges we started with will not diminish, the billions still living in poverty will lose hope and not be brought to share in the world's wealth. What we all tend to forget, I think, is that by improving trade and trading conditions we can create growth and increase wealth. Attaching this improvement to innovation aimed at a sustainable resolution of the global challenges is possible and desirable.

(g) T.S. Vishwanath, Head of International Trade Policy, Confederation of Indian Industry (CII), New Delhi

It is good to be back in Geneva. One thing that has happened since I left is that the views have not changed; the only thing that has changed is how the DDA negotiations have

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moved from a position of great hope five years ago to a current state of despair, where we are talking about how to keep the WTO relevant in the XXIst century. Another thing that has happened is that we now have a group for nearly everything in the negotiations. This is an issue we need to address when discussing the relevance of the WTO, with its 150 Members. There has also been a growing number of regional trading agreements, among developing and developed countries – despite the fact that business prefers multilateralism.

Where are we going wrong in multilateralism? To begin with, when we started in 2001, we put too much on the agenda, and by saying that we would try to finish by 2005, we created great hope. We expected too much – and this is why we are where we are today. In addition, we were not transparent and honest when we said this was a development Round. At the time we all said we wanted a development Round and we all believed in it – and we did not have the G20, G33, or G90 to put pressure on us – but as we moved on, we found that countries were questioning what a development Round is about. We have questions raised about emerging countries, and suggestions that emerging countries like India do not need to be part of the development perspective. CII does not subscribe to that view. CII is a leading industry association, representing 60,000 companies in India from 128 sectors. But 70 per cent or more of its membership are SMEs – which are actually tiny rather than small -- and when we are negotiating, we are not negotiating for the large successful Indian companies, but for these 70-75 per cent, whom we consider extremely vulnerable.

At the same time, when speaking of emerging economies, we must recognize that while agriculture represents only about 8 per cent of trade worldwide, 70 per cent of India's population is dependent upon agriculture. And though you call India an emerging economy, the fact is that only a small percentage of its GDP is derived from exports. When contemplating treating emerging countries differently than developing countries, we need to reflect on whether it is necessary for emerging countries to do more than was expected of them in 2001. Why the sudden change?

On another matter, I must ask, are mini-ministerials really helping? We have had so many mini-ministerials since the start of the Doha Round that the question is, do they really reflect the views of all countries, or is it instead giving countries more time to reflect and begin taking different positions than they had taken earlier.

Without wishing to expand the Doha Agenda, I must say that the question of RTAs must be considered, and whether the WTO needs to take another look at Article XXIV and to consider whether it is still relevant. The way we are going, we will soon have an RTA-plus WTO rather than WTO-plus RTAs.

I think there are three main issues to consider in keeping the WTO relevant. The first is that there needs to be transparency in what we started off with and where we are today. Second, there needs to be a development agenda, as was set in 2001. Finally, we need to make these negotiations far more inclusive than they are today if we want these negotiations to move forward in a good way.

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## 2. Questions and comments by the audience

Comment by a representative of the National Institute of Agriculture New Delhi, a farmer's organization. The WTO is hardly a decade old, yet it is passing through an identity crisis. Its role as a mere whistle-blower has not won it many friends over the years. It needs a complete makeover in order to remain relevant and viable in the XXIst century.

The WTO must be a facilitator and enabler of trade in addition to being a regulator. It must focus more of its human and financial resources on providing research and technical assistance to Members. I was an agriculture negotiator for India during the negotiations at Doha, and made a demand for the WTO to do a study comparing the cost of cultivation of major crops which are internationally traded. The response I received was that the WTO was not equipped to do such studies, and I was advised to go to the FAO, which I did without success. Such research on trade issues – including for example impact studies of various negotiating options on Members' welfare, protection of livelihoods, food security, and environment – would help developing country Members to develop their arguments in the negotiations. If necessary, the WTO should enlarge its mandate, even during the Doha Round, so that it can function as a global resource center in the field of multilateral trade. As an economic development organization, it should work for the empowerment of its constituents – farmers, trade organizations, and developing country Members, using the ICT and call center technologies to disseminate information on trade opportunities, trade advisory services, and market intelligence on a real-time basis.

The WTO has been an effective regulator, but it needs an image transformation in order to be seen around the globe as a friend, philosopher and guide – only then would it be able to bring about global economic growth and prosperity amongst the world's poor through trade. It is imperative to make this mid-course correction of the mandate in order to make the WTO relevant and viable in the XXIst century.

Participant in the panel on the role of the media. Have the panellists here addressed the problem of how to relate this to, and make it relevant to the man on the street?

Celine Charveriat responds: It is a huge challenge for everyone who wants to take this debate – which is still debated among a small constituency of people who know what is going on – and try to talk to the general public about it in way that will get them energized to demand positive change and to see that globalization can be made to work for them if they take action as consumers and as voters. With Oxfam's Make Trade Fair campaign, we have invested significant resources in trying to talk to the public about the WTO – and I think we have succeeded in helping people feel connected with others around the globe, and that as individuals they can make positive change happen. But we have not cracked it. One of the reasons globalization has got such a bad name is that governments, businesses, and NGOs have largely failed to convey what is going on, what could be going on better, and how individuals as voters, investors, and consumers could make the world a better place.

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Dr. Magdi Farahat responds: My first comment is that we need to define who is the man on the street? Is it the Indian farmer? Or the industrialist in Utah? Who is the man on the street, and what are we trying to tell him? One problem that touches all international and intergovernmental organizations is that they have very poor communication policies. We are trying to say that trade is good, and we agree on that, but we fail in our communications policy regarding what kind of trade and under what conditions.

T.S. Vishwanath responds: I was a journalist before I joined CII, and I learned that there are two perspectives to consider: people as consumers and as employees. Trade liberalization impacts them differently – as consumers, they enjoy better prices, but as employees, they fear losing their jobs. The media usually takes one side – when talking about other countries’ potential market openings, the media addresses the consumers, but when it speaks about the home country, it speaks to the employees.

Fredrik Erixon responds: I think people actually have a basic understanding of what trade is about and what the WTO is about, but in the political debate there is a tendency to complicate things. I was part of a circuit in Sweden trying to explain globalization and what world trade is really about – and one of the Swedish negotiators would always start by talking about sanitary and phytosanitary standards. This would kill any interest in world trade, and it demonstrates the Geneva outlook on trade and the tendency to use technical jargon that excludes people. The second problem is consumers, free traders, and protectionists alike use the term “globalization” to explain different things. When a factory relocates to another country, business blames globalization. When a government has to make an unpopular change in social policy, it blames globalization. What I have noticed is that in nine out of ten cases, it is not about globalization – but globalization is an easy excuse. Thirdly, I do not think we should look at media, as it is a predictable phenomenon which focuses on news cycles and stories. If you want to make a topic newsworthy, you have to adjust to the news cycles and the types of stories that are printed. The WTO made the news with Seattle and Cancún and Genoa, but it was not good for the debate because it did not enlighten or inform anyone about world trade or what the WTO is doing. We must look to other fora to communicate with people – this is what businesses and civil society associations are doing – rather than trying to find ways for journalists to make the WTO more attractive.

John Weekes comments: There is indeed a tendency for governments to use the WTO as a convenient whipping boy. If you lose a case before the WTO and you have to make a difficult policy change, the policy-makers in government and maybe even the ministers might think it is actually something good that makes economic sense – but they will not say this – they say it must be done in order to comply with a WTO ruling. There is a lot of clutter in the communications when talking about the WTO, partly because of the many faces of globalization, but also because sometimes governments like to misrepresent it themselves.



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Helmut Mach, School of Business, University of Alberta, Canada: An ongoing problem is that in western industrial countries there is a large amount of healthy skepticism in the public regarding whatever government says is good for them – and therefore they tend to pay more attention to anyone in the media who is critical of the government approach.

One missing aspect in providing information to the public is a larger role for those who have a stake in the outcome – business communities, agriculture producers and so on – in getting information directly to their communities and their employees. When something goes wrong it is reported extensively in the media; when something goes right, it is credited to great management, investments, or marketing skills rather than trade agreements or the WTO, and without educating employees as to the importance of their company’s involvement in these types of international access arrangements that have been made possible by trade negotiations. The man in the street does not read the *Financial Times* or the *International Herald Tribune* – he reads the local newspaper – and that is the level where the business community needs to become more active in educating its employees and communities regarding the benefits of these types of international trade negotiations.

Mary Irace responds: I agree that stakeholders have a responsibility to communicate the benefits of trade to the workforce. The NFTC has embarked on many trade educational efforts, and it is always a challenge because those who stand to lose are always the most vocal, and they tend to dominate the political debate. I believe it is incumbent on everyone to explain the benefits of trade, and I will do that occasionally when talking to people on the phone who are providing services to the U.S. from another country – I encourage them to contact their government officials to demonstrate support for the current negotiations. It is important for those who benefit to be vocal about it. The benefits are widespread – look at the dramatic decrease in poverty in China – a key reason for which is the opening up and reform of the economy.

Dr. Magdi Farahat responds: The need for information regarding the negotiations has been identified as one of the main constraints in many developing countries, and particularly in Sub-Saharan Africa. The ITC has responded with two programs – the first, worldtrade.net, is for negotiators and business organizations to help each other stay informed. The second is “business for development,” which, on a regional level, brings in governments, business organizations, and NGOs to discuss the state of play and help them to work out among themselves what should be negotiated and what positions should be taken.

Michael Cloghesy, representing CPQ, a private sector organization based in Montreal: I wonder if you could comment on whether there is an incompatibility between the objectives of the Doha Round and the current framework, infrastructure, and culture of the WTO. The Doha Agenda seeks to improve conditions in developing countries; the WTO is about freer trade through negotiations. We seem to be moving away from give and get negotiation to a straight give mode. Doha is a difficult sale politically – it must be presented in more of a win-win mode.

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Sara Dickenson, making a documentary for an independent production company: In light of the criticism of the WTO that it often represents the interests of multinationals far more than those of small producers, especially in agriculture, and especially in developing countries, what does it need to do to remain relevant – should there be more public access? What does it need to do to change the perception that it remains in the pocket of powerful corporations?

Fredrik Erixon responds: Starting with the second question, it is a big and difficult question, and I would like to rephrase the conditions for discussing it. Take for example the European agricultural policy, which is dominated by very big corporate interests that benefit from being protected – so I would not say it is an issue of big corporations in favor of liberalization against small vulnerable businesses – it is a more complex issue than that.

On the first question, I agree that the reciprocity model for trade liberalization is about to expire. In the Doha Round there are a few countries that must deliver much more than they will get in return – this is called less than full reciprocity. Looking to future issues, how would it be possible to use a model of reciprocity when dealing with non-tariff barriers and regulatory structures within countries? It is impossible to address this in a give and get way.

Countries can do very much but they need to do it unilaterally. Economists call the WTO a free traders pact with the devil – because if you are a free trader, you would liberalize unilaterally because you know it is a good thing to do, and you do not ask others to do something in return.

We must indeed be more educational when it comes to describing benefits of liberalization. We always present it as gaining access abroad for our companies – which is important – but we also get foreign currency in order to buy imports more cheaply abroad. We must tell more of the story.

Dr. John Vassallo responds: I would like to link the four questions. It is probably enough to get the message that we are not sufficiently informing the man in the street about the threats that face us all if we do not find ways to improve the present situation. I also get the message that we who have links to more people and communities should talk more about the benefits of trade. However, I also believe that it is up to politicians to explain the win-win aspects of moving away from the model of reciprocity. For those who give more, the benefit comes later – finding new solutions through innovation. That leads to the question of large companies getting the most benefits – this might have been the case at the beginning when the best organized companies were the only ones to benefit, but now, like ripples in a pond, there has been a spread of the effects of the opening of markets. Combined with the advent of Internet trading, smaller, more nimble companies stand to benefit most from any WTO improvements in Services. If you link the three things together, you must get politicians to get the assumptions right, and all of us must inform the population, then I think it would be easier to see the benefits for all, even though we would

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not benefit to the same degree. I think it was Saint Augustine who used the metaphor of being glasses of different sizes: in the end, we will all be full but with different amounts.

To comment on the gentlemen's suggestion of having the WTO conduct objective studies – I am all in favor of it. It is always better to make decisions with facts rather than fears at your disposal. The questions are 1) where to find budget, and 2) how to keep such studies objective. An impact assessment can be made to simply confirm its initial assumptions, and this is not what studies should be about.

Representative of Government, Alberta, Canada: Regarding the idea of going back to basics, the relevance of the WTO is tied to the benefits of trade and trade liberalization. These benefits are based on economic principles, but the negotiations are political, and there is a disconnect. In economics, when we speak of benefits, we are speaking about benefits to consumers and producers. In politics, the benefits to consumers are not considered. Politicians are more concerned with the benefits to producers. A win-win situation is possible with trade liberalization, but there will be costs for some – those who will lose their jobs for example. I believe that think-tanks, universities, and politicians must do a better job of educating the public and to make sure that the full nature of the costs and benefits are understood and are considered in these negotiations.

Egyptian student doing her Ph.D in Paris: Could you comment on the motivating potential of Mode 4 openings – the movement of persons, or less skilled workers?

Final comments by T. S. Vishwanath: From an Indian business perspective, Mode 4 is of deep interest, but we are looking at it in terms of the movement of professionals, rather than unskilled workers. We are also interested in Mode 1 commitments. We would like to see a lot more offers on the table on Modes 1 and 4. As far as the motivating potential, I believe that if we see movement in agriculture, we will see movement elsewhere in the Doha Agenda.

As a representative of Indian business, CII would like to see negotiations move forward very quickly, and we are willing to work with our government, and also to work with other business organizations to see if we could come up with a common agenda, and to get the negotiations moving forward on that agenda. It is important to keep the WTO relevant. India is on binge of FTA negotiations, such that if it continues on the current path, by 2014 it will have entered into agreements with 45 to 60 countries. Indian business supports the multilateral negotiations and would like to see early results from the WTO.

Final comments by Dr. John Vassallo: To get to the future of the WTO we must overcome the current hurdles. I think it will be essential to identify the big beasts – and the really big beast is protectionism. If we can get that message out to the man on the street and everyone we know, it will dawn upon us that those who have more will have to give more than those who have less, and must then use their ingenuity to gain new advantages. Elimination of poverty is in everyone's interest, but we are not going to get there without

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more transparency. I would indeed like to see more analysis and data put on the table to help us all take the next steps forward.

Final comments by Dr. Magdi Farahat: I do not think that a good Mode 4 result is enough to unlock the DDA, and indeed, we are not talking about unskilled labour when we speak of Mode 4. On the idea of a win-win and give and get result – it is a matter of perceptions, and of how the issue is being fed to the man on the street whom we still cannot define. The woman making the documentary demonstrated that you can look at the same thing positively or negatively depending on where you stand in the picture. I agree that governments and international organizations have a major role to play in educational efforts. I love the comment that the WTO is a politically negotiated economic package. That is absolutely the story. We are negotiating an economic package of benefits to help everybody, but we are politically negotiating it. Therefore, we find people using political means to achieve economic ends, which never works.

One question that has been repeated is whether the goals of the DDA are incompatible with the structure of the WTO – I do not think this is the case. But it will require some creative thinking about how to go about achieving it. And maybe this is what prompted the gentleman's comment about needing a mid-course correction to the mandate of the DDA, but in my opinion, it would not be possible to change the mandate, and such a correction is not feasible.

Final comments by Fredrik Erixon: I am sceptical about the Doha Round and the possibility of finalizing it. The current stalemate relates to structural problems in the WTO. What we are seeing now is that countries are moving away from negotiations in Geneva toward bilateral and regional negotiations. Pessimism is warranted, but it should not be used to launch general tirades against the WTO and multilateralism. Instead, this pessimism should be used to revitalize the WTO and to find ways for it to be relevant in this century. There are many issues yet to be solved. Protectionism is indeed the big beast that needs to be fought. We need to build up the rules-based order – this is extremely important to developing countries, and it can only be done multilaterally. We should use this time to revitalize the WTO, try to find a new identity for it, and equip it with the right capabilities for new successes in the next century.

Final comments by Celine Charveriat: I think that poverty is the big beast that needs to be fought, and I think the WTO has a role to play. I share the pessimism of the others, but I think we will eventually get there because I think eventually people will realize that it is in everybody's interests to have a more prosperous, more fair, and more equal world trading system. Is the WTO in hands of multinational corporations? I think we have seen instances of over-representation of the interests of multinationals – this is how we got the TRIPS Agreement, where the interests of public health groups were not taken into account. Can this problem be solved at the WTO? I think you can make some inroads in improving the transparency, but the fundamental problem is at the national level. You must consider the interests of all of the various domestic stakeholders when you are defining your economic and trade policy. In order to make growth more inclusive and in order to compensate domestic losers and so on, all of this must be addressed at the national level through consultations with businesses, civil society and academics – otherwise you will not have the fundamentals to make the WTO work and to achieve a good agreement. But because I work in an NGO whose mandate it is to eliminate poverty, I remain an eternal optimist, and I believe that we will get a good deal before 2050.

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Final comments by Mary Irace: I would like to thank everyone for participating in this interesting discussion. We do have a lot of commonality. There was much discussion about the need to get back to the basics, and I think that is absolutely fundamental. This organization was created for a purpose, and that purpose is very important for generating growth and alleviating poverty through liberalization – liberalization in a phased way – we are not talking about rapid liberalization for LDCs. That is a path to growth. There is a wonderful opportunity here if the leaders in the WTO are willing to seize it.

I wanted to emphasize that services and manufacturing are very critical components of this negotiation but I do recognize that agriculture is vital to developing countries. The NFTC has been very forward looking in calling for reform and openness in the agriculture markets of the U.S., Europe, and other major markets.

I am struck by the emphasis on the role of developing countries and what the development Round is supposed to mean. I think this is an opportunity, through trade liberalization and improved rules, to integrate developing countries into the global trading system. The emerging market players have a major responsibility to bear here in terms of leadership. We need more visible leadership – the U.S. and the EU are unable to do this alone. LDCs are frankly not required to do anything in this negotiation – in some ways that is a shame, and I am not sure it is best for those who want to develop their economies.

The WTO is really about trade, but the broader development agenda is vital – without the right infrastructure, domestic reform, policies on health care and social safety nets and a strong civil society, it would be hard for any economy to benefit from open and rules based trade. The biggest challenge here is for the other global institutions to step up and perform the roles they were created for: the World Bank, the FAO, and others. We cannot expect the WTO to solve all of these issues. I do hope these organizations will step up to ensure that the Round is about development at the end of the day.

### **3. Conclusion**

This panel was composed of speakers from diverse backgrounds and affiliations, who nevertheless raised common concerns as they addressed the question of what the WTO would need to deliver in order to remain relevant and viable in the XXIst century. Several held the view that the WTO must “get back to the basics” – but this was defined variously as the liberalization agenda or as the development agenda. Many described structural problems relating to the WTO or the DDA, such as the issue of decision-making among 150 Members in a trade round with the broad scope of the DDA, or whether the reciprocity model of negotiation was still relevant, or WTO Members’ general reluctance toward liberalization, or even a lack of direction in the WTO. The audience joined in with concerns about a perceived lack of financial and human resources in the Secretariat to appropriately assist developing country Members, and the need to educate the public about the costs and benefits of liberalization and what the WTO does. Many observed the difficulties of negotiating economic policy in a political forum.

What does the WTO need to deliver? Panellists and audience members alike agreed on the need for a strong rules-based MTS, and they engaged in a lively debate on what that means and how it could be achieved.

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## C. **Neo-protectionism: XXIst Century challenge for the WTO, Organized by UNICE/Confederation of European Business and APEC Business Advisory Council**

Report written by UNICE/Confederation of European Business and APEC Business Advisory Council

### **Abstract**

*The WTO/GATT was founded on the idea that openness to trade will drive economic growth. In recent years however, new protectionist forces in some countries have argued that free trade is detrimental to growth and development and are challenging support for an open trading environment.*

*Such views are misleading and damaging to the growth prospects of many countries which look to global market access to develop their economies, and to the WTO itself, which depends on a commitment to the goal of free trade to underpin economic growth and with it employment.*

*European and Asia Pacific business are firm supporters of trade liberalization and argue that it is not only compatible but indispensable for economic growth and development.*

### **1. Presentations by the Panellists**

The session was moderated by Mr. David Hartridge, White & Case, former Director, Services Division, WTO.

(a) Prof. Dr. Reinhard Quick, Vice-Chairman, WTO Working Group, UNICE

- Reinhard Quick noted that the collapse of the DDA was the biggest demonstration of the rise neo-protectionism yet seen. The Uruguay Round had seen a different climate prevail but since the Seattle Ministerial both NGOs and the press had focused on an anti-liberalization agenda, meaning that politics had triumphed over progress. The Doha Ministerial had proposed a comprehensive agenda but little progress had been made in Cancún and Hong Kong.
- EU-US leadership was needed to put the Round back on track. Certainly some would feel threatened by this but it would not be an imposition of transatlantic interests but rather a moral leadership in favour of trade liberalization.
- Development should certainly be part of the WTO agenda, but it must be defined in liberal terms: openness to trade both North-South and, ever more importantly, South-South were vital to the development strategies of emerging countries and LDCs. Neither was it fair that all developing countries be treated the same. 'Developing' status would

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be more equitable if it was based on a sectoral, competitiveness-type approach. The Chinese chemical industry for example is now the third largest producer in the world.

- Neo-protectionism also covers the new types of protection which are becoming increasingly important: export taxes on raw materials were one example. Export taxes and restrictions have traditionally been seen as a response to tariff escalation in developed countries – i.e. a means to de-incentivise the process in which developing countries export their raw materials only to re-import the finished goods developed countries make from them. This argument is no longer valid as tariff escalation will have effectively ended After a Doha Round deal which would eliminate all industrial tariffs in developed countries.
  - Environmental goods negotiations also posed problems of a neo-protectionist nature. From a conceptual perspective, the logical conclusion of such measures was that the WTO would reward ‘good’ goods and penalise ‘bad’ goods. They would also have serious implications for the concept of like products. There were also serious practical difficulties with such an approach as a definition was almost impossible to arrive. A list approach risked being arbitrary.
- (b) Mr. Ralph Carter, Managing Director, Legal and Regulatory Affairs, Federal Express and Mr. Peter Charlton, Chairman & CEO First Charlton Communications
- Peter Charlton and Ralph Carter emphasized the opposition of the Council (ABAC) to any protectionist measures and that ABAC maintained full support for the WTO and DDA negotiations. They stated that the Asia Pacific region continues to grow strongly but future growth will not come from closed economies and restrictions on the growth of trade and investment.
  - APEC is the region's premier forum for pursuing economic integration. It comprises 21 of the world's largest economies including the US, Japan and China in Asia Pacific and constitutes more than 56 per cent of the world GDP and nearly 50 per cent of world trade. APEC has been pursuing the goals of trade and investment liberalization, business facilitation and economic and technical cooperation.
  - The suspension of the WTO Doha Round of trade will hurt economic growth in Asia Pacific and dampen the potential for continuing rapid economic growth and prosperity. It is a major set back for global trade liberalization in that it will not deliver to business improved market access and other benefits of expanded trade liberalization.
  - ABAC maintains a strong commitment to a robust and balanced outcome from the DDA and is concerned failure to resolve the negotiations will provide the environment in which protectionist pressures would take hold.
  - In a study in 1996 it was shown that economic development in the region was led by trade and investment and that economic performance of APEC economies has contributed to a narrowing of income differentials and technological convergence.

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- In a 2005 review APEC found the economic growth in the region had delivered major social benefits. Poverty rates have been reduced, accompanied by improved education, health and access to basic services.
    - Reduction in poverty has been significant, with proportion of population of APEC economies living on less than \$1 a day declining to 10 per cent in 2000.
    - Key indicators on the UN's Human Development Index show significant increases in human development across all APEC economies since 1996.
  - But more has to be done. ABAC believes bolder policy action is required to ensure that economies in Asia Pacific do not progressively lose their international competitive edge.
  - To that end ABAC has endorsed an integrated approach by APEC to structural reform. Such an approach embraces improving the environment for investment in the region, advancing facilitation and encouraging financial market liberalization.
  - The APEC '*Busan Business Agenda*' is a comprehensive business facilitation program which aims to improve the business environment and to address behind-the-border administrative burden and impediments to trade and investment.
  - Research on 'Behind-the-Border' (BHB) measures (ANU - 'East Asian Economic Integration and its Impact on Future Growth' [Pacific Economic Papers no. 350]) show a gain for East Asian economies of \$US 107.3 billion a year through action addressing BHB contrasted to estimated gains from Doha of \$32.6 billion.
  - Further an OECD survey estimated that administrative compliance costs represent around 4 per cent of the business sector GDP while comparable US studies estimate dead hand of government regulation at 4-8 per cent of GDP.
  - This is a particular burden for SMEs. OECD survey showed a disproportionate impact on businesses with less than 20 employees. Further OECD work saw linkage between regulatory 'quality' and improved economic performance:
    - Promote flexibility & innovation
    - Encourage competition & remove complexity and inconsistency
    - Encourage new stakeholders into the policy debate
  - World Bank work reinforces this and goes one step further by showing that businesses in poor economies face much larger regulatory burdens than in richer economies with 3 times the administrative costs and 2 times bureaucratic burdens & related delays.
  - But ABAC notes that improving business generates not just economic growth. Health,
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education & employment are higher. Work by APEC & ABAC has identified regional priorities to improve the business climate for SMEs:

- Reducing regulatory burden
  - Simplifying complex taxation regimes
  - Improving access to finance
  - Easing rigid labour laws
- ABAC has initiated work in APEC on disaster or emergency preparedness
    - Business participation - responding to emergencies or disasters in the region; and
    - Business continuity - how business can keep going in extreme circumstances.
  - In particular ABAC has promoted work related to avian influenza and pandemic preparedness. ABAC will work with APEC to identify additional areas where cooperation and collaboration between business and governments can be enhanced, including for example initiatives to assist SMEs in developing their business continuity plans.
  - ABAC is also looking at the shape of regional architecture to achieve free & open trade. A feasibility study has been undertaken of a Free Trade Area of the Asia-Pacific (FTAAP). ABAC members considered the FTAAP as one option to advance the trade liberalization agenda within APEC. It was also recognized as an alternative to the existing situation characterized by the proliferation of bilateral and plurilateral preferential trade agreements.
  - The study showed that while an FTAAP would offer the highest degree of achieving convergence and consolidation of existing (& proposed) FTAs & RTAs in the region, practical difficulties and an absence of political will precludes negotiating an FTAAP at this time.
  - Nevertheless, ABAC believes that it would now be timely for APEC to undertake a serious consideration of a more effective process than presently available for achieving its goal of free and open trade in the Asia-Pacific region.

## **2. Questions and comments by the audience**

Question/Comment 1: Much progress on trade liberalization is in fact taking place but at a unilateral, bilateral or regional level rather than at the WTO. How serious should this approach to liberalization be taken? (Jürgen Matthies, Cologne Institute of Economic Research)

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*Reinhard Quick:* Business of course welcomes progress in terms of unilateral liberalizations but such approaches are not bound and therefore undermine the certainty needed to make long term business decisions. The WTO is also the only forum where rules can be tackled.

*Peter Charlton:* Low average tariffs did not mean all tariffs were tackled.

*Ralph Carter:* Such liberalization does not necessarily cover services and the many behind the border issues related to those areas. Legal certainty is also key for services trade.

Question/Comment 2: Perhaps the rise of protectionist tendencies can be linked to a failure on the part of business to communicate the benefits of free trade to the wider community. Should business be doing more? (Helmut Mach, University of Alberta School of Business)

Question/Comment 3: Those favourable to free trade should be aware of the risk of complacency. The idea that globalisation is inevitable is false. It needs to be supported by political decisions. (John Weekes, Sidley Austin)

*Ralph Carter:* The point is taken but business does try to communicate benefits. Federal Express derives particular benefits from international trade and does attempt to communicate them to the wider community.

*Reinhard Quick:* Yes there is a need for greater communication but it is not clear that it is business' responsibility to do this. Business is there to do business.

Question/Comment 4: Liberalization should focus on the needs of developing countries including on food security. Developed country subsidies should be extended to the poor of the third world. Security concerns should not become part of the trade agenda. (Luis Alberto Gonzalez, Innovar Consulting SA).

### 3. Conclusion

The panellists clearly indicated the concerns of business regarding the growth in protectionist sentiment around the world and indicated some of the activities it was involved in to work towards countering this. Discussions raised the question of the need for greater communication of the benefits of free trade to wider communities. The session moderator, Mr. David Harding noted in summing up that there is clearly a changed climate in both developed and developing countries with regard to trade liberalization. He suggested that is perhaps being caused by the rise of China. However, it should be remembered that in the 1980s fears of future Japanese dominance created protectionist tendencies and that these have now passed.

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**D. Beyond Doha: In search of the Multilateral Trading System (MTS), Organized by the Agency for International Trade Information and Cooperation (AITIC)**

Report written by the Agency for International Trade Information and Cooperation (AITIC)

**Abstract**

*The AITIC Session, organized within the WTO Annual Public Forum, focused on the challenges faced by the MTS in the light of the suspension of the negotiations under the Doha Work Programme (DWP). Three speakers, a developed country diplomat, an independent consultant and a least-developed and landlocked country representative, presented their perspectives on possible ways forward for the WTO in general and the negotiations in particular.*

**1. Presentations by the panellists**

The session was moderated by Dr. Esperanza Durán, Executive Director, AITIC.

- (a) Dr. Esperanza Durán, Introductory Remarks - The Setting: Liberalization and Rule-Making in Uncertain Times

In her opening address, Dr Durán presented her assessment of the current state of play in the DWP negotiations. Though the benefits of improving the rules for international trade at the multilateral level are generally recognised, WTO Members remain entrenched in their positions on the key elements of a possible DWP package. The WTO Director-General, Mr. Pascal Lamy, has identified a triangle of issues on which progress is crucial for moving the rest of the subjects under negotiations. The triangle consists of: agricultural market access; domestic support; and non-agricultural market access (NAMA). Given that Members are far from agreement on a range of other aspects of the DWP, in Dr Durán's view, prospects for a swift and ambitious conclusion are not bright. Moreover, the fast track authority, which enables the US president to pass trade agreements through the US Congress without amendments, will expire in July 2007 and important elections are due in the next eighteen months in some influential WTO member countries.

International trade has grown rapidly as a consequence of trade liberalization driven by eight rounds of negotiations since the creation of the General Agreement on Tariffs and Trade (GATT) in 1947. The share of developing countries in world trade has been on the rise over the past 20 years. The Uruguay Round was a particular achievement in that it significantly opened world markets and set multilateral rules in areas not previously covered by GATT disciplines, such as agriculture, services and textiles and clothing. However, the benefits have not been distributed evenly; some developing countries have not been able to effectively expand their trade and use it as an engine of economic growth and development.

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In light of the current situation Dr. Durán put several questions to the audience which would be touched upon by the presenters invited by AITIC: Are the most influential Members of the WTO turning away from multilateralism, opting for bilateral or regional trade agreements? If a functioning MTS is the first best option, what role do developing countries need to play? How will the less-advantaged countries fare in a situation where multilateralism ceases to be the first choice? Is the way forward to overcome the impasse that has eroded the credibility of the MTS to reduce the level of ambition in the Doha negotiations?

(b) H.E. Mr. Carlo Trojan, Ambassador, Permanent Representative of the EC to the WTO, Geneva -The WTO at the Crossroads: Lessons from Doha

Ambassador Trojan began his presentation stating that a renewed political drive on the part of the key players of the WTO was necessary to revive the DWP negotiations. In his view, lack of ambition of the offers tabled by the main players was not at the origin of the current setback. A possible compromise discussed before the suspension of the negotiations would have been significantly more ambitious than the final package of the Uruguay Round. The source of the problem lies rather in a disagreement between the key players over the “exchange rate” at which concessions are traded within the triangle of agricultural market access, domestic support and non-agricultural market access.

Ambassador Trojan emphasized, however, that once the negotiations resume, work beyond this triangle of issues must not be neglected. In particular, he recommended focusing on trade in services, trade facilitation and rules. He added that LDCs and developing countries would be hit hardest by a failure of the negotiations, intended to address their specific needs. Regardless of what happens, however, the EC is determined to push the development aspects of the DWP forward with a view to achieving an early harvest on elements such as the enhanced Integrated Framework (IF), A4T and duty-free and quota-free market access for LDCs.

The speaker said that he found it somewhat problematic that the DWP has remained unchanged since it was launched in 2001. He suggested that the current time out could be used as a window of opportunity to redefine the DWP and turn it into an “open-oriented rule-book” so that it better takes into account:

- i) the changes caused by the emergence of new global players such as Brazil, China and India;
- ii) new environmental concerns;
- iii) previously abandoned matters such as the Singapore issues; and
- iv) formerly untouched issues falling in the realm of trade (i.e. labour).

He concluded his statement noting that for the WTO to prepare for the future it will need to engage in substantial institutional reforms, for example regarding its decision-making processes, and to co-operate more coherently and systematically with other institutions involved in the work on establishing an effective system of global governance.

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(c) Mr. Constantine Michalopoulos, Consultant- What Role for Developing Countries in Shaping the Future WTO?

Mr. Michalopoulos stated that in his view the relevance and viability of the WTO depended on its capacity to respond to the needs of developing countries which today constitute the majority of WTO Members. He identified three groups of developing countries: i) countries such as those belonging to the Group of 20 (G-20), that are well integrated in the MTS and have the capacity to implement WTO commitments (also referred to as “advanced developing countries”); ii) the LDCs at the margins of the world economy and with little capacity to implement WTO commitments, however benefiting from a range of special and differential treatment (S&D treatment); and iii) roughly 40-50 smaller or low-income economies with similar constraints as the LDCs but without access to the special treatment for LDCs. Furthermore, Mr. Michalopoulos explained that the WTO performs four functions, i.e. i) trade negotiations; ii) rule-making; iii) trade policy review; and iv) adjudicating the implementation of the rules. He then explained some of the changes to the system he considered necessary for the different groups of countries to pursue their interests effectively.

To ensure a more equitable outcome in the trade negotiations, Mr. Michalopoulos, recommended separating talks on trade liberalization from those on changing the rules. It would involve giving up the principle of the single undertaking and would enable developing countries to better cope with the complexity of issues under negotiation. Also, it would no longer be possible to hold one aspect of negotiations hostage to the others where progress is being made, as occurred in the suspension of the entire DWP negotiations because of disagreement in agriculture and non-agricultural market access. Most importantly, the meaningful participation of developing countries lacking human and institutional capacities must be reinforced. Mr. Michalopoulos felt that the WTO Secretariat should carry out more analytical work in support of developing country delegations, for example on implications of proposed liberalization scenarios.

With respect to rule-making, Mr. Michalopoulos reflected on a fundamental reform of S&D granted to developing countries. At present, meaningful S&D is only extended to the poorest countries, the LDCs. He suggested that per capita income and/or share of world trade indicators should be introduced to differentiate developing countries in terms of transition periods, range of commitments, and access to technical assistance. Such S&D should be made available to all developing countries, except the more advanced ones with a larger degree of integration into the world economy and more institutional and human capacity.

Finally, Mr. Michalopoulos recommended substantially strengthening the WTO’s Trade Policy Review (TPR) and Dispute Settlement Mechanism. He said the Trade Policy Review would need to be transformed into a more serious monitoring and evaluation exercise with concrete recommendations for policy improvements. Developed and advanced developing countries’ policies should be scrutinised in terms of their effects on others and the trading system as a whole, while the TPR for developing countries should focus on development impacts of policies and assistance needs. On Dispute Settlement, he proposed to change the

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countermeasures used against offending parties failing to comply with a ruling. Limits to imports cause more damage to a developing country imposing such a measure than on an offending developed country. One solution to this problem would be to replace such limits with compensatory payments. Concluding his statement, Mr. Michalopoulos emphasized the urgency of such changes to the system, especially given the uncertain fate of the DWP negotiations.

- (d) H.E. Ms Rosalie Koudougouret, Minister of Commerce, Industry and Small and Medium Enterprises, Central African Republic - The Views of a Least-Developed Country: What is at Stake for the Poorest?

H.E. Ms Rosalie Koudougouret emphasized that the launch of the Doha Round had given rise to a number of expectations in the developing countries and in the LDCs in particular. Although some progress has been made on some parts addressing the needs of poorer countries, H.E. Ms Koudougouret was very concerned about the current state of play. She felt that developing countries and LDCs would suffer most from the shift to bilateralism and regionalism which was to be expected, if the DWP breaks down. The WTO is so important to them, because it has replaced the rule of force with a multilateral framework through which international trade can be used as an instrument for reducing world poverty.

The LDCs urgently need assistance in strengthening their participation in the MTS through human, institutional, infrastructural and productive capacity-building. H.E. Ms Koudougouret added that her country was also pursuing this objective in the negotiations with the European Union on Economic Partnership Agreements (EPAs).

The speaker called for renewed efforts to revive the DWP negotiations with a focus on the development aspects and continue the work on A4T aiming to overcome the constraints of developing countries. Irrespective of the outcome of the DWP negotiations, the Central African Republic attaches particular importance to the enhanced IF for LDCs and to the creation of a new multilateral fund for assistance, including for supporting adjustment to trade liberalization. In conclusion, H.E. Ms Koudougouret referred to an African fable to illustrate how the fate of people living on earth is interlinked and how unity and solidarity can come to benefit rich and poor alike.

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**E. G-20 civil society views on the WTO, Organized by the Friedrich-Ebert-Foundation and CUTS International**

Report written by Steffen Grammling, Friedrich-Erbert-Foundation

**Abstract**

*The G-20 group of developing countries, which was established ahead of the Cancún Ministerial in 2003, had generated great interest and raised expectations among poor countries in the South. Despite attempts to divide this alliance of G-20, the group has gained strength and is now universally recognised as an essential interlocutor mainly in the agricultural negotiations. The G-20 alliance of WTO Members played a major role in placing a united voice of the South in the ongoing multilateral trade negotiations. With the suspension of the current Doha negotiations, the G-20 will play a decisive role concerning the possible resumption of the negotiations.*

*The civil society organizations from G-20 countries also played an important role in raising the concerns of the poor and thereby influencing the positions of the G-20 on agricultural negotiations in the WTO. Both at the Cancún Ministerial in 2003 and at the Hong Kong Ministerial in 2005, the civil society's role was crucial in influencing the outcome.*

*Since G-20 will continue to be an important player in trade negotiations, the role of civil society also remains important. Therefore, in order to better understand the existing mechanism through which the civil society organizations from G-20 countries are engaged in multilateral trade negotiations, the objectives of the panel discussion were threefold: First, to highlight the G-20 civil society perspectives on the G-20 position in the WTO, on their respective governments' position and on their power to influence them at present. Second, to identify the main challenges, the G-20 civil society organizations are facing in the dialogue with their governments, other WTO groupings and inside the G-20 grouping itself. Third, to discuss the role and perspective of G-20 civil society organizations in influencing the G-20's and their respective government's positions in the WTO of the XXIst Century in order to strengthen the voice of the people in developing countries.*

*The panellists were representatives of the three main players of the G-20, which are Brazil, India and South Africa. The opening statements were commented by Ricardo Melendez-Ortiz, Chief Executive of the International Centre for Trade and Sustainable Development (ICTSD). The panel discussion was moderated by Thomas Manz, Coordinator of the Dialogue on Globalization Programme of the Friedrich-Ebert-Foundation (FES) in Berlin, Germany.*

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## 1. Presentations by the panellists

- (a) Thomas Manz, Coordinator of the Dialogue on Globalization Programme, Friedrich-Ebert-Foundation (FES), Berlin, Germany

Thomas Manz summarized the importance of the G-20, stating that it was broadly recognized that the emergence of the G-20 marked a change of power relations in global trade. With the existence of the G-20, developing countries, he stated, had been better represented in the negotiations and the EU and US had not been able to dominate the negotiations any more as before. He pointed out that the G-20 was successful in joining the voices of the South and raised the question of what had been the role of civil society in the establishment of G-20 and how it could influence the agenda and political strategies of the governments of the G-20 countries. Concerning the suspension of the negotiations of the Doha Round, he mentioned that there might be a difference of perceptions between the official positions of the governments of developing countries, which mainly expressed disappointment, and the views of civil society, which partly reacted with satisfaction. Moreover, he raised the question of what were the expectations that G-20 civil society had from the suspension of the negotiations and what role it could play in the resumption of the negotiations. He pointed out that part of the civil society organizations perceived the suspension of the Doha Round as an opportunity for a “change of mindset”, for building up a new framework for global trade that might better respond to the interests of developing countries, and to rethink the structure of the global economy. Other civil society organizations, he mentioned, concentrated its advocacy work on providing information and knowledge to improve the negotiation position of developing countries, and saw the current time-out as an opportunity to increase the pressure on developed countries to respect the special needs of developing countries.

- (b) Umberto Celli Jr., International Trade Law and Development Institute, São Paulo, Brazil

Umberto Celli pointed out that civil society in Brazil was highly complex and heterogeneous, which made it very difficult to identify the perceptions of civil society in Brazil. Given this constraint, he tried to identify general views and expectations of civil society. If the G-20 achieved to negotiate within WTO in such a way that it led to the creation of jobs, generation of wealth, increase in exports and the distribution of wealth in Brazil, he stated, then civil society would not oppose.

He referred to the development of G-20, which consisted of 23 members after Peru and Ecuador had rejoined the group. He pointed out that the G-20 was perceived with a clear perspective as a group with alternative suggestions for agricultural negotiations. Its very first paper, he stated, was delivered in WTO and remains the central document of the group. According to his view, the G-20 was focusing on the three main pillars of the Agreement on Agriculture: First, domestic support, where a substantial reduction in developed countries was called for. Second, market access, where mainly developed countries were urged to



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come up with further concessions. Third, the elimination of export subsidies in developed countries.

He pointed out that over a very short period of time the group was able to gain the legitimacy it needed to move ahead with its proposals. This legitimacy, he clarified, was based on the facts that the G-20 countries comprise 60 per cent of world population, 70 per cent of world's rural population and 26 per cent of world agricultural exports. He stated that the July 2004 framework agreement was a confirmation of this group's leverage and marked the end of the EU and US monopoly over WTO negotiations, which was, thus, a landmark. He added that civil society started to look at this group as a possibility and alternative to conduct negotiations in a different way, not only to favour the interests of developed countries. Thus, it was a turning point and made the role of this group much more visible.

However, he also mentioned that the group was very fragile because it had to balance the different interests inside the group. Brazil and India, he gave the example, were fairly industrialized and, thus, very different from the other members of G-20. He pointed out that this explained the various attempts of the US and EU to divide the group along the lines of the very well known game in international relations, called "split and win". He added that this game did not work, referring to the G-20 declaration in the preparation for the Hong Kong Ministerial.

He expressed his disappointment about the meager results of the conference which led to frustration by G-20 civil societies, not only in Brazil. He emphasized that it was remarkable that the cohesion of the group continued, nevertheless, which was demonstrated in a joint document by the G-20, G-33, LDCs and African Group on agriculture, which stated the need for an agreement in this sector. Market opening in developing countries, he argued, should take into account the social and economical realities in the different countries and should not lead to de-industrialization of the developing group.

He mentioned that after the suspension of the Round, the Brazilian government took the initiative to get together the key players in Rio, including the G-6. Although both the EU and the US, he stated, tried to play the same game of monopolizing the negotiations such as during the Uruguay Round, it did not work. He referred to the G-20 Rio Declaration which condemned any such initiative but also mentioned the differences between Brazil, which favoured strongly the opening of agricultural and market access, and India, which favoured the protection of vulnerable groups in agriculture. Taking into account that fragility of the group, he expressed the fear that it would be very hard to sustain the cohesion of the group if the negotiations were suspended for a long time.

He concluded by emphasizing that Brazilian civil society would favour negotiations if they led to growth and development, which were both immediate demands of the civil society.

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- (c) Mzukisi Qobo, Research Associate, South African Institute of International Affairs (SAIIA), Braamfontaine, South Africa

Mzukisi Qobo started by mentioning that South Africa was one of the key players in establishing G-20, which however, he regarded as a by-product of a deeper interaction between the G-3. The G-3 or IBSA, he explained, was formed by India, Brazil and South Africa and constituted high level political interaction between the members on issues that covered not only trade but also global governance. He also expressed his admiration that the G-20 had a longer lifetime than it was predicted and proved itself as global player in multilateral trade talks. As an example he mentioned the July 2006 mini-ministerial, where it was the G-20 that put forward a clear proposal which served as a framework for agriculture. He noted that the G-20 had often been viewed by civil society as a voice of conscience and as an engine of developing countries in the negotiations, which guaranteed also G-20 civil society a genuine representation in global trade talks. He reiterated the previous speaker's views that civil society was not homogeneous, that there were rather a diversity of opinions and views regarding the role of WTO as well as on the role of the G-20 in WTO.

The Doha Round which was stalled at that moment, he stated, was launched under the rubric of "development", but the development dimension had become watered down with time. Since a number of issues which were quite critical for developing countries, he mentioned, were left unresolved by the Uruguay Round, such as implementation and agriculture, the Doha Round put agriculture at its core. He added that development concerns went well beyond agriculture and also included S&D treatment. Concerning the civil society views on the current state of the negotiations he stated that the WTO was not immune from the crisis of the global governance mechanism, which became clear again at the IMF / World Bank meeting in Singapore. Nevertheless, he mentioned that the multilateralism was the only framework within which to manage the global system, which recognized interdependence and was necessary to discipline the interplays of power. On the other hand, he pointed out that the global governance system had asymmetries and inequalities of powers as well as that the agenda setting process favoured the triad of the EU, US and Japan.

His tentative conclusions were that, if the global governance system was weak, development challenges would persist. He added that the ugly state of WTO in its current form did not favour in any way the developing countries, but that WTO was the only forum where the interplay of powers in trade could be disciplined. The G-20 coalition, he stated, could have a moral and intellectual leadership in the negotiations and could be a powerful voice for development, since it comprised a diversity of countries. He summed up by suggesting three considerations for G-20 at WTO: First, to push for a greater balance between relative costs and benefits of trade rules with greater regard of development interests. Second, to examine the development impact and to weigh the costs of implementation appropriately. Third, to emphasize the concerns around domestic policy space and flexibility which allow developing countries to contain policy measures. While rules were necessary, he stated, they needed to have more sensitivity to the developmental challenges that most of the countries especially in Sub-Saharan Africa were facing.

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(d) Pradeep S. Metha, Secretary General, Centre for International Trade Economics & Environment (CUTS International), Jaipur, India

Pradeep S. Metha focused more on the procedural aspects, the G-20 countries are facing in WTO and on the role and challenges of civil society in the G-20 countries. He mentioned that every country had its own interest and while the political glue was important, the rules of the jungle actually did prevail in WTO. In the history of the world, he continued, the dividing rule (“split and win”) was a common practise. He stated that the recent IMF/World Bank meeting in Singapore marked a challenge concerning the movement in the global institutional architecture. He pointed out that agriculture was the entry point of the G-20, and India and Brazil hold the group together despite their conflicting offensive and defensive interests. While the G-20 was pushing for a change of the status quo, he added, there were always winners and losers on both sides.

In the G-20, he mentioned, India, Brazil and South Africa, together with a small number of countries, were looking at something that can be done together. He suggested looking at the history of trade regulation itself to realize that most of the countries were not in the role to understand what trade liberalization meant. There were some figures of the World Bank which analyzed the effects of trade liberalization on a general level, he added. Remarkably, while civil society was equally unaware of this process before, he pointed out that this had changed in the last decade. Even the poorest government had resources and a very large civil society was much more aware and played a stronger role of advocacy, he added.

While in former times NGOs only worked in the social sector, such as health, water and education, he mentioned that the knowledge and dialogue on economic policy issues was increasing on a high level in a large number of countries. He noted that one cannot speak on behalf of the civil society as a whole, since it comprised a large number of views and opinions. He gave the example that at the bottom there were organizations that thought that the “WTO is a monster and should not be there” and that India was only to loose, while other groupings focused more on advocacy and tried to reform the WTO without questioning the organization itself. He emphasized that civil society became a force that could no longer be ignored and argued with greater authority based upon evidence, than it had been the case in the past.

He added that there were civil society alliances as well, both global and legal alliances. The challenge for civil society was, he continued, not to ignore the challenges, to fight for equity and to consider what was at the core. He pointed out that the G-20, comprising 23 countries, had the responsibility to find responses to the needs of the people on various issues and had the scope to learn from the people in other member countries to lobby their governments to overcome poverty. He mentioned that the civil society had the responsibility to assure that the benefits of trade liberalization were distributed equally among the people. Developing countries could no longer be kept out of the decision-making process, he concluded, and the challenge was to find the adequate design of the WTO process, that guaranteed that also the views of the civil society were heard in the discussion.

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- (e) Ricardo Melendez-Ortiz, Chief Executive, International Centre for Trade and Sustainable Development (ICTSD), Geneva, Switzerland

Ricardo Melendez-Ortiz reflected in his commentary on the role of civil society in G-20, how civil society looked at the talks and at the G-20 with the larger interest of the South. He started by defining the G-20 as a “bargaining coalition with communality in very specific aspects of agricultural negotiations”. He confronted this definition with the wishful thinking of some in civil society that the G-20 had to be more or should aim at encompassing a comprehensive proposition on global trade negotiations. He added that agriculture was a central issue in the Doha negotiations and that the role of G-20 should not be minimized, but that it was important to put it into a realistic view.

Concerning the negotiations, he pointed out that G-20 turned itself in the driver’s seat of the multilateral system and had since played a fantastic role there. He referred to the origin of the G-20, mentioning that it emerged as a tactical response within the negotiations by a number of critical actors of developing countries who were concerned about possible collusion of positions in agriculture between the EU and some developing countries which would be highly perverse to their interests and contrary to the spirit of the DDA. Then in the run-up to Cancún, he added, the EU and US came into agreement on lowering ambition in market access and agricultural subsidies, while India, Brazil and others reacted with a common paper, which became known as the “G-20 common position”. In this sense the G-20, he added, contrasted with all other groups, such as the G-33 for example. He pointed out that at its origin the G-20 was reactive and tactical and there was very little civil society participation in its formation and genesis. The G-33 was a completely different case, stemming from the grassroots movements that responded to the farming crisis in Southeast Asia in the late nineties. As to a political dimension, differences were also important.

Referring to the previous speakers he mentioned that the IBSA group had some larger political aims than the G-20. He noted that the G-20 was a coherent group, had legitimacy and a high level of recognition in capitals, which even led to a formal coordination process at ministerial level and made the G-20 a very structured alliance as a bargaining group. Within the group, he added, there were members of different groupings with different positions; e.g. in agriculture, there were eight offensive coalitions, which were the Cotton 4, G-7, Cairns Group, G-10, G-33, Recently Acceded Members, the Small and Vulnerable Economies and G-20. He emphasized that within the G-20 there were countries with different views on all issues where the G-20 had common positions, which arises from their membership in other groupings, such as the ACP, LDC, African Group, or even Cairns Group. The G-20, he recognized, had managed to navigate its differences in a very deliberate manner which required a lot of political work. He raised the question of whether civil society participated in this activity and stated that it did mainly by its analytical capacity.

The G-20, he pointed out, marked a major shift in the power relations of trade negotiations and was the focus of attacks; some members decided to drop from the group, such as

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Colombia. He stated that it was very difficult to dissociate whether G-20 was responsible for the suspension of talks and what part civil society played. However, he added that the G-20 had played a major role in the new geography of trade negotiations, but so had other groups, such as the G-33 particularly.

He stated that there were discussions by civil society and academics about G-20 and the larger interests of developing countries. Instead of romantic views, he suggested that they should call for a common position of developing countries in negotiations. However, he raised the question whether this was possible in the WTO of today, the world markets of today and the structure of civil society of today.

He concluded by giving the example of the agricultural negotiations, where more than 20 functional groups with different offensive and defensive interests – also among developing countries – were bargaining. Thus, he doubted if it would be possible to reunite these groupings again on specific issues, whereas Hong Kong and the G-110 position showed that this was possible on broad political aims. He suggested that the role of civil society should be in each country to entice better trade policy formulation processes that better articulate multi-stakeholder interests and channel them to international negotiations, and to back up developing countries' positions particularly by providing sound and solid consultative and analytical capacity.

## **2. Questions and comments by the audience**

There were interventions of the audience on particularly two issues: First, one speaker mentioned that the G-20 development agenda was an important part of the current Doha negotiations and that it reduced the asymmetries of the negotiations. She added that in the NAMA-11 group, Brazil and Argentina could interchange with trade unions regarding the formula calculations of the negotiations and called for a closer interchange between trade unions and governments to evaluate the social costs that came out of negotiations.

Umberto Celli reacted to this statement by reaffirming that in Argentina and Brazil not only trade unions but also other actors of civil society played an important role in formulating and expressing critical views on the Doha negotiations. He pointed out that the entities representing G-20 civil society were very much divided in the industrial sector. In the agricultural sector, he added, civil society views also differed quite a lot and the perception was that only the agribusiness lobby had a voice. He added that some actors of civil society regarded the role of G-20 as too limited and wanted it to look also at other areas such as services, while other actors criticized that the G-20 went too far.

Ricardo Melendez-Ortiz added that the NAMA-11 group was very different from the G-20 group in its structure and objective and that civil society needed to get a better understanding of the positions and results of trade negotiations.

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The second intervention focused on the procedures of participation between civil society and WTO. The speaker stated that the WTO needed to become an organization with a human face and, thus, needed to involve civil society more actively in the discussion on issues on global governance. She added that civil society should look more closely on regional conventions and called for efforts to provide actors of civil society with guidelines or a handbook on how to participate effectively in conferences of big organizations, such as the WTO.

Mzukisi Qobo reacted to this statement by mentioning that civil society participation must start at national level in order to be effective on global level as well. He gave the example of South Africa, where an institutionalized mechanism existed to reach consensus on trade policies and trade negotiations between different actors, including civil society. Since other actors tried to limit the space for civil society, he added, the engagement had to take place at every level in order to be effective.

### 3. Conclusion

The objectives of the working session were to highlight the G-20 civil society perspectives on G-20 and the WTO, and to identify the main challenges for G-20 civil society. The presentations of the panellists and the successive discussion could be summarized by the following five observations:

First, G-20 was successful in coalescing the voices of the South in the ongoing multilateral trade negotiations. Moreover, the G-20 managed to stay together despite of differing interests inside the group itself. This success made civil society groups look at G-20 as a possibility and alternative to conduct negotiations in a different way. However, it became clear that in some countries, such as Brazil, the voice of the agribusiness lobby groups was heard more loudly than the voice of small farmers.

Second, G-20 civil society is not homogenous, but rather a very heterogeneous and highly complex entity, comprising a wide range of perspectives. This became clear again after the suspension of the Doha Round negotiations, when some actors praised it as success and others were calling for a fast resumption of the talks. This makes it extremely difficult to talk about civil society views and expectations in a general manner.

Third, in order to be effective at global level, G-20 civil society groups have to start at national level to lobby their interests. While a decade ago, most of the NGOs were active only in the social sector, they are now much more aware of trade and economic issues and play a stronger role of advocacy. South Africa was mentioned as an interesting example of how this interaction between civil society and other stakeholders in trade policy could work.

Fourth, it was mentioned that G-20 civil society had the responsibility to assure and enable that the benefits of trade liberalization were distributed equally among the people. Thus, its role should be to back up the developing countries' positions particularly by providing sound and solid consultative and analytical capacity.

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Fifth, the discussion showed, that there should be closer interchange between civil society groups and their governments as well as multilateral organizations, such as the WTO. In this regard, it was called for a more structured procedure for this kind of interchange.

#### **4. Recommendations on what should be the future role of the WTO**

The single most important recommendation was that WTO should provide for a more structured and institutionalized procedure to include actors of civil society in the discussion of multilateral trade issues. It was suggested to work on guidelines or a handbook on how this interaction mechanism could look like. As precondition for a higher degree of civil society engagement, it was mentioned that the WTO procedures should become more transparent and inclusive.

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## F. The role of the media in boosting public awareness and debate of trade policy-making, *Organized by the Panos Institute, London*

Report written by the PANOS Institute, London

### Abstract

*The speakers at this panel, organized by the Panos Institute London,<sup>1</sup> addressed five key issues, with presentations and discussions exploring an important range of questions relevant to the challenge of strengthening media coverage of trade policy-making:*

- *What are the pros and cons of the media's role in WTO decision-making and international trade negotiations?*
- *What challenges face the media, particularly developing country journalists, in reporting on trade policy? How can they be addressed?*
- *What are the strengths and weaknesses of media coverage, both in the global North and in the South?*
- *How can journalists make the complexities of trade and development more accessible to the public?*
- *As public concern and interest in trade grow, who are journalists' key target audiences? How can they be reached?*

### ***The media, trade decision-making and the role of journalists***

*Panos London's session – with one journalist speaker from the international mainstream media and two from the developing countries (Zambia and Kenya) – was highly topical.<sup>2</sup> As the battle for minds has become a growing feature of disputes about the rights and wrongs of WTO negotiations, the role of the media has been attracting growing attention and controversy in some quarters. Discussion of the media's role was placed in the context of debates about WTO decision-making. Also in debate at the session was whether and how media reporting should or could play a vital role in developing public understanding of trade policies, given that agreement of international trade rules – ostensibly a distant technical matter – increasingly affects people's daily lives and the policy positions of national decision-makers.*

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<sup>1</sup> Panos London is part of the worldwide Panos network of independent NGOs working with the media to stimulate debate on global development issues ([www.panos.org.uk](http://www.panos.org.uk)). Introducing Panos' media and communication work and its concern with the inclusion of poor people's views and voices, the executive director of Panos London, Mark Wilson, opened this panel by welcoming the opportunity provided by the WTO public forum to discuss the role of the media as a topic of growing significance and debate in international trade negotiations. Panos would welcome comments on the issues raised in this chapter, which can be sent to Panos London's globalisation programme: [globalisation@panos.org.uk](mailto:globalisation@panos.org.uk)

<sup>2</sup> **For audio of the panel**, see [www.wto.org/english/forums\\_e/public\\_forum\\_e/session\\_26\\_num22\\_e.htm](http://www.wto.org/english/forums_e/public_forum_e/session_26_num22_e.htm)



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*The panel suggested that journalists from rich and poor countries, while sharing the same professional concern with media independence, have different perspectives of their task, reflecting the different audience expectations and development circumstances in which they work. While one argument was that the media's main duty is simply to report the news on trade, the alternative view was that this role involves wider public interest responsibilities, especially in many developing countries where poverty is widespread, trade and development issues are literally vital, and access to information is problematic.*

*The presentations led to a debate on the political and professional challenges facing journalists, including whether and how journalists in developing countries in particular should act as what one speaker called 'information gatekeepers'. Speakers and participants offered different perspectives on whether influential policy actors or supposedly prevailing policy views and climates of opinion had any effect on the purported objectivity or bias of media reporting on trade policy-making. Also highlighted was the changing nature of the media itself as a result of technological developments and the growing pressures it operates under increasingly complex political, social and economic systems.*

#### **Challenges facing journalists from the poorer developing countries**

*The panel's media speakers from Zambia and Kenya highlighted the difficulties and challenges facing journalists in the poorer developing countries. These included:*

- *An apparent frequent reliance of African newspapers on the Western media, combined with the difficulties of getting stories on trade and development published in a context where a concern with local politics, sport, celebrities and advertising dominates. This competitive squeeze pushes stories on trade into the limited space available for business and international news.*
- *The need to engage media owners and editors on the public significance of trade policies so that greater editorial space and practical support for journalism on trade and development can be provided.*
- *The lack of resources made available to help African journalists develop their professional skills and knowledge on trade and to support their research of stories.*
- *Frequent problems and weaknesses in governments' information provision and media relations capacity, and in the interaction of non-state trade policy actors and stakeholders with journalists.*

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### Panel introduction – the media, trade decision-making and journalism

Chairing the session, Jon Barnes, the head of Panos London's globalisation programme, introduced the speakers and set out the context of Panos London's panel. The role and responsibilities of the media in covering trade policies was emerging as a significant new topic of debate, he said. The outcome of the WTO's 2005 Hong Kong Ministerial conference and the persistence of divided views of the DDA, for example, had sparked comment within the Northern press and international NGOs on the relationship between media coverage and WTO decision-making.

The moderator gave three recent examples to illustrate the point, each with its own controversial political perspective on the role and expectations of the media:

- *Financial Times* columnist, Guy de Jonquieres, writing on the balance between the public transparency and effectiveness of WTO decision-making. He saw the media's intervention at Hong Kong as yet another barrier to progress in negotiations requiring confidential insulation from unhelpful outside pressures and publicity: 'Once upon a time, trade negotiations were conducted between a few consenting adults behind closed doors. Today they are everyone's business, plastered across television screens, newspapers and websites. Constant exposure to television cameras is unlikely to make politicians readier to overrule recalcitrant constituencies at home.'<sup>3</sup>
- *ActionAid International*, alleging that the media was part of political pressure orchestrated by major powers in the WTO After Hong Kong to rush developing countries into acceptance of a world trade deal it claimed would be bad for development: 'Developing countries... now face the decision of whether to buy into the media spin and conclude the Doha Round this year or to stop and reassess what they have to gain...'<sup>4</sup>
- *WTO director-general, Pascal Lamy*, making a 'plea for a good press' on the supposedly under-reported benefits of trade liberalization: 'The MTS (and market opening) benefits many people who tend to be silent while those negatively affected by increased market access tend to be more vocal and get more attention in the media. The pattern should be changed so that the overall benefits of increased market opening are better understood by ordinary people...'<sup>5</sup>

Jon Barnes said that the other important aspect of the panel was to look at the practical, as well as political, challenges facing journalists. Through the session, Panos London wished to share and explore in public the lessons of its experience of sponsoring and supporting developing country journalism around the Hong Kong Ministerial and suspension of the

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3 'Being all at sea may be the solution for world trade talks', *Financial Times*, 10 January 2006.

4 *The Doha Deception Round: How the US and EU cheated developing countries at the WTO Hong Kong ministerial* (ActionAid International, 2006), p3.

5 Speech on 'Partnership and Global Prosperity', International Forum of the Americas, Montreal, 5 June 2006.

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Doha talks. This initiative had been aimed at addressing what Panos London perceived to be gaps in mainstream media coverage,<sup>6</sup> as well as apparent imbalances in countries' media representation at the WTO's international meetings.<sup>7</sup>

The moderator suggested it was indeed time to recognise and discuss the important role of the media in public understanding and debate of trade policy-making. Stronger coverage of trade policy decisions in the global South was particularly important, given their acute relevance to people's daily lives and the prospects for poverty reduction.

Concluding, Jon Barnes added that the media's role, while not directly concerned with addressing itself problems in trade decision-making, was important for overall public participation in trade policy-making and its transparency and legitimacy.

He noted too that the context was one in which there had also been growing debate within the WTO about the importance of public outreach, and that some policy-makers, for example, were now referring to the need for a critical shift in public and political opinion on issues such as Northern state support for agriculture. Such developments, while not necessarily shaping the position of the media on the issues, inevitably brought its role into debate.<sup>8</sup>

## 1. Presentations by the panellists

(a) Anthony Hill, former Ambassador of Jamaica to GATT, WTO and UN, Geneva

Anthony Hill said journalists had a crucial role to play in covering trade policy decision-making as what he called public information 'filters and gatekeepers'. This was because it was difficult for the public to decipher the many pieces of information entering the public domain, each with its respective nuance or slant. Journalists could help the public determine and understand which issues mattered. The task of filtering and interpreting was particularly challenging for journalists in developing countries, however, given their at-a-distance efforts to make sense of exchanges between Geneva-based negotiators and officials in national capitals. He said that new technology could help to overcome such

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<sup>6</sup> The Panos network supported a group of 13 journalists from Africa, South Asia and China to cover the event, providing training, advice and resources to help them look behind and beyond the mainstream media headlines and produce stories showing how international trade rules affect the lives of ordinary people, particularly poor people. Each day they filed stories for their own national newspapers, in addition to writing specially commissioned feature stories that were profiled on Panos London's website and disseminated internationally (a total of 34 features on Hong Kong and the crisis of the Doha talks were made available for reproduction on Panos London's microsite, *Trading Places* – see [www.panos.org.uk/trading-places](http://www.panos.org.uk/trading-places)).

<sup>7</sup> It would seem a not insignificant number of poorer developing countries, particularly in Africa, were unable to send correspondents to cover the Hong Kong ministerial. According to figures available to Panos, for example, there was only one reporter present from Kenya (panel speaker, John Kamau, sponsored at Hong Kong by Panos), and two from Zambia (one of them, panel speaker Mildred Mpundu, also supported by Panos).

<sup>8</sup> A Panos London working paper, *Trade challenges, media challenges: strengthening trade coverage beyond the headlines*, invites external comment on the challenges facing the media, particularly developing country journalists, in covering trade. This can be viewed on the WTO's website at [http://www.wto.org/english/forums\\_e/public\\_forum\\_e/trade\\_challenges.pdf](http://www.wto.org/english/forums_e/public_forum_e/trade_challenges.pdf)

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location problems, though there was no substitute for the media having a physical presence. Such on-the-spot reporting, however, now faced additional barriers in the form of travel and visa restrictions. Access to good first-hand information persisted as a problem.

(i) *Separating myths from facts*

Another challenge to journalistic interpretation, the speaker stressed, was how the media responds to currents in public and political discourse and the creation of particular climates of opinion. He recalled how, during the Uruguay Round, ambitious claims had been made about the potential welfare benefits of trade liberalization under the WTO. Talk of ‘win-win’ outcomes still remained a popular metaphor.

Anthony Hill said there was a danger that repetition of such claims as self-evident truths encouraged developing country negotiators to accept them as objective facts. But he recognised that, in an interesting development, the *Financial Times*, apparently for the first time, had recently published an article looking at what would be involved in securing such welfare gains.

In performing their role, therefore, Anthony Hill suggested that journalists – often attracted to buzzwords as part of their desire to connect with the public mind and sell stories – should always take a critical look at the environment surrounding their work. It was important to distinguish myths from facts.

To take the case of the *Financial Times*, there had been a ‘consistent narrative’ selling the benefits of a liberal economic order. ‘This vision is a valuable one but it has not been without its shortcomings,’ Anthony Hill said. The practical delivery of results had been disappointing, he claimed, in part because of the failure of trade rule exceptions to favour developing countries. He added that analysis of such public discourses was vital, as information provision based on them in turn could play a key part in informing decision-making in the negotiation corridors.

Just as it was important for journalists to distinguish between substantive and procedural issues in the WTO (i.e. negotiation of rules, as opposed to the selection of the WTO director-general), journalists needed to be on top of the real developments underlying use of new jargon. One such example, he noted, was the shift from use of the term ‘comparative advantage’ to ‘competitive advantage’, with the rich industrial countries keen to protect their commercial interests through rule-making in areas such as intellectual property rights and increasing trade in services.

Anthony Hill recalled that when he, as former Jamaican ambassador, along with other members of the regional consultative group of 18, had reintroduced services into the GATT, few developing country journalists had been ready to consider the strategic importance of this move. As a result, they had failed to engage the public on a key trade and development topic for their countries and globally – the rising prices of intangible goods and services relative to the declining fortunes of traditional commodities.

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(ii) *Deciphering messages and information*

The speaker added that a sharp distinction should be drawn between reporting opinion and reporting facts, and that, for developing country journalists, the challenge was made more complex by the internet (despite its potential advantages), and the frequent dependency of their respective media houses on the international media organizations. Although there were copious materials on the worldwide web, he said, they often gave a skewed or inaccurate account of developments within the WTO, and yet these sources were the ones that so often informed research and journalism. Meanwhile, the media in his own region, he asserted, tended to carry and distribute news and analysis from the big media players such as CNN and Reuters, implicitly accepting their views of both trade liberalization and the challenges of Caribbean regional integration.

Expressing his fear that the media, in both developing and developed countries, might not take a critical look at trade issues and trade decision-making, Anthony Hill concluded by suggesting that the time had come for the media to gain further recognition in the WTO system. Such a proposal stood alongside similar calls for the involvement of parliamentarians in decision-making or the progress made in incorporating pressure groups and NGOs.

(b) Richard Waddington, chief correspondent, Reuters, Geneva

Richard Waddington stressed the special challenges facing trade journalists as they sought to master – and communicate – the intricacies of international trade negotiations. Trade jargon, he said, gave a clue as to the size of the task: ‘Green rooms, HODs, confessionals, Gs of various numbers and dimensions, modalities, blue boxes, amber boxes, NAMA – such terms are a total mystery to outsiders.’ He added that the challenge was especially tough for journalists not writing for a specialist audience. ‘Subscribers to the *Washington Trade Daily* may be familiar with some of the acronyms and concepts, but the readership of a news agency such as Reuters is not.’

Richard Waddington highlighted that it was often a struggle to find a balance between oversimplifying issues and providing readers with the necessary level of detail they needed to reach conclusions about the subjects covered. ‘Journalists write for different audiences, with different demands and this will dictate the style and content of the stories we write.’

(i) *Reporting and the limits of the journalist’s role*

He contended, however, that regardless of such differences, journalists were united in seeking to cover the news and that this was the full extent of their job. He took issue with the notion that the role of journalists, beyond doing a better job of reporting for their clients, was to raise public understanding of trade policy-making. ‘Like it or not, I do not think that we are in the business of educating our readership. When sitting down to write a story, I am not going to be thinking, “what is the contribution I can make to the better understanding of trade issues with this particular report?”.’

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On the relationship between the role of the media and trade decision-making, the speaker similarly contended: ‘We do not have a role in trade negotiations or trade policy or at least not a direct one. We are not like negotiators, who represent a particular country, or even NGOs, which represent particular points of view. We are simply there to seek out the news.’ He also questioned the notion of journalists having a duty to act as ‘information filters’, given connotations of control and manipulation of information and communication.

(ii) *Objectivity and ‘media spin’*

He recognised, however, that news was not a completely objective concept, and that identifying news varied for journalists according to the context or particular moment of trade negotiations and the associated interests of given audiences. Thus, while July 2006’s suspension of the Doha talks, he said, was news for everybody, other developments might lead stories to vary widely. ‘If an Indian trade minister took part, and you are writing for an Indian newspaper, it is pretty likely that what he said about things would be the story. But this would not necessarily be the case for somebody writing for an international agency or a European or US paper.’

In catering for key target audiences, Richard Waddington argued, reporting the positions of the dominant negotiation players was crucial as little would be decided at the WTO without their input. ‘That is why the people I write for are interested in what they have to say.’

He went on to question the validity of frequent charges of ‘media spin’. Media coverage of the positions of the EU and US, for example, was a reflection of political realities, not bias in their favour, he claimed. ‘The fact that EU Trade Commissioner Peter Mandelson gets more mention in Reuters’ stories than the trade minister of Zambia does not necessarily mean that Reuters or other major news outlets buy the EU spin or are acting as a mouthpiece for its policies. Reporting is not the same as advocacy,’ he said. Similarly, media references to the ‘DDA’ did not mean accepting the supposed ‘spin’ that had accompanied its introduction, but using an official term.

Concluding, the speaker said the best way for developing countries feeling they do not get fair treatment in coverage by major news organizations was to do a better job of selling their stories, and that NGOs could help. He pointed to the success of Oxfam in securing good international coverage of West African cotton producers afflicted by the problem of rich country subsidies.

He also suggested that it was important to distinguish between developing countries getting their voices heard internationally, and voices within developing countries being heard. As far as national supply of, and access to, information was concerned, Richard Waddington suggested, the problem might not be journalists, but – in the language of economics – the lack of demand. Public demand for information would help create a stronger basis for greater news and comment.

(c) Dipankar de Sarkar, international journalist, India/UK

Introducing the second half of the panel, focusing on the challenges facing journalists in developing countries, Dipankar de Sarkar noted that, in longstanding debates about the

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supply and demand of media coverage, the potential interests of audiences were not always taken into account – including on poverty.

He gave an example from his own country, India, where one of the largest newspapers, while of a commercial orientation, had once run a fellowship programme that had enabled one journalist to report for a month from one of the poorest communities in India on the daily struggles they faced. The stories proved to be some of the most popular and commented on.

Dipankar de Sarkar noted that rising public interest in trade in the South, in line with its growing importance in national economies, potentially created growing opportunities for journalists to cover the topic from a distinctly Southern perspective. He stated, however, that a lack of resources frequently stood in the way of journalists producing such stories, including through on-the-spot news reporting at international meetings, though some newspapers, such as Uganda's Monitor, had made a good effort to take on this task in its Hong Kong coverage.

The speaker, training editor for Panos-sponsored journalists at the Hong Kong Ministerial conference, explained to the panel session that one of the main objectives of the Panos initiative had been to provide resources for developing country journalists to address apparent gaps in both national and international coverage of the Doha talks. The journalists involved had been able to track the relationship between trade negotiations and people's lives and provide accessible coverage of the issues raised for both national and international audiences. This would have been impossible without Panos' support.<sup>9</sup> He introduced two of the Panos fellows who had been involved in Panos' Hong Kong initiative, Mildred Mpundu of Zambia and John Kamau of Kenya.

(d) Mildred Mpundu, freelance journalist, Zambia

Mildred Mpundu stressed that as the world was becoming a global village, journalists in developing countries such as Zambia 'could no longer afford to take the back seat on the issue of a global trading system'. The majority of those affected by complex, multilateral trade negotiations, she said, would be poor people. She asked who, on their behalf, would interpret the technical detail and assess the implications of WTO negotiations for development. The poor suspected the developed countries would gain the upper hand in trade agreements and wanted to know what their own governments were up to in trade talks.

In this critical context, Mildred Mpundu continued, journalists, as custodians of information, did have a critical role to play in creating public awareness of development issues, including the bearing of trade policies. And reporting in a professional manner on the need for fair trade agreements required ethical values and accuracy, she argued.

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<sup>9</sup> Panos' project, *WTO Hong Kong and the Role of the Media in Trade Policy Debates*, was kindly supported among others by the International Development Research Centre (IDRC) of Canada, the Catholic development agencies Trocaire (Ireland) and Cordaid (Netherlands), Swiss Development Cooperation (SDC) and Norad (Norway).

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(i) *Information bottlenecks*

Access to information, however, was a barrier to developing country journalists reporting on trade policy-making, the speaker said. She claimed that both government and the private sector often treated the media as an adversary: ‘Governments rarely want to talk openly about trade agreements that they may have entered into and usually take a defensive stance, raising further suspicion that they do not want to disclose “sensitive state secrets”.’ She pointed to the lack of official information on the results of trade with the United States under the African Growth and Opportunity Act (AGOA).

Official responses to information requests were typically cumbersome and slow, the speaker said, and opportunities for liaison with the local media often not exploited. She pointed to the case of Zambia hosting the regional Common Market for Eastern and Southern Africa (COMESA); this had not led to local journalists being given preferential access to regional information news. An attempt by COMESA to strike a rapport with the media was once made but this had not worked out.

Mildred Mpundu said that when governments went to trade negotiation meetings, they usually left journalists behind, despite promises to take both the publicly-owned and independent media. Few media groups, she said, were able by themselves to send their journalists.

(ii) *Challenges for the media and trade policy actors*

At the same time, Mildred Mpundu said that the media and journalists needed to address problems and challenges of their own. In Zambia and many other developing countries, she noted, training and opportunities to specialise on trade were lacking, leading the media and journalists to have little or no understanding of the policy issues or to shun coverage of trade altogether. Journalists needed to develop an interest and analytical skills on the topic. Sometimes, they merely cut and pasted information.

The speaker stressed, however, that hope for better coverage was not lost. Advances in information and communication technologies meant journalists were now accessing the internet and could educate themselves. And despite working under extreme difficulties such as meagre salaries, lack of transport, telephones and computers, she said, some journalists were doing their best under the circumstances – out of a commitment to airing trade issues in the public arena.

In conclusion, Mildred Mpundu said trade policy stakeholders should not just expect the media to approach them for vital information but provide it themselves to the media. Along with a more open and active approach to information provision on the part of governments, such an improved flow of information would create a more propitious climate for reporting. So too, she asserted, would initiatives to raise media owners’ and editors’ awareness of the importance of covering trade policies for the public.



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(e) John Kamau, senior reporter, Sunday Standard, Kenya

John Kamau highlighted from an African perspective the challenges of strengthening coverage of trade and development in the Southern media. Some of the main difficulties, he said, were posed by the latter's dominant reporting patterns and priorities, as well as by its capacity problems.

Firstly, the Southern media often lacked the capacity to follow international developments, he said, and debates tended to be dominated by mostly Northern NGOs and a few in the South. Information hardly seeped through to the media, and by the time it reached the people, it was often badly filtered and lacked independent, critical substance. He said there was an urgent need to train a pool of African journalists exclusively to follow globalisation stories from a well-informed perspective.

(i) *Southern reporting patterns and priorities*

But this raised a second related problem, John Kamau asserted, namely the reliance of national media organizations on the Western media in shaping their coverage of debates. This meant the national media, as well as being 'removed from the action' on trade policy in world capitals, was frequently providing cold, second-hand news and 'always doing the catching up'.

In turn, the speaker explained, the situation was also a reflection of how national media markets currently operated: 'Global politics do not sell African newspapers. That is a fact. We live in countries where local politics dominate about 40 per cent of the pages, sports 20 per cent, advertising 30 per cent and business news and international news 10 per cent. Regrettably, most of the globalisation stories are counted as part of business or international news. The competition is severe.'

He added: 'If a minister is in the thick of a scandal, that will mean that a potential story on globalisation will not see the day. That problem starts in the making of a docket at the newsroom. Editors are looking for splash to sell the paper.'

But John Kamau argued that greater support should be provided for new ways of covering trade and development to attract and engage readers: 'We must localise the stories by giving them a human face. But that can only be done with increased capacity within the newsrooms which are handicapped already.'

The speaker suggested that the training needed to develop journalists' capacity as part of this alternative approach should target rural newspaper bureaus, as most of the stories would come from rural areas where 70 per cent of Africa's population lived.

John Kamau concurred with the previous speaker from Zambia in identifying the secrecy and unwillingness of some governments to share information on trade negotiations as a barrier to reporting. Nevertheless, though he had also found official media relations capacity

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to be lacking – for example, failing to make information provision part of their attendance of international meetings or to feedback to reporters nationally on their outcomes – he noted that, as a result of his own professional initiative, he had been able to gain the confidence of the Kenyan trade officials he had met.

In pursuing such better channels of communication with trade policy stakeholders and actors, however, John Kamau stressed that such relations needed to be based on mutual respect. This included NGOs, with which, he noted, there had also often been mistrust because of their desire to promote given positions.

*(ii) Better to trigger debate than to trigger boredom*

The speaker acknowledged that building such links raised fundamental questions of media objectivity and independence that had also been brought up by the other speakers and debated by the panel's participants. But, he countered, it was better for journalists to take risks: 'Ordinarily, journalists are not supposed to take sides. But ignoring crucial debates is much more harmful. It is better to take sides to trigger debate than to stay on the fence and trigger boredom.'

John Kamau appealed for the media and journalists, in seeking to strengthen coverage of trade and development, to pay greater attention to poverty. 'We have to learn that poverty is real. It is not about statistics. It is about people, living, walking, and surviving. It is these people we have to report about... [telling readers] about what is happening in a world they do not know.'

While concluding that much remained to be done to meet the challenge, John Kamau said that it was incumbent on journalists in Africa and the South to make a difference. Step by step, he said, journalists had the potential to help create a new media for Africa, capable of making the most of the power of information.

## **2. Questions and comments by the audience**

*(i) The media's role, reporting objectivity and target audiences*

As in the presentations, the comments of participants and their exchanges with panel speakers revealed different perspectives on the roles and responsibilities of the media, and on the issue of whether reporting was objective.

A representative from UNCTAD stated that speaker Richard Waddington, Reuters chief correspondent in Geneva, had made an essential point about the supply-demand relationship between the nature of news provided and the expectations of given audiences. At the same time, however, she suggested that, in the public interest, it was also incumbent on the media to take into consideration a wider range of audiences and interests, covering the issues in a way that transcended the concerns of 'technical people'. There was a danger

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that focusing reporting on the views and needs of particular policy actors and audiences sacrificed examining the substantive issues at stake for the public.

A representative from ActionAid International insisted that the nature of some mainstream media coverage had in practice constituted a pressure on developing country negotiators, with an array of articles often published before key international meetings putting forward a particular point of view. For example, the media had persisted in quoting out-of-date World Bank figures on the purported gains of trade liberalization, even though numerous studies had been published questioning such claims. The media, he argued, needed to be more questioning in its reporting and analysis. The feedback he had received from developing country negotiators was that they had seen such coverage as a pressure.

Several speakers, including the Common Fund for Commodities, pointed to shortages in the range and sources of available information in poor countries, including on a crucial topic such as agriculture. A representative from the Ugandan trade ministry argued that in this context the public had a wider range of expectations from the media and journalists than 'straight reporting'.

Responding to the comments, several speakers continued the debate on the role and responsibilities of the media as a bridge between external events and reporting and interpreting them for audiences. Speakers Anthony Hill and Richard Waddington agreed that 'journalists are, by definition, filters' in that they must always have given audiences in mind. But Anthony Hill added that large media houses, such as the *Financial Times*, the *Wall Street Journal* or the *International Herald Tribune*, also acted as institutional filters in which journalists operated.

Kenyan speaker John Kamau, while arguing that the African perspective on trade negotiations was different from that provided by large international media organizations, stressed the challenge for journalists of making critical sense of the competing claims of different lobbies, official and non-official, in an environment like Hong Kong, each circulating vast amounts of literature and pressing its own case with the media.

For his part, Richard Waddington pointed out that the challenge of covering a wider range of views on trade was also a practical problem of space in a highly competitive industry. He also said that journalists needed to be careful about interpreting the DDA one way or the other, given that WTO Members were themselves confused and lacked a common understanding of this term. In considering the allegations of bias, he added, it was also important to distinguish reporting from opinion pieces, as the two were not the same.

*(ii) Media pressures and access to information*

A representative of the Federation of German Industries stressed that as the media industry was being transformed as a result of advances in information and communication technologies, journalists were facing wider, increasing pressures and demands. They had

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less time and more issues to deal with, he said, when tackling an issue as complex as the WTO required continuous effort to keep abreast of all the developments. If this were true for OECD journalists, the challenge was even tougher for developing country journalists. He said that the implications of this rapidly changing media context for reporting should be assessed.

On the need for continuity in coverage based on effective tracking of developments, Anthony Hill referred to the importance of ‘developing a narrative’ on the WTO negotiations. While this had been a difficult challenge for even country negotiators, let alone the media, he said, a more detailed narrative might over time become possible as public demand for news and information increased in line with international economic integration. Based initially on the growing information interests and needs of the business sector, this might then extend more widely.

Richard Waddington argued that the internet provided major opportunities for both the media and the public in terms of the range and diversity of information and opinion. At the same time, he said, such availability was also affecting journalists in that it accentuated the importance of their role in sifting information and adding distinctive value to their stories. John Kamau, however, noted that newsrooms in many developing countries still lacked internet access, depriving journalists from making use of such resources.

Keith Rockwell, the WTO’s director of information and media relations, said that the challenges raised by the panel were tough, and that while as much as possible should be done to make the job easier, ‘it will never be easy’. This was not just because of the complex nature of trade and the diverse range of views involved in a 149-country body such as the WTO, but also because media audiences tended to be interested in other things. Many audiences wanted to read tabloid news about fashion, not the technical nuances of trade negotiations. But he encouraged journalists to use whatever sources they could for stories, to treat them all sceptically, and to keep working at the challenge.

*(iii) Media representation and role of the media in the WTO*

A parliamentarian from Pakistan spoke passionately about the need for greater media involvement and representation of developing countries in the WTO, given the lack of knowledge of trade decision-making not just among the public but even politicians. She referred to her own activities in Hong Kong, where, given the lack of national media support, she had taken on the role of a reporter herself, filing stories for a Pakistani news channel, despite her journalistic inexperience. She suggested that, despite tensions between politicians and journalists, both national governments and media organizations should be encouraged to send journalists to cover the WTO’s international meetings. She said a major effort was needed to provide accessible coverage for the public. At present, she said, all the information and knowledge were in the hands and minds of specialists.

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In response to points made during the panel on alleged gaps in developing country media representation in the WTO, Keith Rockwell, the organization's information and media director, clarified that, according to its records, the majority of journalists registering for media accreditation at the WTO's last two ministerial conferences had come from the developing world.

*WTO and public transparency: open to the media?*

Referring to the relationship between the role of the media and the public transparency of WTO decision-making, the WTO's information and media director said he saw no reason why the organization's general council and trade policy review meetings should not be open to journalists. He also asked why no country delegations in the WTO had called for such openness, which, he pointed out, might nevertheless cause greater work for journalists, as they would need to attend the sessions for themselves rather than receive summary briefings from WTO staff.

This suggestion was welcomed by former ambassador Anthony Hill, who said that there was no substitute for journalists developing their own knowledge through immersion in WTO affairs. The political order in the WTO should in any case be based on such openness, he proposed, providing space for the participation of a strong and diverse media, including media organizations in the global South less reliant on their large international counterparts.

### **3. Conclusion**

Comments and feedback from the panel's speakers and participants indicated that its aim of holding a stimulating debate on the role of the media in trade decision-making – and on the challenge of making coverage more publicly accessible, particularly in the developing countries – had been met.

Given the short time available for the ambitious range of issues covered by the panel, however, there was little opportunity to discuss fully or identify formally agreed recommendations. However, among the key points emerging as the basis for possible proposals relevant to the WTO were the following:

- Opening vital WTO meetings, such as general council, trade policy review, dispute settlement and other sessions, to the media.
- Clarifying and assessing any imbalances in developing country media representation in key WTO meetings such as ministerial conferences, with a view to developing and introducing practical ways of ensuring any such gaps can be overcome.
- Encouraging WTO Members to include and support work with the media and journalists

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as part of strengthening national mechanisms for public consultation and communication on trade policy-making and its international representation.

- Creating a propitious climate for both state and non-state policy actors and stakeholders on trade and development to interact with the media and journalists.
- Engaging media owners and editors on the public significance of trade policies so that greater editorial space and practical support for journalism on trade and development can be provided.
- Working with all relevant stakeholders to support programmes and provide resources to help under-resourced developing country media organizations and journalists in particular to develop their professional skills and knowledge on trade and development.

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## **G. How can academic policy-oriented thinking on WTO matters be improved?, Organized by the WTO/Regional Integration International Chair**

Report written by the WTO/Regional Integration International Chair

### **Abstract**

The discussion focused mainly on three issues:

- *the presentation of an instrument (the WTO/Regional Integration International Chair, just created in Spain –Barcelona and Madrid-) and the prospects of building an International Network/Coalition of similar policy-oriented academic institutions to give input and academic support to WTO activities (a WTO Global Academic Network/Réseau Académique Mondial OMC/ Red Académica Mundial OMC).*
- *how to approach WTO Agreements from the standpoint of policy-oriented academic institutions: simply as a liberalization tool or as a system of multilateral rules that offers stability, avoids “trade wars” and guarantees (subject to relatively well defined exceptions) non-discrimination among trading partners (mainly by developed and powerful countries);*
- *the presentation of a pilot project for a WTO Relay Centre capable of uniting the academia, governments and civil society with the aim of improving WTO understanding and enhancing negotiation outcomes. If this pilot project were successful, a network of similar centres in different countries could be envisaged.*

### **1. Presentations by the panellists**

- (a) Mr. Ramon Torrent, University of Barcelona and Coordinator of the WTO/Regional Integration International Chair

Mr. Torrent presented three ideas to try to answer, how to use the WTO and how to think about it. The first on substance, the second on method and the third on a concrete instrument.

- (i) *On the substance: how to use the WTO and how to think about it?*

Mr. Torrent expressed that so far we have mistakenly looked at WTO only from a narrow economic perspective. From the right and from the left, from developed and somehow from developing countries, WTO is only seen as an instrument of trade liberalization.

He explained that this mistake can be discussed with the help of a pedagogic trick. If one draws a spiral representing trade liberalization (opening up from less to more liberalization) on the blackboard and asks the audience what the GATT, and now the WTO as a whole, are about, the unanimous answer will be “opening the spiral more and more; to advance

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in the spiral of liberalization”. And this apparently obvious answer is plainly wrong. The main objective of GATT (the one that inspired its design, and its article II) is not that of increasing liberalization; but rather that of guaranteeing the preservation of the degree of liberalization voluntarily accepted, trying to prevent the spiral from going backwards behind some clearly established point and thus reducing that degree of liberalization.

Mr. Torrent underscored that there has also been a mistake in the approach to multilateralism. The principle of multilateralism, embodied in Article I of GATT, with its MFN clause, is not about a “first, second or third best” for trade liberalization. Multilateralism is mainly about hosting all countries, integrating countries into the global system and (coupled with GATT’s article II) avoiding trade wars between hegemonic powers. It is about guaranteeing some equal level playing-field for everyone.

Therefore, the approach towards the GATT and the other WTO Agreements needs to be changed. The emphasis must be put on two main principles: (i) multilateralism and (ii) the binding of concessions and the acceptance of stable rules. These two principles can be advocated from the right, but should in particular be defended from the left. Because it is the left the one that best knows the risks of “blocks capitalism”. Blocks capitalism developed in the past but its main driving forces are still present in today’s world, for example in the risk of a very acute competition for energy and other basic natural resources).

New ideas should be addressed from this perspective. The speaker mentioned a Policy Brief he had written for a project on EU-Latin American relations entitled: “More or better, and in any case different, what should be the orientation for international economic relations in the future?”. He considered the title required no further explanation.

*(ii) On the method: 4 qualifications:*

First, interdisciplinary. It is necessary to think not only in terms of economics, but also in terms of law, politics, international relations and taking into consideration how the latter are practised in the current world order. The objective should not be the simple accumulation of approaches (that is why he did not mention the word multidisciplinary) but a real integration of them into a single vision. All researchers should strive for this interdisciplinary vision. However, this could prove no easy task to be carried out on an individual basis. The creation of groups in which experts from different disciplines come together with the modesty to accept that what they do not know is more important than what they know, could do much to advance the attainment of such vision.

Second, policy-oriented. This means that academics should produce ideas that prove relevant for policy purposes. In his opinion, this is only possible with the direct involvement of policy-makers in academic discussions.

Third, multilingual. According to the speaker, we must learn again to talk and think in languages that are accessible to the vast majority of citizens and policy-makers from all



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countries and regions of the world. Bad English (even good English) is not the way of achieving this goal. WTO matters must be discussed in Chinese and Hindi, for example. But using at least the WTO other two official languages, would already be a good starting point. The use of good Spanish or French, besides -good or bad- English would be extremely positive.

Fourth, truly global. Thinking on WTO matters must come from and be developed in every part of the world (i.e. India, Latin America, China, Africa among others) and must not only be undertaken in Geneva. It must be truly global.

*(iii) A concrete instrument: A WTO Global Academic Network.*

This year a WTO/Regional Integration International Chair has been created in Spain. It is coordinated by the University of Barcelona but it also carries out activities in Madrid within the framework of the Universidad Autónoma de Madrid. It has the support of the Spanish Central Government as well as of the respective Autonomous Governments. Its logic is international and it attempts to integrate experts from all over the world –and from Latin America, in particular- as associates or fellows. It tries to develop ideas on the substance of issues –mentioned at the beginning of this presentation- by using the method described above.

On the basis of this experience, the speaker proposed the creation of a WTO Global Academic Network, a WTO GAN/ Réseau Académique Mondial OMC/Red Académica Mundial de la OMC. The members of the Network would have a profile similar to that of the International Chair that has just been created in Spain. He pointed out that some other Centres or Institutes around the world are interested in the idea, such as the Institute for International Trade (former IIBEL) from the University of Adelaide in Australia. The Network could be built on already existing resources and would only require a very light Secretariat. Therefore, it would not need much funding. The speaker ended by suggesting that this Secretariat could be located in a middle-size country and perhaps in a town that, apparently, everybody likes to visit: Barcelona.

(b) Mr. Josep Maria Cervera, International Division of the Barcelona Chamber of Commerce and the Spanish Council of Chambers of Commerce

Mr. Cervera presented the idea of creating WTO Relay Centres that would focus on the promotion of WTO understanding within civil society and the exchange and transfer of knowledge and other synergies among the private and public sectors as well as the academia. He referred to a pilot project that is being analyzed in Barcelona for the advancement of this initiative. The whole project could be conceived on the following basis:

- There are some widely accepted needs: (i) the need for the WTO being broadly better understood, (ii) the need for better negotiation outcomes, (iii) the need to access the private sector opinion, (iv) the need to help nations to develop their

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negotiation and positioning skills, (v) the need for a facilitator and promoter of agreements outside the formal framework of negotiations to help find some common ground (see below Sheila Page's intervention on the Chaire MERCOSUR experience) and (vi) the need to enhance fair trade competition.

- The project would build an understanding among the different constituencies involved in it: civil society, including in particular the business world, but also all other civil society interested organizations, governments and academia. Funding should be provided by these different constituencies.
- The WTO Relay Centre would deliver: (i) an increased level of recognition for WTO principles, (ii) better trade opportunities for all, (iii) an increased level of dispute settlement understanding, (iv) the enhancement of best practices, (v) a new generation of more and better skilled negotiators, (vi) the encouraging of development and economic reform and (vii) improved access and positive awareness.
- The whole project could develop in four phases: (i) the discussion of the idea; (ii) the development of a first pilot project; (iii) the evaluation of the pilot project against indicators set up in advance and the potential development of a regional enhanced pilot project; (iv) the global roll-out with certified and permanent WTO Relay Centres.
- The whole project would benefit from the setting up of a WTO Global Academic Network and would enhance the effectiveness of its results.

To sum up, he highlighted that the project would help clarify misunderstandings about the WTO and would complement the work undertaken in Geneva. Second, it would favour understanding between politicians, businesses, NGO's and civil society in general. It would help them to develop a much clearer, sharper and well-focused position on WTO matters (even a critical position if necessary or convenient) as well as to use WTO tools more effectively (including dispute settlement) for the promotion and defence of their legitimate interests. Each Relay Centre would integrate civil society, the academy and government and this three-fold constituency should also provide the initial funding.

(c) Mr. Victor Echevarría, Spain's Deputy Permanent Representative to Multilateral Organizations in Geneva

Mr. Echevarría began by recalling the Sutherland Report, based mainly on academic work, as an example of how academic policy-oriented thinking could be relevant for WTO activities. He pointed out, in particular, five areas where its contribution could be very positive.

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First, by explaining the advantages of opening free trade. In his opinion, the benefits of market liberalization are not well understood by civil society, and this can explain the failure of different meetings at WTO level. The defensive interests of member countries are felt and experienced immediately and affect very specific sectors, while the offensive ones are much wider and are not equally perceived. Thus, the political cost of defensive interests is greater than the advantages being pursued by offensive interests in multilateral trade negotiations. This asymmetry or lack of balance is a major hindrance for multilateral negotiations. Academia could contribute by disseminating more knowledge about the benefits of such negotiations and the trade liberalization achieved through them.

Second, by explaining the relation between trade and development, a crosscutting core aspect in the Doha Agenda. More open and free trade can be and is a major contribution to the general development program; this is what academics could precisely explain to the world. Even if development is dealt with simultaneously by other institutions, it would be useful to discuss it as a part of the trade agenda. He highlighted the Spanish contribution to the Doha Development Fund, a contribution partly channelled to universities and other institutions.

Third, by analysing how to face the cost of adjustments. For the speaker, the fact that trade causes changes in economy means that there will always be a majority that will benefit from them but also a minority that can be hurt and will have difficulties in adjusting to the new circumstances created by market liberalization. Certainly this is where adjustment assistance comes in and, therefore, academics would be of major help in targeting it.

Fourth, by participating in the debate about multilateralism versus bilateralism. The speaker briefly described the current lack of results of negotiations at the multilateral level and the consequential proliferation of bilateral agreements. Therefore, he called for academics to continue providing scientific explanations on the positive aspects of the multilateral approach.

Fifth, by dissemination through economic specialized press. He insisted, in particular, on the central position of the WTO Dispute Settlement System and he added that its case law should be better understood by civil society. This gives academics yet another role to play.

Finally, Mr. Echevarría underlined the contribution by the Ministry of Industry and Trade, and in particular the State Secretariat for Trade, to the production and dissemination of knowledge about different aspects of the WTO by supporting the creation of the WTO Chair in Barcelona and Madrid.

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- (d) Sheila Page, International Chair WTO/Regional Integration -Former senior researcher of the Overseas Development Institute in London

Ms Page remarked that the main task of academics is to provide information. She described briefly three examples of how academic research has or has not worked in the past in relation to negotiations. Three examples on how not to do it, how to do it and an intermediate result where there is margin for improvement.

The first example is the case of the negotiations for European Union -ACP Economic Partnership Agreements (EPAs). According to her, there are many areas in this field which could be interesting for research that, unfortunately, have not been previously discussed in the literature. (How much do ACP countries need to liberalize? Will they get greater access and certainty from the EU? How will this happen? Should they negotiate together or in different groups? Which impact will the negotiations have on their relations with the rest of the world? etc.)

She commented on the limited research capacity to discuss these subjects in ACP countries, not only within their own governments but also outside the governmental framework. At present, research has been mainly set on and funded by the European Commission. In her view, this is an example of how not to do it: The main problems are: the lack of a coherent centre or centres of expertise in the subject, a tremendous waste of resources and overlapping of reports and, lastly, a clear problem of conflict of interest. In brief, she remarked the difficulties of setting a negotiation without having the necessary research resources to deal with it.

The second example refers to the positive experience of the inter-American institutions (Inter-American Development Bank, Organization of American States and ECLAC) on how to support Latin American and Caribbean countries when they started negotiations among themselves, with the USA and with the EU. A variety of means were employed: training negotiators, training researchers, among others. In this case, Ms Page stressed that even though the lack of expertise problem was not completely solved a core group of people familiar with these issues was built up. She also referred to Science Po's Chaire MERCOSUR in Paris and its permanent group on EU-MERCOSUR negotiations. It has brought together academics and negotiators as well as relevant stakeholders. Beyond the current pace of negotiations, possible common ground has been found and, at least from an academic point of view, this case has been a success.

The third example is related to A4T. Ms Page stated that over the last five years a variety of people have identified two parallel problems. First, that many developing countries have very little to gain from the type of offers that are on the table in current negotiations. Second, that aid programmes have recently been diverted to poverty reduction and away from productive capacity development, and this obviously makes it very difficult to take advantage of trade opportunities. Further, she explained that over the last two years researchers on these areas have been able to come together (with the support of the Swedish

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and UK Governments and the World Bank) to see whether other solutions can be found. She emphasized that although it is not yet clear whether the problem will be solved, a coherent sense of what the problems are has been built. Moreover, in her opinion, there is a shared understanding of what can be done and certainly an understanding of many things that will not work. This is already part of the solution. In this case, the problem has been the lack of guidance in the process.

As evidenced by these three examples there is a clear need for outside capacity to discuss some of the questions in the negotiations. She finished by stressing that, in order to have credibility, the combination of internal and external research was required and that the WTO/Regional Integration International Chair was a valid response to this unmet need.

(e) Ms Vera Thorstensen, Counsellor, Permanent Mission of Brazil to the WTO

Ms Thorstensen, who is not only an economic counsellor in the Brazilian Mission but also an academic involved in the process of capacity-building in WTO related subjects in Brazil, used the experience of the Brazilian Internship Program to explain how academic policy-oriented thinking on WTO matters can be improved.

She started by mentioning that, previously, in Brazil, GATT issues were thought to be discussed only in the diplomatic sphere. It was the first panel in the dispute Brazil vs. Canada on airplanes and its wide media coverage that prompted a real interest in WTO matters among academics and business people. The lack of important specialised research centres in Brazil was the main reason for the Brazilian Government to create an Internship Program based in Geneva.

She briefly described the program and its main aspects, consisting mainly of a four-months stay in Geneva for diplomats and postgraduates and very detailed instruction on the WTO system. A significant aspect of the Program is the commitment of participants to build groups in their own field (universities, firms etc) to analyze WTO related issues. Ms Thorstensen pointed out that, in countries like Brazil, the country's Mission is the best context in which to replicate this kind of positive programmes.

In her opinion, thanks to this successful experience, Brazil has been able to create, in five years, an important group of people with a comprehensive knowledge on WTO matters. She added that now it is time to enlarge, deepen and multiply these activities. She showed full support to the WTO/Regional Integration International Chair and to the idea of building a network of centres that communicate among themselves, with a focus not only on developed countries but on developing countries as well.

(f) Mr. Patrick Low, Director, Economic Research and Statistics Division, WTO

Mr. Low explained that he attached much importance to the involvement of the academic community in WTO activities. He welcomed the idea of the WTO/Regional Integration International Chair and stressed the importance of coherence in research.

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He briefly commented on the WTO Programs linked to academics in developing countries, welcoming new ideas and comments from the public. Mr. Low explained that the rationale behind these activities is that researchers on the ground might have better chances to achieve relevance than others, an aspect of utmost significance if considering that relevance enhances quality. Secondly, on the importance of legitimacy-credibility of research and the researchers. Thirdly, this kind of work feeds in the decision-making process, giving greater support to the Governments concerned.

He briefly described the core elements of the linkages with the academic world established through current WTO programs. He recognized that, for the moment, these programs may still be very partial. Namely, the programs include joint teaching, research programmes and a PhD program.

Mr. Low went on to explain that on the joint teaching program, WTO officials pair up with academics in developing countries for a three month course on trade policy. This course is mainly attended by middle level government officers and each of the subjects is jointly taught by WTO officials and local academics. This is an established program that entails world-wide academic network participation.

Mr. Low went on to explain that the main idea of the research program, financed by the Global Trust Fund, is to work with partners in Latin America, Asia and Africa. He said that the objective is trying to insure that the research outputs feed in the debates at the national and regional level. Currently, work has been funded in the following fields: challenges for countries to participate in the WTO seen from the national perspective, work on regionalism, trade strategies, trade in agriculture and S&D treatment. He added that research on these issues has been already done and published in various ways or is still underway.

He stated that the PhD program is mainly an attempt to engage young people from developing countries who are writing PhD thesis on subjects relevant to trade or to the WTO hoping this makes their work more relevant.

Mr. Low also welcomed the work carried out by other agencies, such as UNCTAD, in the field of engaging the academic community.

## **2. Questions and comments by the audience**

At the end of the presentations Mr. Torrent invited participants to give their comments. Participants mostly agreed and congratulated the speakers for the initiatives presented. In a very active and constructive debate -that lasted for longer than the time set apart for discussion- participants also recognized the importance of engaging the academic community and therefore welcomed projects like the WTO/Regional Integration International Chair and a WTO Global Academic Network.

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A specific question was raised about the degree of endorsement by the WTO itself of these initiatives. Mr. Torrent answered that there was a first precedent in a 2002 agreement between the WTO, the University of Barcelona and the Barcelona Chamber of Commerce that created a WTO Law Chair and that he had informed WTO's Director General office of the creation of the new International Chair as well as of the initiative to launch the idea of a WTO Global Academic Network. However, he insisted on the fact that no funding had been received from WTO.

It was also emphasized that such a WTO Global Academic Network would not begin from scratch, as there were already important initiatives involving academics on WTO matters, as those funded by Canadian institutions.

When answering a question, Mr. Ramon Torrent stressed the fact that the International Chair WTO / Regional Integration, as expressed in its title, is fully aware of the current challenges that integrating national and regional policies and participating in multilateral negotiations pose to many countries.

Finally, a number of participants cautioned about combining the pure academic work with that of training government officials or assisting in the formulation of negotiating positions. For them, it would be better to keep on different tracks the idea of the WTO Global Academic Network and that of the WTO Relay Centres.

### **3. Conclusion**

The idea of a WTO Global Academic Network/Réseau Académique Mondial OMC/Red Académica Mundial OMC was widely welcomed, provided it takes into account already existing initiatives and has a truly global scope, assuring the effective involvement of developing countries

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**H. Corporate social responsibility and the Doha Round: Are there win-win opportunities for the private sector and developing countries?, Organized by the Geneva Social Observatory (GSO) and Quaker United Nations Office (QUNO)**

Report written by the Geneva Social Observatory (GSO) and the Quaker United Nations Office (QUNO)

**Abstract**

*The roundtable brought representatives from multinationals and trade associations together with trade negotiators from developing and LDCs to debate the following questions:*

- *Are the trading interests of multinational enterprises and developing country governments diametrically opposed or is it possible to discern a positive relationship leading to economic growth and development?*
- *In looking for a win-win scenario, what are the circumstances that need to be met for a positive relationship to be achieved?*

*Participants expressed different views about the complementarity of private sector interests with developing countries. Some observed that there was a tension between increasing profits and developing home industries. Others also observed a general absence of trust in public/private partnerships. On the other hand, it was also noted that the private sector is the avenue for technology transfer, which was seen as essential for increasing productivity. The private sector also brings wealth creation and employment, builds skills and responds to consumer demand. Several participants noted that business has a very specific common interest with many developing countries in promoting the freer movement of people, especially as it is being addressed in Mode 4 of the General Agreement on Trade in Services (GATS).*

*Business should also be encouraged to participate in supporting free trade at the national level and to identify specific ways to remove trade barriers, promote trade facilitation and implement the kinds of rules and regulations that would do the most for economic growth. Sometimes, the private sector is put in the situation of taking on the government's role, as in AIDS and health care or in ensuring compliance with national labour and environmental laws. There is a growing involvement of diverse monitoring groups and other actors in civil society that raise the question of new forms of governance.*

*In conclusion, the roundtable was intended to promote dialogue on the interaction between private sector interests in the liberalization of trade and developing country interests in economic growth and development including the perspective of civil society. The objectives of the dialogue were to facilitate a better understanding of*



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*the particular needs of developing countries for sustainable growth, as well as an enhanced awareness of the value of a development perspective in the private sector. Even as these needs and this enhanced awareness were being addressed, the discussion showed that there are some companies that act responsibly but that there needs to be a higher level of coherence with regard to policy on the interactions between the private sector and developing countries. This was especially the case regarding technology transfer, health, Mode 4 under the GATS, agreements on policy coherence and legal workers, etc. There is a need for further cross-cutting dialogue and for all parties to find ways to speak the same language, and further steps should be taken to encourage a mutually beneficial outcome for the Doha Round through linkages between CSR and development.*

## **1. Presentations by the panellists**

### (a) Katherine Hagen, Executive Director of the Geneva Social Observatory

Katherine Hagen, joint moderator of the roundtable, opened the meeting and introduced the panellists. She informed participants that the roundtable, hosted by the Geneva Social Observatory (GSO) and the Quaker United Nations Office (QUNO), had been organized to bring together representatives from multinationals and trade associations with trade negotiators from developing and LDCs to debate the interaction between private sector interests in the liberalization of trade and developing country interests in economic growth and development. One of the main questions that would be addressed was to determine whether there can be a mutually beneficial outcome by emphasizing the linkages between corporate social responsibility (CSR) and development. She made reference to the opening session of the Public Forum and the stress that had been made on the importance of trade and the opening up of trade as a means of promoting development. This involved tackling adjustment and capacity building issues in such a way as to lead to a win-win outcome. She was looking to the panellists, starting with the representatives of developing country missions, then those from the business community and NGOs, to provide specific responses with a focus on the macro level.

### (b) Shaista Sohail, Economic Counselor from the Permanent Mission of Pakistan to the WTO

Shaista Sohail made reference to the background paper on CSR, Development and Trade. She remarked that there is a question around how to define CSR though all agree that it has to do with improving the lives of workers and of society in general. The Millennium Development Goals and the UN Secretary-General's Commission on the private sector and development have identified areas for private sector action. She observed that the downside of export led growth includes resource depletion and inequalities though the A4T initiative will resolve such problems.

In general, the business world is far removed from the WTO negotiations. Ms Sohail wanted to make two points in the context of corporate social responsibility and the Doha

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Round. It is well known that to increase productivity it is necessary to introduce new technology. She has been attending the meetings of the WTO working group on trade and the transfer of technology. The Working Group examines trade and its relationship with transfer of technology. The responses to the issues raised there can be worked out on the pattern of the OECD guidelines for multinational enterprises which has stipulations on technology transfer. Similarly with regard to Mode 4 businesses can play a major role in convincing their governments to make commitments at the WTO. Mode 4 has the capacity to provide businesses labour at competitive rates and to check illegal migration by regulating the movement of temporary workers. The businesses can step in and be responsible for assured return by temporary service providers to countries of origin on completion of the contract.

(c) Joy Katekegwa, Project Officer on trade in services at the South Centre

Joy Katekegwa started by saying that on the outside the interests of the private sector and of developing countries seem to clash. Multinationals by definition are in the business of increasing their profits, whereas developing countries want to enhance and develop their home industries. Having said that there are ways in which the two can work together. Mode 4 under the GATS can be a showcase for how such a relationship could work.

The freer movement of workers within companies and within countries and across borders is a point of agreement. This is especially the case with regard to the movement of semi-skilled workers. The LDCs of the WTO have expressed in the negotiations that they have ready- to- export capacity. Many of the multinational companies utilize semi-skilled work at various levels of their production processes. Commitments on Mode 4 in the WTO would provide a legal regime under which such workers can be better managed. MNCs should lobby their governments to make meaningful Mode 4 commitments in the WTO. It makes business sense, and contributes to the reduction of poverty in sending countries.

Developing the links through CSR and the principles enshrined therein results in the improvement of livelihoods. The private sector can instigate a new dynamic to technical assistance and capacity building as they are best placed to improve productivity including through on the job training.

(d) Rabson Wanjala from the Permanent Mission of Kenya

Rabson Wanjala was concerned about looking at the process of development. For him development can only be achieved when there is partnership and when there is shared responsibility between developed and developing countries. In the WTO there is a process striving to create an environment for business to grow and create more wealth, not only for themselves but for all. Shared responsibility between governments and the private sector is crucial. From the perspective of developing countries a framework for consultation at the national level is necessary. However to what extent are stakeholders willing to come forward? Active engagement on behalf of the private sector with governments and LDCs is needed.

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In the current Round of negotiations the private sector in developing countries has a role to play. What are the areas where win-win outcomes can be achieved? The private sector can assist governments in various ways for mutual benefit, for example in the identification of trade barriers, the definition of positions and priorities and the promotion of trade at the national level. Their role is to complement the efforts of governments at the national level and to assist in trade negotiations. The private sector also has a role to play in the implementation of the outcomes of trade negotiations, by assisting with enforcement of rules and regulations that affect foreign trade and result in a win-win outcome. The issue of transparency is to be promoted along with ways of integrating market access. Improving market access though is not enough for LDCs. Also to be taken into consideration are supply constraints and the building of supply capacity. There is a lot of room for movement and for improvement. The A4T taskforce has also identified the role of the private sector in development.

(e) Christopher Roberts, Chair of the Policy Committee of the European Services Forum

Christopher Roberts gave some thoughts from the perspective of the business community. He started by stating that the job of businesses is to make a profit. Having said that, there are objectives and interests that businesses have in common with governments. Amongst these interests are wealth creation, employment, satisfying consumer demand. He reminded participants that consumers are as important as producers.

Corporations are used to regulation and want the rules to be clear. They are also interested in the free movement of persons and it is business that is pushing for a greater level of mobility. The problem is with government concerns over security and immigration issues. Businesses need to talk to governments in all of the countries where they operate.

In terms of openness it is not up to business to resist the opening up of markets at home, for example the discussions over textiles during the Uruguay Round. Business needs to use the opportunities of opening up of markets and they can help with the adjustment process across the various industries.

(f) Peter Neidecker, Manager of Global Warranty Services at Hewlett Packard

Peter Neidecker made four points: 1) CSR needs to be part of the fibre of a company with very clearly stated measures; 2) businesses are interested in growth and profit and achieve this by delivering value to consumers in terms of goods and services; 3) the challenge to the public sector is to understand value that businesses deliver and to ensure the development and provision of skills in that the marketplace requires. He gave the example of HP's investment in Bangalore by creating thousands of jobs for engineers who provide remote technical support at a level that would not be cost effective in developed countries. There may be a question over whether this is CSR but what is certain is that this creates opportunities for economic development in the developing world. 4) What are needed are catalysts for change. The work of catalyzing organizations such as the GSO is critical to help

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the private sector to understand the language of the public sector. Engagement frameworks are needed to help the public and private sector coincide.

Lastly, Mr. Neidecker stated that ownership, commitment and accountability all have to be present with the key players once decisions have been taken at a high level in order to ensure success.

(g) Stefanie Meredith, Director of Public Health Partnerships at IFPMA

Stefanie Meredith, having said that her background had more to do with the development of public-private partnerships for health than in trade negotiations, recommended that the common ground be identified between the public and private sector, that the focus be on the similarities rather than the differences. There are suspicions harboured on both sides which once addressed can enable more effective work together. All companies state that they are interested in CSR because they are interested in doing good. She has seen the positive impact of effective public-private partnerships on the ground. The challenge is to involve country level offices in the transfer of technology and capacity building for example in the carrying out of ethical clinical trials. Now there is an opportunity to move the agenda forward.

(h) Bernard Luten, Head of Occupational Health at Unilever

Bernard Luten spoke about the commitment that Unilever has made to their employees and dependants living with HIV and AIDS to provide medication and health care. He gave the example of a tea plantation that employs 20,000 workers and the responsibility that the company has in the community as a whole. Their interest is to maintain a healthy and contented workforce despite the cost involved in an effort that goes beyond CSR. Treatment of HIV and AIDS is not the core business of Unilever though they recognize that they do have a responsibility.

(i) Auret van Heerden, President and CEO of the Fair Labor Association (FLA)

Auret van Heerden spoke of the work that they carry out. The FLA conducts company audits in 60 countries. On average 18 violations of core labour standards are discovered in each company. Most companies do accept that they need to look at supply chain issues where most of the violations occur. At the same time there are very few countries in which the labour inspectorate works in a clear and transparent way. There is a high level of corruption and bribery that companies inherit once they begin trading. Within companies deductions from salaries for pensions and healthcare are made but misappropriated and never recovered. Some companies want to improve the framework in which they operate though in some countries the enforcement of labour standards would mean that they would no longer be competitive so a trade off is necessary. In this climate what does social responsibility mean and how can sustainable development work there?

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The FLA are interested in creating virtuous circles in which employees can be sure of job security, on the job training in transferable skills, social security benefits and adequate pay to enable them to provide for their families, stay healthy and to be employed for the duration of their working lives. This could happen when the private sector works together with the public sector through effective partnerships to address and resolve such key issues as social security provision.

## **2. Questions and comments by the audience**

Shaista Sohail, in responding to the first round of interventions from panellists asked what solutions were available at the WTO level. Regarding the movement of persons and Mode 4, she gave the example of South Korean firms recruiting labour from Pakistan, teaching them Korean and basic skills and later being responsible for their temporary stay in Korea during the period of contract and their return home After the contract ends. The private sector can be proactive and be instrumental in helping the labour to acquire a higher standard of living on their return home with the money earned during their temporary work assignment. Concerning the transfer of technology she referred to Article 10 of the Montreal protocol as an example of a loose non-binding agreement that serves as a useful guideline, rather like the OECD guidelines in transferring technology to developing countries.

Joy Kategekwa did not exclude the possibility of a win-win situation under GATS Mode 4. She also mentioned technology transfer, capacity building and the question of harmonizing access as other potentially successful areas of collaboration. The private sector is strong on lobbying. It would be useful for the private sector to continue lobbying governments to liberalize markets for movement of natural persons in the sectors and skill levels they utilize, which have also been expressed as constituting export interest to LDCs.

Rabson Wanjala reiterated that the business community should not resist the opening up of the domestic market. Private sector players in agriculture resist but it is crucial that they don't.

Christopher Roberts remarked that if we are looking to business to take responsibility for building up the skills of staff it is something that governments can encourage but they can't force. A good manager sees that a well-trained, content workforce is a company's best asset though legal reform may not be the best way forward.

Peter Neidecker, identified the challenge of learning to speak the same language, for example he was not sure of the viability of being able to move workers around more easily. The private sector will behave in the interests of growth and of profit. The challenge is how to engage the public and private sectors. The power of the WTO could be used as leverage by choosing effective models that work and ensure value.

Stefanie Meredith saw that, given the diverse opinions around the table, there was a need for cross-cutting dialogue to work on issues such as the movement of populations through Mode 4 and the high incidence of HIV and AIDS amongst migrant workers.

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Bernard Luten spoke of the scale of the incidence of HIV and AIDS in Sub-Saharan Africa, numbers that are unimaginable in Europe, e.g. 50 per cent of pregnant women in South Africa are HIV positive. In these situations it is often the private sector that takes the lead though in the end it is the responsibility of governments to provide an adequate health care system. He also mentioned the increase in HIV and AIDS in Eastern Europe and in India.

Auret van Heerden remarked that there are vital voices that were not at the table. The stress has to be on the 'S' in CSR and on a new form of governance with civil society at the heart of it. He finished by asking Bernard Luten what would happen to workers and to the community when Unilever pulls out of their plantations and how sustainable business initiatives can be.

Bernard Luten responded that by actively contributing to the health and productivity of the workforce and of the community they are helping to increase the possibility that other companies would be interested in coming in and taking over.

Katherine Hagen thanked all the panellists and participants and welcomed the beginning of the dialogue on CSR and the Doha Round.

### **3. Conclusion**

The objectives of this roundtable were met and the questions regarding CSR were discussed in length by the roundtable members. In terms of the ongoing dialogue and the future role of the WTO, the GSO sees that there are ways for developing countries and private sectors to work together successfully. The challenge before us is to identify what it will take to create the kinds of "win-win" opportunities that can effectively harness the power of the market with the ideals of sustainable and equitable development for all. In regards to this challenge, the WTO could work closely with the governments of developing nations, the private sectors and civil society in order to streamline each of their objectives and interests. The WTO has worked with public and private sectors and civil society in the past on an ad hoc basis, therefore a more institutionalized system would benefit a stronger agenda for CSR. The WTO could support a framework at a national level to enhance transparency and define rules and regulations in order to increase the level of coherence between developing nations and private sectors.





## II. DEVELOPMENT

### A. Coherence and capacity building for trade - Focus on the Enhanced Integrated Framework and the Aid for Trade (A4T) Initiative, Organized by the Development division, WTO

Report written by the Development Division, WTO

#### Abstract

*The objective of the session was to stimulate debate and discussion on coherence and capacity building for trade by focussing on the recently completed work of the task forces on the Enhanced Integrated Framework for least-developed countries (EIF) and the A4T initiative for developing and least-developed countries. It was emphasized throughout the session that these two multilateral efforts seek to use trade as a tool for development and, while different in scope, they are mutually complimentary. The panellists were asked to address the following questions:*

- a) *How can the WTO work more coherently with other actors, including multilateral development agencies, regional financial institutions and the governments of donor and recipient countries?*
- b) *How can the A4T initiative help developing countries, and in particular least-developed countries (LDCs), build the necessary supply-side capacity and trade-related infrastructure needed to benefit from liberalized trade and market access opportunities?*
- c) *How can an enhanced IF strengthen the capacity in LDC recipients to mainstream trade into international development plans and strategies?*
- d) *How can governments ensure that a more effective and timely delivery of increased financial resources can address the trade-related development needs of developing countries?*

#### 1. Presentations by the panellists

The panel was moderated by H.E. Don Stephenson, Ambassador, Permanent Representative to the WTO, Canada, and former EIF task force chairman

- (a) H.E. Ambassador Don Stephenson, Ambassador, Permanent Representative to the WTO, Canada, and former EIF task force chairman

In his remarks, Mr. Stephenson said that trade could make a great contribution to development but that the greatest contribution to development through trade and the DDA would occur with the possible reduction in subsidies and in the lowering of tariffs.



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However, he pointed out some caveats, mainly that liberalization must include South-South trade and that trade policy was only one ingredient in a successful development strategy. He said that it was important to find ways to better distribute the gains from liberalization and that there were adjustment costs that developing countries needed to address. They also required help to build on their supply-side capacity to benefit more from market liberalization.

The IF was a cooperation framework in which six international agencies involved in trade-related technical assistance to LDCs, coordinate their efforts and activities. The focus of the IF was on the front-end of the trade development process, that is the needs assessment and diagnostic process. The IF did, nevertheless, expand to project funding for first-step projects. The task force on the enhanced IF included recommendations made by the World Bank and the IMF staff and focused primarily on the scope of the overall programme, its governance and its funding. The task force process has been intensive and inclusive, made up of LDCs and donors. Mr. Stephenson explained that the implementing agencies were brought into the discussions as a second step. The main challenge of the task force was consensus building on how to respond to specific weaknesses in the programme. The recommendations were approved by the IF Working Group and then by the IF Steering Committee.

He elaborated that the recommendations of the task force have to do with how the IF process works in the recipient country and addresses the issue of ownership. The task force identified as one of the key problems the failure of governments to take ownership of the IF process across all government departments and at all levels. This was viewed by the task force as being a problem of capacity in LDCs, or a lack of human and institutional resources to drive the process. The task force recommended providing resources to build both human and institutional capacity, over a sufficient period of time, to let the countries take ownership of the programme.

Furthermore, there were also some ownership problems in the donor country and implementing agency side of the programme. Some donor countries funded the programme but conducted their own parallel needs assessment, while some funded the programme but did not report the investments on project funding against the results of the programme. There were also some problems related to staff and the lack of specific country knowledge. It was emphasized that staff also needed to realize the positive role trade could play in any development strategy.

Another challenge was the implementation of the programme and problems related to the coordination of existing programmes, the size of the first investments which were sometimes too small to attract a donor, and the lack of commitment to the outcome if the needs assessment was not done by the donor or the agency involved. The task force recommended that more project funding be provided from within the programme to cover first-step investments that would begin to address some of the needs identified in the diagnostics work.

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Regarding the diagnostics part of the IF, the task force recommended moving to a second generation of needs assessment studies. This included providing funding for updating the needs assessment and deepening the analysis in specific sectors.

The IF programme was seen as a tool to mainstreaming trade into national development plans. Although, there was some redundancy between the eligibility criteria of the IF and the other more permanent programmes, the major part of the funds for development aid was to come from those permanent programmes of donors and financial institutions as well as private sector investments.

Governance was another issue addressed by the task force. Mindful of the Paris Declaration on Aid Effectiveness, especially on its recommendations having to do with ownership, alignment, accountability and taking a results based approach, the task force determined that management needed to be assisted by giving it more resources and strengthening the existing, independent Secretariat. The effective coordination with in-country programmes was to be ensured by a Chief Executive Officer who would manage the Secretariat, prepare budgets and oversee annual programmes. The existing management model consisting of a Working Group, a Board and a Steering Committee was to be maintained in Geneva. A performance management system was being pursued and was in the implementation phase.

Mr. Stephenson explained that the last issue to be tackled by the task force concerned funding. On this issue, the task force recommended that funding be increased ten-fold. The cost of implementing the recommendations was indicatively calculated as being US\$ 400 million. To reach the desired level of funding, both multilateral and bilateral funding needs had to be increased. A significant part of this funding was needed for the IF trust fund, which is the multilateral part of the budget needed to manage the overall programme. The task force also noted that more multi-year commitments needed to be made by the donors.

He said the implementation of the recommendations posed some practical challenges. Both donors and LDCs need to make the enhanced IF work. Donors needed to make real financial commitments. They also had to better use the IF programme, report on their activities within the framework and increase their resources in development agencies and multilateral institutions to deliver the programme. Similarly, the LDCs needed to commit to an inter-departmental process, as the programme worked best when there was strong, in-country leadership, especially at a political level. The recommendations of the task force should become operational by the beginning of 2007.

(b) H.E. Mia Horn af Rantzien, Ambassador, Permanent Representative to the WTO, Sweden and former chair of the A4T task force

Ms Horn af Rantzien explained that the A4T Initiative (A4T) came into the WTO context before the Hong Kong Ministerial Conference. However, it was at the Hong Kong Ministerial that

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Members invited the WTO Director-General to create a task force to provide recommendations "on how to operationalize A4T" and "on how A4T might contribute most effectively to the development dimension of the DDA". The Director-General also received a mandate to consult on "appropriate mechanisms to secure additional financial resources for A4T" and then appointed a task force of 13 Members: Barbados, Brazil, Canada, China, Colombia, the European Communities, Japan, India, Thailand, the United States and the coordinators of the ACP, African and LDC groups. Each Member was represented by its WTO Head of Delegation and one person with development cooperation expertise. This was done in order to combine expertise and promote coherence. Multilateral agencies, including the IMF, World Bank, UNCTAD, UNDP and the regional financial institutions, were invited to contribute in writing based on questions posed by the task force. Contributions were also received from members of civil society and from representatives of other think-tanks. In different A4T events outside the WTO, experts, academics and persons from the private sector shared their experiences with the task force.

The task force noted a wide number of areas to be addressed, including trade policy and regulations, trade-related infrastructure, building trade-related capacity and supporting trade-related adjustment.

The recommendations also identified a long list of gaps and challenges in the area of A4T, including the low level of attention given to trade as a tool for development in recipient countries and donor agencies.

She explained that an important basic principle in the recommendations was that A4T should be guided by the Paris Declaration on Aid Effectiveness which included the principles of country ownership, results management and mutual accountability. She said that the task force identified in its recommendations four areas that needed strengthening: the demand side, the donor response, the bridge between demand and response and monitoring and evaluation.

Strengthening the demand side would include mainstreaming trade into development strategies and improving the identification of needs and project preparation. The recommendations proposed the following:

- the implementation of the recommendations for an enhanced IF, since the A4T task force considers the IF to be a very important building stone or foundation for mainstreaming trade into the development strategies of the LDCs;
- exploring the necessity of establishing a similar, but separately funded, in-country-process for developing countries or those countries receiving international development assistance, if such mechanisms do not already exist or if they can be improved;

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- stepping up efforts by donors and agencies, including regional banks, to identify regional, sub-regional and cross-border needs, including those related to regional integration.

In order to strengthen donor responses, the recommendations proposed:

- integrating trade and growth issues more effectively in donors' aid programming;
- making targeted funds available for building infrastructure and removing supply-side constraints – over and above capacity building and technical assistance.

On the issue of strengthening the bridge between demand and response, recommendations were made at the country, regional and global levels. At the country level, the importance was underlined of recipients and donors coming together and committing to the implementation of trade strategies and to the identification of projects and programmes based on mutual accountability. At the regional level, the task force recommended strengthening needs assessments, the preparation of project proposals and the coordination of donor responses. On the global level, the task force recommended increasing resources for the collection and analysis of data on trade policies.

The task force emphasized the importance of building confidence that the A4T initiative will be delivered and effectively used to provide concrete and visible results on the ground. A number of recommendations were made towards this end including a global periodic review of the A4T initiative followed by an annual discussion in the WTO. This review would be based on reports from the country level, from donors, the regional level, the relevant implementing agencies and the private sector.

The task force concluded that the A4T initiative must be operationalized as soon as possible in order to help countries benefit from the present opportunities in the trading system. Members were equally clear that A4T is not and cannot be a substitute for the development benefits that flow from a successful conclusion of the Doha Round. Indeed, a successful Doha Round would give rise to new A4T needs. Moreover, it was the combination of A4T and a successful development Round that would generate the highest returns, in terms of trade, for development and poverty reduction.

The consensus reached in the task force showed that there was a clear commitment to move forward with the delivery of A4T. The WTO was not a development agency and would not become one. The effective implementation of the recommendations, however, would depend on many actors working together in a coherent way. A4T was an example where the ability of governments to act in a coherent way would be tested. It related to coherence among policy areas, at national levels and among institutions at the international level. A4T was also a test of the ability of governments to mainstream trade into national strategies

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and into development programmes and of their ability to coordinate over different policy areas, both in developing and developed countries.

(c) H.E. Liv Monica B. Stubholt, Deputy-Minister of Foreign Affairs, Norway

Ms Stubholt emphasized that dialogue with civil society is highly important for the work of the WTO, especially since the WTO process depended on more transparency, more democracy and more dialogue. For her, a successful outcome of the DDA was essential in order to consolidate the rules-based international trading system and to create economic growth, employment and welfare, in particular in developing countries. The present suspension of the negotiations was a matter of great concern.

It was an undeniable fact that many developing countries, and in particular the poorest ones, have been unable to benefit from the market opening that the WTO has achieved, because of the lack of the necessary trade-related capacity, and adequate productive capacity. Even though Norway had adopted duty and quota free market access measures for LDCs as from 2002, the increase in imports had been marginal. Exports of goods from developing countries had expanded by 21.3 per cent in 2005, reaching a record high level of 35.9 per cent of world trade in goods. LDCs' exports of goods had increased by 27.5 per cent. However, the share of the LDCs in world trade in goods remained at its present level of 1.8 per cent.

*(i) Reflections on the A4T programme*

Ms Stubholt reaffirmed that Members had agreed to place developing countries at the centre of the Doha Round. There was little doubt that the DDA was raising expectations. There were also high expectations for the A4T initiative. She deemed that A4T was important in its own right and that it was not conditional on the success of the Doha negotiations. However, she felt that A4T could not substitute for the development benefits that would result from the improved market access. It would serve as a valuable and necessary complement. The starting point should include national needs and priorities for addressing the trade agenda in a given country. This reflected that countries were facing different challenges, and that a “one size fits all” approach is not applicable.

She explained that the report of the A4T task force provided a sound basis for further discussion on how to operationalize A4T. The recommendations on strengthening the diagnosis of needs, and the coordination of donor responses in relation to regional and cross-border issues were very relevant. This issue was also highlighted in the Communiqué from the Development Committee of the IMF/World Bank meeting in Singapore (in September 2006) which identified a “need to improve existing instruments to address cross-country and regional projects and strengthen the monitoring of regional initiatives and funding”.

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*(ii) Reflections on the Enhanced Integrated Framework*

Ms Stubholt believed an Enhanced IF represented an important tool in assisting LDCs to define their needs in trade through the Diagnostic Trade Integration Studies (DTIS) and that the IF is a vehicle to assist LDCs with the development of their trade capacities and with ensuring national ownership and the integration of trade into national development plans.

She explained that the IF would not have sufficient resources to fully respond to the whole range of needs in the LDCs, i.e. financing the implementation of the whole DTIS. The IF was primarily about building capacities and building ownership locally. The bulk of funding would have to come from bilateral and other multilateral mechanisms, such as the World Bank. Norway had been the largest bilateral donor to the IF trust fund to date. However, it was imperative to broaden the donor base in a sufficient and predictable way. Securing sufficient and predictable funds seemed to be a major challenge for the success of the enhanced IF.

Another challenge she saw was the lack of field presence in the recipient countries. In light of the fact that the trade community was centred around Geneva, it made sense that the IF secretariat be located there. However, all forces would have to unite to overcome the practical obstacles that the lack of field presence represented in the daily work of carrying out the IF.

The clear relation to the Paris Declaration was underlined in the report from the task force on the enhanced IF. It was important that donors align and harmonize their support around national priorities, and make use of national systems and channels. The transition team should identify risk factors and propose ways to overcome possible problems, thereby ensuring the success of the enhanced IF.

*(iii) Views of certain NGOs*

Finally, Ms Stubholt raised views expressed by certain Norwegian representatives of civil society and cited their concerns as follows:

- Increased A4T must not be used as a carrot or a stick in order to make developing countries and in particular LDCs accept a new WTO agreement that is unbalanced and is to their disadvantage.
- A4T should not be linked to trade reform and liberalization in a way that goes against the will and wishes of developing countries.
- Commitments to new A4T from the developed countries must represent fresh contributions, and not old funds.
- A4T should not be made conditional upon success of the Doha negotiations.

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(d) Dominique Njinkeu, Executive Director of International Lawyers and Economists Against Poverty

Mr. Njinkeu clarified how the Enhanced Integrated Framework and A4T Initiative were mutually complementary. He said that he would try to answer the following questions with respect to the EIF:

- can the EIF aid LDCs [...] in their efforts to mainstream trade into national development strategies?
- can the international community ensure that an EIF plays a central role in ensuring the continued integration of LDCs into the global economy?
- what are the challenges for the international community in ensuring a successful implementation of an EIF?

With respect to the A4T Initiative, he asked:

- what are the challenges the WTO faces in working more coherently with the main actors in the development and finance fields?
- can efforts to improve the overall package of A4T help developing countries, particularly LDCs, build supply-side capacity and trade-related infrastructure so that they can benefit more from liberalized trade and increased market access opportunities?
- can efforts to strengthen the IF and A4T in absence of formal negotiations at the WTO help unblock the current suspension?

Mr. Njinkeu recalled the African position prior to the Hong Kong Ministerial Conference and the submission by Kenya and the ACP Group which had raised concerns about ensuring a sufficient level of symmetry between the EIF and A4T. This concern was raised in regard to the dates for the submissions of recommendations for the entry into force of the two initiatives. It meant aligning the new A4T initiative to the calendar of the ongoing IF process.

He said that some of the issues which were essential for addressing the key, supply-side capacity and trade related infrastructure constraints of LDCs were cross-border concerns and should be addressed (at least in Africa) in the regional context. In Africa all LDCs were part of regional integration schemes also comprising non-LDCs and markets were still generally small. He suggested that an EIF-equivalent process in other neighbouring developing countries which were not LDCs should be launched as soon as possible.

He explained that for cross-border measures, the Blair commission from the Government of the United Kingdom and the New Partnership for Africa's Development (NEPAD) feature

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lists of projects that could be funded without time consuming and costly diagnostic studies. In Africa, countries are increasingly shifting trade policy to the regional level and regional integration had been selected as the best way of ensuring a smooth integration into the international trading system. Although the regional economic communities were not Members of the WTO, the WTO Trade Policy Review was increasingly being prepared, at least with the regional perspective, as a guiding framework. In Africa, regionalism helped and did not undermine the multilateral agenda.

On the question of whether efforts to strengthen the IF and A4T can, in the absence of formal negotiations at the WTO, help unblock the current suspension, even a negative answer should not slow down the process of implementing A4T and the EIF. As regards whether the EIF could help LDCs in their efforts to mainstream trade into national development strategies, Mr. Njinkeu believed the answer was yes, provided the recommendations of both the EIF and A4T task forces were implemented. The challenges associated with facilitating greater ownership should not be underestimated. The current support levels consisting of staff costs, cost of local experts, running costs and equipment would not be sufficient. Since the local research community was only casually involved and, given the current local capacity, the sub-regional level would be preferable. The same held true for the local private sector. In short, money alone would not deliver. A more ambitious human development programme was needed.

An important challenge to ensure a successful implementation of the EIF was to provide enough predictable funds, while ensuring accountability and enabling the beneficiaries to be in the driver's seat. The WTO would be challenged because it would have to work more coherently with the main actors in the development and finance field. It would also have to enforce some of the recommendations of the A4T Initiative and the EIF without becoming a development agency.

In conclusion, Mr. Njinkeu said that there should not be any delays in the implementation of A4T and that the initiative should coincide with the implementation of the EIF. He also suggested taking a closer look at the regional dimension in the African context. Finally, he stressed that funding alone would not be enough to ensure a successful implementation of both the EIF and the A4T initiative.

(e) Dorothy Tembo, Director of Foreign Trade, Zambian Trade Ministry

Ms Tembo explained that there had been some problems in trying to implement the IF and that some of the difficulties had already arisen at the initial stages of the programme. These difficulties were recognized and thus the need arose to review the IF programme. Until now, the IF had achieved very little due to reasons attributable to both the donors and the recipients. It was important to highlight some of these issues because they formed the basis of the work of the task force. They also gave pointers as to how the coordination and effectiveness of the EIF could be improved in the future and thereby ensure that the LDCs derived tangible results from the opportunities created by the commitments made through the multilateral process being pursued by WTO Members.



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The focus of the IF tended to be an interaction between the facilitating agency and the focal point in the recipient country to agree on the needs assessment and the DTIS, with little involvement of other entities in the beneficiary government. For the programme to be accepted by other stakeholders, the latter's involvement at an early stage should be key.

She explained that human and institutional capacity constraints had continued to negatively affect the implementation of the programme for the beneficiaries, the implementing agencies and the donors. In regard to the beneficiaries, she explained that a number of LDCs continued to experience a high level of staff turnover. This resulted in a lack of continuity of the programme and was an issue that needed to be looked at in the context of the broader reforms taking place in the beneficiary country. In a number of cases it had also proved difficult to get dedicated officials to oversee the implementation phase or prepare concrete proposals to facilitate accessing project funds.

Furthermore, she pointed to institutional rivalry as a problem. It was difficult to implement the programme without a functioning consultative mechanism that ensures coordination of the different responsibilities between the implementing ministries. Regarding the problems of the implementing agencies, there had also been issues of human capacity limitations. This impaired the ability of the implementing agency to monitor progress and to provide guidance in the recipient country. There had also been instances where the donors had tried to concentrate on providing assistance in areas of their choice. This resulted in the neglect of other critical areas that needed to be addressed.

Ownership was an issue that was important to both donors and beneficiaries and was fundamental to the success of the IF programme. The recommendation addressed this issue by calling for in-country management in the initial phase of the programme. Broadening of actions taken under the IF would also be beneficial. Often the DTIS focused on undertaking studies but did not offer guidance on addressing the issues identified through the studies. It would be helpful if the IF could provide funding in the initial stages, thereby addressing some of the lighter supply-side constraints.

The supply-side issues to be addressed were quite challenging and required a large amount of resources. This was an area where the IF could be complimented by the A4T initiative. The work of the IF task force had been very timely and there was a high level of commitment by all parties. The task force had identified the issues that needed to be addressed, but this could only be realized if the recommendations were actually seen through. The current levels of engagement would also need to continue in the transition period. Participation of all parties in the work of the task force, including those who were implementing the programme in capital, was therefore essential.

Ms Tembo elaborated that the recommendations of the task force brought out the critical issues that were faced by the LDCs and that they deserved the support of all Members. Increasing the amount and predictability of funding was a very important issue identified in the recommendations. Also, increasing the time-frame for the programme allowed

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for more integration into the development strategies of the country and resulted in an enhanced ownership.

For the EIF programme to work three elements were of critical importance: 1) enhanced predictable funding and coordination from the donors; 2) enhanced coordination among the multilateral agencies; and 3) a high level of commitment from beneficiary countries to provide policy guidelines, enhance ownership and ensure sustainability. This would help achieve the ultimate goal of mainstreaming the IF into the development planning of LDCs.

It was also important to provide flexibility to the LDCs in accessing the resources made available. A significant delay in accessing resources and putting them to use diminished the effectiveness of the programme and decreased its results.

Zambia had undertaken some actions to enhance its ability to take advantage of the different aid and capacity building programmes on offer. Until late 2004, Zambia did not have a coordinated approach to aid and capacity-building initiatives. Each donor would, therefore, engage Zambia individually to determine the areas of need. Sometimes, Zambia was merely informed of the areas that would be supported. It was thus important to improve donor coordination and enhance stakeholder consultations.

Since Zambia qualified for the IF, the IF had become the overarching technical-assistance programme which all donors were supposed to use to identify areas where support can be provided. To take care of the institutional rivalries, the chairmanship of the IF coordinating committee in Zambia was delegated to the Deputy Secretary to Cabinet, a high-ranking government position which was above the different Secretaries in charge of implementing the IF. On the donor side, the Netherlands had been identified as the lead donor on trade issues and was working very closely with the UNDP which had the role of the lead implementing agency.

Ms Tembo concluded her intervention by saying that some specific projects were being carried out under the IF programme. She pointed to preliminary results that show that Zambia is on the right track in improving its trade performance and that Zambia was actively using the technical assistance that had been made available. There were still some infrastructure problems that needed to be resolved and this was another area where the A4T initiative could prove very helpful to Zambia.

(f) Mohammed Salisu, Principal Trade Economist, African Development Bank

Mr. Salisu believed that the majority of the potential beneficiaries of the A4T initiative and the EIF would be African governments. Trade statistics showed that Africa's share of global trade was 7.5 per cent 30 years ago, while today it was less than 1.5 per cent. In Asia the opposite was true, and trade had been the key to development and poverty reduction. If African countries took full advantage of the A4T initiative and the EIF, they should be able to trade themselves out of poverty.

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Trade intervention in developing countries was nothing new. For example, the African Development Bank (ADB) had, over the past 30 years, invested over US\$50 billion in African countries. As much as 60 per cent of this amount was trade related. Mr. Salisu asked where all this money had gone and why trade intervention had not been more effective? Even the IF seemed to have had little success in improving the conditions in African countries, he thought that one of the reasons might be a lack of systematic and comprehensive needs assessment where the recipient countries were really involved. This could also be due to weak project management and poor governance structures in many of the developing countries. Furthermore, there had been little integration of trade intervention with poverty reduction measures and a lack of mainstreaming in government development policies. Lack of coordination within the recipient countries, within the donors and between recipients and donors had also been a problem. Other problems included a lack of communication with field mission officers and a lack of delegation of authority. Unless these issues were addressed in the future, there could be no tangible results from the aid programmes.

The EIF task force had learned from mistakes made in the past and had made recommendations intended to correct these shortcomings. The recommendations were far reaching and wide ranging. If they were properly implemented, there would be a dramatic improvement for the LDCs which benefit from this programme. In this context, the ADB welcomed these recommendations and hoped that donors could better coordinate their efforts in achieving the objectives of the EIF.

Mr. Salisu explained that mainstreaming trade into national development strategies was very important. In developing countries there was always a rivalry between the Ministries of trade, finance, planning and even foreign affairs. Trade liberalization might entail a loss of duty revenues that might be difficult for the Finance Ministry to live with. However, if all government branches, and the private sector, were involved in a national development strategy that had trade as one of its main components, coordinated actions could be taken to achieve the common development objectives.

Mainstreaming trade into development strategies was also important for donors. Donors should develop trade expertise and incorporate this expertise into the development strategies that they applied in the recipient countries. Donors should also be mindful of not overstressing their resources as there were many parallel development programmes that required funding. The IF should be used as a primer to prepare the LDCs for the more ambitious A4T initiative.

On A4T, the ADB had made various submissions to the A4T task force and these were reflected in the recommendations. The ADB suggested that A4T resources should be used to build infrastructure as its deficiency was a serious impediment for trade in Africa. Intra-regional infrastructure was key in boosting trade and integration in Africa.

The role of the private sector should also be emphasized. Many of the problems in Africa were due to an uncompetitive business environment. Africa had a big problem of capital

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flight while at the same time requiring massive investment to improve its economy. Private investors should be encouraged to participate in some of the development initiatives.

Finally, the A4T recommendations stated that resources would also be used to address adjustment costs. It was not certain if these adjustment costs included the eventual loss of market share in developed countries due to preference erosion suffered by many African countries.

(g) Carlos Braga, Senior Advisor, World Bank, Geneva

In his introduction, Mr. Braga announced that the year 2005 was going to be a point of reference for the development community when looking at the issue of development and official development assistance (ODA). 2005 would be looked at, either as a year where very important development commitments were made and there was a renewed commitment to achieving the Millennium Development Goals (MDGs), or as a year in history when once again the development community lost the boat. It was important to recall the commitments in development assistance made in 2005 at the Gleneagles G8 summit and particularly in the context of the UN Millennium Development Goals review meeting. The G8 committed an additional US\$50 billion of official development assistance by 2010. Mr. Braga said that this would lift the target for net ODA to US\$130 billion by 2010. He asked whether this was a realistic target and if the international community was on track to achieve this?

Since ODA projections for 2005 were estimated to have been around US\$106 billion, the outlook for 2010 seemed to be positive. However, it should be noted that in 2005, close to US\$23 billion was in the form of debt relief and that a lot of the expected increase came as a response to extraordinary disasters like the Asian tsunami and the Kashmiri earthquake. There was still a steep curve to climb to reach the intended targets for 2010, and it would require a major effort by the international community. He explained that the target was not unrealistic and that it was within reach if political will existed in some of the OECD countries to increase their ODA and hopefully also in the emerging economies like China, Brazil, India and South Africa.

Mr. Braga said his thoughts on ODA tied into the question of whether there was going to be additionality in the A4T initiative. In order to answer that question, he said that it was necessary to establish a baseline. However, at the moment, it was not possible to establish a baseline due to the poor quality of the data that was being provided by the donors on how much aid they gave. Hence, the importance of the recommendation of the A4T task force to significantly improve the quality of the data.

Regarding the question posed by Mr. Njinkeu on whether efforts to strengthen the IF and A4T in the absence of formal negotiations at the WTO could help unblock the current suspension, he explained that there was consensus in the development community that the A4T initiative and the IF were not part of the single undertaking of the negotiations. These two issues should not be linked.

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Concerning the question: whether the EIF could assist LDCs in their efforts to mainstream trade into their national development strategies, the answer was certainly yes, but much more needed to be done. Currently, there was more emphasis on the growth agenda, and trade-related projects had a very prominent place on the agenda. The overall environment of allocation of resources in the development community was now more favourable to economic growth. There was also a recognition that unless there was success in the growth agenda, it would be very difficult to obtain results in the social area alone.

In regard to Mr. Njinkeu's question of whether the international community could ensure that an EIF played a central role in ensuring the continued integration of LDCs into the global economy, Mr. Braga said that the issue of ownership by donor, agencies and particularly by the beneficiary was crucial. Increased ownership might result in a prioritization of trade in development strategies. This would also improve the results from the EIF.

As for the challenges for the A4T initiative and the EIF, he said that one of the challenges was the lack of capacity at the LDC level. This had been identified by the task force and there was a commitment to put more resources at country level to enhance this capacity. It was not easy to do this, but the IF drew guidance from some experiences with other programmes. The management model was also a challenge. The EIF would have an independent secretariat housed within the WTO. This could work, but care needed to be exercised on how the independent secretariat would engage with the other agencies, including with the WTO. Financing was another challenge. Some might say that the financing which had been decided for the EIF was too little. However, it was important to look at the overall objective of the IF. The IF was a catalytic instrument that was to create linkages between the different donor and implementing agencies. If the IF worked, there would be significant results for LDCs, including support for infrastructure. He explained that the calculated amount of US\$400 million reflected a level of funding that would be reasonable to leverage the IF programme and to make the connections with the broader A4T agenda.

Concerning the A4T initiative, he asked what the challenges were for the WTO to work more coherently with the main actors in the development finance field. The WTO had been working together with the IMF and the World Bank in the coherence mandate. This coherence mandate involved making the WTO more effective in the development arena while recognizing that the WTO was not a development institution. The recommendations of both Task Forces provided a road map on how the WTO could improve on linking development with the rules of the MTS and establishing connections with financial institutions, and especially the regional development banks.

Mr. Braga also asked whether efforts to improve the overall package of A4T could help developing countries, particularly the LDCs, build supply-side capacity. Given the overall environment for investment in infrastructure and the attention to poverty reduction strategy papers, there should be complementarities and possibilities for A4T to be used to build supply capacity. He explained that in a recent paper by the staff of the World Bank and the

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IMF, three options were presented to advance regional projects or projects that had cross-border externalities: the first was to rely on the existing instruments, of which many were available, and improve on the current monitoring mechanisms, and simplify the rules so that these instruments were better utilized; the second was to create a grant facility that would support the preparation of projects to better utilize the instruments that already existed; and the third was to create a vertical fund to co-finance regional projects. He said most donors seemed to be partial to the first option.

Finally, Mr. Braga said that the international community had to find ways by 2010 to deliver on the commitments that had been made. If these commitments were delivered by the donors on the basis of a broad ODA effort in a partnership with beneficiary countries that took full responsibility for the projects in an effective manner, then A4T would continue to grow. This would then make the corresponding recommendations from both task forces very important.

## 2. Questions and comments by the audience

In the question and answer period following the initial interventions by the panellists, discussion focused on the need to have A4T and the EIF gain recognition as instruments which could help build trade capacity in LDCs and developing countries. It was also deemed important to develop the in-country skills to effectively use the A4T and IF programmes at a national level. This could be achieved by using local consultants whenever possible to carry out the needs assessments.

Ownership of the assistance programmes could be understood in two ways. From the development perspective, national ownership related to the concept of a country being able to decide its own development policies and realizing that trade was an important tool for development. From an international perspective, ownership related to the interest that the international community had in integrating developing countries and LDCs into the international economy. It was deemed important to distinguish between these two concepts.

Comments also focused on the need for the A4T initiative and the EIF programme to use local research networks in the beneficiary countries. However, given that there was an immediate need for expertise in the beneficiary countries, it was also considered necessary to rely on consultants from outside the region in the short-term. Also mentioned was the need for more accurate data concerning international aid flows.

## 3. Conclusion

In his summary, the moderator noted several points: first, that A4T was very much part of the WTO agenda even though the WTO could not be considered a development agency. And while A4T could be considered to be an essential part of a so-called "development Round," it was not conditional on an outcome in the DDA negotiations, nor was A4T a substitute

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for a development outcome in the negotiations. Second, that taking advantage of trade opportunities in developed countries went beyond market access issues and was principally about building the capacity in developing and least-developed countries to benefit from trade. And finally, even though there were many challenges ahead, the implementation of the A4T and EIF recommendations remained the key issue. The challenges ahead should be taken up one by one in order to deliver on the objectives of A4T and the EIF so as to have trade become a primary tool for development.

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## B. Operationalizing Aid for Trade (A4T), Organized by CUTS International, India

Report written by CUTS International, India

### Abstract

*Following the Hong Kong Ministerial Conference in December 2005, the Task Force on A4T was created in February 2006. The Task Force submitted its report to the WTO General Council on 27 July 2006. While submitting the report, Chairperson of the Task Force Ambassador Mia Horn Af Rantzien (Ambassador and Permanent Representative, The Permanent Mission of Sweden to the UN and other International Organizations in Geneva) made a statement in which she said that the Task Force had now concluded its work and reached consensus on the recommendations. She said that “there was clear consensus in the Task Force that A4T is important in its own right, and it should move forward expeditiously despite the current difficulties in the Round. At the same time, Members were equally clear that A4T is not – and cannot be – a substitute for the development benefits that will flow from a successful Doha Round.”*

*The Task Force has identified challenges/gaps for integrating trade into development strategies and some of them are as follows:*

- *Low attention to trade as a tool of development in recipient countries and in donor agencies;*
- *Limited absorptive capacity in recipient countries;*
- *Lack of coordination and coherence in donors’ trade-related response;*
- *Lack of data on, and analysis of, trade policies and their impact on development, lack of easily available information on existing A4T instruments; and*
- *Inadequate support to address the adjustment costs of trade liberalization.*

*The Task Force has defined the objectives and guiding principles (as per the Paris Declaration on Aid Effectiveness), and has made recommendations on each of the following operationalizing aspects:*

- *Strengthening the “demand side”;*
- *Strengthening donor “response”;*
- *Strengthening the bridge between “demand” and “response”;* and
- *Strengthening “monitoring and evaluation”.*

*The Task Force has also deliberated on how A4T can contribute to the development dimension of the Doha Round. Increasing trade opportunities for developing countries, in particular the least-developed among them, remain the most important contribution that the WTO can make to development. A successful conclusion of the Round will increase the need for assistance to implement new agreements (e.g. Trade Facilitation), to ease adjustment costs, and to make use of new market access.*



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*Two recommendations of the Task Force are worth highlighting and they are as follows:*

- *Value chain analysis could be one valuable tool to identify trade needs, and*
- *Technical cooperation among developing countries is a valuable tool to deliver effective results because of their common experience and understanding of the challenges they face. The valuable technical expertise of the South could be used to implement projects through triangular schemes of cooperation.*

*Given the background the objective was to deliberate on issues for operationalizing A4T from the perspectives of developing countries, particularly LDCs, and other stakeholders (donors, inter-governmental organizations, NGOs) so as to evolve a roadmap for taking forward this initiative. Keeping in mind the recommendations of the Task Force on A4T, this session deliberated on the following issues:*

- *Expectations, particularly of LDCs, from the A4T initiative;*
- *Role of donors for operationalizing A4T;*
- *Role of inter-governmental organizations for operationalising A4T; and*
- *An effective A4T partnership: Local accountability and global review.*

## **1. Presentations by the panellists**

- (a) Mia Horn Af Rantzien, Ambassador and Permanent Representative, The Permanent Mission of Sweden to the UN and Other International Organizations in Geneva

Ambassador Horn, who headed the task force on A4T, highlighted some of key recommendation from her report. They are - involvement of stakeholders; donors' expertise on trade issues; mainstreaming trade into national Poverty Reduction Strategy Programmes (PRSP); role of WTO in its implementation. She particularly put stress on training support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards.

In order to ensure effective involvement of stakeholders she argued for strong national coordination, involving all relevant stakeholders, including the private sector, with a view to identifying the strengths and weaknesses of economies as a whole, and the particular challenges facing the trade sector. She further emphasized that the task of matching demand for A4T projects with response could be addressed by strengthening national coordination through a "National Aid-for- Trade Committee", which would include recipient countries, donors, and other relevant stakeholders, such as the private sector, under the leadership of relevant ministries. This committee should complement – not replace – existing PRSPs and other coordination mechanisms. If needed, this process could be supported by agencies that could serve as a clearing house. All these would be undertaken transparently and in close consultation with other donors and stakeholders

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For donors it is important that they should give more attention to trade issues in their aid programming and strengthen their trade expertise both in the field and at headquarters. There is a need for improved coordination of staff working across sectors and for greater trade mainstreaming in aid agencies' programmes.

Mainstreaming trade into the developmental strategies is another key issue, which require utmost attention. At present there has been insufficient trade mainstreaming in national development strategies and PRSPs. For this a commitment to country ownership and country-driven approaches – as well as a commitment of governments to fully mainstream trade into their development strategies – is crucial for the successful operationalization of A4T. In some countries, particularly LDCs the processes for mainstreaming trade into national development strategies, for formulating trade strategies, and for proposing priority trade projects for donor financing, need to be strengthened through technical assistance and capacity building. Where consultative mechanisms already exist, they can be used – or improved upon. Value-chain analysis could be one valuable tool to identify trade needs. Further, the effectiveness A4T will depend on many actors working together in a coherent manner. It will involve, for example, the World Bank, the IMF, regional development banks, UN agencies and donors at the national as well as the international level, and trade, agriculture, development and finance ministries at the national level. It is the responsibility of donors, agencies and recipients to do their part in reforming how those entities integrate trade into development and national strategies.

She clarified that WTO is not an implementing agency but its role will be crucial in review and regular monitoring. A global periodic review of A4T should be convened by a monitoring body in the WTO, based on reports from several different sources.

(b) Susan Barton, Trade and Development Team Leader, International Trade Department, DFID, UK

Susan Barton from UK's Department for International Development in her presentation tried to identify the donors' role in operationalization of A4T. She emphasized the need for donors to become partners in development. In order to realise this objective the donors should support the country led process of development. Finance Ministries should, wherever possible, also allocate resources to trade priorities. This will make partnerships real and ensure accountability more of a joint concern.

The increasing marginalisation (as per recent evaluations of EU and World Bank assistance) has resulted in billions of euros and dollars worth of assistance delivered through discreet stand-alone projects outside national plans, with little monitoring and evaluation, little donor coordination or policy coherency and of course with little to show in terms of development benefits.

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In line with commitments made by the G7 including the EU and further substantiated in Geneva through the IF and A4T task forces, donors must make clear when and how they will provide and account for increased A4T in response to PRSP/national development plan priorities.

She praised the Task Force for an excellent job in devising a set of recommendations which addressed the four critical issues to be resolved by the Enhanced IF:

- Increased ownership of IF by LDCs and donors
- Fill the gap between the Diagnostic Trade Integration Study (DTIS) and submission of “bankable projects”
- Clearer governance and management structure
- Adequate and predictable funding

She particularly emphasized the important role, the Donors could play during the transition period, namely:

- donors need to be actively engaged in Transition Team (TT) and Cluster Group work in Autumn 2006, providing input to flesh out recommendations of the Task Force
- Ensure EIF takes account of poverty/inequality and sustainable development issues
- need to provide early pledges to the EIF to ensure all the funds are available for the start of the EIF in Jan 2007
- consult with LDC governments to get their views on the operationalisation of the EIF to feed into the Geneva meetings
- encourage LDCs to engage actively with the transition process, feeding their views to the LDC representative on the TT and cluster Groups

Lack of integration of IF priorities into PRSP and budgets has partly been the result of donors own lack of interest, understanding of the importance of trade related reform for growth and poverty reduction and consequently their failure to give priority to trade reform within their aid finance choices.

It is crucial to make an assessment of the current inequality situation and the likely impacts of increased trade on inequality. For this identification of the barriers that prevent the poorest, women and marginalised groups from engaging in trade opportunities is must. It is also important to identify the sectors in which the poorest, women and marginalised

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groups are concentrated and the possibilities of A4T focusing on these sectors, as well as the possibility of A4T including support for these groups to move into new sectors. It is equally important to identify complementary policies to support the poor and marginalised to manage shocks from trade changes and engage in trade opportunities

(c) Khadija Rachida Masri, Ambassador and Permanent Observer, Permanent Delegation of the African Union in Geneva

She emphasized that African Union attaches great importance to A4T. African Union has no doubt about the importance of this initiative as part of the DDA. African countries recognise this as a step forward. A4T will help natural resource abundant African countries in tapping their natural and human resources. The role of A4T is also crucial in enhancing the supply side capacity of poor African countries so that their productive capacities could be fully utilised. In order to operationalize A4T, it is very important to strengthen the cooperation between the two Bretton Wood institutions – IMF & World Bank and the WTO. There should be a wide stakeholder involvement in the design and implementation of programmes under A4T at the national and regional levels. Ambassador Masri in her presentation put forward the following recommendations of the African Union on A4T operationalisation:

- The funds under the A4T initiative should be additional, predictable and sustainable. A clear distinction is to be made between existing commitments and pledges and new ones under the initiative. Funding should not be at the expense of traditional development aid. The funding should come in grant form. Besides, the terms and conditions should be development friendly and should not involve high transaction costs.
- While A4T should support national efforts and projects through budget or project related assistance it should also be supportive of regional integration initiatives. A4T should be used to strengthen and develop trade policy and enhance trade negotiation capacity at national, sub-regional and regional levels through an effective mechanism including, inter alia, JITAP and IF and other mechanisms whether or not modeled on these existing mechanisms.
- A4T should be a complement and not a substitute for the development promises of the DDA or of traditional aid for development such as ODA and other regional and bilateral initiatives and programmes.
- There should be a proper management of the funds so that transparency, accountability and efficiency be ensured. The structure should include a monitoring and evaluation mechanism.
- The governance structure of the A4T facility should be designed to ensure that Africa has a strong voice in decision-making and implementation activities of

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the facility. The interface with multi- stakeholders and development partners is crucial for the successful operationalization of the initiative and for ensuring that there is effectively a bottom –up approach on decision-making and implementation of the initiative. While the creation of an advisory group is being considered it should be an opportunity to ensure that African countries are fully represented and own the process of the A4T so that African interests and needs are fully articulated and taken on board. African institutions and programmes such as NEPAD, ECA, ADB and AU should be included.

- In addition to supply side constraints African countries are facing with serious challenges under the ongoing liberalization process in terms of preference erosion and adjustment costs. These concerns should be addressed with extreme urgency and adequately. A4T funding should be available to help African countries in the transitory period. Particular importance is attached to the role of adjustment costs related to commodities (prominent among which is cotton).
- The operationalization of A4T should not be linked to the Doha Round negotiations. It is also necessary to ensure that there is no recycling of existing funds and commitments. Another important question that will need to be addressed by Africa is whether it should push for binding commitments or not under the initiative. If not, why and with what quid pro quos?
- National and regional expertise and resources available in Africa should be optimally used and synergized including in the diagnosis studies and technical cooperation programmes. Regional organizations and programs such as NEPAD, the African Development Bank, the ECA, and the Regional Economic communities (such as COMESA, SADC, ECOWAS, ECCAS, UMA, UMOA) could provide an African perspective to the A4T initiative.
- The African Union strongly recommends that priority attention be given to Cotton in the implementation of the A4T initiative.

(d) Harmon Thomas, Special Advisor, Division on International Trade in Goods and Services and Commodities, UNCTAD

Harmon Thomas in his presentation highlighted the work done by UNCTAD in the area of A4T and the future role UNCTAD could play in its successful operationalisation. In Sao Paulo Consensus (June 2004) there is an emphasis by UNCTAD member states on expanding trade-related technical assistance beyond the traditional “soft” aspects and more towards the “deeper-end”, such as dealing with productive capacity, trade-related infrastructure and adjustment costs.

The inclusion of the A4T initiative as a part of DDA represents a significant conceptual advance and an admission by the international community that market access alone is not

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sufficient as gains from trade liberalization are not automatic. If it is put into practice with adequate design and management, A4T has the potential to help developing countries to fully exploit the opportunities arising from globalisation and liberalization.

While underlining the importance of A4T, he made it clear that A4T should be, a valuable complement – and not a substitute – for the development benefits, which may emerge from the Doha Round, particularly on market access. This is because A4T can be used to help developing countries build their supply capacity and competitiveness and related trade infrastructure so as to be in a better position to reap the possible gains arising from increased and effective market access and market entry conditions, as well as fairer trading environment.

A4T should ensure additional, adequate, secure, non-debt creating and predictable funding for deeper-end trade capacity development, and should be channelled through a process that is demand driven and owned by developing countries.

In view of the complexity of the situation, the huge and important task ahead, coherence at the country, donor and international agencies levels was considered to be critical for desired A4T results. The United Nations, particularly UNCTAD, could make significant contribution to the operationalisation and implementation of A4T. A4T has been a central element of UNCTAD's mandate and work. As the focal point in the United Nations on the integrated treatment of trade and development, UNCTAD has a successful track record of enhancing trade policy formulation and trade-related capacities of developing countries and LDCs

(e) Martina Garcia, Senior Trade Policy Analyst, OECD Trade Directorate

The focus of her presentation was how to make A4T an effective tool for helping developing countries, particularly LDCs, to fully benefit from trade liberalization and WTO Agreements. Increasing the capacity of LDCs to become more dynamic players in the global economy will clearly require a wide range of support. The scaling up of aid provides room for this, but it is worth keeping in mind that it is the responsibility of these countries to give more priority and clearer definitions to their trade and growth strategies in order to effectively accelerate their successful integration into the world economy, a process which donors are willing to support.

However, effectiveness of aid delivery needs to be improved. Addressing the barriers that restrict a nation's trade-related capacity has proven to be a challenge stretching the capability of most recipient and donor agencies. In fact, A4T will face much of the same challenges inherent to all aid delivery. Harmonization among donors and efforts to implement common arrangements, simplify procedures, an effective division of labour and collaboration are key aid effectiveness principles. Furthermore, recent evaluations of A4T programmes highlight, in particular, the absence of a results-based design in most projects and the poor use of monitoring and evaluation tools.

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The second most important key factor she identified is the local ownership. The main challenge remains lack of genuine country ownership towards making trade a key tool of economic development. Trade reform is extremely sensitive to political economy constraints, and in many countries, vested interests are often unwilling to promote the reforms needed. In these cases, national dialogues and mainstreaming trade into national development strategies will remain weak. Donors seeking to deliver development results may want to improve their understanding of the political and institutional constraints to assess the capacity of the private sector and local champions in and outside of existing political and business elites in helping to define country strategies. The inclusion of A4T in the Hong Kong Declaration offers the aid and trade communities the opportunity to establish a framework to deliver A4T assistance by providing incentives to recipients and donors alike to:

- Foster integration and synergies between trade and other economic policy areas;
- Improve the coherence of A4T assistance with overall aid strategies;
- Enhance the credibility of donors' commitment to increasing A4T;
- Support knowledge development in recipient and donor countries, and;
- Strengthen country ownership, align around country strategies, harmonize donor procedures and enhance management for results and mutual accountability.

The other important aspect is local accountability and global review. Some commentators are advocating the creation of new institutional mechanisms to secure additional financial resources towards A4T, even if this implies establishing a vertical fund. Indeed, specific vertical funds can be a useful mechanism to attract financial resources towards needs that might have been neglected and can be easily de-linked from broader national development strategies. However, it is undesirable; if at all possible, to separate the trade-related agenda from the broader economic growth agenda since this most certainly will compromise aid effectiveness and fail to deliver any real impact on trade performance.

Prioritization of trade capacity gaps can only be achieved effectively and efficiently when trade is mainstreamed into national development strategies. Moreover, a broad interpretation of A4T, already representing around a quarter of net ODA, points towards the need to focus efforts on further integrating A4T into locally owned development strategies to support the scaling up process at the country level, rather than creating a completely new parallel A4T channel. While there are compelling reasons to refrain from creating a new institutional mechanism for the financing and allocation of A4T, there is a very clear need to establish the credibility of A4T in the context of the DDA. A more structured A4T Partnership operating at the country level with global review and monitoring would fill the gap that exists at present. In fact, two accountability mechanisms are required- One that should operate at the national or regional level, and the other at the global level:

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- An A4T partnership aligned with existing local partnerships should bring together all the relevant stakeholders, including donors who provide trade-related support. Such a partnership (termed here as Local Accountability Pacts or LAP) would provide incentives and means to foster country ownership, donor alignment and harmonization. Its purpose is to provide feedback on the financial and performance-related aspects of the national A4T agenda. This would ensure that A4T would focus more on outputs instead of inputs. An obligation to report regularly, for example, to the WTO will focus assistance on delivering measurable results.
  - A Global Review Mechanism (GRM) would provide strong incentives to address needs – whether financial or performance related – identified by LAP and highlighted in the global review process. In turn, this will ensure that the Hong Kong A4T mandate is implemented in a credible, sustainable and effective manner, responding to the objectives of both the aid and trade communities.

## 2. Questions and comments by the audience

During the discussion, one major concern which came up was possible conditionalities attached to A4T. One of the participants strongly objected to making national poverty reduction programmes conditional upon delivery of aid under A4T initiative. In response to this the DFID representative clarified the position her organization regarding this. DFID does not practice any prescriptive approach while providing assistance to poor countries. The only conditions which DFID imposes are observance of human rights and governance.

In discussion it was also made clear by participants that trade is not a central mechanism for poverty reduction but one of the enabling factors in poverty reduction. For this it is necessary to ensure that trade reforms could be prioritized in Poverty Reduction Strategy Programmes (PRSP). At present PRSP do not give high priority to trade reforms.

Evaluation of technical assistance under A4T is another issue which was raised during the discussion. However, participants felt that this is going to be an erroneous exercise.

It was also realized the need of knowledge sharing. For this a strong facilitation mechanism is required. We also need to devise some instruments which could allow common training of donors and recipients for better realization of benefits out of A4T.

## 3. Conclusion

The session deliberated on four key questions - expectations, particularly of LDCs, from the A4T initiative; role of donors for operationalising A4T; Role of inter-governmental organizations for operationalising A4T; an effective A4T partnership: Local accountability and global review.



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The session speakers made specific recommendations, which are explained in the summary on all the above four key issues. One important issue, which WTO has to look into how the A4T initiative could be operationalisation and should not wait for conclusion of Doha Round of trade negotiations, which is under suspension at present.

The second important role for the WTO is to ensure how it could become a binding agreement. One of the major challenges for the WTO is where does it place itself in the implementation of A4T as views were expressed that WTO is not going to be an implementing organization.

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## C. Trade and development post non-Doha: Let's get real, *Organized by the Evian Group at IMD*

Report written by the Evian Group at IMD

### Abstract

*The WTO and the multilateral trading system are at a crossroad, while the prospects for development in many parts of the world remain uncertain, at best. The Doha Round was meant to bring the North and South closer together. Five years later the divisions between the two are deep and bitter, while the Doha Round lies in ruins.*

*Notwithstanding the many improvements in global welfare that have undoubtedly taken place over the last decade – including through both political and economic reform – the Doha Round's collapse falls onto a global landscape already riddled with turmoil, not least from devastating conflicts, growing economic nationalism, and persisting dismal poverty. The collapse of the talks occurred almost simultaneously with the outbreak of the war in Lebanon, jointly highlighting the series of breakdowns in global governance. Doha's success was sorely needed and represents a dramatic setback to the process of building a more prosperous global market and a more peaceful world.*

*There was also, however, an element of illusion about the Doha Round and specifically in relation to development. Thus the challenge now is to explore new ways to increase public awareness of the multilateral trading system and its benefits, simultaneously seeking to explode some of the myths abounding the international trading system and globalisation, and retain, indeed advocate and widely disseminate the realities of development in the context of both the limits and opportunities that trade provides. This may be considered the most imperative action to be taken in the wake of the Doha Round's paralysis and suspension. Where do we go now post non-Doha?*

*To address this question, the Evian Group brought together a remarkable team of panellists representing the global business perspective and the developing world's key regions. The meeting aimed at a very open and constructive discussion.*

### 1. Presentations by the panellists

Over the past five years of the Doha Round, a state of repetition, fatigue and drift increasingly prevailed the trade negotiations and the MTS. Lying in the ruins of Doha the current situation of the global trading system is staggeringly unstable. How did we get there?

- The DDA led to a confusion of expectations. The prime contention to get real should be based on the notion that the WTO was never envisaged as a development organization. Consequently, the subsequent failure to-date to deliver on the development mandate of

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the Doha Agenda is seen as a key factor that has led to the current collapse. From the perspective of many developing countries the declarations on development have been diluted: the promises made to them at the outset of the DDA have bounced. Thus for countries like Nepal and Bangladesh, the collapse of the DDA becomes insignificant, as the issues they are interested in were not being addressed.

- Another cited factor in the stalled negotiations, are the many diverse vested interests in the trade negotiations themselves. Furthermore and perhaps consequently, a breakdown of trust between various players and a lack of any sense of global citizenship also determined a cause of the current failure. The question is then how can we overcome these seemingly entrenched hurdles?
- The DDA in name is not *per se* the problem, rather the interpretation of development itself. Is development the liberalization of trade; policy space; or reform? Where does the nexus lie between trade and development? Indeed, is the WTO the appropriate forum in respect to development? Does it have the capacity to deal with development? These questions must be addressed with concrete analysis. We must therefore address what the metrics of trade's role for development are. In many respects, the Doha Round has been about very intangible, immeasurable issues. The introduction of such issues, like labour and development, has undoubtedly hampered the trade negotiations.
- Do the asymmetries of development make development difficult to achieve? Alternatively however, would removing asymmetries of the playing field between the industrial and poor countries be a key to development?
- Ultimately, the catalyst for development begins with domestic reform. To take the example of China, China's development paradigm since the late 1970s has been to reform and open its domestic market. To lock-in reforms and open its economy, China sought WTO membership; it is now one of the most open economies in the developing world. A further domestic imperative is the reform of national economic structures, so that sectors outside of the state economy can grow into major players in the domestic economy.
- Overall, three particular lessons can be taken from China's reform: first, during the last fifteen years, China's economic reform and WTO accession have brought new opportunities; second, however, WTO accession is no guarantee of outcomes – outcomes find guarantees through domestic reform. Therefore, domestic reform can be locked-in and complemented by international integration into the WTO and the global economy; third, development and economic growth need an open economic environment, as China's experience shows.
- It was contended by one panellist that there is a perception that African leaders view trade as solely finding markets outside of their own economy, to the direct detriment of the domestic, local market. The value of domestic economic and structural reform in

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Africa is illustrated by Ghana. Domestic reform, in particular a greater emphasis on the development of enterprise is imperative. In Ghana the Millennium Challenge Account will provide a total of US\$ 547 million over a five-year period. During a five-year period, one single telephone company in Ghana reined in that amount alone. Reconstructing and developing the existing local economies is a reality-based approach to economic development, as well as one that offers enormous potential. This is particularly the case for the development of SMEs; in Ghana 80 per cent of the economy is informal. A restructuring of domestic economies to enable the growth of entrepreneurship and small and medium businesses could have a positive impact to the economy that far outweighs the gains from A4T.

- Africa's intraregional trade barriers pose one of the largest hurdles to African development. Reducing customs barriers and developing regional transportation infrastructure is necessary. Within Africa, the World Bank estimates that income gains from regional trade liberalization, resulting from a complete reduction in barriers would be in the region of US\$ 1.75 billion by 2015.
- The global business community has been noticeably absent in the Doha Round. This failure of business to provide strong support is a profound blemish on their part, as well as detrimental to their own interests. The business perspective must be one of enlightened self-interest. Decreasing poverty creates more consumers – an open global economy creates markets and improves the speed, cost and efficiency of global business transactions. Right now there are not enough businesses prepared to develop a new framework to go forward. Business as a key stakeholder of the international economic order has a responsibility to influence and create pressure to improve the global environment. Indeed, it is companies and not countries that trade. Currently hampered by the *status quo* of shareholder constraints and a short-term profit maximizing approach, business must adapt and apply a long-term perspective. An environment of prolific regional trade agreements and bilateral trade agreements is not in the interest of global business, as transactions costs will go up immeasurably, transparency will diminish, as will predictability.
- At the institutional level, what do we wish to rescue from this social construct of the WTO? We are often unable to question our assumptions, indeed to move outside of the box, overcome deadlocks in Doha negotiations from positional bargaining and move towards thinking about global gains.
- Two scenarios can be drawn as alternative possible futures for the WTO: The WTO in ten-years time could cease to exist. Our failure to narrow differences, a G-8 refusal to discuss greater domestic subsidy reductions could lead to irresolvable deadlock. Preferential agreements could easily proliferate further to the ultimate detriment of the global trade talks, and trade diplomacy may be increasingly looked upon with scepticism.

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- Alternatively, the opportunity during the interim period from now until 2009 could be maximized so that Doha can be completed. Negotiations could be imminently resumed and concrete work and policy analysis could be undertaken to achieve the goals of the DDA. The revival of Doha however and the development mandate After an interim period, at the moment may be a bit naive. Maximising the interim period will require concrete steps and measures. In this light, an insightful concluding remark by a member of the panel, Ximena Escobar de Nogales, noted the title of the Forum in English and French, respectively *What WTO for the XXIst Century?* and *Quelle OMC au XXIe Siècle?* In Spanish however there is reference to intention, action and will, *Qué OMC queremos para el siglo XXI?* - what WTO do we want for the XXI Century?

We cannot continue with the current pace of poverty. Just as the great struggle in the nineteenth century was against slavery, and the great struggle in the twentieth century was against totalitarianism, it has been said that the XXIst century great struggle will be against poverty and equality.

The market mechanism should drive the WTO negotiations while the market as an institution should not be understood as incapable of taking care of social sector needs. It is imperative to remember that the future of the WTO is to a great extent in our hands. Should we fail to address the current challenges facing the MTS and globalisation, how will we respond when the next generation asks why when we had so much, we accomplished so little?

## 2. Questions and comments by the audience

The open discussion focused on the issues raised by the panellists of development and trade and WTO institutional reform:

- There seems an inherent misconception or lack of depth to what development is. Often not taken into account is that development ought not to be restricted to the poor countries of the world. Nigeria for example in the 1970s was much richer than it presently is. And rich countries will face hardships in the future, unless they embark on “development” of their institutions, industries, economies and further invest in human capital.
- We can negotiate timing for poor countries to catch up – we must not negotiate the objectives! People in negotiations now seem to have a loss of memory or ignorance towards the recent history of the Great Depression and WWII. Without global cooperation we could see a repetition of these tragic and destructive events.
- A4T is not a substitute for market access. It is a catalyst to do away with certain current bottlenecks. Development with respect to trade negotiations must be two-fold: one is in the form of obligations from the DDA, such as S&D treatment

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for developing countries and LDCs. The second is rights, which derive from the DDA as a development Round, such as market access rights in NAMA and services that open up avenues to opportunities.

- There is an enormous distrust of government in both developing and developed countries. This, as well as unbalanced bargaining power among stakeholders needs to be addressed in order to begin to achieve the gains that market access and trade liberalization are capable of achieving on a broad scale.
- The great majority of the WTO membership is made up of developing countries – unless it becomes responsive to them it will die. The organization needs to look into the future. It prides itself as a member driven organization – but this has led to inequities in the operation of the organization with developed nations having greater access to resources and capacity. To benefit poorer countries it was suggested the Secretariat must hold a more important and substantive role.

### 3. Conclusion

There is a prevailing complacency and lack of vocalization amongst the business community, as well as among proponents of globalisation. But, we cannot afford to be idle, sit back and take the international system we live in today for granted.

Our current international system of Bretton Woods institutions, created in the Aftermath of the Great Depression and WWII, is struggling in the new XXIst century global environment. One can argue about the benefits, but what needs more analysis and what has been largely neglected are the costs of a non-Doha world. Or is the WTO to become the League of Nations of the XXIst century? What kind of a planet do we want in ten years? What are the objectives and how do we get there? We have a destination but we cannot decide upon how to get there, which has left us in the current standstill.

The session raised a number of concrete steps forward including ways to reinvigorate and, perhaps more so, expand the capabilities of the WTO Secretariat to become a viable and effective actor and custodian of the MTS:

- The creation of a *WTO policy forum* to conduct analysis and formulate concrete goals of trade for development; sequencing of trade liberalization; and the role of domestic policy in adjustment processes;
- Using an interim period between now and 2009 (After the 2008 US presidential elections) to concentrate on readdressing asymmetries between countries' development as well as the asymmetries within the global trading system, and advance negotiations with a development impact in pursuit of their independent conclusion;

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- An increase of WTO Secretariat powers and mandate;
  - Involvement of stakeholders, including policy-makers, scholars, business leaders, and NGO leaders to foster a rules based MTS and an inclusive and equitable global economy;
  - Bringing promises to developing countries within the DDA that will facilitate development back onto the negotiating table;
  - A4T can play an important development role particularly if international coherence in aid is achieved. However, it must not be used as a substitute for reforms and market access;
  - Business, a so-far silent stakeholder in the Doha Round, must become more vocal; and
  - The importance of domestic reforms regardless of the international agenda and Doha collapse was emphasized in particular to create an enabling environment for the growth of SMEs and entrepreneurship. Furthermore, within Africa, the removal of intra-regional trade barriers as well as the development of transportation infrastructure would greatly facilitate trade and development in the region.

The current period is an opportunity to address the current failings of the WTO as an institution as well as the Doha Round itself. Irrespective of the questionable wisdom of holding a “development” round, development is not just for developing countries, but a global prerogative for humanity. The next steps must address what the metrics for development are for trade; the onus that reform and change must begin at home; and increase advocacy from the business community and supporters of the MTS.

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## D. **Stocktaking of WTO negotiations: Concerns of Developing Countries, Organized by the Saarc Chamber of Commerce and Industry**

Report written by SAARC Chamber of Commerce and Industry

### **Abstract**

*The SAARC Chamber of Commerce and Industry (SCCI), an apex business organization of SAARC, organized a session entitled, "Stocktaking of WTO Negotiations: Concerns of Developing Countries" at the Annual WTO Public Forum 2006 on September 26, 2006 at the WTO headquarters in Geneva. The main purpose of this session was to highlight and raise issues of developing countries, particularly South Asia, at an international forum.*

*The objective of the session was to address the concerns of both developing and least developing countries (LDCs) with special interest of the private sector regarding the WTO negotiations. Recently, the Doha talks have been postponed over which the South Asian business community is disappointed. The speakers discussed issues that are essential to successfully conclude the Doha Round of negotiations without suppressing the interests of the developing countries. Moreover, the need to design the global trading system with the widest participation of all WTO Members and communities that would be affected by the outcomes, particularly the poorest and most marginalized was also emphasized. Furthermore, the way to move forward with the negotiations so they are successfully concluded was also a major issue discussed.*

### **1. Presentations by the panellists**

- (a) Dr. Manzoor Ahmad, Pakistan Ambassador & Permanent Representative of the Permanent Mission of Pakistan to the WTO in Geneva

Dr. Manzoor Ahmad moderated the session, set the tone and introduced the speakers. He also briefly explained the major reasons for the suspension of the Doha negotiations, which was mainly because of the lack of progress in agriculture. He emphasized three key issues responsible for the lack of progress. First of all, the overall cut in domestic support by US was perceived to be negligible by other countries. Secondly, the Europeans were offering 39 per cent on market access, which was also not enough. However, they indicated they were willing to go to the G-20 formula with a 50 per cent cut but with some exceptions on sensitive products. However, the US still felt that they were not gaining any major benefit from this. Thirdly, developing countries were looking for exceptions for special products; special safeguard measures and some of the major countries were looking for markets in advanced developing countries - particularly Brazil and India. However, G-20 formula cut in tariffs is already 2/3rd less for developing countries and on top of that they have special provisions so the developed countries did not agree.



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(b) Martin Khor, Director, Third World Network, Malaysia

Martin Khor asked about “What WTO for the XXIst Century”. He expressed the view that the main aim of WTO is to create a MTS that is predictable, fair and that is operating in a transparent, participatory manner. However, currently we are far from that and improvements have to be made to achieve that. He stressed that full participation of developing countries is needed as well as the need for just principles, rules and agreements.

The current Doha Round is called the ‘development Round’ and its overall aim is global development. The developing countries agreed to open up market access in agriculture, non-agriculture market access (NAMA) and services on the following conditions:

- The present imbalances in the system are corrected
- The new negotiations would focus on development principles.

Therefore the outcome of the Round was to re-balance the negotiations in such a way that they would not be bias against the developing countries. And because that re-balance could not be attained, the talks were suspended. Mr. Khor urged that the way forward for the negotiations is that the two major development issues - implementation and S&D treatment be revived and put in the forefront of the negotiations. He also stressed that it is up to the developing countries to reorganize themselves, establish a common ground and assertively put these issues forward for their own interest and benefits.

(c) Rashid S. Kaukab, Head of Strategic Policy, Planning and Coordination at the South Centre in Geneva

Rashid S. Kaukab centered his address on the interest and concerns of the least developing countries (LDCs) regarding the WTO negotiations. He pointed out three pillars that are essential for development, particularly for LCDs: enhanced market access, balanced rules and effective capacity building.

Enhanced market access includes preferential market access and better market access in developed countries. Moreover, he pointed out that many LDCs feel they do not need to emphasize on rules, as they are exempted from some rules and also because they have more pressing issues which need their attention. However, Mr. Kaukab emphasized that LDCs should play an active role in rules. Balanced rules are about policy space and LDCs need more policy space. He explained that whatever exceptions exist for LDCs, they are limited and time bound. Furthermore, effective capacity building is a primary issue for LDCs. LDCs can argue that capacity building initiatives need to be unconditional, need based, demand driven, in grants form and should facilitate enhanced market access and balanced rules. He explained that the way forward for the LDCs should be to pursue these development pillars, collectively and consistently.

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(d) Pradeep S. Mehta, Secretary General, CUTS International, India

Pradeep S. Mehta spoke primarily about how developing countries, particularly South Asia can move forward with the WTO negotiations and come to an agreement on better equity in the MTS. He expressed that the SAARC region does not have many common issues on trade mainly because of conflicting interests of the three developing countries and four least developing countries in the region. However, he advised that until political problems are not solved, the South Asian region cannot move forward in development. Hence, there is a strong need for the countries in the region to form a common position on the basis of understanding and respect for the others' interests. Only with such a strong, united front would the region be able to succeed in the negotiations and thus gain economic development in South Asia.

Furthermore, Mr. Mehta expressed that the current impasse in the negotiations provides an opportunity to review the negotiating positions and proposals from a development perspective. He stressed the importance of making progress on the development issues in order to rebalance the existing WTO rules in the various areas and make the MTS fairer.

(e) Dasho Ugen Tsechup Dorji, President of the SAARC Chamber of Commerce and Industry

Dasho Ugen Tsechup Dorji focused his address on the concerns of private sector and he expressed the keenness of the South Asian business community to have the WTO negotiations back on track. He pointed out that the delay in negotiations should be looked at with optimism as the suspension of the Doha talks provides an opportunity to reflect upon the need for a re-imagined global economy that would actually contribute to real development and poverty eradication for future generations.

He discussed issues in agriculture, NAMA, services and non-tariff barriers (NTBs). There are issues of livelihood and development for the smallholding farmer dominated agriculture system in South Asia, hence the vulnerability of the region for the agricultural negotiations is immense. It is crucial to address the issues in the agricultural sector in a transparent manner to attain balance and equity among all the WTO Members.

Moreover, he stressed that flexibility for developing countries cannot be diluted and should form an integral part of the negotiation outcome. He urged to look for a faster, less expensive means to resolve NTBs at the WTO than the currently available dispute settlement mechanism which is costly and time-consuming. Moreover, he pointed out that much remains to be done to liberalize the international trade in services. He expressed the concern of the lack of willingness on the part of the developed countries to give more liberal commitments in Mode-1 which is cross-border supply of services.

Mr. Dorji also mentioned that in earlier WTO rounds, developing countries did not have the capacity to play a significant part in the WTO negotiations. However, now they are

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empowered and have the knowledge to play a significant part in the negotiations so that their interests are not suppressed. He emphasized that the way forward was to reconcile the conflicting interests of the developed and developing countries and the need to work out a fair compromise needs if the overall aim is to promote global development.

## 2. Recommendations

The recommendations gathered from the session were:

- There should not only be a free trade regime but it should also ensure a fair trade policy. This will not only result in creation but will also act as a catalyst guaranteeing more equitable growth and development. There is a need to fundamentally re-design a completely different model of agricultural trade that will provide true food sovereignty – based on ensuring food security, promoting rural development, and safeguarding farmers' livelihoods.
- Additionally, there must be major restructuring of existing allocation priorities in the policies and conditions for an improved infrastructure for trade. It is a well-known fact that most the developed countries had industrialized behind high tariff barriers. Thus the developing countries must be given enough policy space to use tariffs selectively for industrial promotion. Contrary to this, developing countries' exports face proportionately high tariffs in developed countries. This will definitely harm the exports of developing countries.
- There is a need to broaden our economic and political command and to evolve a development strategy that reaches to the bulk of the population. WTO negotiations on NAMA aim to reach an agreement on market access that covers non-agricultural products particularly industrial but some of the natural resources are also being considered. The outcomes will have an important bearing on the industrialization, economic growth and jobs in the developing countries.
- S&D treatment is pivotal and cannot be ignored as it promotes economic development of developing countries, including LDCs. S&D TREATMENT includes balanced rules and enhanced market access that keep in mind the needs and priorities of developing countries.
- Keeping in view the present geo-political environment, the Governments of developing countries need to develop a mechanism in collaboration with developed countries to facilitate Mode 4 so as to ensure that professionals from developing countries will return to their respective countries within the determined timeframe.
- Furthermore, to successfully conclude the Doha Round of negotiations, the developed countries have to deliver their commitments, such as substantially improving market access for goods and services of export interest to developing countries and the LDCs and

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increase their trade related technical assistance. In addition, we need more transparency in the multilateral negotiations and avoid arm-twisting practices of developed countries to reach desired results.

- Keeping in view the global trade share of EU and US, it is the duty of these large, powerful economies to assume leadership and take the responsibility that is required for successful conclusion of Doha Round.
- Establish a common South Asian position on a number of significant issues affecting these countries. It is imperative to note that there may not be convergence of views and stands of all SAARC countries on each and every area of negotiation. But that should not be a hindrance in exploring the possibility of having alliances and common positions on a broad range of areas.

### 3. Conclusion

The session succeeded in attracting a number of prominent participants and stimulated interesting discussions. After the speakers presented their views, the speakers were able to eloquently raise the issues which were being faced by the developing countries during the WTO negotiations in Doha and beyond. Moreover, they also highlighted how the negotiations can be put back on track so that the multilateral system can promote global development and equity. The WTO is an extremely important and powerful means to promote a MTS and consequently economic growth and global development. A MTS has become both an emblem and a living example of global economic interdependence and heightened stakes for all countries. It is needed by the developing countries as the best possible shelter against arbitrariness and as a guarantor of fairness and equity in their trade relations. And it is needed by them because trade is an increasingly important determinant of their economic growth and development to escape from the vicious circle of poverty in which they are trapped. But, developed countries also need the MTS to involve the developing countries in trade liberalization, so that their economies can trade and invest with greater freedom, certainty, predictability and security across borders.

In this scenario, the role WTO plays in future negotiations is extremely crucial. It must be a neutral party that is cognizant of the interests of developing countries. The WTO must promote equity and fairness with the sole aim being global development.

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**E. Trade rules and living standards: The interplay of national development strategies and global rules, *Organized by the Global Business Dialogue (GBD)***

Report written by the Global Business Dialogue (GBD), Washington

**Abstract**

*Mr. Morris set the stage for the discussion. Mr. Vishwanath's presentation was broad and timely. It spoke directly to the issues of the panel, specifically, the question of the relationship between the WTO and development, and it contained a useful summary of the Indian business community's goals for the Doha Round. With respect to development per se, Mr. Vishwanath said that the intense focus on development in the shaping of the Round has led to exceptionally high expectations in developing countries. As for the role of the WTO as an institution, he cautioned against viewing the WTO as a development agency.*

*Mr. Aldonas's presentation, though filled with references to issues in the negotiations, was in effect a step back from the day-to-day processes of the negotiations. His focus rather was the search for the intellectual framework for understanding development and the implications of that understanding for trade negotiations. His argument, like the argument in Amartya Sen's book *Development is Freedom* to which he referred, was that development is about individuals. Specifically it is about enhancing the individual's ability to participate in his or her local economy and society and in the global economy. Having established that premise, Mr. Aldonas went on to say that the goal of trade negotiations should not be a mercantilistic swapping of tariff line reductions. Rather, he said, it should be about two things: 1) expanding the capacities of individuals throughout the trading system to participate in it, and 2) refining and enhancing the comparative advantage of the countries (economies) in the system.*

**1. Presentations by the panellists**

Mr. R. K. Morris, the founder and president of the Global Business Dialogue, served as the moderator. What follows is a more detailed description of the two presentations, including a description of the relatively short question-and-answer session for this panel. This description relies heavily on the taped recording of the session. It is nevertheless a distillation, rather than a transcript. Thus the final responsibility for this summary rests with Mr. Morris and with the Global Business Dialogue rather than with the presenters.

(a) Mr. R. K. Morris, president of the Global Business Dialogue

*Mr. Morris set the stage for the discussion this way:*

Like much of what has already taken place in other sessions in the 2006 Public Forum, this afternoon's discussion is about development. One premise in requesting the time for

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this panel was that the world in general and the WTO in particular do not have a shared understanding of what is meant by development, much less what the role of the WTO should be in promoting development. The Prime Minister of Lesotho, His Excellency Pakalitha Mosisili, referred to this dilemma in his remarks on Monday. He noted that there are some – including some who express official WTO positions – who assert that the WTO is not a development agency. He added immediately, “I beg to differ.” My purpose in referring to that portion of his remarks is not to express a view on the issue but simply to note that it is, in fact, an issue.

If you are looking for other evidence, you might consider as well the history of the phrase “The DDA.” It is the formal name of the current Round, a Round which I very much hope will resume quickly and conclude successfully. Yet it is not a name that can be found in the actual text of the Doha Declaration. My understanding is that the name was suggested by then-Director-General Mike Moore of New Zealand at the end of the Doha conference in November 2001.

It would be a mistake to make too much of this small bit of history. Equally, though, it would be a mistake to underestimate the profound differences that exist within the WTO family vis-à-vis the relationship between trade rules and development. That point was underscored in an article by another former Director-General of the WTO, Peter Sutherland. On August 2<sup>nd</sup>, Mr. Sutherland published an article in *The Wall Street Journal*, in which he argued that the development bargain struck at Doha needs to be honoured. In the process, however, he commented that “S&D treatment [is] arguably an anti-development agenda.”

If indeed development is central to the work of the WTO, and if too the WTO is ultimately a system of enforceable rules, then somewhere along the way the Members of the WTO will need to forge a common understanding as to what they mean by development and how they see the relationship between trade and development.

Like any discussion, that one needs to begin with the perspectives of thoughtful people who are engaged in the WTO, in the global economy, and who care deeply about both. Our speakers this afternoon fit that pattern.

(b) Mr. T.S. Vishwanath, International Trade Policy Division of the Confederation of Indian Industry (CII) –Former Head of the CII office (Geneva)

*Mr. Vishwanath gives an Indian business perspective*

As noted above, the title of this panel was “Trade Rules and Living Standards: The Interplay of National Development Strategies and Global Rules.” Mr. Vishwanath zeroed in. “One thing you have to keep in mind when you are negotiating a trade agreement,” he said, “is that [for developing countries] a national developments strategy ...is as important as the security and environment issue.” It is a top national priority and cannot be bargained away. Yet Mr. Vishwanath was not altogether sanguine about the consequences of giving

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development such a high priority in the DDA. Putting the spotlight heavily if not exclusively on development, he said, has meant that “the aspirations and expectations of the developing countries went up exponentially.”

“We expected too much in too little time,” Mr. Vishwanath said. Beyond that, Doha’s heavy development emphasis has called into question the nature of the WTO itself in ways that may be unhelpful. The WTO “can’t just be a tool for development,” he said, adding that that role should have been left to UNCTAD – the United Nations Conference on Trade and Development.

If development is the core goal of the Doha Round, then in many respects the world seems to be putting the cart before the horse. Mr. Vishwanath said CII was getting a great deal of pressure from major business organizations in other countries to do more on market access. “But ...market access was not the core point of the development agenda,” he said. Rather, he suggested, “market access was based on the development objectives of the Doha Agenda.”

#### **NAMA & CII**

Mr. Vishwanath did not expressly say so, but it is probably the case that CII and others in India are being pressed particularly hard on the issue of industrial tariffs. This is “non-agricultural market access” or “NAMA” in the language of the Doha Round negotiations. Mr. Vishwanath set the stage for a discussion of NAMA with a brief description of CII.

CII represents more than 60,000 companies, Mr. Vishwanath said, working in 128 different sectors. Some of these, like the Tata Group, are truly global companies. Seventy to eighty per cent of CII’s companies, however, are small firms. “For those companies,” Mr. Vishwanath said, “globalization has been more a threat than an opportunity.”

CII has been working with those companies to help them see the opportunities, Mr. Vishwanath said, and then he drew attention to the questions they ask about NAMA. In a nutshell, there are two:

- What does “S&D treatment” mean in the NAMA negotiations?
- And, whatever it means, whatever benefits it may convey, are not India and Indian firms entitled to them?

Mr. Vishwanath rejected the notion that India should not receive developing country treatment “just because our economy has been doing well for the last few years.”

“We are not a counterweight to the economies of the U.S. or the EU,” he said. “So why is it that we are being put at the same level as the U.S. or the EU?”

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Mr. Vishwanath conceded that India had participated in the previous GATT rounds of trade negotiations – the eight rounds from 1947 to 1994. For him and for India, that was largely a technicality. Globalization only really became an issue for India in the 1990s. And from the early '90s to today, Indian industrial tariffs have plummeted from a high of 100 or even 120 per cent *ad valorem* to the current 12.5 per cent of the last budget.

In such an environment, he said, it is not unreasonable for India to get more time for lowering tariffs and more time for closing the gap between its bound rates – the WTO legal ceiling for its tariffs – and the rates India actually applies to imports. Indian firms, he suggested, see the gap between bound and applied rates as a safety net. “Is not having a safety net part of the S&D treatment that developing countries are entitled to?” Mr. Vishwanath asked.

### **And the formula**

He also raised questions about the so-called Swiss formula. All but formally agreed to as a technique for proceeding in the NAMA negotiations, the Swiss formula has the effect of cutting high tariffs much more dramatically than lower ones. Mr. Vishwanath wondered aloud why negotiators are intent on using a formula with a coefficient – the Swiss formula – for cutting industrial tariffs whereas in the agriculture negotiations, countries are negotiating simple percentage cuts.

### **Doha, Agriculture and India**

Mr. Vishwanath said less about agriculture than he did about the negotiations on industrial tariffs. He did, however, remind the group of India’s enormous stake in the agriculture negotiation; enormous but defensive.

“Seventy per cent of our population is still dependent on agriculture,” he said, and for most of them the issues of the negotiations are obscure and probably irrelevant. “All [these farmers] want,” he said, “is to ensure that, where they sell their local produce, that [place, that market] is not taken over by somebody else.” Describing the Indian government’s position on the issue, he quoted a government minister as saying, “I can create commerce, but I can’t create livelihood. I can’t negotiate livelihood, but I can negotiate commerce.”

If the thrust of Mr. Vishwanath’s remarks on agriculture were defensive in negotiating terms, they were nuanced in economic terms. India does not expect to rival agricultural powerhouse producers like Brazil, he said – not in the foreseeable future and probably not ever. Over the next few years, however, Mr. Vishwanath said he does expect to see more and more Indian companies enter the export market for selected agricultural products.



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## Services – What to ask for

India already is, of course, a powerhouse with respect to certain services, from back office call centers to software development. In the WTO context, issues relating to services break down, not according to sector – chemical, automotive, electronic – but according to the mode of supply.

**The Four Modes**—There are four, and Mr. Vishwanath referred to three of them. They are:

**Mode 1 – Cross border trade in services.** India’s call centers and back-office operations are good examples. Only the services themselves cross the border, not the customer and not the provider. Mr. Vishwanath said India may seek improvements in the WTO rules in this area.

**Mode 2 – Consumption abroad.** The traveller from abroad who spends a night in a Bangalore hotel is availing himself of a Mode 2 service.

**Mode 3 – Commercial presence in the consuming country.** Foreign direct investment is the best example. Mr. Vishwanath said that here too India may wish to seek improvements to the existing WTO Agreement on Trade in Services. This becomes less and less surprising as more and more articles are published about investments by India’s big, global companies.

**Mode 4 – Involving Movement of Natural Persons.** If a Canadian brain surgeon does an operation in Boston, that is a Mode 4 transaction. In the U.S. Congress, this issue has gotten horribly tangled up with the debate over immigration. Almost certainly that is what Mr. Vishwanath was referring to when he said, “I have heard from ... counterpart organizations and from my government ... that it is best that you don’t ask for anything on Mode 4.”

“That is certainly very disturbing for companies in India,” Mr. Vishwanath said, as they would like to have improved WTO disciplines and more legal certainty when it comes to moving skilled professionals from one spot to another, whether Bangalore to Boston or Seattle to Sydney.

- (a) Mr. Grant Aldonas, Scholl Chair in International Business, Center for Strategic and International Business - former Under Secretary for International Trade at the U.S. Commerce Department (2001 -2005)

*Mr. Aldonas highlights the individual and comparative advantage*

Mr. Aldonas began with a compliment to Mr. Vishwanath for a presentation that was very much in tune with the context in which everyone concerned with the WTO is now operating. “I am going to take a more philosophical approach,” he said, and he did. He continued:

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If in fact the goal is development, we've got the wrong framework. And until we realize we've got the wrong framework, we are not going to succeed in this Round. We are approaching the idea of bargaining for development in a way that is absolutely consistent with the mercantilist approach that we used in bargaining inside the GATT, the WTO, for the last 60 or 70 years. That is the method that is least likely to take us to development.

Mr. Aldonas asked the group to bear with him. He explained that his approach would first be to set the stage for the discussion, that is to provide some description of the economic realities in which all of us live; then to talk about how economists approach development; and finally to discuss the implications of the first two for trade and trade negotiations. Though edited and condensed, this is what he said:

### **Challenging numbers**

Let me begin with the numbers. In our world today, there are 2.8 billion people who live on two dollars a day; 1.25 billion of them live on less than one dollar a day. That should underscore the importance of getting this right and getting trade to make the contribution it can. Worse still, the gap between rich and poor is widening significantly.

There are one billion people on the planet, including everybody in this room, with an average income 16 times higher than the poorest people. In much of Africa today real living standards are lower than they were in the United States 200 years ago. And there are more people in extreme poverty on the continent of Africa today than there were a decade ago.

A better way to highlight the stark nature of the challenge we are facing is to point out that 17 per cent of the world's population goes hungry every day. Eleven million children die annually in the developing world from what we should think of as preventable causes. Life expectancy in sub-Saharan Africa is 46 years and falling, roughly half that of the developed world, and according to the ILO, the International Labour Organization, there are 180 million child labourers under the age of fourteen working in conditions that endanger their health, and 73 million under the age of 10.

That is the challenge we are facing. I don't want to overplay what trade can do in that context, but I do want to point out that there is a lot that trade could do to drive change inside every economy.

### **Better numbers**

There is also a much more optimistic set of numbers. There always is. We are seeing the longest run of sustained, broadly shared growth in the developing world that we have seen in three decades. In 2005, for the first time, the developing world's share of world GDP exceeded that of the developed world. The world's developing economies are now growing at roughly 7 per cent compared to roughly 3 per cent in the developed world. In

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other words, growth in the developing world is driving growth worldwide much more than growth in the developed world.

Over the past five years, GDP per capita among the world's developing countries has grown by 5.6 per cent compared to only 1.9 per cent in the developed world.

Maybe the most important thing is that this is not just a function of China or India. Together, China and India made up only 25 per cent of the total increase in the developing countries' GDP this past year. That is pretty remarkable. Explosive growth in both China and India is the story you read about in every issue of *The Economist*, but the important thing to remember is that it is only 25 per cent of the growth of the developing world. We are seeing things turn in the rest of the developing world in ways that are significant and important for us to understand if we are going to bargain for development in the WTO.

What is true about GDP is also true about world trade. Developing countries' share of world exports is now about 43 per cent of the total. That is up from less than 20 per cent in 1970. Developing countries now hold roughly 70 per cent of the world's foreign exchange reserves. That has significant implications for their national development strategies and for the ability of their companies to invest abroad and compete globally.

### **The U.S. And global imports**

One way of measuring the importance of the developing world in trade is to examine what has happened to the U.S. share of world imports. Today, the U.S. share – even though the United States has experienced very, very strong growth over the last five years and continues to represent around 25 per cent of the world economy – its share of world imports has fallen to 4 per cent of the total. If we are bargaining for development, access to that 4 per cent of the world market may not be the end-all or be-all that people may think it is.

What does it mean for the Doha Round and the developing world's stake in the current negotiations? It means three things:

- First, the developing world has an even greater stake in the success of the Doha Round than does the developed world, because they are becoming the trading states of the future.
- Second, the success of the Round in economic terms largely hinges on liberalization within the developing world as a part of a more comprehensive development strategy.
- Third, the current framework and the mercantilist approach to WTO bargaining is not going to get to the result that is most important for developing countries. Explaining why is the focus of the rest of my remarks.

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## Defining development

Mr. Aldonas told the group that he had been in the negotiations in Doha when the current Round was launched. He said he had been struck by the force of the accusations levelled at the United States by ministers from African countries. He said:

What they accused us of wasn't just subsidizing the heck out of agriculture. It was the implications of that economically. What they were saying was, "We understand. This is not just a question of closing markets. It is not just a question of prices on international markets. It means if farmers come off the land and come to an urban environment, they may be subject to predations there. They also may get AIDs. We end up with a burden to our societies that reaches well beyond the simple differences in the world prices that result from subsidies."

That is a very powerful, moral indictment of the trade regime the way it stands. And frankly, it is a very important one that we ought to keep the focus on. I think, though, we have lost that focus, as we have gotten into the mercantilist process of worrying about this tariff line item or that tariff line item. What we have forgotten is what development is actually about.

Mr. Aldonas explained that in the 1950s and 1960s, economists – he referred particularly to W.W. Rostow – thought of GDP growth as the touchstone of development. The problem was, he said, that countries met their GDP targets without having much effect on living standards. Then the focus shifted to per capita GDP. That too, Mr. Aldonas said, was a poor measure of development. With a heavily skewed income distribution, Mr. Aldonas said, you can get big increases in per capita GDP without doing much about poverty.

Again the focus shifted. Next, he said, the Holy Grail was rapid industrialization. He cited China's Great Leap Forward in the 1950s – a process that led more than 20 million to die from famine – as perhaps the best example of the flaw in the emphasis on rapid industrialization. For Aldonas, the economist who has gotten it right is the Noble Laureate Amartya Sen. He talked about Sen and Sen's 1999 book "Development Is Freedom" this way:

The essence of Sen's work was the focus on the individual as the basic building block in any society or any economy. In examining the role of the individual, what became clear was that an individual's freedom lay at the centre of the economic equation, and that expanding an individual's capability to function was what really mattered.

His definition of freedom and the idea of expanding somebody's capacity blows away the traditional left-to-right spectrum about the role of government. ... In the West, I think, we have suffered from the fact that our definition of freedom often focuses almost exclusively on political rights. This ignores that, without the economic wherewithal, one doesn't have the opportunity to exercise one's political rights. What he was trying to get to

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was a fuller idea of what it would mean for someone to be able to expand his or her own capacity and to act as an agent of change in the economy. The same reasoning applies to the individual's ability to make free choices in their society generally and in the political process. It is the case that the political process, often times, defines the opportunities for economic success.

What does that imply for trade and for the Round? At the broadest level, it means we need to focus our attention on expanding the substantive freedom that individuals enjoy, both in the marketplace and in their societies.

If you want to improve the ability of individuals to participate in the trading system as producers and as consumers, that implies moving in the direction of free trade. Conversely, denying individuals the right to engage in one of these activities is a limitation on their freedom.

### **Trade Theory: Adam Smith and David Ricardo**

*Mr. Aldonas continued his segment with a discussion of trade theory:*

I have to tell you, as somebody who has been involved for years and years in trade: When I think of understanding comparative advantage in trade, I think of what the physicist Richard Feynman said about understanding Einstein's Theory of Relativity. "You never understand it," he said. "You just get used to it."

The important thing about comparative advantage is that it is not a comparison between your skills and someone else's skills or between one country's skills and another country's skills. It is a comparison inside yourself, between what you are better at and worse at.

It is why Michael Jordan doesn't mow his own lawn. He is more effective at playing basketball and earning income than at mowing lawns. He may be better at mowing lawns than anyone else in the world. But, he's even better at playing basketball than he is at mowing lawns. So basketball is the most effective use of his talent.

It's the same thing economy wide. We ought to be leaning in the direction of things we do best. And that does imply how we ought to bargain in the context of trade negotiations. In the process of bargaining, we ought to be trying to further our comparative advantage. The famous example that Ricardo used was that England should specialize in cloth; Portugal should specialize in wine; and then they should trade. He didn't tell the Portuguese to specialize in wine and go naked. He said: produce a lot of wine; buy some cloth; be better off. You will have both more wine and more cloth.

The relevance of that in the context of that we are talking about, about bargaining, is to bring us to the point where we think about the WTO as it stands – which is indictable – and then where it should go if is going to serve a development interest.

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The argument Mr. Aldonas advanced is that countries need to take stock of what their comparative advantages are and then bargain for changes in the system that will give them greater scope to develop those advantages. While this can mean market access, it can mean other things as well, especially if one keeps in mind the importance of the individual and individual's development. Mr. Aldonas highlighted this point by referring to U.S. legislation he had been involved with in his career.

### **The Caribbean Basin Initiative and AGOA**

I started my world in trade working on something called the Caribbean Basin Initiative, which in fact was an opening for Caribbean countries that went well beyond the Generalized System of Preferences.

When I was on the Hill, we passed a bill that included the African Growth and Opportunity Act. So let's think about what these initiatives are. They are a purely mercantilist approach to trade. What we are encouraging is exports into developed country markets. There is nothing wrong with that. That provides an incentive for investment. What is missing, though, is what puts the tools of trade and economic development in the hands of individuals in the developing world.

That is where the rub comes, because it is imports that do that, not exports. It is imports that introduce the competition that drive your economy towards its comparative advantage. It is imports that bring new technologies that allow your businesses to adapt. It is both imports and adjustment that encourage the economy to move along a path that is really the path of least resistance in terms of both growth and per capita income. Imports are a way of introducing labour saving devices that raise productivity and encourage exactly what we would like to see in the form of development.

After a review of the issue of cotton subsidies, and the development patterns of India and China, Mr. Aldonas offered this anecdote to underscore the importance of focusing on individuals in the effort to focus the energy of large forces, like the forces of the trading system, on the challenge of development. He said:

I have an anecdote about India. I serve on the board of an NGO that has created a fairly interesting financial model. It uses what we think of as old business technology in the United States: cooperatives. They formed a coop that more efficiently gathers sesame seeds from individual women producers and sells them to the state owned monopoly in India that buys those things and markets them to the world. ... It has doubled the income of the women involved.

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Now, what does it take to introduce continuing changes like that? It actually requires liberalization of financial services. We don't think about it that way, because when people say, "liberalization of financial services," we think of Goldman Sachs. We don't think about liberalization of financial services as bringing more capital to micro-finance. As we go forward, what we need to be thinking about, is: how do we put those tools in the hands of the people at the bottom of the pyramid who need them most?

### **Bargaining about rights**

If the mercantilist approach of bargaining over tariff lines is unproductive, as Mr. Aldonas believes it is, then what should one bargain for? Grant Aldonas thinks that the rights of individuals would be a better subject for a negotiation. He said:

If development is driven by substantive freedoms for individuals, then ultimately we should be bargaining about rights. And beyond that, we should be bargaining for economic growth. – This is something which will never work politically. Everybody will tell me that. – The United States could, for example, trade its sugar tariffs for Brazil's willingness to give property rights to the poor living in the *favela* of Rio and Sao Paolo, thereby creating a mortgage market.

I would like to see the economic analysis that shows how much growth would be produced in the Brazilian economy by giving property rights to the poor, letting them operate in the light rather than in the dark of a black market economy? And as a consequence, how much would U.S. exports to Brazil rise in response to that growth.

This is really no different than a debate about tax reform. In tax reform, every company comes into the Finance Committee and the Ways and Means Committee, and they say, "Here is the narrow thing I want to give me an advantage in terms of taxes when it comes to my competition." Totally missing from their presentations is the idea that you should reform the tax code because of the growth it will generate in the economy.

### **So, what should we do in the Doha Round?**

Here it is. You start by mapping a country's comparative advantage, in the same way that companies map their supply chains. What you would be doing is using trade to drive productivity growth in a manner consistent with Sen's definition of development. You would be giving someone the tools to participate more effectively and at a lower cost, both as a producer and as a consumer in the world economy.

If they did that, the developing world would have a very big chip to play in the context of the mercantilist bargaining in the WTO. What they do in services and in non-agricultural market access (*the liberalization they would offer*) to put the tools in the hands of their producers could itself be a big bargaining chip. It would not have to be across the board, but it would mean mapping by developing countries of where they see their comparative

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advantage in the future. They need to know which inefficiencies it is most important to eliminate. They could then trade that liberalization they offered for the sake of increased efficiencies in exchange for even greater market access than either the United States or Europe has been willing to put on the table in agriculture.

To drive change in the world economy, that is the way we need to think about trade.

## 2. Questions and comments by the audience

The questions-and-answers segment of the program was lively but relatively short. In response to questions about U.S. politics and President Bush's negotiating authority, Mr. Aldonas made two very salient points. One was that Congress grants negotiating authority only reluctantly. In the most recent case, this meant that political interest willing to bargain general authority for specific assurances of protection were often successful. He cited examples relating to both steel and textiles.

Mr. Aldonas also made the point, however, that, although the Congress is sceptical about trade, they are favourably disposed toward development. Moreover, he said, no one in the U.S. Congress wishes to be labelled as an isolationist.

Mr. Vishwanath was questioned about CII's views on tariff reductions. He repeated his concern with respect to the Swiss formula, namely that it may be too aggressive politically, and he wondered aloud if it might not be better to use specific percentage reductions, as are being proposed for agriculture, rather than the coefficients of the Swiss formula.

Mr. Morris suggested to Mr. Vishwanath that it would be mistake for India to refrain from putting forward proposals in services simply for fear that the U.S. Congress or the Administration would reject them. Rather, he said, it would be better for all parties to be aggressive in asking for what they believe to be in their interest and then to see where the negotiations lead. This perspective was echoed by others in the room.

RTAs. One participant asked if regional trade agreements were a step in the right direction. To this, Mr. Aldonas replied, "Only if the global system is at a complete standstill."



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## **F. World Trade and Development Report 2006 -Building a development-friendly world trading system, *Organized by the Research and Information System (RIS) for Developing Countries***

Report written by the Research and Information System (RIS) for Developing Countries

### **Abstract**

*This Session was devoted to the presentation and discussion of the World Trade and Development Report 2006/07: Building a Development Friendly World Trading System, prepared by RIS. After introductory remarks by the moderator Ambassador Faizel Ismail, a presentation of the highlights of the Report was made by Dr Nagesh Kumar, director-general of RIS and a principal author of the Report. The Panellists then commented on the Report as well as on the theme of the Report viz. development friendliness of the world trading system.*

*Although the Doha Round was launched with the promise to address their development concerns so much so to call it a 'Development Round', the emerging patterns in the ongoing negotiations over the past five years suggest that development was just the rhetoric to get developing countries around to agree to launch of the new Round. The spirit of Doha is hardly visible in the ongoing negotiations and as per the modalities being discussed developing countries are being pushed to accept commitments to provide market access in agriculture and non-agricultural products in more than full reciprocity basis. There has been little progress if at all on the development issues such as making the S&D treatment 'precise, operational and effective'. The MTS that is not able to address the concerns of the majority of its membership cannot be sustainable in the long run. Against that background, the World Trade and Development Report 2006 (WTDR06), second in the series launched by RIS, examines the emerging trends and patterns in the global trading system overall and in select important areas, highlights the growing asymmetries especially from a development perspective and puts together an agenda for reform.*

### **1. Presentation by the panellists**

The session was moderated by Faizel Ismail, Head of the South African Delegation to the WTO.

#### **(a) Mr. Faizel Ismail- Introductory Remarks**

The moderator highlighted the importance of policy space and S&D treatment for developing countries. He felt that by analyzing the emerging trends in the world trading system, highlighting the asymmetries in it and presenting proposals for reform, the RIS Report contributed to the debate on development friendliness of the world trading system.

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In the presentation of highlights of the Report, Dr Nagesh Kumar, said that the Report was based on the premise that developing countries needed the rules-based MTS being weaker players but the process of agenda setting and rule making needed a reform to evolve the system responsive to their concerns. In particular, there was a concern that the emerging WTO framework was eroding the policy space for development that was available to the industrialized countries of today and the newly industrialized countries and was extensively used by them. The Doha Round was to address the concerns of developing countries. However, the present trends suggest that it could deliver the opposite. Hence the present impasse should be seen as an opportunity to make a mid-term correction. Reform of decision-making, making S&D treatment provisions effective and operational to provide adequate policy space flexibility, among other systemic and sectoral reforms. It also highlighted the role of South-South cooperation in strengthening the bargaining power of developing countries but also as a viable trade strategy in view of growing importance of emerging countries as markets and sources of technologies and investments. The panellists complimented RIS for bringing out these comprehensive reports coming out of independent institutions based in developing countries. They also felt that the Report raised a number of issues and came up with a constructive agenda for reform that needed to be taken up further with a view to promoting the development friendliness of the world trading system.

Mr. Ismail stated that the report reflects on the asymmetries arising in the process of globalization. Globalization is the process that saw increased and more rapid flows of goods and services propelled by new technologies and cheaper transportation which brought with new opportunities for growth and development but also witnessed the uneven distribution of this growth and growing inequity between and within nations. It also brought into sharp focus the illegitimacy of the global economic institutions such as the World Bank, the IMF and unfortunately the WTO. The WTO was perceived to be unfair, to be unbalanced, not inclusive, and unresponsive to the needs of the poorest and most marginalized developing countries that have little capacity to produce and participate in the trading system. In particular, the WTO was perceived to have accumulated a large historic deficit whereby developed countries fail to open their markets for the products of developing countries, such as in agriculture, clothing and textiles, but the insistence on creating binding rules under the concept of single undertaking in the Uruguay Round that impose burdensome implementation cost on developing countries and reduce their policy space for development. There was much scepticism that new Round could deliver a fair deal. Nevertheless, the developing countries agreed to launch a new round in Doha some reluctantly trusting that the promises made in Doha by developed countries to deliver a development friendly round. So the Round was expected to focus on the development concerns of developing countries. It is with these issues that the RIS Report is concerned in an attempt to review, monitor and analyze the progress made on the development aspects of the Round including on the concept of S&D treatment for developing countries.

The concept of S&D treatment had began to be developed soon after the formation of GATT in 1947 was used as a tool to ameliorate the basic inequities of GATT by providing more flexibility, market access and technical assistance. However, the challenge was how

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to mainstream the development in WTO that is how to channel genuine market access for products of developing countries, to create balanced rules to provide capacity to produce and export to those countries who needed it and to ensure an inclusive and transparent decision making process that would allow for the fuller participation of developing countries in the WTO club. However, as the Doha Round proceeded, the EU and US collaborated, as in agriculture, to reduce the ambition of the Round and its development content. The developing world has responded with the formation of a formidable alliance, the G-20 which has remained steadfast. The G-20 has gained the respect of all in the WTO for its technical capacity and pragmatism and has provided leadership. In the NAMA negotiation developed countries joined forces and are insisting on commitments to be undertaken by the developing countries that go beyond the Doha mandate and call for new trade flows into developing country markets. For their part, developed countries speak of a formula that would require relatively insignificant adjustments. Now with unflinching confidence developed countries argue that these additional burdens of adjustments will be good for development. Some developed countries have equated market access with development. Developing countries have not been fooled by these attempts. In a seminal paper presented to the WTO Committee on Trade and Development in November 2005, developing countries have reclaimed the development contents of Doha Round. Since Cancún, and since Hong Kong, the formidable alliances of G-20, the G-33, the NAMA-11, the LDCs, the small vulnerable economies, the Africa and ACP have reflected unprecedented unity of developing countries in the WTO. They have been insisted that the space for development that has been undermined by the trade policies in the North during the past decade is retrieved.

The RIS Report is a contribution to this process. The Report reflects on the efforts and challenges for developing countries in strengthening the development friendliness of WTO. With these introductory words on this Report, I have the greatest pleasure to launch it today.

(b) Dr. Nagesh Kumar, Director- General, Research and Information System for Developing Countries

This Report is actually based on a premise that as weaker partners in the trading system, developing countries need the multilateral rule-based trading system but they have problem with the way the process of rule-making in the system operates today or the way the agenda is set, or the way the decision-making process takes place. So we need to reform the system so that it can become more sensitive to the concerns of the developing countries. That is the basic theme of the Report.

It begins by questioning the assumption of multilateral trade negotiations that trade liberalization is always good for every country irrespective of their level of development. The evidence summarized in the Report provides no basis for that kind of assumption. On the contrary, there is a huge compelling case being made out in the literature of the continued relevance of the infant industry protection. The major developed countries of today have used the infant industry protection in the stages of their underdevelopment.

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How US economy until the world war II was the most protected and was also one of the fastest growing economies of the world. In the more recent period, countries like South Korea emerging with major corporations which are competitive and have assumed leading position in their respective industries such as Hyundai, Pasco, or Samsung, all developed under the infant industry protection and state patronage. The evidence presented also covers other aspects of development policy spaces such as industrial policy and soft patent laws which have been used by the developed countries. In fact until 1836, United States allowed no patent to any foreign companies and even after 1836 the patent fees were ten time high for foreigners as for domestic companies. Japan till 1970 did not have any product patents. So most of the developed countries absorbed knowledge spillovers from anywhere in the world using software intellectual property laws and now when developing countries want to do that they are prevented by TRIPS. So this was another very important policy space that has been eroded by the multilateral trade negotiations. Similarly, all the major developed countries had been using local content regulations extensively for deepening their industrial structure in their process of development. For instance, when Nissan set up a plant in the UK for producing Primera cars in 1980s, they were imposed 90 per cent local content requirement. Now when developing countries are prevented from doing so by TRIMS Agreement. This is how the space for imposing the developing policies has been systematically eroded under the MTS and that is how it becomes less friendly to development.

Putting together evidence from literature on the use of development policy instruments and even industrial subsidies employed extensively by developed countries makes a compelling case for continued relevance of infant industry protection and policy space to pursue it. It is this space for pursuing development policy that needs to be retrieved in the ongoing Doha Round if it is to be a real development round.

The Report also presents data on how the erosion of policy space and the emerging asymmetries in the trading system are impacting broader development patterns. The share of developing countries excluding China in world exports has actually declined between 1980 and 2004. China has increased its share very rapidly but it was not even a member of WTO till 2002 and had all the flexibilities to pursue the development policy in an unorthodox manner. On the other hand countries that were pushed to follow indiscriminate liberalization of trade regimes under structural adjustment programme enforced by Bretton Woods institutions such as African countries particularly LDCs have seen their share in world export getting squeezed. Africa's share in world exports has declined from nearly 6 per cent in 1980 to about 2 per cent in 2004. Indiscriminate liberalization wherever it has been implemented has led to very devastating results. On the contrary, the selective sequential and a calibrated liberalization can be very productive and can deliver results as has been demonstrated in the case of China, Vietnam or in India. So there is a case for a selective and sequential approach for trade liberalization as a part of development strategy and one size fits all kinds of policies do not work for every situation. The terms of trade or the terms of participation of developing countries in the world trading system have declined while of developed countries they have gone up. The Uruguay Round Agreement such as TRIPS are

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also leading to lot of income transfer from developing countries like China, India Brazil, and Israel to developed countries. The overall growth rate of per capita GDP, has actually come down in 1990s compared to the 1980s for a majority of countries while inequalities which have widen between the countries and within the countries.

The Doha Round was launched with this specific mandate of addressing these development concerns. However, the way it has progressed in various areas over the past five years is not encouraging. In the case of agriculture the major source of distortions is the massive agricultural subsidies that are given by the developed countries are cornered by major agribusiness corporations and well to do farmers and not poor farmers. EU's own studies have shown that the EU should be the biggest importer of sugar but thanks to the subsidies it is now the biggest exporter thus curtailing the opportunities for developing countries. Another study finds that if there was no subsidy, OECD countries would export 48 per cent less agricultural products thus increasing the opportunities for developing countries is to participate in the international trade. Because of these subsidies developing countries cannot exercise their comparative advantage in an area where they have natural comparative advantage. On the other hand we have been forced to give very ambitious commitment on the trade liberalization in both agricultural market access and non-agriculture market access. In the Doha mandate, the clear focus of NAMA negotiations was on addressing the high peak tariffs that apply to developing countries exports. But in actual practice an attempt is being made to level the tariffs using Swiss formula which would amount to more-than-full-reciprocity basis. This is the kind of pattern which is emerging in all different areas and services. But the S&D treatment which was to be the core of the Doha Round, there is hardly any progress. So calls into question if the present Round should be called a development round. The estimates of welfare gains expected out of Doha Round have been very sharply reduced by the modellers and currently the latest estimates suggest that welfare gains would only 6-7 billion dollars for entire developing world which is not very much considering that many adjustments costs that developing countries will have to take such as up to 41 per cent loss of tariff revenue, and shrinking of industrial output and employment in manufacturing sectors. So the Doha Round which was supposed to be a development round could actually turn out to be delivering the opposite of development.

It is in this context, we believe that the current impasse in the negotiation is a good opportunity to take a pause and make a mid-term correction. The Report has come up with an agenda of reform which can make the Round to deliver on its promises and make the trading system not only more development friendly but also more sustainable. We clearly need a reform of decision making to make it more participatory, more equitable and more inclusive. Another priority should be to make S&D treatment really effective and operational by mainstreaming it in such a manner that the policy space lost in the past negotiations can be retrieved and enable developing countries to use pursue industrial and other development policies whenever they need. The Report has also emphasized on the importance of the technological capability building in developing world that has been affected adversely by the recent agreement like TRIPS and TRIMS. One proposal made in this respect is assisting developing country enterprises through a fund created out of additional royalty payments resulting from TRIPS provisions to developed countries.

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Finally, the Report has emphasized on the South-South cooperation in trade. Such cooperation can enhance the bargaining power of developing countries. In this Round developing countries have been able to very effectively raise their concerns and get themselves heard with effective coalition building. The time has come when they should begin to proactively bring issues on the table and set the agenda rather than be just reacting to the agenda set by the US and EU. The other area of cooperation is to exploit the potential of South-South trade and investments that have actually become more dynamic aspects of international trade and investment relations. With the emergence of some developing countries as destinations of final demand and also as suppliers of technology and investment, South-South cooperation can be a viable strategy. For tapping the potential of South-South cooperation we need to reinvigorate the GSTP as vehicle of trade promotion among southern countries.

(c) Martin Khor, Director, Third World Network

Thank you to RIS for bringing us together to look at the Report. I was present at the launch of the first one in Cancún and indeed I was full of praise and I was proud that actually an independent institute of the south could come up with such a good quality Report. I think this will also mark the milestone in upgrading the capability of civil societies and research institutes in the South. This edition lives up to the promise of first edition. I hope RIS can produce these Reports more regularly. It is very comprehensive because it not only looks at NAMA, agriculture, services but also TRIPS which is a forgotten issue having been reduced to geographical indications. It also has trade facilitation, the DSU and South-South trade. The Report starts with the question whether we can equate development with trade liberalization. It not only summarized the argument but more importantly given the references that have shown that there is no hard and fast relationship between liberalization and development. Some countries have liberalized indeed did very well including my own Malaysia and Singapore and so on. Some countries have liberalized did not do so well. Some countries have liberalized and have collapsed. So it is not liberalization and development it is how you do it when you do it, the way you do it, the sequence of doing it. The Report emphasizes on the relevance of policy space to be able to do it in the right way and if that policy space is taken away then you can only do it the wrong way. I must say that the WTO has got a lot of blame. The wrong, excessive, rapid, liberalization that took place especially in Africa in many parts of Latin America in parts of Asia as well, it is not correct to blame WTO for that. The structural adjustment programmes of the World Bank and IMF is to be blamed for it. The IMF and World Bank should not have been dealing with the trade policy.

The Report talks then of agriculture. Today the most controversial issue is still subsidies which is the crux of the impasse. Even if the bound rates go down in trade disposing domestic support, the subsidy will still be there and with the continuation of the green box subsidies and we are sure that if an element of trade distortion, may be more indirect than direct. This is explained by the case of Ghana's chicken industry which was really going up well based on small chicken, they were quite efficient. Now the Chicken industry is rapidly collapsing in Ghana not because they are inefficient because if the subsidies are removed in the EU,

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there would be no problem. The IFI forced Ghana to reduce their applied tariff to 20 per cent although the bound tariff is 99 per cent. A study showed that they needed a tariff rate of 80 per cent in Ghana to avoid subsidized cheap chicken coming in and destroying domestic chicken industry. This is why the removal of subsidy is still very important even for countries that may not have the ambition to market access and in export to EU or US, but even for the maintenance for the domestic industry. We desperately need SP and SSM. The Report, of course, does propose that the SP and SSM be treated properly i.e. sufficient numbers of products can be designated as SP. Now on NAMA, I would recommend to you the table which I found very useful on page 45. It is very hard to understand that the NAMA negotiations perhaps deliberately it is conducted not in terms of percentage reduction in tariff, but in terms of co-efficient which make it difficult to understand unless you have a Ph.D. in mathematics. In fact, the proposal on the table today is violated of the NAMA mandate of less and full reciprocity.

So my proposal is that conduct these negotiations in the usual WTO way i.e. in percentage reduction terms and if necessary convert them into a coefficient which would deliver the desired result.

I am very happy that this Report highlighted the TRIPS issue. It is a very important development issue and I congratulate you for reviving this issue in the Report. I hope our negotiators both in the North and South will be paying attention to this in the process on TRIPS.

(d) Dr. Sam Laird, Special Advisor, Office of Secretary-General, UNCTAD

Thank you very much for inviting me to participate in this Panel. It gave me an opportunity to read this Report. I think it is well to read in this Report. This Report is quite comprehensive on a number of key and very technical topics and it does give you broad overview of what is going on in the current negotiations. I myself have been focusing largely on NAMA for the last several years so the Report helped me to catch up with what is happening in other issues and do my homework. I appreciate the clarity with which the Report has been written. I want to concentrate perhaps on Chapter 1 issues and particularly on the relationship between the WTO and development. The Report is not being radical in the sense as I have seen some people saying the WTO should be abolished but rather it takes a constructive approach and comes up very positive suggestions in a number of areas for how these things could be better. Certainly the rules based system is important for developing countries and this provides a sense of rule of law. It provides protection for the smaller players. It provides to redress the grievances. The Report presented and discussed, for example, dispute settlement and how that could be improved. I was reviewing an article just the other day on dispute settlement which suggested that the sanction should be imposed by the WTO membership not simply by the particular country. The Report highlights a number of the systemic weaknesses and proposes the some reforms to deal with them. Another area that is not really in the WTO is that the market access and market entry are not necessarily the same thing. Market access is indeed when the negotiator on

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these former trade barriers tariff cut on your exports and so on but that does not necessary mean that you can sell more to arrive more benefits from those extra bilateral trade. For example SPS/TBT issues show that even after tariff reduction and subsidy removal you may not still be able to enter the other market because of non-tariff barriers.

Another issue which is not really a WTO issue in a current negotiation is the issue competition policy. The role of large trans-national intermediaries in trade both in agriculture, manufactures and in services and the market power that they exercise worldwide could be one of the issues of future. Access to finance of small and medium enterprises in developing countries is another issue. Another issue is commodities. Many developing countries are highly dependent on commodities and long term decline in prices is an issue. It seems that the WTO systemic limiting the options for measures which are necessary to develop the price rise response in a sense to reduce policy space in the area like subsidies, TRIMS, the special and differential provisions. The issue of trade facilitation is rightly picked up in the Report. The big issues of tax reform and longer term issues like education, science policy, building institutions are all important part and parcel of development. Many of these are not WTO issues. If we are talking about WTO and development, we have to recognize that WTO is only one player in this very big issue of the development policy. There is a lack of recognition of role that industrial policy can play in development. The Report highlights that the developed countries today used many of instruments such as tariffs and other forms of intervention to help faster industry.

(e) Dr. Yash Tandon, Executive Director, South Centre

I want to pose three serious questions to provoke you. 1) Can be Doha Round ever be a development round? 2) Can the WTO system be reformed? Does it really matter WTO dies; and 3) Can small countries sequence themselves into integrated global trading system? People often forget the contexts which for the Doha Round was 9/11 and the failure of Seattle and the EU and US wanted very badly a successful Doha Declaration. So for the Doha Round, I don't use the word development. Please just call it Doha Round. Dr. Nagesh Kumar is rightly saying that it is no addressing the development concerns. Is it really surprising that since Doha the things have gone the other way round? I don't have the time going to that but there is no way that industrialized countries can offer development. There is no way the United States can offer market access to their market without getting in return dollar for dollar market access into our countries. It is driven by the traders' perspective.

The Session ended with Dr. Nagesh Kumar thanking the panellists, the moderator and the audience.



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## **G. Development criteria for differential treatment in trade policies, Organized by Caritas Internationalis and CIDSE**

Report written by Guillaume Légaut, CIDSE

### **Abstract**

*The workshop organized by CIDSE and Caritas Internationalis explored the criteria for differential treatment in order to strengthen coherence between trade, food security, rural development and poverty eradication in the XXIst Century.*

*The panel pointed out that the development objectives (food security, poverty eradication, end of dumping...) of the WTO were sacrificed a few years ago. Differentiation for developing countries would contribute to regional market building, the promotion of South-South trade and the achievement of the Millennium Development Goals. Any trade policy reflects social and political choices and these choices may go beyond the issue of market access.*

*S&D treatments were necessary to correct the negative effects of trade liberalization for small-scale farmers in developing countries. The Special Safeguard Mechanism should be a temporary measure to respond to price fluctuations or import flows that aim to support vulnerable agriculture. Such differential treatment must address the specific needs and constraints of developing countries' economies (production capacity, custom unions...).*

*The soy market was presented as an interesting case illustrating the limits of trade liberalization and the need to promote other agricultural crops. The WTO agriculture negotiations were seen as being focused too much on support measures in developed countries. The soy case enhanced the need for the WTO negotiations to take into account the impact of agriculture trade policies on environment, human rights, gender, social issues and poverty.*

### **1. Intervention by the panellists**

(a) Mr. Bart Bode, Broederlijk Delen, CIDSE Belgium

Mr. Bode welcomed the participants of the workshops, thanked the WTO for organising such a Forum and introduced the panel. He explained that the purpose of the workshop was to explore from a pro-poor perspective the links between food security, rural development, livelihoods and the right of poor countries to manage their economies. Criteria needed to be identified to organize differential treatment for developing countries in trade policies in order to make them working against poverty. The case of Zambia was presented as a concrete example. Trade has the potential to be a powerful catalyst for human development. However, structural inequalities between developed and developing countries make it difficult for developing countries to advance. Applying the same rules to developed and

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developing countries is unfair. It was agreed that S&D treatment should be provided to developing countries in order to progress towards the development agenda set at the Doha Ministerial Conference.

- (b) Mr. Joseph Ssuuna, Secretary General of Participatory Ecological Land-Use Management, PELUM, Zambia

Mr. Ssuuna pointed out that it is a few years now that the WTO development objectives were sacrificed. Developing countries have given up part of their sovereignty without any progress regarding the eradication of poverty. The case of Zambia showed that trade liberalization did not respond to the development needs but it increased the suffering of people. Food security in developing countries was threatened by the lack of political will of developed countries to reduce their agricultural subsidies. The unbalance between developing and powerful developed countries is even greater in bilateral trade talks. A4T should not be used as a bargaining tool to get developing countries' agreement but used to address the root causes of poverty. S&D treatment for developing countries in multilateral trade agreements is necessary to fight against dumping and import flows. Differentiation for developing countries would contribute to regional market building, the promotion of South-South trade and the achievement of the Millennium Development Goals.

- (c) Mr. Michael O'Brien, Advocacy Officer, Trócaire, CIDSE Ireland

Mr. O'Brien underlined that the majority of the poorest countries (including the G33, the LDCs and the African cotton producers) advocated for a Special Safeguard Mechanism that could correct negative effects of the trade liberalization for small scale farmers in developing countries. It is a temporary measure to respond to price fluctuations or import flows that aims to support vulnerable agriculture. Such a S&D treatment must address the specific needs and constraints of developing countries' economies. In Zambia, a research showed that less than half of the arable lands were cultivated. The volume of agricultural exchange is very small and vulnerable to fluctuations. To make the Special Safeguard Mechanism work for development, it should be available for any prices and production fluctuation: no limitation to specific products, automatic trigger and permanence after the conclusion of the Round.

- (d) Mr. Sergio Schlesinger, Trade Unit Coordinator of *Federação de Órgãos para Assistência Social e Educacional*, FASE, Brazil

Mr. Schlesinger highlighted some outcomes of a study on the soy market that is completely liberalised. Soy represented around 22 per cent of Brazilian agricultural exports but most of the revenues of soy exports benefit big international agribusiness that pay very little back to producers. The soy production generates less employment than many other crops and is exhausting water resources, lands and food security. The soy market is an interesting case illustrating the limits of trade liberalization and the need to promote other agriculture crops.

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- (e) Mrs. Catherine Gaudard, Food Sovereignty Officer of Comité catholique contre la Faim et pour le Développement, CCFD, CIDSE France

Mrs. Gaudard said that the WTO agriculture negotiations were focussing too much on support measures in developed countries and not taking enough account of the negative impact that the growth of some agricultural commodities export is having in developing countries. Today 78 per cent of European cattle are soy-fed. This has an impact on water, lands, and economic sustainability. A reduction of the meat consumption in Europe would allow for a more sustainable agriculture both in Europe and Latin America. Multilateral trade rules must take account of their impact on development.

- (f) Mrs. Maria Rosario Iorio, Policy Coordinator of the International Gender and Trade Network, IGTN, Switzerland

Mrs. Iorio explained that the WTO negotiations have an impact on gender, especially on women's revenue. The Special Products provision could have a direct impact to protect women's revenue and to preserve State's custom revenue used for social policies. Any trade policy reflects social and political choices and these choices may go beyond the issue of market access.

## **2. Questions and comments by the audience**

Mrs. Pongtip Samranjit (Local Act, Philippines) estimated that S&D treatment could mitigate the negative impact of trade policies on human rights but this needed to be assessed by an independent body. Mr. Manindra Malla (Caritas Nepal) underlined that it was complex for developing countries to use the Special Safeguard Mechanism. Mr. Michael O'Brien agreed that the efficiency of the Special Safeguard Mechanism raised the issue of developing countries' capacity and the problem of custom unions. Mrs. Catherine Gaudard estimated that the fundamental issue beyond Special Safeguard Mechanism to address dumping and price fluctuation was the issue of policy space.

Mr. Michel Buisson (Plateforme Souveraineté alimentaire, France) questioned how to articulate the strengthening of the Special Safeguard Mechanism and the building of an alternative agriculture trade policy. Mrs. Catherine Gaudard explained that the WTO rules were only focusing on trade liberalization and that the soy case enhanced the need for agriculture regulations to address environmental, social and human rights challenges. Mr. Sergio Schlesinger added that the worldwide extension of Northern consumer practices would have negative social and environmental consequences. Mrs. Sophie Charlier (Entraide et Fraternité, CIDSE Belgium) said that the challenge is how WTO trade policies address non-trade concerns such as environment, gender, poverty and agriculture multifunctionality. Mrs. Maria Rosaria Iorio pointed at the challenge of how to ensure a balance and coherence between a system of rules and economic liberalization.

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Mrs. Christine Garnier (Africa Europe Faith and Justice Network, Belgium) raised a question regarding the EU-ACP Economic Partnership Agreements. Mr. Joseph Ssuuna explained that the current EPA proposal would have a negative impact on local markets in ACP countries. Mrs. Abibata Camara Dao (INADES, Burkina Faso) further said that liberalization in the framework of the current EPA would endanger poor small-scale farmers and local markets in developing countries.





### III. AGRICULTURE

#### A. **How can non-trade concerns in agriculture be best safeguarded: Within the WTO or by strengthening wider global governance?, Organized by COPA-COGECA**

Report written by COPA-COGECA

##### **Abstract**

*A functioning agricultural sector is of crucial importance to a country because it can meet the food needs of society in an effective way. But its importance extends beyond that. Multifunctional farming has important non-trade concerns like food security, food safety, creating rural jobs and incomes, and protecting the environment and animal welfare. It is the key economic activity in rural areas on which many other upstream and downstream activities depend. The important contribution of multifunctional agriculture to society cannot be replaced by other actors and will be lost in the absence of farming. Rules on non-trade concerns in the WTO must take this into account.*

*Farmers are often not sufficiently remunerated for the non-commodity services they offer through the market price for their products. Trade liberalization means that farmers whose production is sustainable and multifunctional have to compete with those who focus only on producing at the lowest possible price. They will over the medium-run therefore be driven out of business, and this will cause great economic, environmental and social problems in rural areas.*

*This is an issue for farmers from both developing and developed countries and could be addressed through better rules for non-trade concerns in agricultural trade. Both developed and developing countries have important non-trade concerns, that must be better addressed in the WTO negotiations than has so far been the case.*

*To examine whether it is possible to integrate these issues in a better way in the MTS, the European representation of farmers and their cooperatives, COPA-COGECA, has organized this debate entitled “How can non-trade concerns in agriculture be best safeguarded – within WTO or by strengthening wider global governance?”.*

#### **1. Presentations by the panellists**

##### (a) Rudolf Schwarzböck, President of COPA

In his opening speech President Schwarzböck stressed how a better consideration of non-trade concerns in the WTO system is essential, to achieve a fair and equitable outcome to the Doha Round. In a fair trading system the specificities of each country must be respected. In a round with only one objective, namely to ensure that the cheapest producer wins, this can never be achieved. As it stands, the substantial negative effects agricultural

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trade liberalization will have on society in general and rural development in particular are not considered.

Many farmers in developing and developed countries share the view that addressing non-trade concerns is vital to the success of the Doha Development Round. Agriculture plays a decisive role in the economic and social development of rural areas in developing countries in particular. Where farming is in crisis, land abandonment and the creation of urban slums are the consequence.

Through non-trade concerns the different aspects of multifunctional agriculture can be better protected in both developed and developing countries. COPA-COGECA therefore calls for first steps measures such as:

- Maintaining the special safeguard clause;
- Sufficient, genuine special rules for sensitive and special products corresponding with the needs of each country;
- Extending preferential market access programmes like the “Everything but Arms” initiative of the EU;
- Adequate S&D treatment and capacity building for developing countries;
- The phase-out of all export subsidies, including covert measures like the export-credit and so-called “food aid” programmes of the US, while simultaneously securing the maintenance of genuine food aid for humanitarian purposes; and
- Overly stringent sanitary and phytosanitary (SPS) standards without reasonable scientific basis and other technical barriers to trade must be regarded as non-tariff barriers.

COPA-COGECA has brought together 54 farmers’ organizations from developed and developing countries to emphasize this position in a joint declaration. More than 200 million farmers from Africa, America, Asia and Europe are saying clearly that every country must have the opportunity to respond to the concerns of its citizens. This is what a serious discussion of non-trade concerns is all about.

(b) Alex Thiermann, President of the Terrestrial Animal Health Code Commission, OIE

Dr. Thiermann explained why it is important for developing and developed countries alike to set and adhere to international standards. Such standards will make trade safer and more reliable, protect against discrimination and prevent unfair competition. International standards set in the OIE can for example help to limit restrictions on international trade introduced in reaction to outbreaks of animal diseases.

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OIE standards have evolved from requiring complete freedom from a certain disease to ensuring the safety of the commodity through determining measures that are necessary for the product's safety. Through the introduction of zones/compartments, trade from non-affected regions is allowed to continue while measures to fight the disease are implemented.

In order to maintain a level of trade flows after the outbreak of a disease, it is important that a country can show it is seriously trying to tackle the disease and that it is open about where outbreaks have occurred. Strengthening the veterinary capacities of developing countries is therefore very important.

OIE is not the standard setting body for animal welfare and only deals with the subject insofar as there is a clearly demonstrable link to animal health. Dr. Thiermann thought that animal welfare would become more important in international bodies, not because it is enforced by WTO but because there is growing demand from consumers.

The majority of current OIE members see it as an advantage to work on establishing international standards on animal welfare. Developing countries could benefit as well, since their traditional ways of bringing up animals may be more in line with expectations about what constitutes animal welfare. Fears that animal welfare standards will just serve to restrict trade have not been proven right so far.

(c) Tetsuro Ushikusa, Deputy Director of International Economic Affairs, Japanese Ministry of Agriculture

Mr. Ushikusa explained that multifunctional agriculture generates substantial non-commodity value, in the case of Japan for example through preservation of the cultural landscape, flood prevention, river management and soil protection. The value of these services to the Japanese economy is estimated at roughly the same level as the value of agriculture's commodity output.

Japanese multifunctional agriculture is however in crisis, particularly due to the ageing of its farm population. Land abandonment is increasing every year. Already today Japan is meeting 60 per cent of its food needs from imports. To keep a viable level of agricultural activity necessary to safeguard the benefits provided by multifunctional agriculture, Japan is modernising its farming sector and reforming its agricultural policy.

Japanese society is still very concerned about whether multifunctional agriculture in the country can be maintained. Food security is a major issue for Japan and there is great concern that this may not be guaranteed in the future anymore. Farmers are also seen as making an irreplaceable and vital contribution to environmental protection and water management.

Japan is willing to make substantial concessions in the WTO negotiations, since it firmly believes in the importance of promoting trade. However, trade liberalization must not lead



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to a destruction of its agriculture. International trade rules should be balanced and allow the coexistence of different models of agriculture at the same time.

(d) Marco Kassaja, Minister Plenipotentiary, Tanzanian Mission to the WTO

Mr. Kassaja reminded the audience that non-trade concerns like food security are of crucial importance to developing countries. Agriculture also plays a central role in terms of providing employment and protecting the environment. Non-trade concerns must not be ignored; they are a basic right of every country. They should however not be used as pretext for establishing barriers to trade. One should keep in mind that developing and developed countries are not equal. Agricultural development in developing countries is a matter of basic survival, since there is very little alternative economic activity in rural areas. Non-trade concerns of developing countries should thus receive particular attention.

Mr. Kassaja called for specific steps to help developing countries and stressed that more focus should be put on fairness of trade, rather than liberalization. This should include the dismantling of developed country subsidies used for dumping products on developing country markets and markets of interest to developing countries.

Direct competition from much more competitive producers can severely distort developing country markets and even wipe out agricultural production. At the same time, developing countries need export opportunities to developed country markets in order to earn foreign exchange necessary to import food.

Developing countries should be allowed to take measures to protect their markets. The role of multinational enterprises in international trade should also be investigated in WTO. More attention should be paid to enabling local producers to export, also through granting of preferential market access to developed country markets. WTO should also look at supply management and commodity agreements at local and regional level.

International standards are important in allowing non-trade concerns to be addressed and poor countries should be more integrated into bodies setting standards. Such integration will also help to prevent such standards from becoming barriers to developing country exports.

(e) Heidi Bravo, Director for International Affairs, Swiss Farmers' Union

Ms Bravo argued that non-trade concerns cannot successfully be dealt with outside the WTO system and need to be integrated into world trade rules. A single coordination body is essential if procedures for addressing non-trade concerns in a universal and non-discriminating way are to be found. Agriculture is not the same as industry and cannot be treated like other sectors. Farming is about more than food production. It also produces public goods that cannot be provided without agricultural activity. What public goods are provided differs between countries, because the basic conditions for agriculture are different.

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Swiss society is particularly concerned about animal welfare, maintenance of the landscape and the environment. The playing field for international trade is uneven, because these demands increase the cost of production compared to other countries. In order to ensure the survival of a certain level of agricultural production, in the short-term Switzerland requires measures like clear labelling on origin and production methods, protection for geographical indications, the possibility to use green box support and to apply external tariffs.

In the longer term, better integrating non-trade concerns into the WTO could help maintain the level of agriculture Swiss society wants. Having a clear set of rules for treatment of non-trade concerns would be a major advantage, because it will allow differentiation between trade-distorting and non trade-distorting measures and prevent non-trade concerns from becoming a *carte blanche* for protectionism.

It must always be kept in mind that trade is important, but that there also are other demands of society with equal relevance. Integrating these two demands should be a major aim of the WTO.

## 2. Questions and comments by the audience

In the general discussion, contributors agreed that many countries around the world had genuine non-trade concerns but these were not being taken into account in the world trading system. While accepting that non-trade concerns should not be used to advance protectionist causes, many were concerned that trade liberalization was making it difficult to achieve society's non-trade objectives.

Market opening in developed countries mostly benefits large farmers in exporting countries but not small producers. This creates a problem of exclusion for those who need help most. Poverty of small farmers in many developing countries, for example in Latin America has increased in recent years because of trade problems.

New WTO rules taking non-trade concerns into account could help to address this problem, for example through encouraging sustainable agriculture by setting minimum standards. Small-scale family agriculture in developing countries is often more sustainable than large export-oriented enterprises.

Preferential market access for the poorest countries as granted through the EU's Everything-but-Arms initiative is also very important. Developed country programmes like export credits and other subsidies, which cause great distortions in developing country markets and also lead to a decline of the local farming sector must be ended.

Complaints were raised that negotiators in agriculture are often not sufficiently in touch with the needs of the farmers they represent. A positive development in farm incomes was suggested as a better indicator of success in the negotiations, as opposed to achieving the greatest possible trade liberalization. With sufficient farm income, it would be easier to

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achieve other objectives, such as reduction in hunger and poverty and the protection of the environment.

Quality of trade is another issue that should be considered in WTO. Farmers need to get fair prices for the products they grow, reflecting the cost of the services inseparably linked to production. Prices for agricultural commodities need to remain stable or increase to allow farmers everywhere to make a living.

Getting a fair multilateral agreement should be in the interest of farmers in every country. The alternative of bilateral trade deals would be particularly bad for poor developing countries, which would be excluded from any gains from trade. Europe has put pressure on the US in the WTO negotiations to provide similar market opening to the poorest countries, as under the EU Everything But Arms Agreement. This was only possible via a WTO agreement.

It seems unlikely that WTO will be in a position to adequately integrate non-trade concerns in its rule making in the near future. In the current Round issues like food security, stability of food supply and prices, S&D treatment for developing countries and capacity building must therefore be taken into account much more in the talks on market access, export refunds and domestic support.

### **3. Conclusion**

The moderator concluded that the session succeeded in establishing a consensus that non-trade concerns in agriculture are important and that a balance has to be found between trade goals and other needs of society. Farmers from many developing and developed countries are united in the belief that the price of food should not be the only factor in trade negotiations. Both developing and developed countries have important non-trade concerns such as food security, food safety, rural stability and –development, environmental protection and animal welfare, which are not sufficiently addressed in WTO. A trading system focused on giving more export opportunities to the cheapest producers makes it impossible for countries to achieve these objectives. Trade rules must therefore allow the coexistence of different models of agriculture, paying particular attention to the needs of the most vulnerable countries.

The concept of non-trade concerns should clearly not be abused. Yet action must be open to governments, where genuine and substantial social issues are at stake. Countries must therefore be allowed to implement agricultural policies to ensure their citizen's concerns are met provided this is achieved in the least trade-distorting way possible.

More work needs to be done to establish objective international standards dealing with non-trade concerns and integrate them into the world trading system. Such standards should reflect the non-trade concerns of societies in different countries and ensure that trade grows in line with and not contrary to the wishes of the majority of people affected. The quality of trade and its effects on farm income also deserve particular attention.

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## **B. Africa paves the way forward: New possibilities for agriculture trade, Organized by IATP, Coordination Sud, Collectif Stratégies Alimentaires**

Report written by IATP, Coordination Sud and Collectif Stratégies Alimentaires

### **Abstract**

*African farmers' movements, NGOs and diplomats discussed the necessity to put the African group initiative "Modalities for negotiations on agricultural commodity issues" at the top of the WTO agenda. During this seminar, Coordination SUD, the French coalition of NGOs, IATP (Institute for Agricultural and Trade Policy), Collectif Stratégies Alimentaires, a Belgian NGO promoting food sovereignty and ROPPA, the West African Farmer Organizations' and Agricultural Producers' Network identified the problems faced by 2,8 billions farmers: volatility and structural decline of commodity prices. The first secretary of the Permanent Mission of Uganda introduced the African group proposal as a way to tackle the identified problems.*

### **1. Presentations by the panellists**

(a) Jim Harkness, Chair of IATP

Mr. Harkness introduced the session by highlighting one of the main problems faced by farmers around the world: volatility and structural decline of commodity prices in the past few decades. According to the World Bank, more than 50 developing countries depend on three or fewer leading commodities for more than one half of their export earnings, among them African and the most indebted countries. That is the reason why the initiative, led by the 41 countries members of the African group that promotes stable, equitable and remunerative prices for commodity products, deserves serious attention.

(b) Arlène Alpha, Project Manager at GRET (Groupe de Recherche et d'Etudes Technologiques)/ Coordination SUD

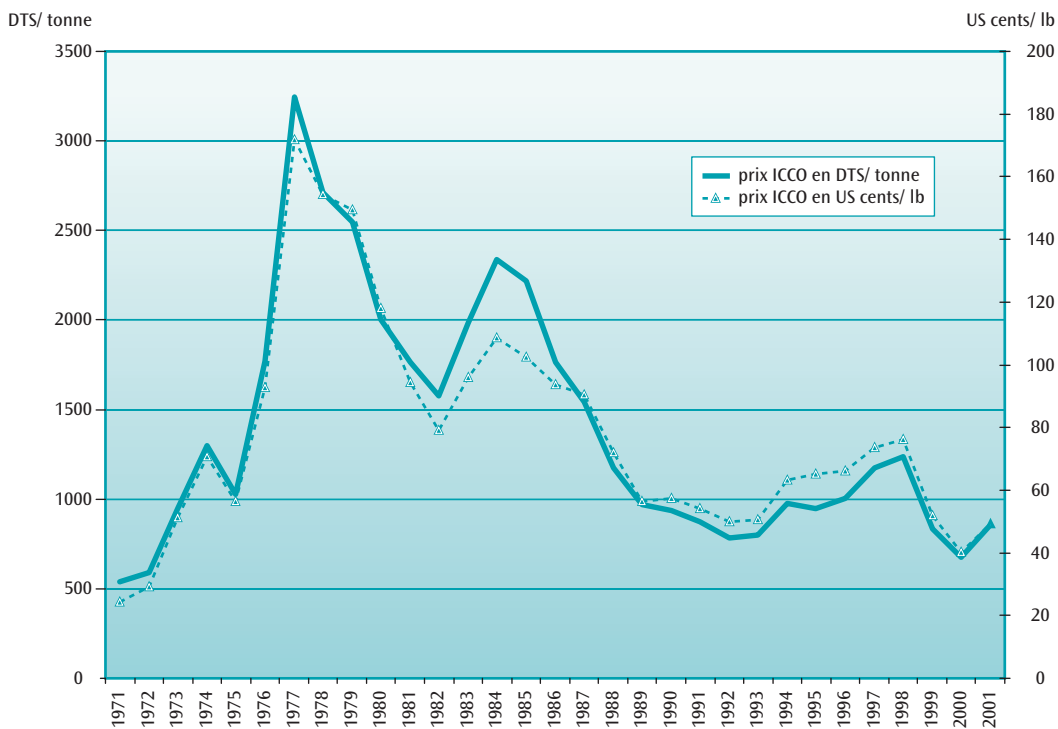
Ms Arlène Alpha addressed the following question: "what multilateral tools are needed to solve the commodity crisis?"

She first reminded the audience that international agricultural markets and trade are characterized by:

- Declining and volatile prices for most agricultural products since the 80's;
- A growing concentration of multinational companies in processing and retailing, with negative consequences on producers incomes; and
- Tariff escalation, with the level of tariffs raising according to the level of processing.

Arlène picked up the case of cocoa as an illustration of the problems encountered by commodity dependent developing countries. As shown in the graph below, cocoa prices have been plummeting since the mid 80s.

**Évolution annuelle 1971 – 2001, indice ICCO, prix du jour, en DTS/ tonne et US cents/ lb**



While price volatility is a result of, inter alia, speculation, production cycles, slow growth in demand and climate factors, the decline in prices in the 1980's is clearly related to the huge increase in global production, notably in Ivory Coast, Malaysia and Vietnam.

Processing industries and retailers reaped most of the benefits: the ratio of the final price paid to producers declined from 18 per cent to 5 per cent between 1960 and 2002. While in France, for example, the price of a chocolate bar to consumers has increased by 45 per cent between 1992 and 2001.

The concentration of the cocoa market is obvious: 6 multinational companies control processing and retailing.

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In this context, the African group proposal in the WTO is fundamental since:

- 1) It requires the WTO membership to focus on an issue of concern to developing countries;
- 2) It points out to the necessity to implement market regulation mechanisms, and therefore to the limitations of the WTO; and
- 3) It seeks to legitimize market regulation inside the WTO by reminding that article XXXVIII of the GATT authorizes these kinds of tools.

Supply management mechanisms indeed need to be considered again in the international debate. Still, some questions remain to be answered:

- 1) How to define appropriate solutions for different products and different crisis?
- 2) How can supply control be implemented at the international level?
- 3) Which institutions (WTO, UNCTAD) could organize binding controls?
- 4) How can we ensure that not only production, but also multinational companies practices are properly managed?

(i) *Local and regional markets: opportunities for sustainable diversification?*

(c) Saliou Sarr Roppa, West African Farmers and Farm producers network

Despite the current stalemate in WTO talks, it is obvious that the majority still believe that freer trade is what will work to lift millions out of poverty. However, as West African farmers, we can unfortunately see and confirm that free markets are not working and have not provided relevant answers to African citizens basic demands (right to food, right to produce, equity and access to resources). Since the WTO was created, we, farmers, observe more and more poverty and food insecurity.

Two main phenomena illustrate the consequences of more international trade liberalization for agriculture in West Africa:

- The region's reliance on imports to satisfy its needs in food products has been increasing since 1995, and West Africa's food deficit has risen by 55 per cent between 1995 to 2003, from \$2.9 billions to \$4.3 billion.

Considering that ECOWAS now counts 243 million inhabitants, and heads to 400 millions in 2020 according to statistics, it is obvious that this situation is unsustainable. We urgently need to find a solution to the food issue, notably at the regional level.

- For the ECOWAS member countries, interregional exchanges represented 11 per cent of all their exchanges in 1995. But this figure has dropped to only 7 per cent in 2004 due to increased trade liberalization.

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In this context, ROPPA welcomes the African group initiative on commodities, notably the proposal to set up agreements ensuring remunerative and stable prices for these products. Indeed, ROPPA has been insisting since 2001 on the need to regulate agricultural markets.

However, ROPPA does not consider that the ultimate solution to fight poverty will not come from more exports: even with the favourable conditions under the various Lome conventions and the Everything but Arms Initiative (EU), the question of the deterioration of terms of trade has not been solved and the share of Africa in international trade had dropped from 4 per cent to 1 per cent in the last twenty years.

ROPPA concludes that the main opportunities for a sustainable diversification are to be found in regional integration, by increasing interregional trade and the capacity of production and processing. For instance, a sustainable solution to the cotton crisis would be to improve Africa's capacity to process at least half of the cotton it produces. And there, the basic need is that the share of national budgets allocated to agriculture be increased. African countries need to invest in agriculture, and not only rely on foreign aid to do that.

We are in favour of the recognition of Regional Preferences, comparable to the EU's, insuring remunerative prices for African farmers who represent 65 to 70 per cent of the population.

According to ROPPA, food sovereignty should be the basis of regional integration, with a priority granted to local products for local consumption.

(d) Elly Kamahungye, First Secretary, Permanent Mission of Uganda to the UN and other International Organizations at Geneva

Mr. Kamahungye started his speech stating that problems encountered in the field of commodities are complex. There is no one-size-fits-all solution unlike some think. Free trade only does not work: market intervention is needed. In Africa actually, markets are not even developed enough to rely on alleged "market based solutions".

Decision on whether a government should be allowed to intervene on a market to influence the prices through management of the supply should be determined on a case by case basis.

It is possible to divide commodities into two categories: products that suffer trade distortion due to subsidies in developed countries (i.e., cotton and sugar) and others that are mainly cultivated in developing countries and face other kinds of challenges.

For the first category, the main approach that developing countries have adopted consists in seeking elimination of export subsidies and limitations on internal support. As long as this demand will not be met, African countries propose the implementation of a

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compensation fund since subsidies lead to overproduction and a decline of prices. In certain countries, like Uganda, the price of cotton is inferior to the cost of production, leading farmers to refuse to harvest their cotton.

For the second category, where only developing countries produce certain types of commodities and markets are characterized by oversupply, like coffee and cocoa, they need to be regulated through commodity agreements. Supply management could be very effective in this area.

The African group therefore proposes:

- 1) To allow producing countries to implement international agreements among themselves to manage their production;
- 2) To eliminate tariff escalation, where it discourages the development of processing industries in the commodity-dependent exporting countries; and
- 3) To review and clarify the current status of GATT 1994 provisions relating to the stabilization of prices through the adoption of supply management systems by commodity-dependent producing countries, with the aim of revising these provisions.

The African proposal adds: “Article XXXVIII of GATT 1994 authorizes Members to take joint action, including action through international arrangements, “to stabilize and improve conditions of world markets” in commodities. Such action could include measures “designed to attain stable, equitable and remunerative prices for exports of such products” and could be taken under the umbrella of WTO or “elsewhere, as appropriate”.

Another solution advised by multilateral institutions consists in diversifying production. This idea can be relevant but diversification has sometimes added to the problem. For example the World bank, under the diversification argument, supported Vietnam and Cambodia to start growing coffee. Now, they produce more than African countries who find it hard to identify new markets and be competitive enough to survive.

Plus have studies been done to know the cost of diversifying from cotton to another crop, for developing countries?

## 2. Questions and comments by the audience

The main questions raised by the audience were the following:

- What about diversification of production methods? Don't organic products provide a new opportunity to farmers in developing countries? What would be developing countries' expectation from international organizations in this respect?



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The representatives of Uganda, farmers' associations and NGOs shared the same views on this particular issue: while it's too often promoted as THE solution to the current crisis, some major questions remain.

Uganda, for instance produces organic coffee; but it still faces sanitary and phytosanitary standards, tough labelling procedures, which in the end leads this organic coffee to be sold in the usual international coffee market. So the farmers in the end do not get the expected value added.

Additionally, Saliou Sarr, from ROPPA made it clear that diversification is not an end in itself, but should come as an answer to existing marketing opportunities. While 50 per cent of food products in Africa are imported, isn't there an opportunity on the local markets for locally produced food? Food sovereignty seems a better and more effective option for small African farmers to benefit from their own work than diversifying into new export crops.

For Arlène Alpha from GRET, one has to distinguish between differentiation and diversification. Diversification implies high costs due to the launching of new products and the respect of norms (i.e., certification and labelling). But it is still something to explore, as the production of high quality products could provide better prices and environmental friendly agriculture.

- What are the speakers' preferred ways to get remunerative prices? Three main possibilities: differentiate products, restrict supply through a cartel (how do you get everybody on board) or quota (who would manage them?)

What ROPPA means by remunerative prices is prices that cover the production costs. This is a basic need in order for African countries to build a demand and start the virtuous cycle of development. According to Uganda, the supply management that the African group is talking about is aimed at creating a level playing field. They do not aim at creating a cartel.

- What are the key policies that African countries would need to develop to capture more of the value added share of the market (going into processing)?

According to Elly Kamahungye, Africa lacks foreign direct investment to help invest into agriculture.

- What does the panel think about the opportunities that biofuels provide for sustainable diversification in Africa?

Senegalese president Wade has proposed that to its farmers, and Uganda thinks it could be an opportunity.

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ROPFA says: let's explore the possibility but the priority is to develop our subsistence crops to solve our hunger problems. Currently, African countries are producing what they don't consume, and consuming what they don't produce. This is a paradox that will not be solved overnight.

### 3. Conclusion

(e) Henri Rouillé d'Orfeuille, President of Coordination SUD, French Coalition of NGOs

Henri Rouillé d'Orfeuille reminded participants that 3 billion people depend on the price of commodities to live and survive. But the question of the price is not a question for the WTO. It is not a question because the WTO only focuses on the three pillars of negotiations: internal support, market access and export subsidies which are not relevant for purely tropical commodities.

He congratulated the African group initiative for its pragmatism since the WTO is founded on ideology. This ideology relies on mistaken hypothesis:

1. the self-regulated character of markets; and
2. the 6<sup>th</sup> principle of the Washington consensus stating that more trade necessarily leads to more growth and more development.

The results is that Africa, inspired by this political thinking, has lost two thirds of its markets in 20 years.

The WTO does not want to tackle the question of market regulation. But, all the agricultural commodity markets, such as the cocoa and coffee markets, are in over-supply.

Every stakeholder therefore needs to tackle the issue of commodity crisis regarding its own responsibilities:

- Farmer's organizations;
- Exporting countries;
- importing countries;
- NGOs; and
- Researchers.

Together, these actors can promote effective market regulation systems to stop the exclusion of half of humanity and make effective the right to be properly remunerated for the work done.

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## C. Globalization, trade and the transformation of agrifood systems, Organized by the Agriculture and Commodities Division, WTO

Report written by the Agriculture and Commodities Division, WTO

### Abstract

*The purpose of this panel was to discuss the interaction between on-going transformations in the agricultural sector and international trade policies, with a focus on the ways in which trade policies may affect the potential distribution of impacts of agricultural transformations. Relevant questions include:*

- *In what ways do trade policies influence agricultural transformations and growth?*
- *Which types of trade policies explain differences in distribution of benefits obtained from agricultural growth among and within countries?*
- *How do existing country characteristics (i.e., wealth, environmental status, level of agricultural sophistication, urban/rural populations...) influence trade policies?*
- *Which factors other than trade policies play a role in the distribution of benefits and costs? Are these effects more significant than trade policies?*
- *In what ways does growth in the rural sector affect poverty alleviation differently than growth in the urban sector? Is this country specific?*

### 1. Presentations by the panellists

The session was moderated by Ms Anabel Gonzalez, Director, Agriculture and Commodities Division, WTO.

- (a) Dr Kostas G. Stamoulis, Chief of Agricultural Sector, Economic Development Service, Food and Agriculture Organization

The FAO's presentation focused on the challenges related to ensuring that current agricultural and food systems transformations promotes poverty reduction. Overwhelming evidence indicates that agricultural growth contributes to overall economic development and especially to poverty reduction. Agriculture is the basis of the livelihoods of many of the poor people in developing countries. However, there is a disproportionately large number of countries that have experienced neither agricultural growth nor economic development. Even in countries where agricultural growth has been significant, dramatic inter-regional differences occur. Clearly, globalization, which is rapidly altering the structure of food systems internationally, has implications which differ across countries depending upon their level of agricultural development.

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Agricultural transformation occurs in a heterogeneous fashion across different types of production systems, countries and household typologies. Typically, however the transformation process leads to increasing scales of production and the reversal of the farm size productivity relationship. Marginal areas experience a decline in competitiveness and there is an increased risk of biodiversity loss and environmental sustainability. The current rapid changes in this sector require new approaches to understanding agricultural development.

Food systems are undergoing a transformation as well, as a result of rising incomes, demographic shifts, technology, and globalization. Urbanization leads to the emergence of large retail outlets which serve higher density populations. In response to rising wages and the resulting increases in opportunity cost of food preparer's time, urban households are increasingly turning to packaged and pre-prepared foods. Other technological advances such as improved transportation options and refrigeration further encourage this transformation. The growing role of trans-national supermarkets over the past two decades has led to dramatic changes in food production and marketing systems around the world. Trans-national supermarkets seeking to enhance the efficiency of their operations typically have more centralized system of procurement based upon specialized wholesalers and contract farmers. In addition, large supermarket chains develop their own system of private standards based on quality and safety attributes which may provide marketing advantages for their end consumers.

The ways in which international trade may influence the distribution of impacts of these dramatic transformations has not been explored in a systematic way, however traditionally trade has not been the primary mover. The proportion of national spending on imported goods for developing countries has been small relative to consumption. In addition, the value of traded agricultural products has been small relative to the sales of processed agricultural products by subsidiaries. Finally, there has been very little change in the trade shares in total consumption of meat, fruits and vegetable over the past twenty years.

Globalization will have different impacts on countries and societies depending upon where they are in the process of agricultural transformation and their ability to adjust flexibly to rapid changes. Countries at the high end of the agricultural transformation process, usually high income countries with small rural populations, are characterized by highly commercialized agricultural sectors with significant vertical integration. In response to globalization, these countries need to create new income generating opportunities for the rural population. Countries at the low end of the agricultural transformation process, many of which are found in Sub-Saharan Africa, are likely to lose out during the process of globalization because they do not produce agricultural products efficiently enough to compete in an increasingly integrated world market. In these types of countries historical underinvestment in public goods has led to bias against development in the rural sector and it is unlikely that investment to address these shortcoming will be forthcoming.

Countries, such as rapidly growing Asian and Latin American economics, began the transformation process using agriculture as an engine for economic growth. As a consequence

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of transformation, shares of agriculture in GDP and the share of agriculture in the total labour force are declining. For these countries a transition to a focus on global agricultural markets can lead to positive effects for poorer groups within the population, particularly when the production and post-harvest activities continue to be labour intensive. Smallholders can benefit from globalization to the extent that they can participate in market for high-value products, however, as noted above, the increased vertical integration of the agricultural sector may lead to contracting arrangements which are biased against smallholders.

At the same time, there exists a substantial heterogeneity in the economic profiles of rural households. Recent evidence points to a very high participation of agricultural households in agriculture while the share of non-farm income in the overall household income is substantial (between 40 and 50 per cent). Transformation and market liberalization will affect the rural sector directly through its impact on both farm and non-farm activities but also indirectly as the shift in the size composition of farms will have impacts on the rural economy.

While the process of globalization can contribute to agricultural and overall growth, the transition is not necessarily frictionless or painless. Governments need to manage the transition through facilitation and regulation, with an eye to supporting the least advantaged groups. Inter-regional and intra-societal differences require that domestic policies are tailored appropriately to address the unique limitations and opportunities faced by different regions and groups.

(b) Mr. Kimberly Elliott, Senior Fellow, Center for Global Development

Kimberly Elliott from the Center for Global Development focused on describing the opportunities and challenges for developing countries as a result of agricultural trade reform. Trade policy changes in rich countries create opportunities for increased market access, but they do not guarantee that opportunities will be effectively exploited by developing countries, or poor farmers within them. The debate on A4T highlights these issues and represents an important part of the debate regarding what can be done to ensure a more equitable distribution of benefits from the Doha Round.

In general, agricultural liberalization in industrialized countries would tend to lower domestic prices and raise world prices. Farmers in developing countries can benefit from these changes if they are net sellers of food, if the price changes reach them and if adequate infrastructure exists to ensure that their goods can reach markets. On the other hand, trade liberalization could have negative consequences for some farmers in developing countries in the short run if they currently have preferential access to markets where they can sell at above-world prices or if they are net buyers of food.

Various modelling scenarios of Doha Round outcomes indicate that these negative outcomes are not likely to be as serious as some fear. First, the impacts of reduced preferential access are expected to be limited to a small number of countries and a small number of

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commodities. But perhaps more importantly, given the likelihood that negotiations will temper more ambitious outcomes, many economic studies indicate that realistic Doha scenario outcomes will have small effects on agricultural prices. One World Bank study highlighted the possible price increases under the assumption that the Doha Round will lead to full-liberalization. This study found that beef prices would increase by just over 8 per cent, while prices of vegetable oils would increase by about 3 per cent. Since the Doha Round will not achieve full liberalization, these price increases indicate the possible high end of price changes.

In the longer run the impact of trade liberalization and the resulting changes in relative prices create incentives for producers to change their production decisions to capitalize on new market opportunities. More competitive suppliers can capture additional market share by out-competing less-efficient suppliers. Net buyers and importers might respond to changes in relative prices by increasing domestic production or by altering consumption patterns to favour cheaper products. Data for both middle- and low-income country exports indicate that shares of exports from these countries of traditional tropical products have declined over time since the 1970's, while export shares of protected temperate crops have increased.

The potential benefits from responding efficiently to relative prices can be increased if complementary policies are adopted to address supply-side constraints. For example, a study of Zambia cotton production found that the gains to producers from increased export prices could be increased by nine times if appropriate extension activities were incorporated into domestic policies. In the same case, evidence suggests that subsistence farm incomes increase by about one third when farmers switch from subsistence production to producing cotton for the market, and they are supplied with appropriate extension services. Similarly, a modelling exercise of rural poverty in Mexico showed that income gains in a remote southern region of Mexico rose from -0.1 per cent in the base case Doha scenario, to 0.4 per cent when improvements in price transmission were achieved. For very poor farmers in these regions, the increase in income could reach nearly 1 per cent. Modelling of the impact of Doha outcomes on rural poverty in China also indicates that the number of poor in these regions falls significantly when increased resources are invested in rural education, which enhances the ability of farmers to switch sectors.

The results from these studies highlight the need for an effective A4T package in agriculture to ensure the equitable distribution of benefits from trade liberalization. Roads, ports, and other transportation infrastructure are needed to physically connect producers to markets. Improved telecommunications and access to credit markets and other backbone services could further enhance the integration of resource poor farmers into the global trading system. Research and development, extension services, irrigation to raise productivity would provide additional means for these farmers to capitalize on available productivity and efficiency improvements.

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The evolving system of standards for agricultural products may pose challenges for some countries. Existing public standards to protect plant, animal, and human health and safety represent only a subset of the full set of standards faced by agricultural producers. The growing use of private standards within the agri-food system raises questions regarding who can capitalize on these standards to gain market access, and who is left out from the market because they are unable to attain the requisite quality or safety proscribed by the private standards—or because they are unable to certify that they are in compliance. As was mentioned in the presentation by the FAO (see above), retail supermarkets are spreading into relatively poor countries and increasingly in rural areas, altering the network of contracting relationships in these areas, possibly to the detriment of small farmers. Standards are also evolving in the area of niche markets, such as standards to define fair trade or organic products and these standards are largely driven by consumer preferences in wealthier countries.

Conflicts over divergent standards among countries are expected to increase, particularly as tariff measures are reduced. Countries are able to address egregious uses of Sanitary and Phytosanitary measures for protectionist purposes by their trading partners within the WTO dispute settlement context. However, challenges may not be useful in all contexts due to political sensitivities and the potential negative effects on the supplier's reputation. The challenges of complying with private standards and the cost of certification procedures may also create barriers for small producer participation in local as well as global markets. Furthermore the WTO SPS Agreement which defines countries rights and obligations with respect to public SPS measures and their impacts on trade, does not set out equivalent obligations with respect to private standards.

(c) Mr. Gilles Dryancour, Director Government Affairs, Europe, Africa, Middle East, Deere & Company European Office

Deere & Company, founded in 1837 in Illinois, produces agricultural equipment, construction equipment, commercial and consumer equipment, engines, and financial services. The Company includes 56 factories around the world, has manufacturing operations on four continents, and distributes its products in more than 160 countries. Sales of agricultural equipment accounted for nearly half of net sales and revenue in 2005. As a world leader in these markets, Deere & Company has developed a strategic vision on how to manage its markets in the face of continued globalization and shifting patterns of agricultural production and consumption.

Deere & Company recognizes that growing urban populations in developing countries will contribute to future food demand. Since the early 1970's population growth rates in rural areas of developing countries, as well as the population in transition and industrialized countries, have stabilized. However, the population in urban areas of developing countries has continued to increase, due in a large part to migration from the rural areas. The expectation is that as incomes in developing countries increase, consumer spending in these countries will shift from grains to meat and dairy. Deere & Company estimates

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that in 2020, developing countries will be consuming nearly twice the volume of meat as developed countries. This represents a dramatic shift from the situation in the 1980's, when the volume of meat consumed in developed countries was greater than that consumed in developing countries.

Deere & Company also considers that increases in the use of grains for feedstocks and biofuels will more than offset the reduction in direct consumption. For example, production of one kilogram of poultry meat requires about two kilograms of grain. Similarly, the production of one kilogram of beef requires nearly seven kilograms of grain. Rising fuel costs and governmental policies are driving increases in production of crops used for renewable energy.

Looking forward, Deere & Company has a strategic interest in evaluating trends to predict where the future markets for their products will be. From their perspective Brazil has the highest potential for near-term expansion. In Africa political instability and high cost of replacing nutrients limit crop area expansion. Asia faces significant land and water constraints. Five regions account for ninety per cent of the world's exports of wheat, corn, soybeans, beef, pork and poultry come from five regions: Argentina/Brazil, Russia and CIS, EU-25, Australia/New Zealand and the United States/Canada. The total amount of exports is expected to increase by 35 per cent by 2015. The relative importance of these regions in terms of exports of the six commodities highlighted above is expected to shift, with exports from Argentina/Brazil expanding, while exports from United States/Canada shrink.

According to Deere & Company trade can contribute to finding a solution to feeding the world in the future by helping the poor to become wealthier and integrating them into the global economy. Nevertheless, more market orientation is needed and trade distorting support measures should be reduced. Furthermore, efforts to enhance the transparency of public supports are needed to provide full information to taxpayers and consumers. Benefits from the Doha Round would be expected from locking in agriculture policy reforms developed countries but also from tariff reduction in developing countries. The industry's perceives that a balanced and ambitious DDA outcome is preferable to unilateral reforms.

Highlighting concerns for the future, the Deere & Company representative noted that non-tariff barriers need to be closely monitored, particularly in the context of pesticides, seeds, genetically modified organisms, health standards and veterinary regulations. Echoing the comments made by Kimberly Elliott (see above), Mr. Dryancour noted that sanitary, phytosanitary regulations will be the next major barrier to expanded trade as economic barriers become reduced in relative importance. In the future WTO will require more scientists and technical experts (and not only lawyers and economists) for settling dispute cases. Another issue which has recently gained more attention is the impact of biofuels and biomass production on markets for agriculture commodities. Both consumer demand and public policies could trigger the demand for agriculture commodities for the production of biofuels and catalyze the pulling into production of more arable land, particularly in South America and Africa.



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## 2. Questions and comments by the audience

Participants to the session stressed the point that the transition process required management from the public sector in order to ensure that the disadvantages are not left out. The representative from Deere & Company emphasized that since agricultural transformation typically leads to a concentration of farms, measures were needed to support those farmers who lose their farms.

Several questions were raised regarding the importance of concentration in the agricultural sector in determining the bargaining power of various parties. The point was made that this concentration is likely to put smallholders at a disadvantage, because large retailers may have the preference to initiate contracting relationships with fewer, larger producers. Dr Stamoulis noted that from the perspective of large retail supermarkets, developing countries represent a profit-making opportunity. The first supermarket in a particular region typically will make higher profits than later entries. However, evidence also suggests that if supermarkets continue to provide access to credit, extension and technologies for contracting producers, the supermarket can increase benefits and these benefits are more likely to be passed on to the producer level. Over time it is expected that the margins captured by supermarkets will decline, as competition increases.

Kimberly Elliott highlighted that cooperative arrangements for smallholders could offer solutions to the problem of bargaining power. There are also benefits from economies of scale, for example related to joint marketing efforts and shared storage facilities. She further noted that competition policy had been on the agenda of the WTO negotiations, but the developing countries had blocked these issues from being included in the negotiating mandate.

## D. The WTO negotiations on agriculture and their effect on European Agriculture: The case of the European meat industry, *Organized by the Union Européenne du Commerce du Bétail et de la Viande (UECBV)*

Report written by the Union Européenne du commerce du Bétail et de la Viande (UECBV)

### Abstract

*Arne Mielken, the Assistant to the Secretary General of the European Livestock and Meat Trading Union - Union Européenne du Commerce du Bétail et de la Viande (UECBV) - addressed the WTO agricultural negotiations after the suspension of the trade talks with approximately 50 participants attending the workshop.*

*First Mr. Mielken gave a presentation to animate the debate. The participants in the workshop discussed the impact that the surge in imports of third country beef and other meat will have on European competitiveness, food security and non-trade concerns such as social costs like employment: Taking the European Meat industry and the connected production chains (like breeders) and dependencies, UECBV estimates a loss of more than 600,000 jobs or 32 per cent of total jobs in this sector in Europe. The group discussed the three agricultural pillars of the WTO negotiations and their impact on the European Meat industry. UECBV stated the need for a fair and balanced trade deal, which is based on “give and take”.*

*The session was structured in three parts. Part 1 consisted of a PowerPoint presentation presenting the case of the European Meat industry. In part 2, the floor was opened for discussion on the presentation and an exchange of views on the meat market situation for other countries. The discussion focused on how other countries saw their domestic and international meat market and what future opportunities and challenges might arise from that. Part 3 then allowed members to discuss the future of the WTO negotiations after the suspension of the trade talks and the options for the trading community in the short, medium and long term.*

### 1. Presentations by the panellist

- (a) Arne Mielken, Assistant to the Secretary General of the European Livestock and Meat Trading Union - Union Européenne du Commerce du Bétail et de la Viande (UECBV)

In the first part of the meeting, Arne Mielken presented the agricultural negotiations from the point of view of the European Meat industry. He briefly introduced UECBV representing over 16,000 trading and industrial companies, slaughterhouses, de-boning plants, meat preparation units. Its main mission is to represent and defend livestock trade, meat trade and the meat industry, to promote Community trade and international trade. UECBV deals with the three types of meat: beef, pork and sheep/goat meat. Mr. Mielken stated that UECBV is in favour of a WTO agreement. However, this agreement must be balanced, fair

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and global (including industry/services etc.) in order to avoid massive job losses and social decline. A special consideration must be given to non-trade concerns which are estimated at a cost of € 10 billion yearly. Mr. Mielken also stressed the pre-dominant position of South America, where 88 per cent of the EU's beef imports come from South America. In this context, Mr. Mielken also referred to the food independence of Europe and the food security of the EU.

## **2. Questions and comments by the audience**

### *(i) European meat trade flows*

There was a discussion on European meat trade flows and production in the medium future. Asked about his opinion, Mr. Mielken stated that, according to the last forecasts available, the EU would most likely increase its external supply in beef meat and reduce its production. Sheep meat production will not be able to return to its former production output level before the foot-and-mouth outbreak; only pig meat will see a slight increase in production. Asked about the role of the consumer, Mr. Mielken said that what is remarkable is the fact that, whilst production will go down, consumer demand of all meat commodities will stabilise or even go up, considering pork and poultry meat.

### *(ii) The WTO agreement and the consequences for the European meat industry*

The discussion continued more specifically on the WTO agricultural negotiations and focused on the following key questions:

- Do the agricultural negotiations represent a threat or a challenge to the European meat industry?
- What consequences will there be from the offer made by the EU last October?
- To which extent can this offer be considered as still valid after the breakdown of talks?
- What are the alternatives to trade negotiations whilst multilateral talks have stalled?

Participants asked what the position of UECEV was about the three pillars of the WTO agricultural negotiations. Mr. Mielken clarified that the October 2005 offer remains the only official offer.

Participants asked if UECEV agrees with the Hong Kong Declaration where Members agreed to eliminate all export subsidies by 2013. Mr. Mielken said that Members also failed to negotiate and agree precise details on this elimination by the end of April 2006. This

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would have included reforms to State Trading Enterprises in Australia, Canada and New Zealand and reform of the U.S. Food Aid and Export Credit systems. UECBV is in favour of a fair and balanced trade deal that is based on full parallelism.

On domestic support, UECBV was asked if the demands of the U.S. for more reduction in trade-distorting subsidies are justified. Mr. Mielken answered that the EU's offer of a 70 per cent cut is a very significant reduction, which will have an important effect on the European meat industry.

A discussion on market access and sensitive products followed. Participants asked how many percentages of tariff lines should be classified as "sensitive products" according to UECBV. Mr. Mielken said that the classification of more and more sensitive products cannot be the solution. In exceptional cases, they must be permitted but flexibility in the bands should be allowed instead.

Asked specifically about the effects that market access will have on the European beef sector, Mr. Mielken stated that imports are expected to rise by 130 per cent. By 2013, there will be 1.3 million tons of beef originating from third countries. At the same time, exports will drop by 50 per cent as production is reduced and consumer level will stabilise.

Participants then embarked on a discussion regarding the non-trade, non-economical consequences of the WTO trade negotiations. Mr. Mielken commented on the social consequences of a WTO deal. Taking the whole European meat industry and the connected production chains (like breeders) and dependencies, UECBV estimates a loss of more than 600,000 jobs or 32 per cent of total jobs in this sector in Europe.

Asked to give a breakdown on the figures in terms of type of meat and geographical impact, Mr. Mielken said that the losses will be particularly high in the beef, pork and sheep sectors. They will also have severe impact on some regions of Europe that have specialised in the production of meat. Mr. Mielken stated this to be a very high price to pay for a WTO agreement that offered too little by other parties in return.

Asked about what the overall position of UECBV concerning the WTO is, Mr. Mielken stated that UECBV favours a positive outcome of the negotiations. UECBV strongly believes in the virtues and advantages that a multilateral solution will bring about, let alone the planning stability that we obtained from both sides.

A Brazilian participant wanted to know how UECBV sees relations between Brazil and the EU in the future, given that meat is such an important trading element. He also asked about the view of UECBV concerning the beef ban from Argentina in 2006.

Mr. Mielken said that successful negotiations involve "give and take", not just "take". South America therefore needs to do its homework as well and treat its clients in a correct manner, as a large exporter. If the Argentinean President unilaterally declares, without consultation, to stop all meat exports for six months, he treats his clients very badly.

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For South America in general, the homework is also to erase animal diseases and prevent them from spreading, like foot and mouth disease. Despite vaccination, outbreaks of foot-and-mouth disease have occurred lately again.

In a final debate round, participants discussed the topic of food security after the surge in imports from third countries where food standards are not so rigorously implemented as in the EU. One participant summed up the debate by asking: *“If you then reflect on the two cases mentioned earlier, how can you not think of a need for Europe to ensure independency for food production?”*

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## E. **The Doha Round: Where do we go from here and what are the implications?, Organized by the Canadian Federation of Agriculture (CFA)**

Report written by the Canadian Federation of Agriculture (CFA)

### **Abstract**

*The theme of the session drew a wide variety of people from across the globe. The three speaker session was well rounded as it included presentations and discussion surrounding all three areas of the agriculture negotiations. The first speaker, Peter Clark a trade consultant from Ottawa, Canada, discussed some of the issues surrounding the decoupling of income support. Martin Rice, Executive Director of the Canadian Pork Council, outlined export commodities that have seen beneficial gains in more liberalized trade but cautioned that other trade barriers still exist. Bob Friesen, President of the Canadian Federation of Agriculture, explained how a Doha Round agreement can be reached and majority of counties want the same outcome, however the process of getting to that outcome differs.*

*Comments and questions followed in the discussion period from government officials and farm leaders. The main issues of discussion focused on differences of opinion in domestic support and the special products portion of market access. Due to the time restrictions only six comments/questions could be taken, however a great deal of interests was given.*

### **1. Presentations by the panellists**

The session was moderated by Laurent Pellerin, CFA 1<sup>st</sup> Vice-President and President of the UPA.

(a) Peter Clark, Trade Consultant, Ottawa, Canada

Mr. Clark outlined some of the myths associated with other countries domestic support provisions. Particularly referencing the decoupling of income payments to farmers in the EU and U.S., Mr. Clark pointed out that shifting the way subsidies flow doesn't necessarily imply that payments are not trade distorting.

(b) Martin Rice, Executive Director, Canadian Pork Council

Mr. Rice presented how Canadian agricultural exporters have benefited from trade agreements and issues that have arisen through trade. He demonstrated how since the signing of the NAFTA and Uruguay Round of the WTO not only have pork exports increased, they have become less dependent on only one export market. Mr. Rice ended his presentation by showing how the rules based system at the WTO must allow for increases in real market access or countries will focus their efforts on bi-lateral and regional trade agreements.

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(c) Bob Friesen, President, Canadian Federation of Agriculture

Mr. Friesen ended the three speaker session by presenting on where the Doha Round must go in order to benefit primary producers. Touching in all three areas of interest at the agriculture negotiations of the Doha Round, Mr. Friesen indicated flexibility must exist in this Round for an agreement to be reached. Although he indicated all outcomes must be similar in nature, flexibility to get to that outcome needs to be included.

## **2. Questions and comments by the audience**

Discussions afterwards focused on domestic support and market access issues. European producers stressed that they would not be able to compete without a strong decoupled, single farm payment that compensates farmers for providing a public good (landscape, scenery, etc.). Questions also were brought forth on the issue of special products under the market access pillar of the Doha Round and how countries could come to some agreement on amount and treatment of them. Due to the quality of the presentations the speakers promoted a strong discussion period, however due to time constraints only six interventions could be taken.

## **3. Conclusion**

The CFA session was a complete success judging by comments made by non-CFA members after the session. Laurent Pellerin introduced and concluded the session in a very timely manner, emphasizing key points of interest. The three presentations with a short discussion afterwards proved to be perfect for the 90 minute time period allotted. The CFA feels that this session benefited everyone that participated in the event and should continue to be a part of the WTO Public Forum in the future.

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## F. Outstanding issues in agriculture and impacts on farm policies, *Organized by the International Federation of Agricultural Producers (IFAP)*

Report written by the International Federation of Agricultural Producers (IFAP)

### Abstract

*This session brought together leaders from national farmers' organizations throughout the world with ambassadors from the main negotiating groups: Australia, Brazil, European Communities, India, Japan and the USA. The objective was to explore the issues that have yet to be resolved in the WTO negotiations on agriculture, and how these impact on present farm policies and farmers in different regions.*

*In front of 270 participants, each of the six WTO Ambassadors (from G-6 countries) presented their views on "the one main outstanding issue of particular concern to them in getting to a result in the negotiations". Five farmer leaders, from different regions, were invited to react to the interventions of the panel of negotiators. Questions and discussion from the floor followed. The closing remarks were delivered by the Chairman of the Negotiating Sessions of the WTO Agricultural Committee, Ambassador Crawford Falconer.*

*For farmers, even though the WTO negotiations are currently suspended, it is important to continue the dialogue on agriculture between negotiators and farmer leaders so that when negotiations resume there can be real benefits for producers in the final agreement. Farmers want to take the opportunity of the pause in the negotiations to make sure that the final agreement delivers fair prices for their products and a system that make sure this goal is achieved. "We are here today to remind decision-makers that there will be no good agreement on agriculture without improving farmers' incomes", said the IFAP President Jack Wilkinson when he opened the meeting.*

### 1. Presentations by the representatives of the G-6 countries

#### (a) Australia (Cairns Group) – WTO Ambassador Bruce Gosper

Ambassador Gosper focused on the importance of market access. He said that even though the market access offer on the table compares well with what was achieved in the Uruguay Round, there is still a "lot of water in the tariffs". Tariff cuts in agriculture need to be in the 60-80 per cent range in order to get more trade flowing, he said. The Cairns Group continues to see tariff quotas as a transitional mechanism that will disappear in future negotiations, once tariffs adjust to a level at which normal trade will flow. The ambassador felt that the approach of these negotiations is capable of delivering the long term objective of many Members, which is a fundamental reform of agricultural market access. He stressed that negotiations that only ends export subsidies and gives a substantial reduction in domestic support will not deliver a fundamental reform unless they are accompanied by real substantial improvement to market access.



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(b) Brazil (G-20) – Deputy Permanent Representative Paulo Mesquita

Mr. Mesquita focused on the importance of domestic support. He recalled that the long term objective is the establishment of a market oriented system for agricultural trade. What did that mean? In the case of market access, that tariffs have to come down, but there is no agreed principle that they have to come down to zero. However, trade-distorting subsidies have to come to zero at one point. Such subsidies depress prices and stimulate production. He insisted that there is a strong case in political and economic terms, even in moral terms, to bring trade distorting support drastically down, with the view to eventual elimination (not in this Round) so that we have a situation in agricultural trade that is comparable to that in industrial trade. At the same time, he said that there should be no compensation for reducing trade distorting support in terms of granting increased market access.

(c) European Communities – WTO Ambassador Carlo Trojan

If he was forced to choose just one issue to focus on it would be “geographical indications”, said Ambassador Trojan, but he will not. The reason why the negotiations broke down in July was lack of agreement on “the exchange rate” between the three pillars: domestic support, market access, and export subsidies, as well as non-agricultural market access. Negotiators were pretty close to an agreement in July, but differences in domestic politics got in the way. Reacting to the two previous speakers, he said that domestic support is of crucial importance because substantial reductions of domestic support can only be achieved in multilateral negotiations, while reductions in agricultural tariffs could be also obtained in bilateral FTAs. The EU has made dramatic reforms to its Common Agricultural Policy and others should do the same, he said. The EC committed itself, on certain conditions, to eliminate export subsidies by the end of 2013 and the direct effect can already be seen on world markets. He agreed with the two previous speakers about the importance of ensuring improved market access for all products. What is on the table for market access is three times more ambitious than what was on the table at the end of the Uruguay Round. “If we let slip this opportunity, he concluded, I do not think it will easily come back”.

(d) India - Deputy Permanent Representative Ravi Bangar

Mr. Bangar stressed the critical importance of agriculture for the economy of India. It accounts for 22 per cent of GDP and the livelihoods of million of subsistence farmers. Thus India has no choice but to focus on agriculture for the development of its economy and to increase per capita income. Agriculture is at the heart of this Round, he said, and should constitute the main deliverables. For the 2 billion subsistence farmers in the world, it is unacceptable to have trade-distorting domestic support in developed countries. Most farmers in India are subsistence and they need to increase agricultural production. “By no stretch of imagination could developing countries’ agricultural policies be considered as trade-distorting, he concluded. “We must recognise the asymmetries and do away with them in this Round”.

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(e) Japan (G-10) – Deputy Representative - Economic Affairs Takehiro Kagawa

Mr. Kagawa started by announcing the appointment today of the new Japanese Prime Minister, Shinzo Abe. The new Minister of Agriculture is pro-active on agricultural policy reform, he said. Japan is fully committed to the Doha Round, although as an agricultural importing country, Japan has to take a defensive position in the negotiations. Japan would like to contribute more for a successful conclusion of the Round. However, the market access concessions of net agricultural importing countries should be balanced with the domestic support reductions. He recalled that, since this is a development Round, Japan announced a development initiative in Hong Kong last December to increase duty-free quota-free market access from 90 per cent to 98 per cent for LDCs. Despite the suspension of the negotiations, Japan is now implementing this initiative. It is important to have a conclusion that gives benefits to developing countries in this Round, he said. He highlighted the consensus among leaders that the negotiations should be resumed as soon as possible. He said that the G6 countries have bigger responsibilities in this regard.

(f) USA – Deputy Chief of Mission David Shark

Mr. Shark began by underlining the strong commitment of the USA to all WTO Members to unblock the negotiations and lead to balanced, comprehensive and ambitious conclusions. On top of agriculture, there is a need to find solutions as well on NAMA and services in order to get a balanced package. He would not choose any one priority issue saying they are all important and part of the package. He recalled what the US put on the table, saying that the 50 per cent cut in trade-distorting support, which was raised to 60 per cent, will require changes in domestic farm policies. These are real, meaningful cuts, he said, and the US is prepared to make additional cuts as they said during the Cairns Group meeting last week. However, strong results on improvements in market access from other countries are critical to successfully conclude the Round. “Ultimately, what we have seen offered will not provide the meaningful new market access opportunities that are needed,” said Mr. Shark.

## 2. Reactions of leaders from farmers’ organizations

(a) Peter Gaemelke, Vice-President of IFAP; President Danish Agricultural Council

Mr. Gaemelke stated that farmers in Europe want a multilateral agreement in WTO. They are concerned about the present increase in bilateral agreements, which are no alternative for farmers both in developed and developing countries. He said that European farmers are open to liberalization, but it should be recognized that they have to live up to very high food safety, animal welfare and environment standards compared with many other countries. Further, EU farmers have seen a significant reform of EU agricultural policy that will lead to a reduction in EU food production. The implementation of the WTO agreement will require sufficient time for EU farmers to adjust. He invited the negotiators to go back to the table in order to have an agreement with results for farmers. “To the ones who keep asking for more and more, I would like to say that it might be better to take few steps than

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jumping so far you don't know where you will be landing" he said. "Even after the WTO negotiations, conditions for agriculture will still be different in different countries, owing to different currency movements, taxes, regulations, and many other things. We will not solve everything in WTO" he concluded.

(b) Ajay Vashee (from Zambia), Vice-President of IFAP; Chair of the Southern African Confederation of Agricultural Unions (SACAU)

According to Mr. Ajay Vashee for many of the developing countries of Africa, there has been a painful transition to market liberalization. It has been done too fast, and the expected positive results have not come internationally. There is a diversity of farmers in Africa, from small subsistence farmers to commercial farmers but both groups have been disadvantaged with trade liberalization. The new trade structures have not come with transitional mechanisms and it has been painful for African farmers. The WTO is not a development organization, but there are some development issues that have to be taken on board in WTO agreements. In order to integrate developing countries into global trade, it is necessary to mainstream A4T.

(c) Fernando Lopez, Chair of IFAP's Latin American and the Caribbean's Farmers Committee; President of the Comisión Nacional de Fomento Rural of Uruguay

Mr. Lopez mentioned that the 80 per cent of farmers in Latin American are family farmers and peasants and will never be a threat to the rest of the world. Also, there are big income inequalities in the region. In addition, there are problems from developed countries policies. Mr. Lopez regretted the increase in bilateral agreements: "what are the capacities for small countries to negotiate bilateral agreements with countries like the USA?" The WTO should be better serving the developing countries, he said. Member governments in WTO are the same as in the UN and the FAO, and so they need to have more coherence in what they say in different institutions. He called for an end to export subsidies, and asked for improvements in market access "that would preserve the domestic market for small farmers to allow their sustainability and important role they play in the food security for our countries". The WTO should be a tool for economic development and social justice in the sense that it can help to improve trade in multilateral negotiations. It can also help to ensure that issues like animal health and geographical identifications are not used as new barriers to trade from developing countries. Mr. Lopez concluded by asking if there is a real will to reach an agreement, for "the worse impact of failure will be on small farmers".

(d) Sutrisno Iwantono, Chair Advocacy Centre for Indonesian Farmers

Mr. Iwantono said that liberalization is hurting small farmers in Indonesia. Over 40 per cent of the population is in agriculture; their most important crop is rice. However, as a result of trade liberalization after the WTO Uruguay Round in 1995, rice imports increased significantly, from 0.5 million tonnes to 3.7 million tonnes. A similar situation occurred with other food crops such as soybeans whose imports increased two times and sugar

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whose imports increased almost three times. Food import surges threaten food security in Indonesia and push more people into poverty. Indonesia joined the G-33 proposal to protect against food import surges through the concept of “Special Products” and a “Special Safeguard Mechanism”, which should be simple, flexible and reflect the problems of farmers in developing countries. Concerning the other pillars of the negotiations, Mr. Iwantono did not mind countries giving their farmers subsidies so long as they did not disrupt domestic markets of other countries.

(e) Robert Friesen, President of the Canadian Federation of Agriculture

Mr. Friesen stated that he was puzzled by the claim by the US that their proposal would result in deep cuts to trade-distorting farm subsidies, when according to him it would in fact allow the USA to use more trade-distorting subsidies than they are using now. He was puzzled too by Australia’s claim that TRQs should be transitional, since he maintained that TRQs with zero in-quota tariffs give more real market access than any “gratuitous reduction in over-quota tariffs”. Mr. Friesen said that Canadian farmers are coming out of the worst three years of farm income in history and are looking at the Doha negotiations to try to improve the situation through reducing trade-distorting subsidies and increasing profitable market access. He expressed concern about proposals to undermine farmers’ marketing organizations in this Round.

### 3. Questions and comments by the audience

The President of ANOPACI (national farmers organization in Côte d’Ivoire), Mathias N’Goan asked why the WTO was not doing anything about the trade distortions caused by the effects of currency exchange on farmers. Ambassador Trojan responded that it was not the job of WTO.

Another questioner referred to a statement by the USA delegation at the Cairns Group meeting last week that they were prepared to go further in reducing domestic support, and asked if the EU would respond accordingly on market access. Ambassador Trojan replied that the EU had already stated that it was prepared to go well beyond its October proposal towards the G-20 proposal. However what the US had put on the table in terms of cuts in domestic support would in fact allow them to increase subsidies from a present amount of \$19 billion to a new limit of \$22 billion. US representative Shark contested these figures saying that they included new blue box measures that the USA had agreed to cut by half. On the market access proposal of the EU, Mr. Shark said that this had been rejected as inadequate by the USA, the G-20 and the Cairns Group.

The last question concerned the USA and G-33 settling their differences on Special Products and Special Safeguard Mechanism. US representative Shark said they had accepted that both SP and SSM would be part of the package. However the USA would not agree to an implementation of them that severely restricts any benefits that might come out of the agreement.

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#### 4. Conclusion

- (a) Chairman of the Negotiating Sessions of the WTO Agricultural Committee, Ambassador Crawford Falconer

In his closing remarks, Ambassador Falconer expressed his disappointment to see that negotiators cannot agree, even at this point of the negotiations. The main reason why the negotiations are suspended is politics, he said. "I don't think the differences are fundamentally difficult, in technical terms". However, if we are to have any chance of advancing the negotiations, Members have to spend time to understand the other person's point of view and not score political points, he continued. Ambassador Falconer drew attention to the fact that the EU and Japan had made fundamental reforms to their agricultural policies, and that the US has an opportunity to do so with its new Farm Bill. He was disappointed that negotiators could not get together to agree to what amounts to "somewhat contractualizing the existing state of affairs". There is agreement to eliminate export subsidies in all forms, substantially reduce trade-distorting domestic support and no one is arguing to eliminate agricultural tariffs. If the Round fails, it will not lead to the collapse of agricultural markets or make a profound difference on stock markets. But, politically, it makes a huge difference." In a world where there is no multilateral reinforcement, there will be "picking and choosing" of friends in an uncertain world and a lot of people will be left out.

- (b) IFAP President Jack Wilkinson

Before closing the session, Mr. Wilkinson stressed that for farmers it is important to get a WTO deal, but a good deal that improves farmers' incomes. Farmers must press back home for a multilateral solution.

The discussion during the IFAP session demonstrated that the negotiations were suspended for political reasons more than economic reasons. All speakers underlined that they were very close to an agreement. Everybody agreed on the elimination of export subsidies and the need to improve market access. Farmers pressed the leaders to go back to the negotiations table because a multilateral agreement on agricultural trade is critical for them.

## G. New directions for agriculture trade rules, *Organized by CIDSE, the Heinrich Böll Foundation and the EcoFair Trade Dialogue*

Report written by Guillaume Légaut, CIDSE

### Abstract

*The workshop organized by CIDSE, Heinrich Böll Foundation and the EcoFair Trade Dialogue reflected on challenges for agriculture in the XXIst century and the design of new coherent proposals to reform the global agriculture trade rules.*

*Firstly, it was estimated that the WTO rules were dominated too much by agribusiness interests and not enough taking account of vital concerns regarding small-scale farmers, agricultural products, rural development. Secondly, agricultural issues are discussed at the WTO only from the perspective of access to markets while for most of the developing countries the real challenge is to design domestic agriculture policies. Thirdly, WTO rules did not sufficiently consider the role played by agriculture regarding environmental protection, social issues, human rights, poverty eradication. Fourthly, agriculture facing specific challenges requests specific treatments that differ from other economic activities.*

*The WTO should develop rules to stop trading of agricultural commodities under a certain price level. The WTO should also promote standards to regulate trade of local products. The market regulation cannot guarantee equal access to resources. Supply management provides levers to transfer production capacities from the North to the South in order to make liberalization work for development. Subsidies are not the sole issue and the WTO should also look at how to transfer production capacities from Northern countries to Southern ones. The challenge is to reduce the production of the few countries that disturb the world agriculture market with trade distorting practices to sell their overproduction. International agreements on price regulation and production capacities transfer could provide developing countries with the economic capacity to influence the world market.*

### 1. Presentations by the panellists

(a) Mrs. Alicia Kolmans, Misereor, CIDSE, Germany

Mrs. Kolmans explained that a challenge for agriculture in the XXIst century is to design new coherent proposals on future agricultural trade rules. A core group of experts from all over the world worked together on a research about new directions for agriculture trade rules in the framework of the EcoFair Trade Dialogue Project. The aim of this project is to enrich the debate on the reform of the global agriculture trade rules. Different consultations took place with NGO, academic, business and farmers' representatives in different parts of the world.

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(b) Mr. Wolfgang Sachs, Wuppertal Institute for Climate, Environment and Energy, Germany

Mr. Sachs presented the four major outcomes of the EcoFair Trade Dialogue. Firstly, he pointed out the “tunnel vision” of trade that is predominant in the WTO negotiations. Agriculture is crucial in the multilateral trade negotiations but it is only focused on the growth of trade flows. There are very few talks about small-scale farmers, agricultural products, rural development. Agriculture is only considered as a business and the trade negotiations do not pay attention to the vital interests of farmers. 90 per cent of food supply in the world is sold inside the borders of the country where it was produced. Therefore, the WTO seems to look at the light from the end of the tunnel: multilateral trade rules impose rules relevant for specific issues as if they could apply for the major issues of agriculture.

Secondly, there is a wrong conception of equity. Southern countries are very sensitive to agricultural issues but these issues are discussed at the WTO only from the perspective of access to markets. For most of the developing countries, the key issue is currently to manage their own agriculture market rather than to access to new markets. Therefore, these countries need policy space to deal domestically with agricultural issues.

Thirdly, the WTO’s dominant perspective missed the objective of the common good. Agriculture represents often between 2 to 5 per cent of national States’ resources. But the economic weight of agriculture hinders the role played by agriculture regarding the common good that goes far beyond the economic value of agriculture commodities. Agriculture plays a crucial role regarding environmental protection, social issues, human rights, poverty eradication.

Fourthly, agriculture faces a specific challenge that other economic sectors do not have. There is a singularity of agriculture in the sense that most of the production factors cannot be moved (i.e., land, fields and animals). Agriculture concerns natural cycles of life that cannot fit productivity. Therefore, agriculture requests specific treatments that differ from other economic activities.

(c) Mr. Tilman Santarius, Wuppertal Institute for Climate, Environment and Energy, Germany

Mr. Santarius explained that trade liberalization and environment are not naturally sharing a common interest. There is a growing competition between big and small producers. He proposed a reflection on trade rules that could contribute to sustainable development and environmental protection. National governments need policy space to develop rules promoting sustainable agriculture, beside the multilateral trade rules. Dumping of agricultural commodities under their production costs threatens sustainable agriculture. The WTO should develop rules to stop trading of agricultural commodities under a certain price level. The WTO should also promote standards to regulate trade of local products. The standards programs should be designed at national level.

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(d) Mr. Daniel de la Torre Urgate, University of Tennessee's Agricultural Policy Analysis Center, USA

Mr. de la Torre Urgate gave a presentation on supply management. Agriculture works with natural resources. The market regulation cannot guarantee equal access to resources. National government policies are the only tool to guarantee access to land and seeds. The agriculture trade liberalization works only for a few countries which have strong enough production capacities. Most of the developing countries lack capacities to support and manage their agricultural production. Supply management provides levers to transfer production capacities from the North to the South. Supply management is necessary to make liberalization work for development. Many challenges go beyond the issue of market access and concern non-trade issues.

## 2. Questions and comments by the audience

Mr. Bart Bode (Broederlijk Delen, CIDSE Belgium) said that the WTO was not the only body having responsibility. The World Bank and the International Monetary Fund are also playing an important role.

A representative of the South African Mission to the WTO wondered how to influence the current trade negotiations in order to achieve a concrete reform of the current agriculture trade policies.

Mr. Daniel de la Torre Urgate explained that some developed countries were having an overproduction in agriculture because they focused only on research and investment. Other countries like Canada or Australia had set up real supply management policies. Subsidies are not the sole issue and the WTO should also look at how to transfer production capacities from Northern countries to Southern ones. The challenge is to reduce the production of the few countries that disturb the world agriculture market with trade distorting practices to sell their overproduction.

A representative of the Luxembourg Mission to the WTO agreed that asymmetries have to be addressed and pointed out that the current EU-ACP Economic Partnership Agreements threaten Southern small-scale producers.

Michel Buisson (Plateforme Souveraineté Alimentaire, France) said that developing countries needed to recover policy space to design domestic policies addressing the needs of their people and economies.

Mr. Daniel de la Torre Urgate explained that some transnational companies were doing supply management. International agreements on price regulation and production capacities transfer could provide developing countries with the economic capacity to influence the world market.



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### **3. Conclusion**

Mr. Wolfgang Sachs concluded that the challenge was to work on economic changes to allow alternative agriculture trade policies to the current WTO rules and to promote non-trade concerns.



## IV. SUSTAINABLE DEVELOPMENT AND ENVIRONMENT

### A. Session on WTO and sustainable development<sup>10</sup>, Organized by the Trade and Environment Division, WTO

Report written by the Trade and Environment Division, WTO

#### Abstract

*The objective of the session was to stimulate discussion and debate on selected aspects of the broad topic of WTO and Sustainable Development. The session began with a special opening address by Mr. Achim Steiner, Executive Director of the United Nations Environment Programme (UNEP). Thereafter, consecutive segments focused firstly on the WTO's role in the trade and environment debate and secondly on the issue of fisheries subsidies.*

*In the first segment, panellists were invited to offer perspectives on opportunities and challenges for further strengthening the mutual supportiveness of trade and environment in the Doha Round. They were invited as well to address such issues as the current state of the trade and environment debate and its evolution over recent years, both inside and outside the WTO; the significance and scope of the Doha mandate on environment and how this mandate could contribute to shaping future consideration of trade and environment issues in the WTO; and the scope for trade negotiations to yield results that could contribute to advance sustainable development objectives.*

*In the second segment, panellists were invited to explore the topic of fisheries subsidies and to draw upon such issues as the potential of the WTO fisheries subsidies negotiations to deliver a triple-win outcome for trade, environment and development; the positive potential of disciplines on fisheries subsidies for small developing countries and the types of concerns and objectives that small developing countries have identified in the negotiations; and challenges to fisheries management, status of international efforts in this regard and possible interconnections with work in the WTO.*

#### 1. Presentations by the panellists

##### (a) Mr. Achim Steiner, Executive Director of UNEP- Opening Address

Speaking both in a personal capacity and as Executive Director of UNEP, Mr. Achim Steiner welcomed the opportunity to participate in the forum – as an occasion to articulate an environmental perspective on trade and hopefully also trigger some thoughts on how,

<sup>10</sup> This summary highlights some selected points made by speakers and participants in the session. It is not intended as an exhaustive description of the discussion. A full audio recording of the session can be accessed on the WTO website – see [http://www.wto.org/english/forums\\_e/public\\_forum\\_e/session\\_26\\_num14\\_e.htm](http://www.wto.org/english/forums_e/public_forum_e/session_26_num14_e.htm) and also [http://www.wto.org/english/forums\\_e/public\\_forum\\_e/session\\_26\\_num15\\_e.htm](http://www.wto.org/english/forums_e/public_forum_e/session_26_num15_e.htm).

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in the context of sustainable development, international trade and globalization, the sustainability dimension could achieve a greater degree of attention and priority than it had in recent years.

Mr. Steiner said he represented a trade organization; specifically, UNEP hosted a number of key international instruments that were related to trade. The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) was perhaps the first global trade and environment convention and best known. Other UNEP-hosted instruments with trade dimensions included the Montreal Protocol, Basel Convention, Stockholm Convention and Rotterdam Convention. Additionally, the UN Framework Convention on Climate Change was a further environment-focused initiative that was at heart also a trade convention.

Regarding the relationship of trade with the environmental sustainability agenda, Mr. Steiner described the present situation as troublesome and requiring fresh thinking. In the first instance, suspension of the Doha Round amounted also to a suspension of progress in the global environmental governance agenda. More broadly, suspension of the Round was one key indicator of a current state of paralysis in global consensus-building efforts with regard to 'the great challenges of our time'. On key fronts – poverty, disease, sustainability, climate change, loss of habitat and biodiversity - processes for global governance were at their most troubled period for some time. Further complicating factors included segmentation and bifurcation of environment, trade and sustainable development issues in terms of negotiating platforms and institutional lead responsibilities, and also lack of consistency sometimes seen in positions and approaches adopted by governments in different negotiating fora. Unless a new global consensus could be forged on the sustainable development agenda, the international community could fail to make substantive progress.

In terms of challenges of moving forward, Mr. Steiner made a number of points, including: discussions on environment, trade and sustainable development held ten years ago have been overtaken by events in the real world and accordingly there was a need to reframe the present-day discourse; both in the North and South, positions which had become entrenched as a result of a whole series of procedural failures and frustrations needed to be revisited in order to bring the global sustainable development framework back into sync with the real world; and, the environmental and sustainable development community needed urgently to redefine its position vis-à-vis a globalized economy and a regime of global trade flows and relations.

Reflecting on changes over the last decade, including in the areas of markets, regulations and standards, Mr. Steiner said the link between environmental sustainability, trade and economic development offered far more hope today than 'we are led to believe'. Fundamental shifts in market paradigms were affecting where producers and consumers were found, how they were connecting with each other, who controlled markets and who had capacity to change those markets. For example, where previously certification schemes were often viewed as trade restrictive, the Forest Stewardship Council certification scheme (and other schemes) had the capacity to lead producers and consumers in a way that could generate

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benefits both in terms of sustainability and economic returns – on higher quality products that could be identified as such.

Also, the capacity of the global marketplace today to set priorities, reward sustainability and sanction unsustainable development was growing at such a pace that anybody who would argue that the market of yesterday was going to be the same as the market of tomorrow ignored the evidence of an informed consumer and empowered producer. Mr. Steiner referred to various examples in such areas as payment for eco-system services and ecotourism in southern and eastern Africa. On the latter, Mr. Steiner said it was through globalization and global tourism that what had become an almost hopeless competition between need for agricultural land and maintaining habitat for wildlife was turned from an economic liability into a major economic asset.

*Segment 1: WTO and sustainable development*

(b) Dr. Laurence Tubiana, Director, Institut du développement durable et des relations internationales

Dr. Laurence Tubiana said the mandate on trade and environment within the Doha Round was on the one hand useful and well-focused on interaction between environmental agreements and the trade process and on the other hand restricted and outside the main negotiation. Also, much of the environmental agenda could be located in other aspects of the Doha work programme, for example in agriculture, NAMA, services and intellectual property. As well, notwithstanding the focus on trade and environment, development concerns were the real driving force behind the Doha negotiations. The environmental community needed to understand this development-oriented framework and decide how it could sustain its agenda in the new setting.

Dr. Tubiana speculated that the Doha mandate on trade and environment might have been more dynamic if the international environmental agenda was going well and if the dynamism within the environmental Conventions was strong enough to put pressure on and inform the trade process. However, since 2001, this had not been the case and what was observed in the different strands of the environmental agenda was not very positive - in terms of reinforcement of multilateral agreements, construction of an architecture of environmental governance, and strengthening and implementation of existing agreements. There was a general paralysis and doubts and questions as to whether global regimes were adequate solutions to global environmental concerns.

Where there was positive movement in the environment agenda, this was no longer being driven principally by international processes but was linked mainly to policies and strategies at national and domestic levels. On issues such as energy efficiency for China, climate issues for the United States, water management or water services in India, and deforestation for Brazil, the environment agenda was being led by domestic interests and domestic concerns - much more than any global dialogue. And even when there was

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movement in international settings, the engine of change was often also domestic. For example, the WTO had accepted to modify rules in the area of intellectual property rights to support collective concern around public health; however, this action was driven also by the dynamic of domestic policies of generics-producing countries.

The challenge for the environmental community was to recognize the changed centre of gravity (development-oriented framework; domestic settings), and to develop strategies to harness and support the new dynamic. In the context of trade, this meant *inter alia* looking at the role of norms and standards implemented within countries to determine how trade rules could support the advance of the environment agenda – rather than, or much more than, looking to see if individual multilateral environmental agreements were or were not compatible with WTO rules.

(c) Mr. Ricardo Meléndez-Ortiz, Executive Director, International Centre for Trade and Sustainable Development

Mr. Ricardo Meléndez-Ortiz discussed opportunities and challenges for further strengthening the mutual supportiveness of trade and environment in the Doha Round and sought also to make the case for sustainable development. Concerning the Round, the WTO had done a good job in integrating environment into the negotiations, not only on the trade and environment agenda but also with respect to other dossiers such as agriculture, services, intellectual property and the rest. That said, trade and environment continued to have a somewhat awkward relationship in the negotiations and there was a long-standing and deep-seated unease, particularly among developing countries, when discussing the topic.

The reasons for this unease were many and varied (and often could be traced back to the mercantilist mindsets of negotiators): a feeling that the WTO was first and foremost a trade body and should not deal with environment issues; a feeling that the focus of the Round was market access and that this focus should not be diluted; concern that environmental measures were fuelled by protectionist intent (coupled with concern about lack of capacity to use dispute settlement to challenge environmentally-based but trade restrictive measures); and, a sense among some developing countries that they should be able to put aside environmental standards for the purpose of development and deal with environmental consequences later, as developed countries had done in the past.

In discussing sustainable development, Mr. Meléndez-Ortiz noted that this conceptual construct had helped to move the debate away from mercantilist-based and antagonistic negotiating structures. The concept of sustainable development provided a viable framework for the management of interconnectiveness and dynamism. Further, sustainable development recognised that environment was integral to the development process and hence to development policy. Under this conception, international trade as a driver of income growth needed to respond to many varied and discreet policy agendas that societies had set for themselves - reflecting their aspirations in various fields – social, environment and economic.

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Mr. Meléndez-Ortiz recalled that the notion of sustainable development was asserted in the Marrakesh Agreement and reaffirmed in the Doha Ministerial Declaration. As well, the WTO was different from the GATT system; it came out of the Uruguay Round with the promise that it would set up a framework at the global level to deal not just with border measures and narrow trade issues but also govern the larger issue of economic relations among nations. For this promise to be realised, for the WTO to transform itself into an effective device of global governance, and for the institution to get to its objective as it emerged from Uruguay – one that is rules-centric as opposed to free trade-centric; one that promotes public policy goals and higher policy aims, then the system must inter alia overcome existing and outmoded mercantilist negotiating structures (e.g., reciprocal bargaining and the single undertaking principle), and mindsets.

(d) Mr. Richard G. Tarasofsky: Programme Head, Energy, Environment and Development Programme, Chatham House

Mr. Richard G. Tarasofsky referred to the state of the Doha negotiations, in particular with respect to Paragraph 31(i) on the relationship between WTO rules and MEAs, and also spoke about a lack of good global governance that was preventing the international community from addressing the most pressing challenges around sustainable development, namely the problems of climate change and biodiversity loss. He made a number of points on what he regarded as necessary to create a solid basis for an integrated approach to addressing these problems.

First, the WTO process was insufficient on its own to address the WTO/MEA relationship: as evidence, even before the negotiations had collapsed, the environmental aspects were not going well; there was no consensus in sight on Paragraph 31(i), nor were other negotiations around environmental goods and services, labelling, CBD, TRIPS and observer status proceeding well. Second, the WTO negotiations were an important part of a more durable solution. In this regard, Mr. Tarasofsky noted that even though there had been no serious conflicts to date between WTO rules and MEAs, uncertainty and threat of conflict with WTO rules was having a very real effect on international environmental negotiations. Nor could matters be left entirely to dispute settlement; dispute settlement was appropriate for handling conflicts and could also help to resolve some uncertainties, but it could not provide a basis for a long term approach to environmental management.

Third, unless the negotiations on Paragraph 31(i) were heading towards a negative result, they should not be abandoned but rather given a 'safe landing'; in this regard, and on the assumption of a less ambitious outcome, the conclusion could set the basis for more ambitious work to follow. Fourth, UNEP too would not be able to tackle the issue on its own. Fifth, and finally, Mr. Tarasofsky suggested that given that the current formula was not working, the only way forward was through an inter-institutional approach; this approach would have at least three functions – to carry out research and analysis on the impacts of WTO measures on achieving MEA objectives, and vice versa; to provide policy

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guidance to both the WTO and MEAs in avoiding conflicts and maximising complementarities; and to contribute to resolving disputes in a manner that was credible to both trade and environmental policy-makers.

## **2. Questions and comments by the audience**

In the discussion, a question was raised as to how private sectors might be held more accountable for their actions, including in the human rights area. Mr. Steiner talked about the sorts of pressures – legal, local, international, etc – that private sectors and corporations responded to; he presented work undertaken by UNEP that could be of relevance; and he referred to work undertaken in international processes and by NGOs. A question was asked about what a 'sustainable development negotiation', as opposed to a 'mercantilist-based negotiation', would look like? Mr. Meléndez-Ortiz responded that different countries would take different approaches and assume different commitments, depending on their respective capacities and policy priorities at national levels; he also talked about distinguishing different aspects of the negotiations and the need to disassociate the talks on market access, for example, which may be more apt for reciprocal bargaining, from other areas, including rules, that might be better served by a collective action approach. Dr. Tubiana added that the nature of negotiations was already changing and that impact assessments and more directed studies of benefits to be delivered could help win support for the negotiations and help further reshape the negotiating process. Other comments and questions ranged across such topics as GATS, carbon trading, protection of local communities, relationship between the Biosafety Protocol and WTO, and climate change.

*Segment 2: Fisheries subsidies*

## **3. Presentations by the panellists**

(a) Mr. David K. Schorr: Senior Fellow, WWF

Mr. David K. Schorr described the fisheries subsidies negotiations as the most advanced experiment in addressing win-win-win for trade, development and environment that the WTO had undertaken. He offered a number of reasons to explain why encouraging progress had been possible in these negotiations. First, the win-win-win stakes on fisheries subsidies were very clear: the sector was one of the most environmentally important resource sectors; it was a heavily traded sector; and it was a sector that had tremendous consequences for developing countries. Second, the WTO was a very appropriate forum to address this matter - to the extent that the focus was on subsidies and the WTO was the leading international body in helping to constrain government subsidy behaviour. More than this, the WTO looked to be the only fora capable of providing an opportunity to achieve binding and enforceable rules among all of the parties that needed to be at the table. Third, work on the issue had been underway for a number of years and progress had already been made towards WTO rules to help eliminate subsidies that harm both the environment and development. On

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the latter point, Mr. Schorr referred to the 2005 Hong Kong Ministerial Declaration which he said committed the WTO to adopt a prohibition on those subsidies contributing to overcapacity and over-fishing.

In terms of lessons from the fisheries subsidies negotiations that might help inform other areas of the WTO's work, Mr. Schorr pointed to five characteristics that set the negotiations apart from other negotiations. First, from the outset, the explicit goal of the negotiations was to contribute to the sustainable management of a critical natural resource. Second, the negotiations included from the start constructive engagement with civil society and intensive use of parallel fora (e.g., UNEP, ICTSD). Third, from the early days of the negotiations, the interests to be defended at the table were more than just export interests. Fourth, the special importance of the fisheries sector to developing countries had been recognised and developing country concerns had been front and centre from the start. Fifth, technical solutions that had been brought forward had been remarkable for their direct reference to international environmental norms.

In underlining the importance of bringing the fisheries subsidies negotiations to a successful conclusion, Mr. Schorr said there was bad news to go with the good; there remained considerable doubt, there was still significant resistance among some delegations to strong rules, and even among the demandeur group, there had been a certain slowness in matching strong rhetoric and strong political positions with strong substantive positions. In terms of what was presently on the table in the negotiations, the wide range of proposals could deliver either a robust agreement that banned the most harmful fishing subsidies or an agreement that was 'really not worth the paper its written on from an environmental perspective'.

(b) Mr. Matthew Wilson: First Secretary, Permanent Mission of Barbados to the United Nations and other International Organizations at Geneva

Mr. Matthew Wilson noted that a range of contentious WTO issues would have to be addressed in the fisheries subsidies negotiations. He focused on a number of critical areas that were seen as essential components of a triple-win outcome for trade, environment and development. On the issue of balance of rights and obligations in the negotiations, Mr. Wilson argued that this aspect must take into account the historical development of fisheries subsidies and over-fishing and overcapacity and seek to limit those who had had or could have the greatest potential to distort trade in fisheries, while allowing the appropriate developmental space for countries, especially the most vulnerable, to use these policy instruments as legitimate components of a developmental strategy. On the related issue of whether there should be different commitments for different countries, Mr. Wilson suggested the present negotiations could provide a template for how the system's 'rigidity' towards differentiation could be addressed; he suggested more work and research needed to be done to determine whether, when negotiating the rules, it would be viable to link country commitments with levels of (or potential levels of) catch and capacity, or whether



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the traditional doctrine of a strict developed country/developing country configuration would be sufficient to address the mandate. Mr. Wilson suggested the traditional approach could be a triple-win scenario 'only on paper'.

Concerning special and differential treatment, its importance was absolute and the inclusion of this aspect in any final rules needed to be operational, related to needs and capacity, and deliver real and sustainable benefits. On the idea of forging the link between the environmental and sustainability dimensions of fisheries at the level of WTO negotiations, Mr. Wilson said the most important questions had to do with whether the WTO was the most appropriate forum to deal with the sustainable development component of fisheries and whether all three sides of the triple-win triangle could be addressed within the WTO. The WTO was firmly within its competence to craft and implement trade rules and adjudicate on those rules, but did the WTO and its trade negotiators really have competence and legitimacy to move into areas involving environmental policy? Mr. Wilson suggested the way to solve the vacuum was not to manipulate the primary mandate of the WTO to allow it to craft and police issues outside its competence.

With respect to the issue of coherence, Mr. Wilson said the fisheries subsidies debate needed to take into account the regulations already agreed in the various fora having competence in the areas of fisheries, environment and sustainable development, but must also take into account the policy advice being developed by international financial institutions and development agencies which recommended options for developing countries to extricate themselves from the cycle of poverty and underdevelopment. On the debate concerning good vs. bad subsidies, Mr. Wilson made the point that an outright ban on all fisheries subsidies would be an easy but ineffective approach to the negotiations; the key questions to be asked and answered in the negotiations were whether a particular subsidy was substantially trade distorting, whether it led to over-fishing and overcapacity, and whether it was serving a purely economic purpose? Finally, Mr. Wilson described the active role of small vulnerable economies (SVEs) in the negotiations; they were most interested in discussing an outcome that would take certain realities into account and that would result in the eradication of the worst kinds of subsidies, with the responsibility falling to the biggest offenders, while ensuring that those Members with little capacity but with an interest in pursuing the development of their fisheries sector, could be able to support their industry.

(c) Mr. Angel Gumy: Senior Fishery Planning Officer, Fisheries Department, Food and Agriculture

Mr. Angel Gumy noted that FAO dealt with the fisheries sector from various angles; trade was one angle but not the only one. The fisheries sector played a fundamental role in meeting global and national sustainable food security, providing self and paid employment for fishing communities as a means of alleviating poverty and stemming rural/urban drift, contributing to national and international trade, and generating income. Underpinning these basic social and economic objectives was a requirement for fisheries and aquaculture

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to be responsibly managed. This implied preventing over-fishing, coordination and delivery of effective research, and extension and empowerment of people. In this context, fisheries subsidies was an important issue.

Mr. Gumy noted that in the 1980s, as many fisheries resources became fully or over-exploited, the attention of policy-makers moved to fisheries management and development of aquaculture. Subsequent recognition of the many failures in management had led governments and other relevant stakeholders to broaden their approach. 'Governance', i.e., the sum of the legal, social, economic and political arrangements used to manage fisheries and aquaculture in a sustainable manner, was seen as a necessary context in which to pursue effective management. Key governance issues presently being discussed in the international fishery community had to do inter alia with the following: implementation of existing international fisheries instruments; enhancement of international cooperation through the strengthening of regional fisheries management organizations to better conserve and manage fish stocks; fisheries trade and the prominence of international trade-related issues such as labelling, catch-certification, ecolabelling, food safety and quality, and implications for developing countries in terms of market access feasibility; small scale fisheries and its role in food security, poverty alleviation and economic development of poor countries; deep sea fisheries; establishment of eco-system approaches to fisheries management; fisheries subsidies, in particular those contributing to overcapacity and over-fishing; illegal, unreported and unregulated (IUU) fishing; rights-based allocation issues; stakeholder involvement; and, eco-management.

Mr. Gumy referred to work done by FAO as far back as 1992 in bringing the world's attention to fisheries subsidies. Since the 1990s, the role of fisheries subsidies had received increased attention both in governments and by civil society, not only in relation to their potential distorting effects on fish trade but also in relation to their likely negative effects on the sustainability of fisheries resources, in the absence of effective fisheries management. Most recent world fish production figures showed that captured fish production was stagnating and aquaculture output was expanding. As well, the proportion of fish stocks overexploited or depleted was still in the order of a quarter of the total and global excess fishing capacity was still an important factor for overexploitation.

Mr. Gumy said the international fishery community had adopted clear and defined positions and commitments in international instruments and international fora concerning the need to eliminate subsidies that contribute to overcapacity and IUU fishing. He referred in this context to FAO voluntary instruments such as the International Plan of Action for the Management of Fishing Capacity (IPOA-Capacity) and 2001 International Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing (IPOA-IUU), which respectively call inter alia for the elimination of all factors including subsidies causing overcapacity and IUU fishing. Mr. Gumy also referred to recent initiatives in the FAO Committee on Fisheries; for example, in 2005 member countries agreed that those subsidies that supported the expansion of fleets, which, when conducted in an unsustainable manner contributed to stock degradation, fleet overcapacity and IUU fishing, should be

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phased out. The Committee differentiated those types of subsidies from subsidies that might contribute to sustainable utilization, improved scientific information, or benefited, for instance, small scale fisheries and contributed to food security, poverty alleviation and sustainable development.

#### **4. Questions and comments by the audience**

In the discussion phase, and responding to questions, Mr. Wilson discussed access fees that some countries levied on other countries to allow access to their fish stock. He said these fees were an important income source for some countries and countries had a right under international law to rent the resources within their maritime space. Nor should such fees be considered automatically as subsidies. Mr. Wilson repeated that a ban on all subsidies would be an ineffective way to address the fisheries subsidies mandate; rather, IGOs for example could assess issues such as the nature and impacts of subsidies on trade – in order to help determine which subsidies might be the most trade distorting and restrictive.

Also in the discussion, Mr. Schorr said the focus should not be on turning the WTO into a 'policeman' of international norms or policeman of the fisheries sector and/or countries' fishing practices. Instead, the focus should be on what the WTO can do within its mandate. In this context, Mr. Schorr commented that the WTO does not have to decide when a fishery sector is depleted, nor does it need to decide whether fisheries management is good or bad: but it might be asked to apply a stricter rule in a case where an entity outside the WTO had determined a fishery depleted. Concerning access fees, Mr. Schorr agreed with Mr. Wilson that a payment by one government to another government in return for access to a fishery should not be considered a subsidy. But he added that there were subsidy elements to some access arrangements and those subsidies did not run from northern countries to developing countries but rather they ran from northern countries to their own fleets. If a distant water fishing nation obtained access to someone else's waters, and then gave that access to its own fleet, without getting the value of that access back from its fleet, it had provided a very tangible economic asset. These kinds of subsidies arrangements had very negative effects for some developing countries.

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## B. **A sustainable development roadmap for the WTO, Organized by the International Institute for Sustainable Development (IISD)**

Report written by Aaron Cosbey, International Institute for Sustainable Development.

### **Abstract**

*This session considered the future of the MTS, asking how the WTO might be better equipped to deliver the types of sustainable development outcomes referred to in the Doha Declaration (para. 6) and the Marrakech Agreement establishing the WTO (preamble). It considered a number of types of changes—for example in the areas of inter-institutional cooperation, negotiating process, negotiating outcomes or institutional structure—that might make such outcomes more likely.*

*In the end, it was agreed that the WTO has potential to deliver sustainable development outcomes, but there was also consensus on the need to rethink the current regime, perhaps in fundamental ways. The break offered by the current negotiating hiatus, most agreed, might give us the time to address these issues in a way that can help put the negotiations back on a viable and appropriate track.*

### 1. **Presentations by the panellists**

The session was moderated by Howard Mann, Senior International Law Advisor, Trade and Investment, IISD. Mr. Mann opened the session noting that there was an urgent need to bring the realities of the WTO in line with its stated objectives to achieve sustainable development.

- (a) Aaron Cosbey, Associate and Senior Advisor, Trade and Investment, International Institute for Sustainable Development

Mr. Cosbey set the context for the discussions, noting that the current negotiating impasse gives us both cause for concern with the current model, and the breathing space in which to thoughtfully consider how to improve it. He noted the work of John Ruggie, arguing that the MTS was founded on the concept of embedded liberalism – that the drafters embedded the goals of trade liberalization and non-discrimination within a broader framework designed to allow for the achievement of broad social objectives, carefully balancing the two related objectives.

He argued that the way out of our current impasse is to reinvent embedded liberalism, such that it responds to today's great challenges. He argued further that the foundations of such an architecture are already in place; we *have* an international agreement, a shared understanding on which to build a trade regime for the XXIst century. The broader social objective toward which the MTS should work, and should allow domestic governments to work, is sustainable development. The Members have repeatedly identified the WTO as an organization in pursuit of sustainable development, both in text and through such principles as S&D treatment.

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He held that the objective of sustainable development is premised on the shared understanding that is the essential truth of the global age: we are all connected. Economically, the dense and complex linkages of trade and investment mean that all countries depend, to varying degrees, on the economic health of all others. Environmentally, shared regional environmental issues, and global issues such as climate change, biodiversity loss and ozone layer depletion mean that we need to be concerned about the capacity of all countries to adequately address environmental issues. On a broader social level, the same interconnectedness plays out. Failed states are bad news for the whole global village, spawning public bads that other states must deal with: contagious political instability, refugees, infectious diseases and international crime. This reality – that we are all connected – is why we have the DDA, and not the Doha Round.

The question that this poses is: what kinds of institutional forms are appropriate to a regime founded on this sort of agreement? Is there a need to conceive of new principles and norms, or new rules and procedures, that are more suitable to the task? Cosbey noted that the panellists would be helping answer this question, but closed by highlighting three changes that he argued are necessary if the WTO is to achieve strong sustainable development outcomes.

*1. Recognize that mercantilist means lead to mercantilist ends.* While we have agreement on sustainable development as an objective of the system, we still negotiate as if mercantilism were valid, as if trade liberalization were a zero sum game. Cosbey argued for new modes of negotiation to reflect the shared social purpose of sustainable development. Citing the model of the Intergovernmental Panel on Climate Change, he offered the example of the need for an independent authoritative body separate from the negotiations to deliver answers on such questions as: Are performance requirements good or bad for the implementing state? How should liberalization be sequenced in various circumstances to derive the best development outcomes?

*2. Recognize that there are winners and losers from liberalization at the domestic level.* While trade liberalization may have created enormous economic benefits, they tend to be poorly distributed at the domestic level, and most countries have poor systems for cushioning the blow of liberalization, and dealing humanely with adjustment. The WTO can no longer ignore this reality as a problem outside its ambit.

*3. Recognize that opportunity does not equal benefit.* He argued that there is increasing recognition that the opportunities provided by trade liberalization do not translate into benefits for many countries. Countries hamstrung by inadequate infrastructure, inefficient bureaucracy, immature legal regimes and poor macroeconomic stability will not increase their exports as market access increases. He argued the need to move beyond S&D TREATMENT, to a system that assesses and addresses individual country needs, and links implementation of trade obligations to their capacity to benefit from that implementation.

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(b) Rupert Schlegelmilch, Head of Unit, European Commission DG Trade F3 (Sustainable Development)

Mr. Schlegelmilch presented some practical considerations, born of his experience as both EU negotiator for trade and environment, and his role as head of sustainable development at DG Trade.

He noted first that any success in the WTO at making sustainable development a part of trade policy will depend critically on efforts at the national level to do so. Countries that have not yet walked the difficult path of this kind of integration at home will be unlikely to successfully agree to it at the international level.

He listed the standard elements of the WTO agenda that might contribute to more sustainable development outcomes from the WTO negotiations, including market access for developing countries, reductions in trade-distorting subsidies, liberalization of environmental goods and services, agreement on the relationship between the WTO and MEAs. But he also noted that the dispute settlement mechanism has been by far the most effective organ of the WTO at bringing sustainable development considerations into the trading system.

He cautioned against the belief that the issues could all be settled in the committee on Trade and Environment, noting that sustainable development runs broadly through a number of different negotiating areas, and noting that some broader mechanism would be needed. In that vein, he mentioned the possibility of integrating sustainable development concerns into the trade policy review mechanism. He also mentioned the possibility of activating the role envisioned in the Doha Declaration's paragraph 51 – an oversight committee charged with ensuring a sustainable development outcome for the entire negotiations. He called this provision a “sleeping beauty” to date.

He argued that the WTO needs to pay attention to adjustment costs, and highlighted the experience of the EU, which offers structural support to cushion the blow of adjustment in member states. Other EU examples of integration included: the sustainability impact assessments that the EU conducts for all trade negotiations, GSP-plus programmes, aid policies that integrate trade and sustainable development priorities, and extensive civil society communication.

He noted that there is scope for progress outside the WTO in ways that might help the WTO's efforts. He cited the example of the regional and bilateral agreements, which make for an “easier playground” in which to address these issues. This was not simply a product of the EU's augmented bargaining strength in such contexts. The entire atmosphere is different, and not as worried about the implications for dispute settlement and afraid of protectionism. In these agreements he sees the possibility to innovate with approaches that might then inform the WTO's efforts.

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Another example is sectoral efforts outside the WTO to address trade and sustainable development issues. Here he cited the example of the newly-started negotiations on a voluntary agreement to combat illegal logging, and several initiatives in the areas of fisheries. The sectoral approach used in these areas might eventually have value in the multilateral context as well.

(c) Faizel Ismail, Head of the South African Delegation to the WTO; Chair, Development Committee

Mr. Faizel Ismail offered some observations founded in part on his experience chairing the Committee on Trade and Development, which was charged with developing some sort of agreement on S&D treatment in the WTO.

He noted at the outset that the traditional practice of S&D TREATMENT in the WTO was viewed by many developing countries as failing to support their interests and concerns. Its provisions to increase market access had in fact been divisive in creating *preferential* access for some countries only. Its provisions for flexibilities and lead time for implementation were inadequate. And its provisions on technical assistance and capacity building were hortatory, rather than binding, and were never really implemented. For these reasons, among others, there was agreement at the outset of the Doha Round to revisit and improve the WTO's approach to S&D TREATMENT.

But that proved difficult, and he argued that a key problem was lack of agreed understanding of what was meant by development. To get such an understanding, he turned to the work of Nobel Laureate Amartya Sen, who defined development essentially as freedom to pursue the paths that we have reason to value. The process of development involves removal of various types of limiting unfreedoms, such as illiteracy, corrupt bureaucracy, undemocratic structures, etc.

He drew four concepts from Sen's work which could help define what we mean by development in the WTO context:

1. Economic opportunities. Developing countries have, since the origin of the GATT, focused on the need for fair market access for the products they produce competitively. The WTO should focus on the removal of the many barriers to the fundamental freedom of economic opportunity, resulting in what Ismail termed "fair trade." This, he noted, might even have environmental benefits as a side effect.

2. Poverty as a lack of capability. Sen's conception of poverty is of a lack of capability to achieve freedom. Ismail argued that, particularly for the least-developed countries, the WTO must focus not only on market access but also on providing the means of production, which is lacking in most such countries. He argued that ensuring this sort of assistance—as featured in the A4T discussions—was an essential element of proper WTO functioning, even if the actual assistance might not be the WTO's task.

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3. Regulation. Sen argued that the market would work for development only if the rules of the market, as set by governments, helped to make markets more effective and were based on values that promote social justice. He noted that many of the rules of international trade worked against developing countries, and argued that too many environmentally-motivated rules in developed countries imposed unfair burdens on developing country exporters.

4. Good governance. Sen was a strong advocate of basic democratic liberties as a fundamental freedom. In the WTO context, the relevant point is that developing countries need to participate, and need the capacity to participate, in WTO decision-making.

From such an understanding of development, it becomes obvious that S&D TREATMENT can address only a small part of the necessary agenda. Development in the broader sense, he argued, needed to be mainstreamed in the WTO.

(d) Carin Smaller, Head of Geneva Office, Institute for Agriculture and Trade Policy

Ms Smaller addressed two fundamental questions: Is the WTO capable of delivering sustainable development outcomes? If so, what changes are necessary to make such outcomes more likely and robust? She argued that we need to fundamentally rethink the role of trade rules in achieving public objectives such as full and stable employment, food security and diversified sources of foreign exchange. Most of the benefits of trade have to date gone to first world multinational corporations, whereas an ideal framework would see trade instead primarily serving governments' pressing domestic agendas.

While trade liberalization has a place in doing this, she argued, it is only part of a larger answer to key domestic priorities, and the current breakdown in the Doha talks has revealed deep and long-standing divisions among Members on the proper role for trade as an engine of sustainable development and employment.

She outlined three changes that she argued were necessary to achieving an outcome where trade rules help governments address their key domestic priorities on sustainable development and employment.

1. A change in the mindsets of governments such that trade policy involves a wider number of affected ministries at the domestic level, such as health, agriculture and environment ministries. This might help ensure that trade negotiations do not undermine the efforts undertaken in other trade-impacted areas of public policy.

2. More WTO involvement and engagement with other international institutions with which its mandate overlaps, such as: UNCTAD, WHO, FAO, etc. These institutions are sophisticated practitioners in the areas in which the WTO deals at a more abstract level. She cited the UNCTAD Least-Developed Countries Report's emphasis on developing productive capacities in LDCs as the type of work that *does* address domestic priorities, and as a potential guidepost for WTO member efforts such as A4T. Similarly, the results of such exercises as



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UNCTAD's Trade and Development Report (which calls for greater policy space), and the EU's sustainability impact assessments (e.g., on forestry) should be feeding into the Doha trade negotiations, but are not.

3. A greater cognizance on the part of trade negotiators and policy-makers of their non-trade international obligations in such areas as environment, labour and human rights. She argued that the human rights framework in particular offered a useful framework for putting people at the centre of trade policy making. She used the example of the right to food, which provides clear guidelines to trade negotiators on what is needed as a negotiating outcome; it implies that people need to be either food self-sufficient, or that there be functioning markets and distribution systems for delivering food to them.

She closed by urging that the international community use the break in negotiations to think deeply about how to reform the system which, in her words, was broken.

(e) Gary Sampson, Professor, International Economic Governance, United Nations University, Institute of Advanced Studies

Mr. Sampson offered some perspectives based on his experience as a former WTO Director of, *inter alia*, the Environment and Development Divisions, and his more recent opportunities, in his incarnation as an academic, to think about the links between the WTO and sustainable development.

He argued that almost everything the WTO does has an impact on sustainable development. The traditional understanding was that trade policy would operate in its sphere, and if liberalization resulted in a poor outcome for another policy sphere—say environment—then the problem was not bad trade policy, but bad environmental policy. However, the WTO no longer deals purely with trade policy – its ambit has increased to cover intellectual property rights (and the relationship to public health, indigenous peoples' rights and life patenting), domestic subsidies, domestic regulatory regimes, and a host of other “behind the border” areas of government authority, all of which are at the centre stage of the pursuit of sustainable development. The WTO is now in fact a World Trade and Sustainable Development Organization (more as a result of evolution than intent), though the explicit language of the body of WTO law hardly reflects it.

He asked: how best to respond to the evolution toward this new role? He argued that the WTO itself should not ultimately be responsible for achieving sustainable development in these disparate areas, but that it should help empower others with the relevant mandates and expertise (such as UNEP, for example, in the area of the environment) to deal with them.

This, he argued, would need to start with a stock-taking to identify the areas of WTO-sustainable development interface, which could be followed by a deliberate search for win-win outcomes. It would necessarily demand a greater degree of coherence across the

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specialized agencies of the UN system, along the lines successfully pursued within the Bretton Woods institutions as a result of the Uruguay Round's work on the functioning of the GATT system. And it would involve clearly defining the role we want the WTO to play in the area of global governance.

## 2. Questions and comments by the audience

It was noted that in an ideal world the WTO would focus on aid and trade more than it currently does, but that in the real world self interest prevails. It was asked whether this would present an obstacle to the kind of reforms envisioned by some speakers. One speaker replied that self interest could be narrow, or it could be enlightened. Enlightened self interest would take a long-term view and would, the speaker argued, militate for increased attention to the development issues in the WTO agenda. He noted that the key developing country issues from the inception of the GATT for the most part remained unresolved, and that the long-term price for this sort of inaction was the current impasse, and the wave of anti-globalization sentiment that made negotiations difficult, all of which was against the enlightened self interest of developed countries.

It was asked whether linking countries' ability to benefit from liberalization to their implementation commitments would not result in an overly-complex, completely novel sort of trade agreement. The answer, one speaker argued, was that if we were really serious about having the WTO pursue sustainable development, or even simply not *frustrate* it, we would need that sort of complexity. Sustainable development is, after all, a messy business, as we have learned from over five decades of experience with international development practice.

There was some discussion on regional and bilateral trade agreements, and the tension between them and the multilateral system. One speaker noted that such agreements tend to favour the more powerful negotiating countries. He noted that in such negotiations, multilateral issues of interest to developing countries, such as agricultural subsidies, are not on the table. And he argued that a plethora of such agreements makes life difficult for exporters – the spaghetti bowl argument. He further warned that many regional groupings constitute competitive regionalism, a sort of new hegemony, which would lead to increased international tensions.

It was asked whether the independent authoritative guidance that one speaker had recommended was not already being provided to some countries via formal assessment exercises of the impacts of trade liberalization. The speaker replied that these exercises are more limited in scope than what he envisioned, and that the body of experts he was proposing would survey the peer-reviewed literature, as well as conducting original research where necessary, to answer basic questions of empirical interest, such as what prerequisites are necessary in country for a developing country to benefit from liberalizing investment in its telecommunications sector—a question that could help establish benchmark triggers for implementation commitments.

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It was noted with approval that human rights had been discussed as a pillar of trade policy. One speaker cautioned that what was needed was not to bring a number of different policy areas into the WTO, but rather to have the WTO get out of the way of the existing responsible actors, at both national and international levels, as they try to address those areas themselves: a sort of “do no harm” strategy.

### **3. Conclusion**

The session was a stimulating look at the future of the WTO from a number of vantage points. The common thread joining the discussions was the question of what type of WTO we want, given the existing imperatives at the international level and domestic levels. Sustainable development featured prominently as a framework to encompass those imperatives.

There was no attempt to reach anything like consensus conclusions or recommendations in this session. That said, it was generally agreed that the WTO has potential to deliver sustainable development outcomes, but there was also consensus on the need to rethink the current regime, perhaps in fundamental ways. The break offered by the current negotiating hiatus, most agreed, might give us the time to address these issues in a way that can help put the negotiations back on a viable and appropriate track.

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### C. **Assessing the impacts of liberalization, Organized by the International Centre for Trade and Sustainable Development (ICTSD)**

Report written by the International Centre for Trade and Sustainable Development (ICTSD)

#### **Abstract**

*Measuring the impacts of trade liberalization on sustainable development is challenging, as the different results obtained by various recent modeling exercises have amply demonstrated.*

*At a meeting convened by ICTSD during the WTO's September Public Forum, experts agreed that it was less the model used than the underlying assumptions and data that influenced the result. To make such projections useful to policy-makers, modelers should clearly lay out the premises on which they are built. It is also important to assess whether the assumptions used are valid and the way they may have affected the projected outcome. Furthermore, politicians, trade negotiators and the media sometimes mislead the public about modeling results, for instance through highlighting certain figures – such as gains expected from total agricultural liberalization – while ignoring the study's caveats about uncertainties or other figures that reveal uneven benefits between or within countries.*

The experts presenting their modeling results stressed the heterogeneity of developing countries and the differentiated potential impacts of an eventual deal in agriculture. Such impacts would depend not only on the details of the agreement, but also on supply side constraints and on natural factors such as smallness and agro-ecological conditions.

For instance, an assessment assuming a middle-of-the-ground 'friendly agreement' saw diminished gains for strong developing (and developed) country exporters compared to more ambitious liberalization, but also showed that preference-dependent and net food-importing developing countries would lose less. Under this scenario, Mauritius, the Philippines and Thailand would make sizeable real income gains compared to those of Argentina, Brazil, the EU or the US, although the latter four would also benefit.

Another study focused on how developing countries would be affected by changes in three key elements in the agriculture negotiations. It found that: (i) 'sensitive products' would have a dramatic impact on the level of ambition attached to the Doha Round; (ii) even one per cent of agricultural tariff lines designed as sensitive would substantially reduce benefits, and (iii) least-developed countries' (LDCs) gains would be multiplied by seven if their duty- and quota-free access to OECD markets were increased from the currently envisaged 97 per cent to 100 per cent. Fifty per cent of the additional income gain – US\$7.25 billion – would be captured by LDCs and the other half would go developing Asia. Malawi's export volume could grow by 15 per cent and that of Bangladesh by 13.5 per cent.

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There was also a general recognition that some key elements necessary for measuring sustainable development impacts were difficult to factor into the computable general equilibrium (CGE) model that is widely used to predict the outcomes of different liberalization scenarios. For instance, assessing impacts on labour and employment cannot be effectively modeled at the global level (partial GE models could be more appropriate here). However, it would be most useful to focus such simulations at a single country level provided the availability of sufficient and reliable data.

Sustainability impact assessments (SIAs) are another way of measuring the likely effects of trade liberalization. Undertaken on the global scale, such assessments are a particularly delicate exercise due to the multiple factors – economic, social and environmental – involved, and the difficulty in obtaining the right data. However, global SIAs can flag issues that must be addressed, while taking the process to a single country level – using more precise and detailed data – may yield valuable practical guidance to national decision-makers.

It was also suggested that a truly global assessment of the sustainable development impacts of trade liberalization would benefit from the involvement of a multi-stakeholder steering committee comprising a wide range of international institutions, including the WTO and UNCTAD, as well as the WHO, UNEP, ILO and others.

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## D. Sustainable impact assessments of trade liberalization, Organized by the Centre for International Sustainable Development Law (CISDL)

Report written by the Centre for International Sustainable Development Law (CISDL)

### Abstract

*The objective of the session was to discuss the role of impact assessments pertaining to trade negotiations and policy derivation from a variety of viewpoints. The panel consisted of practitioners as well as lawyers and academics researching the viability of impact assessments in their current applications as well as the manners in which the scope and methodology could better contribute to the objective of sustainable development. The current practice of assessment was reviewed as were concerns and limitations of the instrument. However, a recurring theme of the discussion of this evolving tool indicated that it is primarily used by industrialized states (the European Union has the most sophisticated instrument) and very rarely undertaken by developing countries. Some of the panellists addressed this discrepancy and provided proposals about how impact assessments could be modified to be an a good identifying tool for trade negotiations and policy decisions for developed and developing states alike.*

### 1. Presentations by the panellists

The panel was chaired by Prof. Marie-Claire Cordonier Segger, Director: Centre for International Sustainable Development Law (CISDL). Prof. Segger has done extensive legal research on the ways in which multilateral and regional trade and investment treaties can be instrumental in promoting sustainable development precepts.

(a) Rupert Schlegelmilch, Head, European Commission DG Trade F3 (Sustainable Development)

Mr. Schlegelmilch took the opportunity to launch the European Commission's new SIA Handbook and spoke from a practitioner's perspective regarding the use of the SIA tool in advance of trade liberalization and policy decisions. Integrating the three pillars of sustainable development – social, economic and environment – the EU's tool is invoked by the collaboration of the Director-Generals responsible for environmental, trade and developmental policies. This is a somewhat novel development as impact assessment work was previously confined to the experts in DG Trade and as such, did not necessarily commensurate with the holistic nature of the process. SIAs are unique among other impact assessments because they analyze the projected impacts on both the EU and their partners in the proposed agreement. Further, SIAs are, according to Mr. Schlegelmilch, extremely transparent insofar as they publish not only the results, but also the logic, evidence and comments extracted from ongoing consultations with civil society at various junctures during the process.

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- (b) Prof. Clive George – Institute for Development Policy and Management, University of Manchester

As close collaborator and contractor of the Commission, Prof. George reported on the findings of his Institute in the SIA of the Doha Round. He noted that the direct economic impact of the predicted liberalization is between 50 and 500 billion Euro. Initially the prediction was the latter, but as the Doha agenda became less ambitious and measurement methodologies became more rigorous, the predicted number was closer to 50 billion. In the context of development initiatives, both of these numbers are miniscule; 50 billion represents 1/500<sup>th</sup> of the resources needed to achieve the Millennium Development Goals while 500 billion is merely 1/50<sup>th</sup>. From this observation, the panellist noted that putting numbers on Ricardo's theory of comparative advantage (often referred to in sacrosanct terms) belies the fact that trade has huge ramifications for development. Beyond breaking down the barriers to movement in goods and services, the socio-economic transformation encompassed in policy packages implemented in parallel to liberalization profoundly supports the development process. On the issue of multilateralization Prof. George indicated that other UN specialized agencies not just the WTO have the task to promote sustainable development. For example UNEP had been indispensable in recognizing the details that matter to each state and assisting in framing the trade negotiations in a manner conducive to these goals.

- (c) Michelle Cooper – First Secretary, Permanent Mission of Canada to the UN and the WTO

Ms Cooper discussed Canada's experience with their version of a trade-related impact assessment tool – the Environmental Assessment (EA). The EA framework is set out in a 2001 Cabinet Directive and was updated in 2004. As the nomenclature indicates, the assessment is directed towards the environmental field and only focuses on the impacts liberalization may have on Canada (however, transboundary effects are identified). Canada has employed earlier versions of EAs for the WTO Uruguay Round, NAFTA as well as bilateral trade agreements with Costa Rica and Chile and its investment treaty with Peru. Ms Cooper noted that despite all this initial work, DFAIT has yet to produce a final EA according to the new rules.

Similarly to the SIA carried out by the EU, public participation and transparency are indispensable elements to the assessment process. Public participation elements include consultations with diverse actors such as members from the business community, regional and provincial representatives and interested NGOs. Trade negotiators are often involved in these discussions to ensure there is no disconnect between Canada's position in the multilateral discussions and its interests in mitigating the environmental damage stemming from trade. A new development in the EA process is the formulation of an Advisory Committee consisting of department experts and negotiators as well as members of interested stakeholders mentioned above wherein the dialogue incorporates suggestions and concerns to be explored by later phases of the assessment report.

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The first stage of an EA is the initial assessment, an exercise in scoping – an analysis of the hypothesized impacts -- and is typically broken down by sectors. The second phase is a draft of the EA which is posted on a website to solicit comments from civil society. The concluding step is the formulation of the final draft wherein discrepancies between the initial conjectures arising from the scoping process and the final strategies of mitigation or enhancement as the case may be. Ms Cooper noted two fundamental challenges to the efficacy of the EA: timeliness and determining the causal links between liberalization and environmental impacts (i.e. that environmental degradation can be directly attributed to policy changes and is not the consequence of other exogenous factors).

(d) Darlan Fonseca Martí – Counsel, Trade Law, South Centre

Mr. Marti spoke from the developing countries' point of view and outlined some concerns – both practical and philosophical – about impact assessments. Insofar as these tools are used to provide research and advice to developing countries about the ramifications of prospective liberalization, IAs are definitely valuable in his experience. However, there are inherent equality issues involved with impact assessments as developing countries struggle to marshal the expertise and resources necessary for carrying out the investigation. Given this asymmetrical accessibility, there are suspicions regarding biased methodology and eventual usage (i.e. invoking ex-post restrictions by appealing to IA findings). Furthermore, Mr. Marti noted that that vast majority of IA instruments have a myopic environmental perspective, which stunts their legitimacy from a holistic development point of view. Another drawback is the fact that measuring and quantifying rules is a problematic exercise that can lead to erroneous prescriptions. Noting that development is a dynamic exercise that is hard to capture in a time series-type study as opposed to an ongoing analysis, the methodology seems flawed in this regard. In sum, in the eyes of developing states, the legitimacy of IAs is compromised by the cost, length (and timing) and complexity as well as embedded ideological bias.

(e) Dr. Markus Gehring – Lead Counsel, Trade Investment & Competition Law, CISDL & Lecturer in International Law, University of Cambridge

Pursuant to three years of extensive international law research, Dr. Gehring outlined three proposals for altering IA methodologies in a constructive manner.

(i) *Proposal 1 – Regulatory elements of IAs*

The innovation of the first proposal lies in adding an explicit regulatory aspect to the substance of IAs. This added dimension is applicable for several reasons. First, increasing technical and legal complexity of trade and other sustainable development law requires additional information and analysis for more effective trade negotiations. Second, where present proliferation of international commitments leads to intersections of rules addressing the same subject matter, assessment can help to ensure greater coherence in trade and other SD policies. Third, trade policies and laws that foster rather than frustrating sustainable development objectives are more likely to last.



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*(ii) Proposal 2 – A ‘low impact’ IA.*

Challenges impeding developing states from embarking on ex-ante/on going/ex-post IAs may include lack of resources and a dearth of basic data, knowledge and capacity building. As a consequence, many policy-makers facing these constraints view IAs to be a discretionary, ‘luxury project’. Thus, a streamlined ‘low impact’ IA could be adapted with these limitations in mind. Such a tool would make use of existing data; be specifically relevant to agreed sustainable development interests; framed in a country-driven manner, focused on essential priorities and concerns – in essence it would be not just simpler but also smarter. Potential elements of new rules for ‘low impact’ IA would include proper timing (before the last round of negotiations in each area); tenable scope (focused on key laws & sectors of most interest to the country); models of economic effects of trade (based on existing data); two phases (scoping and assessment); identification of environment, social development and economic indicators and impacts (selected variables/indicators only, using multilateral sources); intra-governmental in character, using public and private participation (stakeholder-friendly outreach materials, capacity-building elements, rules for intervenor funding) and mitigation and enhancement measures (identify low-cost options, capacity-building opportunities for negotiators, sources of financing / cooperation).

*(iii) Proposal 3 – Developing a multilateral dimension?*

Developing a multilateral dimension could include the integration of IAs into future WTO negotiations. Indeed, an IA analysis of the effects of liberalization is not prevented, but not yet required by WTO rules. Experience has indicated that processes are easier to install than high levels. Concrete steps are possible in WTO negotiations: DDA Para. 51 type provisions could become standard in all trade negotiation mandates; cooperation with UNEP, UNCTAD & UNDP could be deepened; CTE and CTD could seek common methodologies; ongoing & further IAs could be facilitated in WTO negotiations through increased sharing of results among Members; sharing of results and cooperative IA ventures among Members could further strengthen internal /external WTO transparency and participation.

How could coordination and information sharing be manifested? Allow IA and SD information sharing in TPRM, and develop appropriate mechanisms for public participation in TPRM. Increase information sharing with regards to IAs and circulate results among membership. Facilitate coordination of Regional Agreement IAs and consider facilitating bi-lateral IAs between WTO Members. Consider co-ordination of financing mechanisms for IA, such as funds or IA technical support.

(f) Prof. Gabrielle Marceau – Conseiller, Cabinet du Directeur général, WTO Secrétariat & University of Geneva

Prof. Marceau commenced by noting that it seemed to be an inherently rational step to undertake ex-ante assessment to know what is being negotiated (particularly with regards to the developmental aspect) prior to subscribing to new rounds of liberalization. She

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pointed out that the para. 51 and the preambular reference to sustainable development (confined to the environment and development, missing the social element) in the WTO Agreement were instrumental in shifting environmental jurisprudence within WTO auspices and on a systemic level more generally. Drawing on Dr. Gehring's comments, Prof. Marceau suggested that enhanced information sharing could be read into the substance of para. 33 of the DDA. However, she was ambivalent about situating multilateral coordination regarding IA within the WTO machinery and emphasized that the domestic dimension of such investigations can also be compelling. Questions have arisen about the political will and depth of understanding of IAs by states, even though the associated benefits for the domestic population (in a transparent process) are substantial. Further, Prof. Marceau pointed out that it is conceivable that IAs have the propensity to unearth information that WTO Members might attempt to use to apply ex-post restrictions after agreements have been signed leading to disputes.

## 2. Questions and comments by the audience

The post-presentation discussion commenced with a comment by a representative of UNEP presenting their work on impact assessments and noting that costs of IAs depend on the methodology employed. It was flagged that public-private collaboration could scale down some of the costs to a more manageable sum and also make use of existing data. In addition, the speaker agreed with the imperative of conducting IAs ex-ante so that the mitigation and enhancement measures have a better chance of application. Fundamentally, IAs are tools for making informed, coherent choices within an integrated policy framework – not an end in themselves.

A second comment from a prominent assessment consultant posited whether IAs could be undertaken on both a national and global level and then synthesized and balanced to come up with an optimal assessment and policy strategy. A third comment from an assessment expert noted that the strides taken in establishing a civil society dialogue under Mr. Lamy's predecessor were quite revolutionary and whether any lessons were learned for future innovations on this front. Another comment asserted that IAs are inherently political – never neutral -- exercises where assumptions and objectives are framed in the context of political exigencies. Thus, it is important to understand the context in which the key priorities are selected for the studies undertaken. Finally, there was a question as to whether IAs took into account all the possible alternatives regarding a certain liberalization initiative. The answer to this query was negative – IAs assess changes that take place from a baseline situation to the hypothesized liberalization scenario but do not specifically address local consumer choices for practical reasons.

## 3. Conclusion

Some of the main themes of the discussion were as follows: although IAs in theory appear to be a valuable tool for ensuring that trade liberalization adheres to the objective of sustainable development, they are in a transitional phase where innovation could widen

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their appeal and usefulness. Practice has indicated that lack of resources; local expertise, information and understanding have impeded most developing countries from undertaking IAs. Thus, even the most sophisticated tools (like EU's SIA) have limited applicability. The objectives of the discussion were met because the diverse backgrounds and experiences of the panellists and participants insured that the advent of IAs was subjected to a multidimensional critique and in response, researchers presented creative new methods for addressing the perceived shortcomings. There was wide recognition that there is room for improvement of IAs in their current form and that an instrument that analyzes the prospective implications – positive and negative – of changes in trade policy is invaluable in embedding sustainable development goals within the multilateral trading framework.

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## E. **NAMA and sustainable development: Reflecting on a new agenda for the XXIst Century, Organized by Greenpeace International**

Report written by Greenpeace International

### **Abstract**

*The current NAMA negotiations are officially suspended together with the Doha Round. This session sets out issues negotiators should be reflecting upon during this suspension in order for NAMA not to undermine development, environment, employment and gender equality goals. The aim of this session was to raise common civil society concerns about where the NAMA negotiations were heading before the suspension and to provide proposals for the future. The main questions addressed were:*

- *What were the main pitfalls of the NAMA proposals put forward until the suspension?*
- *Do we know enough about the impacts of NAMA liberalization and what are they?*
- *Is a new Non Tariff Barrier mechanism a step forward or not?*

### **1. Presentation by the panellists**

The session was moderated by Daniel Mittler, Greenpeace International.

#### (a) Jennifer Brant, Oxfam International

Jennifer Brant commented on the current NAMA negotiations and the need for a completely new approach that puts development at the centre. Instead of a development orientation, the talks have been driven by the short-term commercial interests of industrialized countries. Rich countries are pressing hard for significant opening of developing countries' markets despite the risk this could pose to industrialization, employment, and poverty reduction. And they have adjusted the rules of the game, focusing on cuts to applied rather than bound tariffs, as is usually the basis for negotiating tariff reductions.

#### (i) *Push for market opening in the South*

Rich countries are pursuing a policy in these negotiations of "do as we say, not as we did", as they push for significant reductions in developing countries' bound and applied tariffs. Today's industrialized countries used selective tariff protection in the past to industrialize and diversify their economies, removing tariffs gradually as industries became competitive. To the contrary, developing countries, which liberalized their economies suddenly and deeply have not fared well; in fact, many countries have de-industrialized and/or lost entire sectors of industry following market-opening programs imposed under structural adjustment.

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If the current proposals by countries such as the US and EU are adopted, developing countries would not be able to use a similar approach to build their economies, as they would not be able to raise and lower tariffs strategically. Pushing them to give up recourse to such policies in the future is short-sighted, since reducing poverty and inequality is in everyone's interest.

In addition to the longer term effects on economic growth and development, there are immediate "adjustment costs" that developing countries will face if they are pressured to agree to current aggressive proposals. First and foremost, if industries are opened to competition before they are ready, they are likely to close down. This is why today's industrialized countries protected their industries until they became competitive. Closure of industries translates into job loss, which in turn exacerbates poverty. For obvious reasons, it's easier and quicker to destroy fledgling industries than to create them. Once industries disappear rebuilding them – and replacing the jobs lost – is very difficult, if not impossible.

Overall, rich countries have been dismissive of developing countries' concerns regarding adjustment costs, ignoring the lack of social safety nets in most developing countries to help those who lose their jobs. In addition, loss of tariff revenue – which in some countries is a significant percentage of government income – and balance of payment problems are potential costs associated with sudden, deep market opening. For these reasons, it is essential that negotiators proceed with caution. Rich countries should not pressure developing countries to quickly agree to a text, which could have serious and possibly damaging impacts on development and poverty reduction.

*(ii) Northern protectionism*

While pressuring developing countries to liberalize, industrialized countries are refusing to make a clear commitment to dismantle their own protectionist measures. Improved access to Northern markets could provide millions of jobs in the developing world, many of them for women. The starkest illustration of rich countries' unwillingness to open their markets to poor countries is the failure to grant full duty-free, quota-free market access to LDCs. The 97 per cent agreed at Hong Kong is simply not good enough in the context of a "development round".

In addition, rich countries have been promising for years to lift protection on exports of special interest to developing countries, and yet higher tariffs and other measures continue to block precisely those products. Although their average tariffs are low, rich countries maintain high tariffs on products in which developing countries are competitive, such as steel and clothing. The average US tariff for all imports is 1.6 per cent, but this rises to 4 per cent for India and Peru, and to a scandalous 14–15 per cent for LDCs such as Bangladesh, Nepal, and Cambodia.

Tariff escalation is also a problem for developing country exporters, as rich countries tend to impose more protection on products with higher value-added. For instance, the

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European Union, imposes tariffs of less than 4 per cent on Indian yarn, but if the yarn is worked into garments, the tariff jumps to 12 per cent. In the talks, there is still no sign that the rich countries are prepared to eliminate tariff escalation on exports from poorer countries, or to honour their promise to provide full market access to the LDCs.

Developing countries have flagged non-tariff barriers (NTBs) as one of the most significant obstacles that their exporters face, but there has been scant progress in this area of the talks. Instead, attention has been overwhelmingly focused on the tariff-reduction formula, a key offensive interest of rich countries. Developing countries need technical assistance in order to identify the NTBs faced by their exporters but, so far, little assistance has been forthcoming. Instead, developed countries have hijacked this area of the talks to label a variety of policies and domestic regulations “NTBs” and seek their elimination. Measures that are abused for protectionist purposes include anti-dumping measures and unduly restrictive rules of origin. Addressing these could benefit developing countries, but developed countries claim there is no mandate to discuss the latter and there has been little progress on the former.

*(iii) Lack of balance, development has gone missing*

It was promised in 2001 that this would be a development round, but many of the pro-development elements and flexibilities that observers hoped would be part of NAMA negotiations have now disappeared. The current negotiating text explicitly states how the rich countries’ interests will be dealt with, for example steep tariff reductions are envisioned via application of a “Swiss formula”, and rich countries have managed to push sectoral initiatives onto the agenda despite opposition from some Members.

The “flexibilities” provided to developing countries are mere carve-outs from an otherwise harmful text; for instance paragraph 8 lets countries safeguard a few sectors from liberalization. This might help countries protect employment in certain areas but, over the long term, reducing tariffs on all other sectors takes away the ability of countries to use selective tariff protection to move into new sectors, with higher value-added. What is needed instead is a text which is, overall, supportive of development and industrialization – not limited exemptions from a set of anti-development rules.

Further, the negotiating text contains only vague language about how the interests of developing countries will be addressed. For instance, technical assistance for poorer countries was meant to be provided, but it has never been specified exactly when and how this would be done. Rich countries claim there is no mandate to discuss rules of origin, a key issue for poorer WTO Members. And the issue of preference erosion is, after years of negotiation, still covered by only best endeavours language even though this is an important issue for a number of developing countries. The original negotiating mandate, supportive of development, has been consistently ignored and/or distorted.

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Rich country negotiators argue that one of the primary benefits of NAMA tariff reductions will be an increase in South–South trade. While there are potential gains here, the issue should not be used to distract attention from Northern protectionism and from the danger posed by the rich countries’ aggressive push for deep market opening in developing countries. South–South trade is already growing very fast, and there is nothing to prevent individual developing countries from further liberalizing their trade regimes unilaterally, regionally, or as part of UNCTAD’s global South–South trade negotiations.

The Doha mandate and 2004 July Framework clearly state that the principles of ‘S&D treatment’ and ‘less than full reciprocity’ must be reflected in any NAMA agreement. The current negotiating text, along with the proposals by industrialized countries, does not reflect these.

A pro-development NAMA agreement would support industrialization and poverty reduction, by generating new market access in the North and by providing developing countries with flexibility to pursue a variety of pro-development policies including use of tariffs. Oxfam believes that a new basis for negotiations is needed, as that there is virtually no way to turn the current text into a pro-development NAMA agreement.

A dramatically new approach is needed. WTO Members should recommence negotiations on a basis fully reflective of the principles cited above.

The final NAMA package should contain the following elements:

- Developing countries should be allowed to choose which tariff lines to bind along with the rates at which they bind. No tariff that developing countries bind in this Round should be subject to cuts; binding is already a concession.
- Developing countries should have the flexibility to choose which tariffs they reduce and by how much. Setting targets for an average reduction would be better than adopting a ‘formula approach’ to market access.
- If a formula is agreed, it must allow developing countries to exempt key sectors from tariff reductions or even to raise tariffs on the grounds of economic development policies, environmental concerns, rural development, employment, or poverty reduction.
- The agreement must radically improve developing country access to rich country markets by eliminating tariff peaks and escalation. Imposition of a cap on tariffs set by industrialized countries should be considered.
- Measures must be agreed to prevent protectionist abuse of anti-dumping actions and product standards, and excessively demanding rules of origin.

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- LDCs should be exempt from all tariff commitments, including binding. They should be granted duty- and quota-free access to rich-country markets, bound at the WTO.
  - Initiatives to eliminate or harmonize tariffs in whole economic sectors should be rejected.
  - Studies should be carried out to assess the impact of possible future liberalization commitments on the environment and on the livelihoods of people living in poverty. For environmentally sensitive sectors such as fisheries and forestry, there should be no negotiations without full impact assessments.
  - Preference erosion must be dealt with by WTO Members, particularly those who created the preference system, who should at a minimum provide bilateral assistance to preference-dependent countries, commensurate with the impact of preference erosion resulting from implementation of the current Round. This should be a binding commitment.

(b) Marc Allain, Consultant, Greenpeace

Marc Allain criticized the logic of NAMA fish liberalization and argued that liberalization of fish trade through tariff reduction would only accelerate over-fishing and global resource depletion with particularly disastrous results for developing countries.

Under the WTO's currently suspended Doha Development Round negotiations, tariffs on fish and fish products are to be significantly reduced and perhaps even eliminated. The stated rationale for this undertaking is that trade in fish is both important to developing countries and that they would benefit from further liberalization.

In his presentation, Marc Allain drew on published studies by the Organization for Economic Cooperation and Development (OECD), the European Union and the United Nations Environment Programme (UNEP) to show that further liberalization of trade in fish and fish products particularly through the reduction/elimination of tariffs will only bring lasting economic benefits to a handful of developed, fish-exporting countries that have *relatively* well-established domestic fisheries management regimes. These countries should, *if* they have the political will, be able to withstand the pressure to increase supply beyond sustainable levels that tariff reduction/elimination will undoubtedly unleash. But they will be the only ones.

Outside of this handful of beneficiary countries no other countries will benefit because the minimum conditions for mutual benefit – effective fisheries management at the exporting and importing end - simply do not exist.



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UNEP case studies of the impacts of past fish trade liberalization in three countries (Mauritania, Argentina and Senegal) were presented to demonstrate that market liberalization in fish is particularly harmful for the economies, societies and conservation of stocks of developing countries with weak fisheries management regimes, a situation which is sadly characteristic of the developing world.

From this, Marc Allain concludes that further fish trade liberalization will only worsen the “impoverishing growth” that developing countries suffered through in the 1980s and 1990s as a result of World Bank and International Monetary Fund (IMF) imposed structural adjustment programs and accelerate already severe rates of fisheries resource depletion. While tariff reductions for fish and fish products may well bring short-term boosts in some developing countries export earnings as the last vestiges of their high value marine resources are scooped up for export, the margins for doing so are very tight. The current rates of exploitation on most high value export stocks are already far beyond sustainable levels.

The most likely scenario under current conditions is that developing countries will deplete what is left of their wild fish biomass, increasing the already considerable loss of both genetic and biological-diversity in the process and erode the very basis of sustainable use: a healthy and productive marine ecosystem. For consumers in the developing world, fish prices will rise as more of the national fishing effort is diverted to fishing for export species leading to less supply of locally fished and consumed pelagics. Globally, liberalization will also increase pressure to divert food from the plates of the third world’s poor to fish meal processing in order to supply unsustainable forms of salmon and shrimp aquaculture that will get a boost from tariff liberalization.

In geographic terms there will likely be a shift in production especially in canned tuna to south east Asia from African, Caribbean and Pacific countries (ACP countries). African countries in particular will be affected by preference erosion as they lose the trade preferences associated with the Lomé and Cotonou Agreements between the EU and ACP countries. Under this scenario, Bangkok is expected to become the uncontested hub of the international canned tuna trade.

Even importing OECD countries that benefit from the inadequate, lax or non-existent resource management regimes in developing countries could see further liberalization negatively impact their own fisheries. Faced with the competition from cheaper imports their domestic fleets are likely to respond by fishing harder on already depleted or threatened stocks unless they can shift their surplus capital (vessels) and labour to other uses; which is highly unlikely given past experience.

While consumers in developed countries should see some short term economic benefits in terms of less expensive seafood prices, these will be short lived because further liberalization will only accelerate resource depletion through continued over-fishing - especially in developing countries - leading to higher prices in the medium to long term as global supplies diminish.

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The presentation concluded that the international legal responsibility for countries to police themselves and to ensure that their fleets and corporations fish responsibly are already spelled out in numerous international legal instruments that are largely ignored. These include the *UN Fish Stocks Agreement*, the *FAO Code of Conduct for Responsible Fisheries*, and the World Summit on Sustainable Development's *Johannesburg Plan of Implementation*. At the very least until such time as these instruments are universally adhered to and enforced, it would be irresponsible for the Members of the WTO to engage in further liberalization on fish and fish products. For these reasons, the Non Agricultural Market Access (NAMA) negotiations must remain suspended and tariff liberalization for fisheries removed from bilateral and regional trade agreements.

Instead of pursuing further liberalization, states should ensure existing international law is implemented fully and establish new rules to ensure sustainable and equitable management of the high seas. Furthermore, developing countries must be provided with the capacity and know-how to establish and enforce effective fisheries management regimes in their own waters.

(c) Neo Chabane, National Union of Metalworkers of South Africa

Neo Chabane commented on the impacts NAMA liberalization would have on industrial sectors in South Africa showing that these would be very negative, especially if co-efficients as proposed by developed countries were to be accepted. She also read out some of the recent resolutions taken by the 9<sup>th</sup> National Congress of the South African federation of trade unions, COSATU with regard to trade policy in general and NAMA in particular to bring a true trade union voice to the WTO:

“Noting:

1. The Doha Development Round at the WTO is currently suspended because powerful, developed countries are operating as a bloc to secure markets in the developing countries while denying developing countries the policy instruments needed to enhance development. At the same time, they continue to subsidise agriculture and as a consequence block access into their agricultural markets

2. The tariff cuts proposed in the negotiations on non-agricultural market access (NAMA) pose a devastating threat to quality employment and to the existence of a manufacturing base in developing countries.

3. The recent positions taken by South Africa in the negotiations and in the alliance-building between the countries of the South in the WTO. COSATU takes this opportunity to commend the more proactive positions taken by our government.

Believing:

1. Developing countries must unite to develop a programme to protect their markets against the WTO bullies.

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2. Our engagement in trade-related matters must:

- a. Seek to meet the needs of our members and the millions of other working and unemployed people in this country and
- b. Support effective and democratically agreed-policies to support the appropriate development of the South African economy.

Therefore this Ninth National Congress resolves:

1. On NAMA (Non-Agricultural Market Access), our government:

- a. Should ensure that while WTO talks are suspended, developing countries should not be coerced into entering bilateral agreements with rich and powerful countries. Further, government must not get drawn into accepting any kind of compromise multilateral 'formulas' for the reduction of industrial and other tariffs proposed under this agreement, with the already-evident negative effects of such liberalization against local industry and jobs;
- b. Must instead defend the imperative necessity to preserve its own internal policy-making rights and the policy flexibility required to support its own emerging and future industrial development and diversification strategies, and
- c. Must support COSATU's demand that the offensive thrust of NAMA be definitively blocked altogether.

It is critical that our government does not accept as inevitable that the Doha Round will - or must – resume. Instead, it should use the current suspension of talks to engage in wide-ranging investigation and consultation with organized labour and other social forces in this country to prepare an alternative and appropriate national development and international strategy appropriate for the needs of this country.

6. We urge the government to support the continued unity and resistance of the various alliances of developing countries in the face of the divisive pressure tactics by the WTO and its supporters".<sup>11</sup>

(d) Nathalie Bernasconi-Osterwalder, Center for International Environmental Law (CIEL)

Nathalie Bernasconi-Osterwalder commented on recent proposals relating to Non Tariff Barriers in the NAMA discussions. In 2001 Members of the WTO committed, in the context of non-agricultural market access, to negotiate the reduction of "tariffs [and] non-tariff barriers, in particular on products of export interest to developing countries." The reference to non-tariff barriers (NTBs), was included at the insistence of developing countries, who are particularly concerned about those NTBs that are structured to eliminate or reduce imports to benefit domestic industries in developed countries. Indeed, both developed and

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<sup>11</sup> See: <http://www.cosatu.org.za/cong2006/congress06/finresolu.htm>

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developing country exporters face a wide range of obstacles in export markets. NTBs identified in an OECD study in 2003 included, among others: technical measures (including, among other things, content and design requirements, labelling and quarantine requirements); internal taxes or charges; customs rules and procedures; competition-related restrictions on market access; quantitative restrictions; subsidies and related government support; public procurement; and trade defence measures (including anti-dumping and countervailing duties, and safeguards).

In the WTO, negotiations on the elimination or reduction of NTBs began with two notification exercises conducted in the Negotiating Group on Market Access (NGMA), in which Members were given the opportunity to notify those NTBs that hindered their exports in various markets. The NTBs notified in the NGMA similarly covered as wide a spectrum of NTBs as identified in the OECD study, including environmental and health measures. Identifying and classifying NTBs in the NGMA process were intended to allow Members to develop options for their elimination or reduction. But negotiations have been frustrated, partly because Members, particular developing countries, did not have the resources to identify and analyze individual NTBs that are burdensome for their economy. Currently, the specific NTBs notified reflect primarily the NTBs of concern for developed countries, rather than of developing countries and the LDCs among them.

The European Communities (EC) and a group of developing countries, the NAMA-11 group, are apparently trying to move away from attempting to address specific types of NTBs that are burdensome in export markets. Instead, each is calling for the creation of a new “facilitative mechanism” in the WTO to address all types of NTBs across the-board, arguably covering any measure affecting trade that is not a tariff. Both of the proposed problem-solving mechanisms would allow Members to raise their concerns about NTBs in an expedited and informal process. Solutions would be non-binding and without reference to the legality of the NTB in question. At least in theory, the facilitative mechanism would complement existing WTO dispute resolution mechanisms and, therefore, would not interfere with Members’ rights and obligations to existing WTO Agreements. Although the Doha Round of negotiations seems to have been indefinitely suspended as of July 2006, it is likely that the idea to create a new “facilitative mechanism” will continue to be discussed within the WTO – most likely based on the models already proposed.

The proposals submitted by the NAMA-11 group of countries and the EC attempt to address these concerns through a “quick fix” solution, by introducing a horizontal mechanism that does not refer to WTO rules, and that focuses on the trade-restrictive effects of specific NTBs. However, in many cases, the issues are complex and multifaceted. Members must ask themselves whether the characteristics of such a fast-track mechanism are adequate for addressing the extremely wide range of measures covered by the proposed mechanism, especially because the mechanisms would constitute a move away from a rules-based system. This inquiry is particularly important where NTBs are covered that aim at environmental protection and public health. The proposed mechanisms do not appear to consider any aspect or objective other than increased market access through the elimination or reduction

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of NTBs. Might it be better to limit the scope of application of the proposed mechanisms, either by identifying those NTB that can adequately be addressed under this type of mechanism, or by carving out certain types of NTBs from the scope of application, such as for instance, environmental or health NTBs?

Also, because neither of the two proposals is geared to specifically address developing country concerns, there is no indication that the mechanism will effectively address developing countries' concerns regarding NTBs. Developing country Members may want to consider alternative options that are more focused on developing country needs. For instance, might it be more useful to set up specific processes for Members to address NTBs in a manner similar to the process used in the SPS Committee, which promotes transparency and technical assistance specifically in favor of developing countries? Finally, developing countries may want to consider whether the move away from a rules-based system may be used to pressure the weaker trading partner into decisions that might inhibit the country's sustainable development goals.

## **2. Questions and comments by the audience**

During the discussion, the EU called itself a “WTO bully” (quoting the COSATU statement read out by Neo Chabane, see above) and stressed, that in their opinion, NAMA liberalization will benefit developing countries especially due to an increase in South-South trade. The EU also stated that due to exemptions vulnerable countries not ready for liberalization had nothing to fear. Martin Khor of the Third World Network, rejected this claim, pointing out that many countries with sensitive industries are not covered by exemptions under Article 6 of the NAMA framework and that the kind of tariff cuts and bindings developed countries demand of developing countries, they refused to do during their own historical phase of industrial development. The delegate of the Philippines stressed, that there is indeed an urgent need to address non-tariff barriers and that this is a key concern of many developing countries. Several other issues, for example, what role the world trade system could play in advancing sustainable consumption and the interaction between NAMA and other negotiating areas, were raised but could, due to lack of time, not be discussed in detail.

## **3. Conclusion**

The session concluded that there was much to reflect on while the Doha Round remains suspended to make NAMA stop being a threat to poverty eradication and environmental protection.



## V. SPECIFIC ISSUES

### A. RTAs threat or opportunity for the WTO, Organized by the Federation of German Industries (BDI)

Report written by Dr. Guido Glania and Bernhard Kluttig, Federation of German Industries

#### Abstract

*The session organized by the Federation of German Industries tried to evaluate the potential effects Regional Trade Agreements (RTAs) might have on the WTO in general and on the suspended negotiations of the DDA in particular. This issue has experienced an ever-increasing attention during the past. According to WTO information, by mid-2005 there was only one WTO member that was not party to a regional trade agreement. At the same time, a total of 330 RTAs had been notified to the WTO, of which 206 were notified after the WTO was created in January 1995. Currently there are 180 RTAs in force. However, several other RTAs are believed to be operational although not yet notified. Recently, the current failure of the DDA has generated many contributions to the current debate on multilateralism vs. bilateralism.*

*Some observers considered that the implications RTAs might have on the multilateral trade system are far from clear. On the one hand, one could say that the suspension of the multilateral trade talks will force WTO Members to go ahead with trade liberalization primarily on a bilateral or regional level. This again could lead to a decreasing relevance of the multilateral approach. In that sense, RTAs can be seen as a threat to the WTO. On the other hand, the increasing number of RTAs will lead to a complex and non transparent system of rights and obligations amongst the trading partners, a situation that has been pictured widely as a 'spaghetti bowl'. This development could involve increasing transaction costs for the trading partners. In this situation the WTO Members could change their mind and recognise the advantages of the multilateral trade system. Moreover, ambitious results in trade liberalization that could be achieved easier in a first step on a regional level could then in a second step successfully be shifted on to the multilateral level. Thus, RTAs could be seen also as an opportunity for the renaissance of the multilateral trade negotiations under the DDA of the WTO.*

#### 1. Presentations by the panellists

The session was moderated by Reinhard Quick, German Chemical Industry Association, VCI.

(a) Jürgen Matthes, Cologne Institute for Economic Research, IW

Taking an economist's standpoint and bringing forward some provocative suggestions,

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Jürgen Matthes cautioned against being too optimistic about the recent phase of new bilateralism. He highlighted a variety of detrimental effects of RTAs. The problem of preference erosion and the fact that RTAs are increasingly seen as an alternative to the lagging multilateral liberalization, he suggested, were both important stumbling blocs for the Doha negotiations. The vast network of RTAs (spaghetti bowl) immensely raised transaction costs and was like throwing spanners in the works of globalisation. Moreover, Matthes referred to economic theory and empirical studies in order to warn that global welfare effects of RTAs were rather unclear and could – particularly in the case of more and more South-South-RTAs – well be negative. He pointed out that from a game theoretic perspective a self-reinforcing ‘Race for Markets’ had been set in motion since the year 2000. Taking the example of the EU and the US, Matthes illustrated that it was a dominant strategy to conclude a bilateral trade agreement with a fast growing developing country. No matter whether the US had an RTA with, e.g., India, it would be best for the EU to conclude an agreement – either being first and gaining competitive advantages over the US. Or – in case the US had moved first – the EU would have to follow in order to level the playing field again. However, while it was rational for individual countries to go for RTAs and to join the ‘Race for Markets’, from a global perspective this laissez-faire posed the danger of global welfare losses and persisting damages to the WTO. Thus, the situation could – as Matthes indicated - be described as a social dilemma; and stopping the new bilateralism became a kind of public good. In other words, as RTAs (by discriminating excluded countries) caused external effects, the decentralized actions of the trading partners led to some kind of “market failure”, which called for the intervention of a supranational organization to stop bilateralism. However, Matthes took the view that the WTO was not strong enough for this task. Thus, he concluded with the speculation that – particularly from the point of view of developing countries – the new bilateralism could prove to be a dead-end because it posed more problems than solved. Only after this had been acknowledged, there was hope for a renaissance of the WTO, may be only as late as 2020.

(b) Joakim Reiter, European Commission

“We are all sinners”. With this admission Joakim Reiter commenced his presentation. He referred to the fact that almost all trade nations are involved in bilateral or regional trade deals. The EU for instance has 22 RTAs with 24 countries. These RTAs, however, would not represent that much trade. Reiter reiterated that a balance of interests is important in order to reach an overall coherent coexistence of bilateral, regional and multilateral trade agreements. Although on the basis of the conclusion of bilateral or regional agreements certain bilateral trade interests could be satisfied, neither Small and Medium Sized Enterprises (SMEs) nor Transnational Corporations (TNCs) would automatically profit from increasing regionalism. This is because SMEs would for financial reasons not be capable to handle the ‘spaghetti bowl’ with its manifold and different bilateral trade rights und obligations. These high costs would seem to be a burden for smaller industries that would be difficult to carry. But also TNCs would probably suffer from regionalism as they depend to a great extent on flexibility, which might get lost under a further regionalism. Thus, Reiter came to the conclusion that overall the trend for RTAs was not beneficial. In the following Reiter

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raised the question about who is to blame for the current development: RTAs or the DDA. He definitely made clear that the EU trading profile requires multilateralism. However, he also conceded that if the multilateral trade talks were not fruitful and beneficial, the 'race for the markets' would inevitably call for bilateral and regional trade negotiations. In order to reduce the damages RTAs might cause for the multilateral trade system Reiter made several suggestions, which he thought would require very little only. First of all, RTAs should be negotiated and concluded only where they can add certain value which the DDA could not. Furthermore, he demanded high quality and good drafted RTAs. Most importantly, the bilateral and regional trade agreements would have to be designed in accordance to WTO rules to guarantee WTO compatibility. Reiter also argued in favour for region to region agreements. He finally stipulated that a high level of transparency for RTAs would be required in order to reduce transaction costs. At the end of his presentation Reiter stated that it could only be the WTO to close the gap between RTAs and WTO regime.

(c) Rachel A. Shub, Permanent Mission of the United States to the WTO

Rachel A. Shub provided an insightful view on the US perspective with regard to the current phase of regionalism. She said the United States clearly favoured open markets which could be achieved best through the MTS. RTAs could, however, play an important role as a complementary tool to trade liberalization. With respect to the WTO compatibility of RTAs under Article XXIV, the rules have been designed to pave the way for domestic political movements towards the WTO. The plain meaning of the term 'substantially all trade' cannot be understood to mean partial or a major portion of trade, and any exclusion of a whole trade sector would, therefore, be detrimental and was inconsistent with Article XXIV GATT. As a positive example Shub cited NAFTA with a 98-99 per cent coverage of trade (looking at either tariff lines and trade flows), and other aspects of US FTAs, such as accession to the Information Technology agreement and Trade Facilitation provisions, that benefited all WTO Members. Shub also said the new WTO Transparency Mechanism (providing for improved information gathering) would, once implemented, increase understanding of the effects of the multiple FTAs/RTAs being negotiated.

(d) Nicolas Imboden, IDEAS Centre

Although Nicolas Imboden gave in general priority to multilateralism over bilateralism, he tried not to paint a too gloomy picture of the current tendency towards regionalism or bilateralism. Therefore, he concentrated on pointing out the advantages bilateral and regional trade negotiations could have over multilateral negotiations. Especially the time argument would speak in favour for the RTAs as in general the conclusion of a bilateral or regional agreement would be faster to achieve than a multilateral agreement. Furthermore, with RTAs the partners could focus their negotiations on specific issues. As an important example Imboden referred to the issue of harmonisation. This issue in general and mutual recognition in particular could be dealt with easier on a bilateral or regional than on a multilateral level. He also saw quite a lot of potential benefit through RTAs for the south-south-trade. Nevertheless, despite the potential positive role RTAs could play for the South-South trade,



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Imboden also reminded that RTAs between developed countries and emerging markets economies carried a high risk of damaging trade diversion. However, he pointed out the fact that with RTAs there was a second means of trade liberalization and that, therefore, everybody should be less sceptic. Notwithstanding his rather positive view on RTAs Imboden raised a difficult issue which had been rarely discussed during the previous debate: Who would be willing to negotiate RTAs with Africa? Will there be regions left out? Again he was of a rather optimistic belief as he presumed that an exclusion of certain countries would be unlikely to happen. At the end of his presentation Imboden drew the attention to the fact that RTAs could cause pressure for multilateralism. For all that reasons, RTAs should rather be regarded as being not that bad and detrimental.

## **2. Conclusion**

The participants of the session favoured the multilateral trade regime under the WTO over bilateral or regional agreements. However, all speakers did refrain from condemning RTAs generally. Instead the potential positive effects RTAs could have were pointed out. At least one speaker even focused his presentation mainly on the positive sides of RTAs and, thus, tried to contrast the sometimes hysteric perception of regionalism. The participants also expressed their hope that the current debate on regionalism could generate a momentum for the temporarily suspended DDA. In that way RTAs and the surrounding debate could be an opportunity for the WTO. Lately there had been some modest progress on how the WTO can monitor RTAs. It was a widely shared view that RTAs with a comprehensive coverage are preferable and that more transparency and information gathering on RTAs is needed.

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## **B. International standards in the multilateral trading system (MTS): A stakeholders' discussion, *Organized by the United Nations Economic Commission for Europe (UNECE)***

Report written by the United Nations Economic Commission For Europe (UNECE)

### **Abstract**

*International standards ensure that the industrial products that cross national borders are safe and reliable, and that agricultural produce is healthy and fresh. Less known but no less relevant are norms on how to format and exchange the data that supports international trade flows, for example customs declaration forms and invoices.*

*Under the umbrella of the United Nations Economic Commission for Europe (UNECE), different groups of experts from the private sector and Governments develop standards, recommendations and best practices in a number of areas. The Secretariat also organizes capacity-building activities to assist countries and regional groupings in the implementation of the international norms to whose development UNECE contributes.*

*UNECE organized this workshop to allow all the stakeholders in the standardization debate – non-governmental organizations (NGOs), business, and international organizations – to voice their concerns, especially regarding the following questions/issues:*

- *How do different kinds of standards affect trade flows on the one hand, and consumer's welfare on the other?*
- *What are the roles of Governments and civil society in implementing international standards?*
- *How can developing countries' participation in standards-setting be enhanced?*

### **1. Presentations by the panellists**

(a) Mr. Marek Belka, UNECE Executive Secretary

Mr. Belka welcomed participants to the workshop and highlighted the importance of a well-tailored regulatory framework, which protects citizens' health and safety while helping businesses thrive, domestically and internationally. In developing and adapting regulations, Governments need to take into account the interests of consumers, business, and the civil society. At the same time, standards that are compatible with those of a country's largest trading partners can significantly improve that country's competitiveness in international markets. The UNECE Trade Sub-programme services the work of highly technical groups of experts which develop standards in such constantly evolving areas as agricultural produce, transport equipment and telecommunications, as well as trade facilitation. This work initiates cooperation from all stakeholders, both within the UNECE region and globally.

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(b) Ms. Marion Jansen, Counsellor with the WTO Economic Research and Statistics Division

Ms Jansen referred participants to the WTO World Trade Report of 2005 (available at: [http://www.wto.org/english/res\\_e/reser\\_e/world\\_trade\\_report\\_e.htm](http://www.wto.org/english/res_e/reser_e/world_trade_report_e.htm)) which discusses the role of international standards in the MTS. International standards can be beneficial if they ensure compatibility among different products as well as quality and safety, and protect the public from negative externalities (e.g. pollution and car emission standards).

Ms Jansen pointed out that while harmonization of standards at the global level lowers trade costs, it can also reduce product variety, and therefore is not always desirable (consider food safety standards, for example). Most standard-setting activities are carried out by the private sector. This involves fewer costs, while providing more flexibility and proximity to the market. At the same time, there are cases in which government intervention is necessary, as is particularly true with safety standards, for example.

Against this background, Ms Jansen assessed the role of the WTO in settling international disputes related to standards. She explained that – while countries generally agreed on policy objectives – disagreements often emerged regarding the policy instrument that had been chosen to achieve these objectives, as well as on its impact on a given traded good. She raised the question of whether the WTO dispute settlement was well equipped to deal with the scientific evidence used to analyze these questions, and argued in favour of greater coherence between trade rules and standard-setting policies in the global domain.

In conclusion, Ms Jansen stated that developing countries could minimize the negative effects of developed countries' standards on their exports by:

- Making standard-setting at the national level more market-focused;
- Increasing their participation in the meetings of international standard setting bodies; and
- Finding niches in global trade as high-quality suppliers.

(c) Mr. Per Dofnas, Director of Technical Regulations, Government Affairs and Regulations at Ericsson

Mr. Dofnas commented that countries adopt their own styles of technical regulation, in compliance with WTO Trade Policy Provisions included in the Technical Barriers to Trade (TBT) Agreement. The Agreement leaves enough room for deviations at a national level, which can potentially constitute de facto trade barriers. UNECE – through its Working Party on Regulatory Cooperation and Standardization Policies (WP.6) – undertakes extensive work to assist countries in harmonizing technical regulations in order to eliminate these obstacles and promote regulatory convergence.

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One of the most important recent achievements of WP.6 is its development of the “International Model for Technical Harmonization”. The International Model provides a framework that can be adapted to sectoral agreements in different fields. Within this framework, countries agree on common regulatory objectives as well as on the products to be covered, the international standards which are applicable, and the procedures to be followed for conformity assessment, market surveillance, etc. Three advantages of the International Model are: (a) that the standards negotiations are open to all States members of the United Nations; (b) that it is based on Good Regulatory Practice (i.e. the WTO TBT Agreement); and (c) that it provides a mechanism for linking harmonized technical regulation and international standards. Furthermore, the International Model describes common procedures for conformity assessment and provides for free movement of goods covered by the Agreement among participating countries.

Mr. Dofnas noted that the International Model is being used as a tool to facilitate regulatory convergence in a number of different sectors, in particular in telecommunications and earth-moving machinery and more recently, oil and gas pipelines. Several regional organizations are collaborating with UNECE in an effort to use the International Model to support the alignment of their regulatory regimes in specific sectors or product areas, among them the Commonwealth of Independent States, the Stability Pact for Southern Europe and the African Organization for Standardization.

(d) Ms. Olga Razbash, Legal expert, Russian Regional Ecological Centre, Moscow, Russia

Ms Razbash explained the importance of issues relating to standardization and regulatory convergence in the context of the accession of the Russian Federation to the WTO. In this area, Russian legislation and enforcement practice were in conflict with WTO norms. Additionally, regulations were not consistently enforced due to the limited capacity of the authorities and widespread corruption. This made the role of civil society in the negotiations all the more valuable. A principal concern of Russian NGOs during this process was the importance of creating conditions for growth in the quality and competitiveness of domestic production and technical support to standards implementation.

(e) Ms. Ulrike Bickelmann, Head of the Inspection Service of the Federal Bureau for Food and Agriculture of Germany and Vice-Chairperson of the Specialized Section on Standardization of Fresh Fruit and Vegetables in UNECE

Ms. Bickelmann explained that with the increasing distance between producers and clients, both parties needed agricultural standards as a trading language. Developed at a national level, standards increase both producers’ and traders’ reliability and credibility, thus increasing their profits, and are therefore beneficial. Standards’ main limitation is that exporters which trade with multiple partners abroad have to comply with different national standards, and similarly, importing countries cannot adequately protect their citizens’ health and safety based on their trading partners’ standards. Differing national standards may therefore create technical barriers to trade.

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UNECE international standards are developed jointly and adopted by both exporting and importing countries. They thus reflect the common line and requirements of producers and consumers. The UNECE standards are minimum standards and guarantee not only market transparency, but also the safety and edibility of produce.

Ms Bickelmann pointed out that European Union (EU) legislation on marketing standards enshrines the UNECE agricultural quality standards and in particular that it strictly follows the UNECE standards layout. In 2005 import inspection in Germany (for non-EU produce only) revealed a rejection of not more than 3 per cent. The low percentage of non-conform produce clearly shows that national standards based on UNECE international standards serve to prevent technical barriers to trade and meet the expectations of all the parties concerned.

(f) Mr. Tadatsugu Toni Matsudaira, Technical Officer in the World Customs Organization (WCO)

Mr. Matsudaira introduced participants to the most important instruments WCO has developed to simplify and harmonize customs procedures, among them the revised Kyoto Convention and the Harmonized System (HS) Convention. He went on to present data on the number of countries that have acceded to these conventions. For some conventions, the WCO appeared to have been successful in promoting the instruments to both developed and developing countries, while for others further efforts were required. Mr. Matsudaira stressed that the number of sponsors is one important criterion for measuring the success of international standards, while their balances, notably, in terms of level of development and geography, is another.

Mr. Matsudaira argued that one of the main factors that would improve the number of sponsors and their balances was participation by a larger number of countries, with wider background, in the standard-setting work. The WCO data on the participation of countries in the WCO standard-setting work indicated that although aggregate level of participation might have been still insufficient, the balances, in terms of level of development and geography, were maintained; at least 50 per cent of the countries participating in the standard-setting work were developing countries and the participation of the representatives of six regions of the globe had been secured. He argued that the WCO regional mechanism was quite important in disseminating the information and in initiating a discussion of the issues among members in the same region before and after the meetings at the multilateral level.

(g) Mr. Roger Pochtier, Standards & Regulations Manager at Caterpillar

Mr. Pochtier explained that his company – a leading producer of earth-moving machinery – was in a low-volume global market that needs global standards and regulations to avoid having to produce different machine models for Asia, Europe and North America. International standards were therefore particularly important for his company, because they:

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- Give a good foundation for the development of new regulations;
  - Provide performance-based specifications to design the machines;
  - Are widely accepted because developed by the very best international technical experts; and
  - Facilitate communication in an international market.

The company's strategy therefore included the development and maintenance of a complete set of reasonable International Organization for Standardization (ISO) standards, as well as the goal of helping to promote the ISO standards as national standards and regulations for all countries.

Mr. Pochtier then went on to analyze the case of the Russian Federation, where radically new legislation on technical regulation had been adopted in 2002 (Federal Law No. 184.03 on Technical Regulation). This was particularly important because the regulatory framework of the Russian Federation was characterized by the absence of any technical legislation at the Federal level. On the other hand, mandatory state standards applied – and still apply – to all aspects of technical regulations. In addition to the State standards, there are also industry standards and regulations. Ministries supervise product compliance, and additionally, industry has to work with four certification bodies:

- Ministry of Communication (Gen Sets);
- Gosgortehnazor/Rostehnatzor (Safety Ministry – dangerous products);
- GostR; and
- Hygienic.

The new federal law states that international standards may be used as the basis for the development of draft technical regulations. However, ISO standards cannot be referenced in the new Technical Regulation. Thus Caterpillar was trying to help Russia adopt the ISO/TC 127. In this way, it will be possible to use this standard for the specification of the technical requirements.

Caterpillar was also working with the Russian authorities to build capacity, and to encourage them to follow the guidelines provided by the UNECE “International Model for Technical Harmonization”.

## 2. Questions and comments by the audience

Mr. Alan Bryden, Secretary-General of ISO, pointed out that in the last few years there

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had been an increased need for, and production of, International Standards. In fact, currently ISO issues at least 100 new or revised standards par month. This is 30 per cent more than four years ago. Membership in ISO had also increased to 157 countries, 20 more than four years ago.

The many reasons behind these trends include:

- The globalization of trade flows, as well as of many other issues such as environmental protection and climate change, health or security measures;
- The TBT Agreement; and
- The proliferation of bilateral and plurilateral trade agreements.

Dialogue among stakeholders is becoming ever more important, Mr. Bryden asserted, because there is increased interest in international standards from many quarters, notably from national regulators, who must abide to international commitments taken by their country such as the WTO TBT Agreement and need guidance in using international standards for developing regulations, and also business and the civil society. International Standards not only enable access to world markets, they disseminate technology and good business practices. Raising capacity and participation of developing countries is therefore important, as was recently emphasized by WTO Secretary-General Pascal Lamy in an address to the ISO General Assembly.

Finally, Mr. Bryden pointed out that the scope of standards was also getting wider. For instance, management systems standards for quality, environment or security are becoming requirements in international contracts. Standards are also increasingly being developed for services, a growing part of world trade and Gross National Product (GNP).

A representative of the International Telecommunications Union (ITU) referred to the importance of effectively managing the intellectual property (IP) that is embodied in international standards. ISO, UNECE, and ITU all have a policy in place, are in the process of aligning their IP policies with regards to the patents embodied in standards.

Another participant asked whether developing copyright for software was a legitimate concern, since software code is itself a standard.

Ms. Jansen replied to this question by stating that standards such as software standards generate few disputes within WTO because they tend to be private standards developed by the relevant companies. Of course, such standards could potentially confer considerable levels of market power to the standard-setters and give rise to issues that relate to the domain of competition policy and would have to be dealt with in a different context. Ms Jansen also pointed out that harmonizing standards at a regional level could be easier than at a global level, for certain types of standards.

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As a last question, a participant asked whether there was a standard to ensure that stakeholders were adequately engaged in the process of standards development. Mr. Bryden replied that ISO and IEC had transparent directives and open procedures in place to ensure and document the “double level” of consensus which characterizes their standards, i.e. among stakeholders and across countries. Regarding the relation between regional agreements on standards and the international level, ISO and the European Committee for Standardization (CEN) have concluded the “Vienna Agreement”, which ensures that European countries may develop the standards needed for the implementation of EU directives and collaboration in the EU internal market.. However, at a more general level, the development of regional and bilateral trade agreements, usually addressing technical barriers to trade, does carry the risk of a re-fragmentation of standardization. ISO promotes the use of International Standards in this context, as they may assist in meeting the aim of such agreements and avoid “reinventing the wheel”, while at the same time making the corresponding partners more competitive on world markets.

The representative of the ITU concurred that – for example within the telecommunication industry – regional agreements brought unnecessary fragmentation. He also added that there was no standard on the involvement of stakeholders; each organization had different procedures.

### 3. Conclusions

The participants at the workshop agreed:

- that wider use of standards (first of international) and of internationally agreed practices on an international level can contribute to the development of international trade and a fair distribution of its gains; and
- that wider use of standards and of internationally agreed practices on a national level can contribute to better protection of consumers and users and to raising competitiveness of local industries;

1. The participants recommended that governmental officials base their national technical regulations aimed at the protection of health, safety and other legitimate needs on international standards or other internationally accepted practices whenever possible.

2. Participants noted the lack of awareness and capacity in many developing countries and countries in transition to use good regulatory practices identified in the WTO context and in other international organizations (for example, as presented by UNECE) and their insufficient involvement in standardization matters. This could be remedied through further development of technical assistance activities by various organizations, tailored to the specific needs of certain groups of countries.



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3. They requested the WTO, UNECE and other relevant international organizations to start collecting information with a purpose of preparing a compendium on national experiences in implementing WTO provisions on good standard and regulatory practices with a view to providing concrete options/examples for interested countries in meeting WTO obligations.

4. Participants also noted that forums where different stakeholders can express their views are useful and called for further consultations on these matters in the context of WTO and at other international fora.

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## C. Subsidies and international trade, *Organized by the Economic, Research and Statistics Division, WTO*

Report written by the Economic, Research and Statistics Division, WTO

### Abstract

*This session included four main presentations. The first was by Patrick Low, Director, Economic Research and Statistics Division, WTO. He reported on the main topic of the World Trade Report 2006. The second presentation by Ronald Steenblik, Director of Research for the Global Subsidies Initiative of the International Institute for Sustainable Development (IISD) introduced IISD's Global Subsidies Initiative. Mr. Javid Ahmad, Communication Director, Global Subsidies Initiative of the IISD presented the initiatives outreach programmes. The last presentation by Jack Thurston, Co-founder Farmsubsidy.org reported on the work of the Farmsubsidy.org network. The presentations were followed by a fruitful debate.*

### 1. Presentations by the panellists

The panel was moderated by Robert Teh, Counsellor, Economic Research and Statistics Division, WTO

(a) Patrick Low - Director, Economic Research and Statistics Division, WTO

*WTO World Trade Report 2006*

The main topic of the WTO Secretariat's World Trade Report (WTR) 2006 is subsidies in international trade. Patrick Low presented the major findings and conclusions of the Report, focusing in particular upon the definition of subsidies, theoretical rationale for using subsidies, the main justifications offered by governments to explain their subsidy policies, the degree to which subsidies are used and in what major sectors.

He stressed that there are serious discrepancies between value of subsidies according to different statistical sources such as WTO notifications OECD and APEC. He also noted that the 2006 WTR raises serious questions about the completeness of WTO notifications and therefore the achievements of the WTO with respect to transparency.

A central conclusion of the presentation was that serious gaps exist in our knowledge of subsidy policies worldwide, this gap needs to be filled in order to rationalize better the use of subsidies as an instrument. Lastly he stressed that there was a great need for more reliable and comprehensible data sets that are comparable across countries to increase transparency on the use of subsidies.

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(b) Ronald Steenblik - Director of Research for the Global Subsidies Initiative of the IISD

*The Global Subsidies Initiative*

The Global Subsidies Initiative is an ambitious new programme of the IISD. In his presentation, Ronald Steenblik discussed the motivations of IISD in establishing the program and its objectives. He described its current research program. He noted that the research programme contained two parts: work of a generic nature aimed at improving and increasing the information provided globally on subsidies; and more targeted work, aimed at filling in gaps in the information on subsidies flowing to particular industries and analyzing their effects on sustainable development.

He stressed the need to work towards standardization of terms and methods by working with developing country experts to ensure feasibility. There is an urgent need in filling the data gaps and help establish transparent monitoring systems by initiating studies between northern and southern researchers. He recommended increasing awareness and dialogue (training and outreach). He noted that more emphasis needs to be placed on the negative impacts of subsidies on sustainable development. In addition he stressed the increasing need to focus on bio-fuels as developing countries have a comparative advantage in them.

(c) Javid Ahmad - Global Subsidies Communication Director

*The Global Subsidies Initiative: Communication Activities*

In terms of communication and outreach activities Javid Ahmad stated that GSI serves both to disseminate the GSI's research results (as well as the work of other researchers), but also to help train and motivate journalists to take an interest in subsidies and become more effective in investigating and reporting on them. To achieve these communication goals they adhere to three basic rules: not to be driven by advocacy but transparency, as a result are not in a campaigning mode but on an information and delivery mode; secondly the principal vector of outreach activities is the media; and lastly provide a support role *vis-à-vis* media by building capacity, providing resources and creating opportunities for investigative journalism.

He noted that GSI created awareness of subsidies issues through independent research and political outreach, aiming at two audiences: specialised media (small circle of media) and generalist media (regular cover but not specialised). Their main media partnership include: Inter Press Services in Rome and International Federation of Environmental Journalists.

(d) Jack Thurston - Co-founder Farmsubsidy.org

*"Is sunlight the best disinfectant? Transparency in farm subsidies"*

He noted that agriculture accounts for a large share of all subsidies paid by developed

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country governments, which is often a significant portion of farm incomes. Yet public awareness about who gets what - and why - is very limited. He noted that Farmsubsidy.org is a network of European researchers, journalists and NGOs who are working to promote greater transparency in the EU's Common Agricultural Policy.

He stressed that multinationals and not farmers reap the largest rewards in the UK's slice of CAP payouts (such as Gate Gourmet, food suppliers to airlines in the UK). He called for the need to increase focus on energy in these talks. Energy is a massively subsidized sector. Unlike for agriculture, there is very little transparency, and no standardized reporting of energy subsidies at the international level. He stressed that improving information on subsidies to energy should be a growing priority. He finally stressed that 48.5 billion of the EU budget was spent on farm subsidies. 58.6 per cent of that went to France, Germany, Spain and Italy.

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## **D. Improving the accession process in the XXIst Century, Organized by the International Development Research Centre (IDRC), Canada**

Report written by the International Development Research Centre (IDRC)

### **Abstract**

*The purpose of this Report is to describe the main points made during this 90 minute session at the WTO Public Forum 2006. The account given here should not be attributed to any of the participants in this session, to the World Trade Organization and its Members, or to the IDRC.*

## **1. Presentations by the panellists**

(a) Mr. Alejandro Jara, Deputy Director-General, WTO

The session began with introductory remarks by Mr. Alejandro Jara. Mr. Jara welcomed participants to this session and thanked the IDRC for organising and supporting this event. Mr. Jara argued that there were five reasons as to why a better understanding of the WTO accession process was important. First, such an understanding would clarify the obligations of WTO membership. Second, the role that the WTO accession process can play in a nation's development strategy could be examined. Third the contention, made by some, that the WTO accession process had created "second class" citizens (by imposing on new Members disciplines in excess of those contained in WTO agreements) could be assessed. Fourth, the view that recently acceded nations were more reluctant to make concessions in the current Round of multilateral trade negotiations could be explored. And, finally, understanding the WTO accession process would help evaluate whether its outcomes were consistent with the priority given in recent years to developmental matters in the WTO.

(b) Prof. Simon J. Evenett, Universität St. Gallen

These introductory remarks were followed by a presentation by Prof. Simon J. Evenett on the principal research findings of an IDRC-sponsored project concerning the impact of accession on new WTO Members and on the manner in which countries prepared for their WTO accessions.<sup>12</sup> The presentation made draws on research conducted jointly with Maxine Kennett and Jonathan Gage. This research considered in depth the obligations taken on by the first 20 countries to join the WTO since the latter's establishment in 1995.

Having laid out the developmental significance of WTO accession, in terms not too dissimilar to those spelt out by Mr. Jara, Prof. Evenett recalled some of the negative commentary on the WTO accession process. This commentary included claims such as the "cost and complexity of negotiations is high and growing," "negotiations are taking longer to complete," the "price of accession is high" and includes taking on so-called WTO+

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<sup>12</sup> The papers from this research project can be found on [www.evenett.com](http://www.evenett.com).

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commitments and WTO- rights, and finally that the "price of WTO accession is rising." Prof. Evenett asked whether any of these claims could be supported with evidence and, if so, what were the policy implications.

Data on the length of time to complete the accession process shows a trend increase from approximately 40 months for the fifth accession (after the WTO was created at the beginning of 1995) to approximately 120 months for the twentieth country to accede. Assessing the "price of accession" requires consideration of the various market access commitments made (in services, agriculture, and manufactured products), any specific commitments made, transition periods allowed, and exemptions granted. With respect to the average bound (maximum) agricultural tariff rates and their counterpart for manufactured goods, these showed a trend decline over time suggesting more stringent commitments were being agreed to by acceding nations. There appeared to be no trend in service sector commitments. With respect to specific commitments, which include potentially WTO+ commitments (those more stringent than currently found in WTO Agreements) and WTO- rights (where acceding countries forgo certain rights codified in current WTO Agreements), an important note of caution was given. Classification of commitments cannot always be established unambiguously and reasonable people may well disagree on associated matters. In the spirit of facilitating discussion, Prof. Evenett offered some evidence on specific commitments made by countries that have acceded to the WTO. First, data on the total number of specific commitments taken on in the first 20 WTO accessions shows no trend increase over time. Second, evidence from three WTO accessions (Bulgaria, Ecuador, and Jordan) was presented. Of the 124 specific commitments made by these three countries, a quarter (32) were WTO+ commitments. The majority (59) were statements to abide by existing WTO rules.

Having described this evidence, Prof. Evenett suggested that the audience might consider discussing the following four matters. First, whether the apparently growing price of WTO accession detracted from the development significance of the WTO. Second, whether the take-it-or-leave-it nature of WTO accession negotiations was the best way to induce a country to adopt a package of market opening reforms. Third, to consider what were the lessons for countries seeking to join the WTO. And, finally, whether there were any systemic benefits or costs of the current WTO accession process. Prof. Evenett's presentation was followed by three shorter country-specific accounts of the WTO accession procedure, summaries of which follow.

(c) Dr. Fawaz al-Alamy, Senior Deputy Minister of Commerce & Industry, Saudi Arabia

Dr. Fawaz al-Alamy gave a presentation on his country's accession to the WTO. (Dr. al-Alamy was the Chief Saudi Technical Negotiator during his country's accession negotiations.) It was argued that WTO accession should be seen in the broader context of a nation's relationship to the world economy and as a means to promote national economic security. (WTO membership is part of the global pillar that supports economic security with national and regional pillars playing separate, important roles.) The WTO was seen as contributing to a single market in the global village. Moreover in a borderless world, geography increasingly

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defines history and a nation should join an organization which helps cut down barriers to the largest markets in the world. The Saudi Arabian accession process was described at some length and involved 365 bilateral and 14 multilateral rounds of negotiation. Saudi Arabia answered 3500 questions about its trading regime and system of business regulation and submitted 7600 pages of documentation. Implementation of WTO commitments resulted in 28 Royal Orders being issued and 42 laws and regulations being passed. Saudi Arabia joined the WTO on 11 December 2005 after 10 years of negotiation. Dr. al-Alamy's judgement was that it was most definitely worth it.

(d) Mr. Sok Siphana, Director, International Trade Centre, and former Vice Minister of Commerce, Cambodia

Mr. Sok Siphana discussed that nation's WTO accession. Cambodia was admitted to the WTO on 13 October 2004 and was one of the first Least-developed Countries (LDCs) to join the WTO. Mr. Siphana described the process by which Cambodia prepared for its WTO accession. He noted that considerable efforts were made to think through how WTO accession could advance economic development in Cambodia, a process which included identifying priority sectors for development. Improving the investment climate in Cambodia was an important goal. With respect to process, he argued that inter-ministerial coordination and outreach to the private sector and to civil society was important. Informing the public of the changes to come and how to take advantage of them was taken seriously. Care was needed in employing foreign consultants--time should be spent carefully reviewing their terms of reference so as to obtain the best value for money. Overall, Mr. Siphana argued that WTO accession and integration into the world economy significantly advantaged Cambodia.

(e) Mr. Riad al Khouri, Director, MEBA, Amman

The experience of Jordan's WTO accession was recounted by Mr. Riad al Khouri. Jordan's accession to the WTO should be seen in the context of a less than ideal economic and regional context, where foreign policy as well as economic considerations played their part. On the basis of Jordan's experience the following recommendations were made to other developing countries that are negotiating to join the WTO or are considering doing so. Countries should promote open deliberations in parliament/legislature and in the media on the accession process. Moreover, the experience of recently-acceded WTO Members in similar developmental circumstances should be tapped. (Jordan, it was noted, has been consulted by other Arab countries that are seeking to join the WTO.) Developing the appropriate machinery to coordinate across government departments and to consult with local non-governmental organizations, the private sector, and academics was important. A warning was also made concerning technical assistance. Countries negotiating accession should be aware of overlapping technical assistance programmes and such assistance should not just be directed towards governmental bodies. (It was noted in this regard that, only five years after WTO accession, had civil society begun to see the benefits of WTO membership.) These three presentations were followed by two on technical assistance and the WTO accession process.

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- (f) Mrs. Mina Mashayekhi, Head, Trade Negotiations and Commercial Diplomacy Branch, UNCTAD

Mrs. Mina Mashayekhi described UNCTAD's programmes to support countries acceding to the WTO. A large number of countries had been helped on technical negotiating matters. Support was also given to foster dialogue among stakeholders within countries on the consequences of WTO accession. Mrs. Mashayekhi expressed concerns about the prevalence of WTO+ commitments noting, for example, their potentially adverse effects in the pharmaceutical and health area. Care must be taken during negotiations--vigilance by developing countries seeking accession and self-restraint by existing WTO Members. Mrs. Mashayekhi noted that UNCTAD stood ready to assist acceding countries in the years to come.

- (g) Ms. Ann Weston, Vice President and Coordinator of Research, the North-South Institute, Ottawa, and co-author of the recently published Strategic Review of WTO-provided TRTA Activities

Ms. Ann Weston took the opportunity to share with the session's participants some of the main findings of this WTO-commissioned report, after observing that support for the WTO accession process was only a very small part of the WTO's technical assistance-related activities. More generally, however, the WTO staff had a comparative advantage in describing the obligations of WTO membership. Legal accounts of obligations were the WTO's strongest suit. Economic and developmental perspectives received less attention and this ought to be remedied, perhaps by working more closely with experts in developing countries. Another concern is that the technical assistance provided by the WTO took trade liberalization, or at a minimum international trade rules, as unalloyed goods and, in the eyes of some, this was regarded as being one-sided. Consideration should be given to undertaking thorough needs assessments before technical assistance programmes are designed, strengthening evaluation techniques and leadership of the WTO's technical assistance activities, developing more country-specific material and case studies, and lengthening shorter courses. In this way, it was said, the WTO could better serve its current and future Members.

## 2. Questions and comments by the audience

Questions and answers from the session's participants followed. One participant asked if the price of joining the WTO was too high then surely it was not worth joining. One presenter from a developing country retorted that the price was likely to grow over time, so it is better to join now rather than later. Another participant asked for examples of WTO+ obligations and WTO- rights. Examples from the WTO accessions of Bulgaria and Ecuador were provided in response.

## 3. Conclusion

Mr. Jara concluded the session by thanking the speakers, the organizers, and the participants.



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## E. **Can trade deliver decent work in the XXIst Century?, Organized by the International Confederation of Free Trade Unions (ICFTU) and Solidar**

Report written by the International Confederation of Free Trade Unions (ICFTU)

### **Abstract**

*One of the key challenges to be addressed in the XXIst Century in the fight against poverty is unemployment and underemployment. Many people do not have work, or they perform jobs that provide not enough earnings to enable them and their families a decent living. There is a need for more and better jobs. Yet all too often, trade seems to cause more unemployment or, if it does create work, to deliver low-quality jobs where basic workers' rights are violated. The central question that this panel had to address was whether and how trade and trade liberalization can contribute to more and better jobs, and what the necessary conditions are to achieve this.*

*The presentations focused on the following questions:*

- *what have been the experiences from trade liberalization in relation to job creation and the quality of work?*
- *what lessons can be learned from these (positive and negative) examples?*
- *what is needed to ensure that trade liberalization leads to the creation of decent work?*

### **1. Presentations by the panellists**

The panel was moderated by Ms. Cecilia Brighi, CISL Italy and Member of the ILO Governing Body

(a) Cecilia Brighi, CISL Italy and Member of the ILO Governing Body

Within the WTO there is a need to look at the problems behind trade liberalization and to think about the solutions to these problems. The issues of development need to be looked at. Trade and liberalization as such are not a solution or answer to the elimination of poverty.

Clearly, trade liberalization has affected workers and has led to a race to the bottom. There is the case of EPZs (Export Processing Zones), where in Bangladesh for example workers have been killed in accidents and workplace fires. There is the example of Chinese manufacturing workers who, in exploitative conditions on ships, produce goods for the European market. And Chinese infrastructure companies that compete for infrastructure contracts in Africa, where Chinese employers make use of prison labour.

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The ILO Director General, Juan Somavia, has recently stated in Singapore (IFIs Annual Meetings) that despite the fourth consecutive year of growth and continued growth of trade of 7 per cent, there is a global job imbalance, a decent work deficit, and a global job crisis. Investment that generates jobs is meagre. Many jobs are created in the informal economy, where there is no place for decent jobs.

Some positive trends are to be noticed though. There is the Decent Work agenda, there are some positive experiences with CSR, although many negative ones as well. But there remains a lack of coherence between international organizations and in governments' interventions in international organizations.

(b) Mr. Ben Khoza- First Vice President of NUMSA, the National Union of Metalworkers of South Africa

Mr. Khoza referred to the COSATU (Congress of South African Trade Unions) Congress that had just adopted a resolution on the revision of trade policy, to align the policies with the objective of creation and protection of employment.

He gave an overview of the South African situation. Since 1994 and the democratic breakthrough, there had been hopes of ending poverty in the country, but after 12 years unemployment is at 42 per cent and half of the population lives in abject poverty, especially in rural communities. So despite reintegration in the global economy and policies to stimulate growth, attract investment and deregulate the labour market, results are poor.

In 1997 tariffs had been cut by an average of 33 per cent. For example automotive tariffs went from 105 per cent to 57 per cent. They stand at 37 per cent now and would go further down to 16 per cent due to NAMA proposals. This trade liberalization has led to many plant closures. For example in textiles some 67,000 jobs were lost due to flooded markets, between 1998 and today. COSATU had asked for measures to restrict imports at the time of tariff cuts, but no anti dumping laws were in place, nor were there any laws to prohibit illegal imports. In white goods, firms had relocated to neighbouring states because of cheap labour. In the automobile sector tariff cuts had led to increased imports. 48 per cent of cars in South Africa are now imported. During the post-apartheid period investments have not been in productive capacity but in capital investment which had led to restructuring, outsourcing of jobs and casualization of jobs.

The lessons that can be learned are that trade liberalization can be an opportunity but that competition is costly for workers, who need to accept lower wages and worse working conditions. A court ruling in South Africa had actually set a precedent in the sense that if a company is undergoing pressure (even if caused by bad management), that pressure can legally result in lower wages and conditions. This is a direct attack on the right to negotiate.

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From a Decent Work perspective, the results in South Africa show that most wages have not improved, that there is a high rate of indebtedness amongst workers, and that the salary of one worker often feeds two families. Working hours remain long, up to 56 hours a week in some sectors. And many jobs are casual ones, subject to abuse and exploitation.

He concluded by saying that trade is not necessarily the solution but there is a need for strong political will to make the Doha Round a development round and to make trade benefit the poor. For example, the bilateral agreement between South Africa and China on textiles quotas is now accepted as a solution. But also a strong enforcement of ILO Conventions is necessary. Trade unions need a strong voice in the WTO, because the decisions affect workers, but workers are not involved in them. This requires a global comprehensive strategy as well as impact studies of trade on employment.

(c) Mr. Sergio Bassoli, PROSVIL / CGIL (Solidar)

Workers' rights very often are totally absent or marginalized from development and trade policies. Moreover, social development, development cooperation and international solidarity experiences in developing countries continue to be too focused on an increase in physical provision of services to achieve a better life, but without conveying the capacity to change the roots of poverty. This makes countries dependent on international solidarity or on external policies.

In order to achieve the main goals of better living conditions for all, to share land, air, water and the other natural resources, also for the next generations, there is need for a change. In order to confirm and to extend the European welfare system, the decent work agenda and the centrality of work, will be key for this change.

In development policies, Decent Work can generate income, dignity, participation, responsibility, and basic conditions for fighting poverty, for ensuring the respect of human rights, for building equal societies, and for changing approaches to development and globalization.

The following are proposals for decent work for sustainable development:

- To measure the impact of trade and trade liberalization on employment, focused on the quality of employment and the linkage between trade, employment and development, according to comprehensive criteria of sustainability (social, economic, environmental) and human rights, and not just focusing on the quantity of employment.
- To increase civil society and trade union participation in development policies beyond mere declarations.
- Indicators and statistical data have to take into account the difference between urban and rural populations.

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- To better define the concept of “informal sector” or “informal economy”, which is the largest working sector in the developing countries. Street-sellers, daily workers, child labour, etc. have to be considered not as a whole but divided into different types.
  - To support regional policies for strengthening the power and the negotiating capacity of national governments facing transnational and financial interests and to fight dumping.
  - To insert the environmental dimension on decent work agenda.

(d) Mr. Peter Peek – Manager, Statistical Development and Analysis, ILO

Mr. Peek started by referring to the global opinion surveys which show that the majority of people are concerned about the impact of globalization on employment. Moreover, the level of concern is increasing, except for people in South East Asia.

An ILO-WTO survey of academic literature on the linkage between trade and employment, looking at 145 empirical studies, shows that the long term effects of trade are positive in the majority of the studies. However, when looking at the short-term effects (3-5 years) there are serious concerns around the effects in terms of declining employment opportunities, declining wages and difficulties in moving from one job to another (lack of skills etc.).

The ILO has been looking at Decent Work and the effects of trade liberalization on both the quantity and quality of jobs over a period of 10 years for 90 countries. The conclusion of this study was that there has been a widening decent work gap across the globe. There are a number of decent work indicators that can be looked at (unemployment levels and trends, wages and average earnings, working poor, access to social protection and social security, the gender gap, both in wages and labour participation, child labour, ratification of ILO Conventions and social dialogue) and they show that in many parts of the world the situation is worsening, especially in South Asia and Sub Saharan Africa. In higher income countries there has only been a slight improvement. Unemployment figures alone do not give this information.

So the question then is how labour policies could be used alongside trade agreements with an aim to increase the number of trade beneficiaries. Such labour policies could consist of wage legislation and minimum wages, training programmes, labour legislation, effective social dialogue and credits to workers. In order to use such policies it is necessary to identify winners and losers. The study showed that there are enough data available to look at the major decent work indicators, except for some 22 African countries where additional surveys would be needed, so lack of data is no excuse.

Given that the data is there, the issue now is to make a larger share of the population benefit from trade agreements and to look at the distributional effects of trade agreements.

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The ILO is keen on developing this further, and has started work in the Caribbean to look at banana and sugar workers that are adversely affected by trade liberalization and what can be done in terms of labour policies to minimize the adverse effects. For African countries there is a concern around the industrial bases that are eroded, especially in the case of the textiles sector, and labour policies could be developed here as well to minimize the adverse effects.

(e) Mr. Guy Ryder, General Secretary of the ICFTU (International Confederation of Free Trade Unions)

Mr. Ryder started off by saying that trade is constantly invading trade union issues but that on the other hand labour is not considered a trade issue. As a trade union you cannot bargain and organize without trade being an issue.

Trade has the possibility to deliver decent work but there are a number of qualifications to be made. First of all, trade cannot deliver on its own. Trade liberalization without further consideration can simply not lead to positive decent work outcomes. Therefore trade policy needs to be directed to get desirable social and labour outcomes. Trade also has to be part of a wider policy mix and cannot be dealt with in isolation.

Trade unions do see this potential of trade and trade liberalization, and are in favour of the multilateral rules based trading system as this has the potential to bring equity and social justice as opposed to bilateral agreements.

Although in principle positive about the multilateral system and trade liberalization, the record to date is not good. There is a record high number of official unemployed which stands at 193 million people and the era of trade liberalization has not delivered sufficient employment volumes. There are increasing inequalities within and between countries, which are undesirable. There has been little real impact on poverty either. On the other hand there has been an increase in insecurity at work, precariousness in labour markets and a downward pressure on labour standards. So clearly the potential for trade to deliver decent work has not been realized

What is needed is for governments to be able to use the policy space that they still have. International commitments should not be an excuse for policy paralysis. What is also needed is a coherent international system, so as to allow governments this policy space.

With regard to the WTO there is Doha and post Doha. Up till now the development mandate of Doha has not been sufficiently honoured. NAMA negotiations are off board. The NAMA demands on developing countries are excessive and contrary to a reasonable development outcome. For example in South Africa job losses are already substantial; NAMA would hollow out the industrial sector much further and prevent industrial development. Concerning trade in services there is a need to ensure public services and a need to ensure policy space to provide public services. The direction of GATS calls into question this need for policy space.

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Beyond Doha there is a need to take labour standards and social and employment issues seriously and to look at the implications of agreements. The fact that the Doha Round is suspended actually points to this deficit to address social and labour issues. With limited benefits trade offs are unlikely to be made. And finally there is a need to ensure greater cohesiveness among international organizations.

## 2. Questions and comments by the audience

Two of the interventions mentioned that trade liberalization and globalization cannot be blamed for unemployment and all labour related problems. Governance is also an important issue, as well as policy coherence at the national level.

On the role of trade unions in the WTO agenda there was a comment that with regard to Core Labour Standards this relevance could be understood and has been debated for a long time, but that it was not so clear how the WTO agenda should react to employment concerns. Given that trade liberalization automatically leads to job losses and job creation unemployment is a necessary part of this process and subject to transition periods. Beyond training and increased labour market efficiency it was questioned what role there would be for trade unions and what additional policies could be expected from the WTO side.

Others added examples of negative effects of trade liberalization. For example in Latin America the ECLAC had concluded that Latin America is the continent with the worst income distribution among the different regions after the free market reforms of the 1990s. Like South Africa, a similar picture of adjustment to trade liberalization could be seen in South East Asia, and the need for a strong trade union voice in bilateral and multilateral negotiations was mentioned. The question was how this voice could be made stronger.

One intervention mentioned the lack of competitiveness of many developing countries, in particular in Sub Saharan Africa. There is an absence of equality in competition and this leads to adjustment costs in precisely these countries that are not competitive. Even if trade liberalization would provide benefits in the long term there are short-term adjustments to be made. He mentioned the job losses in textiles in Nigeria in the range of 450,000 textile job losses, and job losses in the food and beverage sector because of the lack of competitiveness. To stress the employment and labour standards dimension is very important as for many of these workers it is important to have a job first and foremost. Employment and adjustment issues are as important as the issue of decent work. This reflects the difference in development levels in different countries and needs to be reflected in the global trade union movement policies.

In responses from the panel, Guy Ryder recognized that globalization and free trade is indeed not the cause of all problems, but that there has not been enough attention to the employment, social and distributional effects so far. He said that in the area of trade and employment there would be many things that could be done and gave the example of the quota phase-out in textiles. This was a trade decision that had been taken without any

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consideration for the employment effects. Employment had become an afterthought rather than something that could be anticipated, which could have led to some liberalization measures being taken differently. Another area is to better understand the linkages between trade liberalization and employment in order to develop adequate policies. He agreed that coherence at the national level is very important as well and is often lacking. Trade unions therefore need to engage more and better with their governments and the WTO. The voice of labour needs to be heard better; labour is committed to multilateralism but needs to get a place where it can be heard.

Ben Khoza added that job creation alone is not enough. There has been job creation in South Africa but these are low quality jobs, often in the retail sector where workers are employed for 18 hours only, or only once a week or twice a month. He mentioned that last year 90,000 jobs were created in South Africa, but of bad quality, and that 152,000 jobs were lost, which were decent jobs. So the quality of jobs is very important.

### **3. Conclusion**

The interventions of the main speakers and the debate that followed showed that the free trade era had not led to less unemployment, but more importantly, that it had led to more inequality within and between countries, that it had led to less quality jobs (and a replacement of decent jobs with low quality jobs) and that there is a growing concern among people that trade is not delivering decent jobs and lives for the majority of people. Although not all blame can be put on free trade and globalization, and although the role of governments is important to enable an equal distribution of benefits of free trade by using the policy instruments they have available, there is an urgent need to recognize that there is a responsibility also for the WTO to assess the effects of trade agreements on the quality and quantity of employment and to better understand the linkages between trade and employment. Decent work indicators to make such assessments are available and work on this is ongoing at the ILO which should be supported. There is a need for the trade union voice to be heard at the national and international level to ensure that employment effects are anticipated and that policies have the desirable social outcomes. And finally it is important that governments are allowed enough policy discretion to address social, environmental and developmental concerns and that this policy space is not taken away from them in NAMA and GATS negotiations. Trade policy cannot be dealt with in isolation, and negotiations have to be shaped around the effects on employment in order to create decent jobs and to enable countries to assist workers in the transitional phase. It is possible to use the different policy tools and shape agreements that benefit a larger share of the population, but it requires a different approach, one that puts decent work at the centre.

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## F. Migration and development: What role for the WTO?, Organized by the Organization for Economic Co-operation and Development (OECD)

Report written by the Organization for Economic Co-operation and Development (OECD)

### Abstract<sup>13</sup>

*The freer movement of people can be mutually beneficial to both migrant-sending and migrant-receiving countries, provided that labour flows are effectively managed. For instance, smart visa policies by receiving countries, coupled with the strategic targeting of ODA to build capacity in low-income sending countries, can turn migration into a positive driver for development. Effective migration management based on effective partnerships will ultimately enhance employment and income opportunities for migrants and non-migrants alike in sending countries, while easing labour-market tensions in receiving ones.*

*Migration and trade policies need to be considered together, since migration and trade appear to be complementary to each other. The management of migration flows cannot be done in isolation. For the full developmental benefits of trade liberalization in goods and services to be realised, and in the interest of policy coherence for development, multilateral agreements need to encompass all flows, including migration.*

*We should consider the inclusion of provisions for the movement of unskilled workers under Mode 4 of the General Agreement on Trade in Services (GATS) which entered into force in January 1995. Could the discussion of such provisions endanger the multilateral system, given the lack of consensus to date and the heavy implications for domestic politics? Or could their inclusion on the agenda instead provide powerful incentives for progress, by addressing the priorities of many low-income WTO Members, thereby helping to re-launch the stalled multilateral negotiations on trade?*

*This session will explore these fairly controversial questions by inviting different views from academics, policy-makers and civil society in an informal setting.*

### 1. Presentations by the panellists

The OECD panel was moderated by Mr. Philippe Frémeaux, Director of Alternatives économiques.

(a) Prof. Louka Katseli, Director OECD Development Centre

Prof. Louka Katseli explained that the Development Centre is the OECD's think tank

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<sup>13</sup> The opinions expressed and arguments employed are the sole responsibility of the organizers and do not necessarily reflect those of the OECD, its Development Centre, or of the governments of their member countries.



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on development, and, as such, maintains intellectual independence, that is, can air views that do not necessarily reflect consensual views of the entire OECD membership. Her presentation centred on arguments for taking up migration, or rather contract-service provision under Mode 4 of the GATS, moving the agenda forward in an organized way -- migration is happening and will continue to happen regardless -- and what could be the role of the WTO. Given the increasing interdependence of jobs and projected labour market shortages in many sectors, “circular” migration could be part of the answer since it could allow workers, both skilled and unskilled, to come and go under short-term contracts; if appropriate incentives are provided to employers and employees so that contracts are respected, this could be reassuring for receiving countries who fear permanent migration and also for sending countries wishing to benefit from the skills and experience acquired abroad by returning workers.

Prof. Katseli stressed that there is as yet no forum for informal policy dialogue on migration and trade inter-linkages (GATS is about trade in services and Mode 4 supply in particular). There is a need for informal dialogue among stakeholders to discuss the options and find the best solutions prior to formal WTO negotiations. Liberalization of trade in services under Mode 4 could provide opportunities for creating an organized market for service suppliers and for innovative risk-sharing, spreading the expected gains and mitigating the risks. Multilateral initiatives under the WTO could complement bilateral and regional initiatives in that direction. They would contribute to making the management of migration more effective and the global order more inclusive.

(b) Mr. Johannes Bernabe, Programme Coordinator, Trade in Services, International Centre for Trade and Sustainable Development (ICTSD)

Mr. Bernabe agreed that Mode 4 offers an opportunity and that greater labour mobility could assist development, but he first pointed out the drawbacks of taking up migration at the WTO:

- Mode 4 does not cover all types of migration;
- it is difficult to negotiate with 150 countries;
- how binding are commitments in Mode 4?; and
- to what extent will mode 4 look at unskilled labour – which is what developing countries want.

Johannes would prefer using what is already on the table (in the trade rounds) rather than seeking a new classification for migrant workers. He suggested that the definitions of contractual service suppliers (term preferred to migrant workers) should be more flexible to allow for unskilled workers. There may still be a need for an alternative forum to the WTO. Yes, he agreed with Louka on the need for an informal but inclusive dialogue. It takes a long

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time, he pointed out as a former negotiator for the Philippines, to understand each others language and perspective. In due course, countries will become more comfortable with the voluntary practices and move to making them binding. There are other mechanisms which should all move forward as building blocks.

- (c) Mr. Toufiq Ali, Ambassador Extraordinary and Plenipotentiary, Permanent Representative of Bangladesh, Geneva

Ambassador Ali pointed out how sensitive migration is in terms of politics and dynamics, and, in fact, what we are talking about is not migration. How long should the short term be? Studies have shown the gains resulting from labour mobility. Opening up just 3 per cent of the labour force can provide substantial gains, much larger than the envisaged gains from the entire Doha Round which are estimated to be 100 billion dollars.

His country, Bangladesh, has one and a half million people in Saudi Arabia. Our main focus is developing countries, south/south movements, he said. This is not a north/south issue. Bangladesh receives 4 billion dollars in remittances. Other benefits include management expertise, exposure to outside world etc; Migrants come back and enrich the country. We have procedures that work. What do countries in the Doha Round want? By 2020 China will be a net labour receiving country. I compliment the work of the OECD on migration and development. I hope the OECD can start the forum dialogue in the receiving countries. They have to grapple with these things internally before coming to the negotiating table. I thank the OECD for taking up the issue in a bold manner.

- (d) Ms. Joy Kategekwa, Program Officer, Trade in Services (South Centre) former LDC Focal point for Trade in Services, and delegate of Uganda to the WTO

Ms. Kategekwa defended the point of view of LDCs, arguing for recognition of “semi-skilled” workers who may not have traditional university and advanced degrees, but possess proven experience, certificates, diplomas, and others. There would be social as well as commercial benefits in using the service sectors as an alternative to agriculture in these low GDP countries. LDCs have some comparative advantages in the provision of services through the movement of natural persons. UNCTAD has useful insights on increments that the liberalization of services will bring, notably regarding remittances. In Lesotho, there is a contribution of about 20 per cent of remittances, when shared as a measure of GDP. Remittances have a strong trickle down effect, as they go directly to recipients who can use them in various ways that improve livelihood, including through engaging in economic opportunity. Short-term movement of labour should be legalised under the WTO. The LDCs have presented a revised request on Mode 4 in the services negotiations that not only follows typical services classification (W/120, and UNCPC; a feature different from the initial request), but also gives further indication of the sectors of export interest to the group. There has not yet been a positive response from the Members. Countries can be creative in designing policies to facilitate the return of migrant workers. Making meaningful mode 4 commitments would send positive political signals regarding overall flexibility of developed countries in the Doha Round of negotiations.

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## 2. Questions and comments by the audience

Question: How can services be an alternative for LDCs when developed countries do not want to open up their markets, especially the US and EU?

Question: How do languages fit into the migration issue? Would training be available to migrants arriving in a new country?

Question: Should the ILO and UN be involved in the migration issue? How do you ensure human rights and social rights?

Comment: the discussion today has been useful in refining the questions and in getting the views of people outside of government. We need more of these informal discussions.

Prof. Katseli responded that up until now LDC offers have been tabled at WTO. In the second round we should focus on why and under what conditions developed countries could gain from liberalization under Mode 4.

Johannes Bernabe said that services should be the driver of negotiations. How can services be an alternative to agriculture? Developing countries should look at niches. Services should enjoy a fairer share of political momentum.

Mr. Toufiq Ali wondered where the dividing line is between short-term and long-term migration. It is not in the interest of sender countries to have migrants stay in the receiving country. They do not benefit from the skills and experience that the returning migrants have picked up. We can't think of permanent migration, but ALL of the issues can be dealt with if there is a discussion.

## 3. Conclusion

Prof. Katseli pointed out that UNCTAD has had the mandate to deal with "interdependence of issues", including trade, capital flows and migration, since 1972 but that the complexity of the issues and their varied significance to different organizations makes it difficult today to have one organization treat all aspects. Still there is a need for an organized but informal policy dialogue prior to informal negotiations under WTO. Policy coherence is crucial and implies co-operation and co-ordination. Countries are reluctant to talk about migration because they think of it primarily as permanent relocation or resettlement of people and are insufficiently aware of possible alternative schemes to manage increased labour mobility. The role of the WTO could be to contribute towards a better system of labour-mobility management, one profiting from contract-service provisions under Mode 4.

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## G. **Equitable trade: Creating a level playing field for men and women, Organized by the Commonwealth Secretariat**

Report written by Sarojini Gangu Thakur, Commonwealth Secretariat

### **Abstract**

*The Gender Section of the Commonwealth Secretariat organized a panel on Equitable Trade: creating a level playing field for men and women during the WTO Public Forum. This panel builds on earlier work that the Section has been doing on gender and the MTS and globalisation. This has included support to publications, such as Gender and the MTS by Mariama Williams, and more recently a book showcasing best practice called Chains of Fortune: linking women producers and workers with global markets. In addition, it has systematically been deepening its work in this area through the conduct of regional workshops for Commonwealth countries on Gender, Trade Policy and Export Promotion, development of training resource materials, and by participating in and organization of advocacy events on this issue. It is part of the UN Interagency Task Force on Gender and Trade, and has worked closely with several organizations who work in this area – nationally, regionally and internationally, and has recently received funding from the Department of International Development, UK to carry out this work on a more systematic basis.*

*The rationale for and background to the panel arose from the need to focus on the critical importance of integrating gender analysis in trade policy formulation, negotiations and implementation to achieve the ‘ends’ of poverty reduction and development.*

*The panel sought to:*

- *Highlight the links between gender, trade and development, especially in view of assumptions that are often made regarding the “gender neutral” character of the processes of globalisation and trade liberalization, (even though it is widely understood and accepted that the latter processes can have both positive and negative impacts);*
- *Create and enhance understanding of the gender implications of trade policy formulation, negotiations and implementation. For instance, import/export policies and market access create specific opportunities and present challenges in terms of the nature and location of jobs, appropriate skills, etc. Tariff structures and export promotion can impact on domestic agriculture, food security and the nature of government services that are provided. The terms on which men and women enter the labour market vary. This is often dependent on the differing roles and responsibilities of men and women within the household, as well as their differential access to resources– material, financial, technological and social. Consequently, there are gender differentiated impacts of trade policy, and the*

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*need to take into account women not only as producers but also as consumers. A clearer picture of the gender implications of measures taken can be gained by examining specific sectors: agriculture, services, investment or intellectual property. There is also a need to focus on enhanced participation of women at negotiating tables etc;*

- *Focus on current initiatives and responses to address these concerns; and*
- *recommend areas where WTO can institutionally initiate action to address some of these issues.*

## **1. Presentations by the panellists**

The session was moderated by Dr. Esperanza Duran, Executive Director, Agency for International Trade Information and Cooperation. After initially welcoming those present at the session and introducing the panellists Dr. Duran made a few opening remarks. She observed that to a large extent trade, especially manufacturing, had been driven by women in many countries and that trade policy-makers often remained blind to their needs and interests. She also remarked that enhancing participation of women in policy making was an important issue, and observed the absence of a woman speaker in the opening plenary session of the WTO Public Forum. After that she invited the various panellists to make their contributions.

- (a) Mariama Williams, Independent consultant and author, Gender Mainstreaming in the MTS –Towards the Creation of Equitable Trade

### *Gender mainstreaming in the MTS –towards the creation of equitable trade*

The opening presentation by Mariama Williams set the tone for the session. It sought to address the issue of the framework required to ensure that trade is equitable for men and women.

At the outset, she indicated that a central issue and concern shared by many institutions about global trade negotiations was how they impact on governments' commitments to gender equality (as contained in various documents, for instance, the Convention on the Elimination of all forms of Discrimination Against Women- CEDAW, the 1995 Beijing Platform of Action, MDGs, etc.). The context of addressing development priorities in an environment of intense competition in terms of products and services and the loss of preferential access was raising challenges for policy flexibility, resource mobilisation and resource availability for developing countries. The central issue was whether these goals were compatible.

While addressing the issue of why trade liberalization was important for men and women Mr. Williams emphasized that gender gaps persisted in all economies and that trade had the potential to narrow, broaden or exacerbate the gap. Additionally, it could impact on

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the nature of the gender division of labour. Trade agreements also have special economic, political and social effects, and can impact on the regulatory framework in countries in terms of employment and entitlements to health and education.

In various economic models, while issues around policy and the comparative and 'competitive advantage' resource base are central, generally, inadequate attention is paid to how and to what extent the economy is dependent on the formal labour market activities of women as well as female dominated activities in the household and informal sectors.

For the promotion of a gender equitable environment a six pronged approach is required.

- i) We must intentionally and explicitly ground trade agreements and trade policy to focus on securing rights and livelihoods, not just market access;
- ii) We must pursue policies 'which systematically build national ownership and control' (Levit 2006). We must resist tendencies toward a trade and development paradigm that is premised on dismantling institutions of social security and social protection;
- iii) Gender analysis should be at the core of analytical tools and planning instruments in the formulation of trade policy and trade and development strategies;
- iv) A gender sensitive approach must be built into discussion and strategy formulation around trade development, trade readiness and the transitional adjustment related to trade development;
- v) Gender must also be a critical intervening variable in discussion around S&D treatment, trade related capacity building/technical assistance, trade diagnostic, and A4T;
- vi) MTS needs to build in processes and mechanism to enhance gender sensitivity in trade policy formulation and trade and development; and in all economic and political analysis for institutionalizing gender analysis in the WTO Secretariat, ministries of trade and commerce, export promotion agencies, and trade delegations in Geneva.

There are various ways in which gender needs to be mainstreamed into various aspects of WTO working. Gender needs to be figured as a non-trade concern, social safeguard mechanisms need to be engendered as well as A4T, Mode 1V negotiations etc.

There is a need for increasing the awareness of gender issues in the work of the WTO Secretariat, in general, and among working groups and trade delegations in particular. This requires a planned approach to training and capacity building as well as refining and re-

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focusing the approach and tools of economic and trade policy analyzes in order to ensure sustainable gender equitable human and social development.

(b) Ambassador Mia Horn of Rantzien, Chair, Task Force on A4T and Permanent Representative of Sweden to the WTO

### *Engendering the A4T Agenda*

At the outset, the Chair of the A4T Task Force shared the rationale and background for the A4T initiative. At the Hong Kong Ministerial Meeting the issue of A4T was raised by Trade Ministers, and the DG, WTO, formed a 13 member Task Force which submitted its recommendations on 27<sup>th</sup> July, 2006.

The Task Force had a strong consultative process in trying to learn from experiences of countries and to understand the nature of gaps and challenges. In addition to Trade Ambassadors, it drew on expertise from a wide range of agencies, including think tanks and stakeholders outside government. The Task Force participated in many seminars and consultations to arrive at its recommendations. In this panel, Ambassador Horn indicated that she would not go into all recommendations but restrict herself to the issue at hand.

The recommendations have outlined guiding principles, which state that:

- A4T would be guided by the Paris Declaration on Aid Effectiveness;
- A4T should be rendered in a coherent manner taking full account, inter alia, of the gender perspective and of the overall goal of sustainable development;
- The approach should be country based - countries should identify their needs which should be responded to by the development aid funds; and
- The dissemination of data and knowledge sharing was key in understanding country, regional and international issues.

Ambassador Horn stressed the critical importance of monitoring to ensure progress against the goal of poverty reduction. Trade was an effective tool for poverty reduction but it was a challenge for governments to ensure that the trade agenda was pursued coherently with instruments and commitments in other policy areas, including the mainstreaming of gender and sustainable development.

Two suggestions that had come up for working towards this convergence – in terms of institutional mechanism – were making use of the existing Trade Policy Review mechanism, and to institute an annual debate at the WTO on A4T.

It is important to think outside the box and to understand that developing countries

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had a role in ensuring efficient delivery of A4T, and developed countries had a role in ensuring that trade was being mainstreamed. She indicated that A4T had to be approached with a humble attitude, and that the issues were to concentrate on the potential from this initiative, and to have a willingness to learn from experiences and mistakes and to share knowledge. The first step had been taken and there was strong support for this idea, and now it was important to carry this forward.

(c) Ambassador V. Sebudandi, Permanent Representative of Rwanda to the WTO

*Women's empowerment in Rwanda – Trade and development – Introducing a gender perspective: the Rwandan case*

The purpose of the presentation was to highlight the importance of integrating a gender perspective in trade and development. Ambassador Sebudandi, while introducing the topic indicated that she would be speaking on the subject in the context of Africa, and more specifically that of Rwanda.

She pointed out that Rwanda stands out internationally for its level of women's empowerment, the adoption of gender responsive policies and the progress in mainstreaming gender in its institutional structures. As of today it is the country with the highest level of women's political participation as 49 per cent of its Members of Parliament (it had even outstripped Sweden where Ambassador Mia Horn was from, and which only had 43.5 per cent women in Parliament), 44 per cent of its judges and 33 members of the Cabinet were women.

Ambassador Sebudandi highlighted that African women were doubly the victims of marginalisation in trade and development. Africa only represented 2 per cent of global trade and 1 per cent of global investment. Women, in addition, faced discriminatory social and cultural practices at local level which impacted on their participation in major economic activities. For instance, the absence of property rights resulted in lack of access to credit, and the lack of appropriate skills limited employment opportunities.

In Rwanda the government had consciously supported economic projects that had benefited women. This was evident in the agriculture sector and in microfinance, where women have their own bank. Women had a key role to play in exports in both traditional and non-traditional sectors. They had benefited from AGOA and women were exporting traditional baskets to the US. Cut flowers were another item of export and the biggest firm of cut flowers was owned by a woman

She emphasized the need for international measures to bolster or strengthen the possibility for achieving gender equality and commended the new initiative of the World Bank, recently announced in Singapore for a four year project on women's economic empowerment. She commended the A4T agenda, and emphasized that achieving gender equality was the key to achieving the MDGs. Mainstreaming gender was essential to ensuring that women who



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represent half the population benefit as much from wealth creation as men. It was therefore important and critical to integrate a gender perspective in trade and development.

(d) Ambassador G. Senadhira, Chair, Geneva Group of Commonwealth Developing countries and Permanent representative of Sri Lanka to the WTO

#### *Gender and NAMA, the Sri Lankan case*

The purpose of the presentation was to look at the issue of Gender and Trade from a country perspective in the context of a specific sector. The focus of the presentation was on the garment sector in Sri Lanka, in view of its major contribution to export earnings (almost 50 per cent) and the preponderance of women workers (87 per cent).

At the outset Ambassador Senadhira quoted a World Bank report “*Sri Lanka was one of the first developing countries to understand the importance of investing in human resources and promoting gender equality*”. He contextualised development in Sri Lanka by sharing indicators for life expectancy, literacy and infant mortality which demonstrated that many of the development parameters were comparable to higher income countries, and that the gap between women’s and men’s development was insignificant ( e.g. literacy rates for men and women were at 92 and 88 per cent).

Women workers play a major role in Sri Lanka’s economy as they are critical to three sectors responsible for major export/foreign exchange earnings – garments, tea and remittances. 60 per cent of Sri Lankan workers abroad are women. Employment in the garment industry had led to improved economic status, although several studies had recognized that women were not proportionately represented at more senior levels in the export industry. Any major disruption in the industry due to trade liberalization could have an adverse impact on workers in these countries, and alternative avenues for employment were not available.

In the garment industry, Ambassador Senadhira pointed out that the major markets were the US and the EU. He emphasized the lack of a level playing field in access to markets. For instance in the US, Sri Lanka had to compete with countries that had duty free access and face 13 per cent tariffs. Similarly in Britain, Sri Lanka faced higher tariffs than other countries. The situation had eased considerably since Sri Lanka has been covered by the Generalised System of Preferences (GSP) + scheme, although for various reasons till now it had not been possible to take full advantage of the concession.

He focused on the issue of the liberalization of trade in the clothing sector and its implications on female workers. He pointed out that this was an important issue as for women these opportunities represented the first and only employment as other job opportunities may not be for possible. This was an important issue before the suspension of the Doha Round and the solution that was required was a ‘trade solution’ and not only an “A4T” one. The Doha Development Agenda (DDA) provided an opportunity to reduce

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the tariff peaks that Sri Lankan exporters face and reduce the competitive disadvantage Sri Lanka faces. An ambitious NAMA outcome in this sector would certainly level the playing field. However, it would lead to the erosion of preference margins presently enjoyed by preference receiving countries. This would, most certainly have a strong adverse implication on the industries of these countries resulting in closing down of the factories leading to the unemployment of substantially large numbers of female workers. All these countries who do not receive preferential access and duties range from 15-30 per cent. Sri Lanka already experiences diversion of trade and investment in the clothing sector to the preference receiving countries. Any trade solution, such as a longer phase out period for tariff reduction, would marginalise Sri Lanka further. Therefore, we had proposed that any such trade solution should be accompanied by an immediate extension of preferential access to countries which will be disproportionately affected. It is extremely necessary for the negotiators to address the concerns of different groups of developing countries in a flexible manner, particularly in such sectors, if we are to create winners in each one of us through the liberalization process.

In Sri Lanka we have better working conditions and as a result, Sri Lanka was the first developing country to apply for the special incentive arrangement in the EU's GSP Scheme. Perhaps, it was the only country with substantial trade with the EU to qualify for the arrangement.

Around the same time the industry developed strategies to implement Corporate Social Responsibility. One such strategy was called "Women Go Beyond", developed by one of the largest exporter of garments. This label attempted to change a derogatory name "Juki girls", attached to female garment workers. There is a recent study on this done by INSEAD which explains how this company has institutionalized the empowerment of their female workers. This was followed by a well developed approach by the industry to improve the image and status of the workers, the most recent being the slogan "Garments without guilt", to identify garments produced in Sri Lanka.

(e) Sarojini Ganju Thakur, Adviser (Gender Section), Commonwealth Secretariat London

*Gender and trade: from analysis to action – the Commonwealth Secretariat experience*

The focus of the presentation "Gender and Trade: from analysis to action – a Commonwealth perspective" moved from the more theoretical perspectives to the manner in which the Gender section of the Commonwealth Secretariat is working to influence outcomes in practical terms by a four pronged strategy .

Ms Thakur contextualized the work of the Gender Section within the broader context of the trade work of the Commonwealth Secretariat which includes capacity building for trade negotiations and trade policy analysis through support to countries at country level and in Geneva. She also shared the vision of the Valetta Statement on Multilateral Trade, which was endorsed by the Commonwealth Heads of Government Meeting in November 2005 prior to the Ministerial Meeting in Hong Kong.

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The mandate for work on Gender and Trade was initiated in 2000, when Commonwealth Women's Affairs Ministers expressed the vital importance of focussing on the impacts of globalisation and trade liberalization on men and women. Subsequently, the Commonwealth Action Plan for Gender Equality (2005-2015) – which was approved by Commonwealth Women's Affairs Ministers Meeting and endorsed by Head of Government in November 2005 – has highlighted Gender and Trade as an important issue of focus in the forthcoming decade.

The approach of the Commonwealth Secretariat has been to work towards bridging the divide between policy and implementation, gender and trade - a top down, bottom up approach. It has systematically been working on a four pronged strategy, the elements of which are summarized below.

- **Developing the case and resource materials** - This involves development of the conceptual basis, and has primarily been the publications which have already been mentioned above and other ongoing work. This includes development of a training resource pack, additional country based specific case study materials, and a related work on mainstreaming gender in social protection.
- **Capacity building** - Over the last two years there has been a systematic effort to develop, design and deliver capacity building programmes on Gender, Trade Policy and Export Promotion. The purpose of these is to create awareness in sensitising and enhancing understanding of trade policy-makers/other stakeholders to the gender dimensions of trade agreements /negotiations and policy formulation. At the same time the association of civil society stakeholders has also been to enhance participation and contribution of women to trade related issues. The programmes cover the following:
  - Relationship between gender, trade and development;
  - Introduction to gender and trade, MTS, WTO, regional and bilateral agreements and EPAs;
  - Market access and competitiveness;
  - Analytical frameworks and tools – engendering trade policy, social impact analysis, market access, gender analytical frameworks;
  - Region/nation specific issues; and
  - Action planning.

The selection of participants has been a key aspect as the purpose has been to create a nucleus cross cutting coalition on Gender and Trade. At national level, it has included participation from government –Ministries of Trade/Women's Affairs, sectoral

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ministries (agriculture, tourism, IT), and Export Promotion Bureaux. It has also included non-government participation from business and other civil society organizations, such as apex organizations of women entrepreneurs. Regional representation has been from trade organizations and women networks.

There have, thus far, been three regional workshops for Commonwealth countries in East Africa, South Asia and a sub region of the Caribbean. After the workshops follow up activity is planned by the country teams and monitored by the Commonwealth Secretariat. This has had varying results, but there have been positive outcomes in the case of some countries. These include:

- Establishment of a nucleus group on gender and trade - informal or formal (Uganda, India);
- Sectoral work on domestic policy– handicraft , food processing;
- Awards for women exporters; focus on apiculture and women (Uganda Export Promotion Board).
- **Dissemination and advocacy** - As part of carrying forward the process on Gender and Trade, the Gender Section has the following activities planned:
  - Publication of a training resource for wider use;
  - Establishment of an e-newsletter on Gender and Trade;
  - Work on embedding processes at national level in two countries and awareness raising of key people; and
  - Advocacy events.
- **Networking within and across countries** - The nature of the workshops and the creation of small country level groups on Gender and Trade and the establishment of a newsletter to link participants of the workshops and those interested in the subject are some of the ways that networking is being promoted. In addition, the Commonwealth Secretariat has funded the Commonwealth Business Women’s Network to establish a web site to network women entrepreneurs across the Commonwealth at [www.cbwn.net](http://www.cbwn.net). It is at an initial stage of development

## 2. Questions and comments by the audience

Lastly, on the issue that was addressed what WTO could do in the XXI Century? Two specific interventions that were mentioned were engendering the process of the Trade Policy review mechanism, and also monitoring the implementation of the A4T, which would

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depend on countries priorities to ensure that the integration of gender at country level is factored-in. In addition it was important that gender perspectives are integrated into training programmes of the WTO and other institutions. The Commonwealth Secretariat would continue its efforts in the development of resource materials, capacity building, dissemination and advocacy, and networking to further the agenda on Gender and Trade.

### **3. Conclusion**

There was scarcely any time for the discussion after the presentation, although there were a couple of questions on Rwanda's political participation. However, the inputs were found to be very rich. In terms of gender and trade a view that emerged was that WTO needs to integrate a gender perspective in the Trade Policy Review Mechanism, in its training programmes and also at a later stage, when the A4T agenda is implemented, to have an annual review which would *inter alia*, examine the extent to which gender had been mainstreamed. At the same time, in order to ensure equitable outcomes and a level playing field for men and women, it was important to step up capacity building in the area of gender and trade at country, regional and WTO levels, and to develop case studies and disseminate good practice on the subject.

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## H. Aid for Trade (A4T): Any chances for a gender-sensitive development?, Organized by the International Gender and Trade Network

Report written by the International Gender and Trade Network (IGTN)

### Abstract

*The IGTN panel was composed by the Head of the IGTN Geneva office, Maria Rosaria Iorio, as moderator, and Kristin Sampson from USGTN (CoC) and Gigi Francisco from IGTN-Asia as panellists.*

*The two objectives of the IGTN session were:*

- 1. To highlight gender-related implications deriving from the rationale and policy shift as announced by the Task Force on A4T. This Task Force was set up by the WTO Director-General following the Hong Kong Ministerial Declaration.*
- 2. To stress core issues related to the potential impact of mainstreaming of trade in national policies, and of A4T in addressing adjustment costs and development challenges.*

### 1. Presentations by the panellists

The session was moderated by Maria Rosaria Iorio Head of the IGTN Geneva office.

#### (a) Maria Rosaria Iorio, Head, IGTN Geneva office

Based on her paper *The DDA and A4T: Finding the Policy Link*, Ms Iorio introduced the rationale of A4T as announced by the Task Force.

She recalled that as stated by Zambia on behalf of the LDC group: “A4T has been on-going for long time. More than forty donors, bilateral and multilateral are providing aid in the area of trade for developing countries. What is new is the linkage between A4T and the multilateral trade regime, the development emphasis and the DDA, and recognition by donor community that trade should be actively used as an instrument of development policy to accelerate growth and reduce poverty”<sup>14</sup>.

She also noted that the discourse on the link between the multilateral trade regime negotiations and A4T puts *Trade* at the center of growth promotion and poverty reduction strategies at the national, regional and multilateral level.

This political and policy shift affects the way development policies and technical cooperation, including gender-related activities, are to be designed and implemented in

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<sup>14</sup> WT/AFT/W/22 - Communication from Zambia on behalf of the LDC group.

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the future, and will not go without implications for funding provided for other sectors and aspects of development policies implementation.

*Mainstreaming of trade* in development will also influence technical cooperation assistance requests put forward by WTO developing countries and LDC Members. This *new* policy orientation raises, nevertheless, a number of critical issues, particularly in regard to national social policies in poorest countries.

(b) Gigi Francisco, IGTN-Asia

Ms Francisco wondered how: “*can developing country governments realize real ownership of poverty reduction programs as espoused by the Paris Declaration on Aid Effectiveness, when A4T practically discounts other policy options?*”

She also noted whether A4T might be able to solve what the IMF and WB see as “*under-investment in trade reform*”, but it does not really contribute to the sustainable resolution of fiscal constraints in non HIPIC countries where debt to GDP ratio may reach staggering proportions as in the case of the Philippines.

(c) Kristin Sampson, USGTN (CoC)

Ms Simpson highlighted, on the one hand, the uncertainties over the United States political will to provide additional, reliable and unconditional funding for A4T. On the other hand, the A4T package offered to the Central American countries during the negotiations for a free trade agreement with the United States overwhelmingly supported traditional areas of trade facilitation, despite Central American requests for broader aid in their national plans.

Additionally, she questioned the development effectiveness of A4T in the broader context of WTO trade negotiations. She noted problems in the U.S. which have been exacerbated by over twenty years of economic liberalization, namely growing inequality, disinvestment in public goods and service, growing concentration of market power in few top companies as well as flexibility of labour force, in particular female, and weakening of social safety nets.

## **2. Questions and comments by the audience**

The discussion highlighted that gender-related issues are linked to national dynamics, which influence policy-making. Gender does not only concern women but rather societies as a whole. Indeed, gender relations affect the way societies and economies function.

And, although there does not seem to be a direct link between international trade and gender relations, most of the observations and reflections stressed that export-oriented agricultural production, and lack of tariff revenue resulting from liberalization in developing

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countries combined with distorting trading practices in industrialized countries have undermined socially-valued female employment, while reducing the opportunities for their access to sustainable income generating activities.

This situation has affected women's bargaining power as well as their livelihoods, while undermining rural development. In this respect, the issues of special products and special safeguard mechanism were mentioned as being relevant.

The question of mainstreaming of trade and its relation with mainstreaming of gender in national policy-making resulting in a more gender-sensitive international regime was also highlighted. Gender relations are not yet at the core of trade policy-making at the national levels in both developing and developed countries.

In this context, A4T is the right tool neither to address development and production inequalities nor to respond to the challenges to be faced to ensure social inequality both at the national and the international levels.

### 3. Conclusion

With regard to A4T and the role of the WTO negotiators, the following points can be highlighted:

- 1) A4T should be part of a global plan by sector aimed at improving female employment and working conditions wherever possible, i.e. higher employment standards and more stable incomes.
- 2) A4T should not become a sub-item of the trade and World Bank programs, but rather part of national policy-making. The framework provided by the World Bank as reference for policy making is not conducive to development.
- 3) A4T should be monitored and evaluated in light of the following quantitative and qualitative criteria (this is not an exhaustive list) i.e., has it lifted nationals out of poverty by raising their income in a sustainable manner? Has it increased exports and production? Has infrastructure, whenever built, benefited the whole population, and in particular women, as main care providers? Has it supported industrialization plans? For more details please go to: <http://www.igtn.org/page/703>.
- 4) The WTO is a Member-driven organization and its field of action is determined by its Members. Therefore, efforts should be made to sensitize trade negotiators to a number of gender-related issues. First, with regard to concessions that imply adjustment costs affecting female employment and welfare as well as tariff reductions that can have a negative impact on industrial employment as well as on access to basic services, such as health and education.







## VI. ANNEX I – OPENING SPEECHES

### A. Opening remarks by Mr. Pascal Lamy, WTO Director-General

Your Excellency, Mr Turner, Mr. Burgmans, Ladies and Gentlemen,

Welcome to the 2006 WTO Public Forum!

The Forum provides us with a timely opportunity to debate on trade and its contribution to growth and development. This year's topic "Which WTO for the XXI century" invites us to share our thoughts and ideas on the shape and direction of the World Trade Organization of the future.

All our speakers today share a deep belief in a strong, rules-based international system and I hope therefore that their message will resonate in the proceedings of the Forum. Let me mention that , UN Secretary-General Kofi Annan has asked me to apologize for not being able to join us in person, but he wanted to share his views in a message.

Bringing more than 1000 people together at WTO would not have been possible without the generous support of the Norwegian Government and the European Commission, for which I am grateful.

Some may argue that it is no surprise that so many people have turned up for this year's Forum, with the multilateral talks crashed. Accidents draw many spectators, and too often, we prefer to watch instead of helping get the car back on the road.

It is true that the momentum and title of this Forum seem perfectly timed. A public debate about the future of this Organization when the Doha negotiations are suspended, and its future unclear. Add to this that the period of reflection we have entered - after 11 years of existence - is marked by growing doubts about the role and success of international co-operation and multilateral disciplines and the rise of inward looking and short-term political thinking.

Therefore, this seems the perfect time for a kill as we are waiting for the ambulance, but we don't know when it will reach the scene of the accident nor if the right instruments and medication are on board. Those that oppose the WTO and everything it stands for, see a once-in-a lifetime opportunity to finish what they think they have started years ago: stop the WTO from functioning. All it needs is a final push over from the cliff and dance on its ashes.

I beg to differ. You have indeed come to the WTO at a very difficult moment in time and will undoubtedly pose critical questions about its future. You have always done so, much to the benefit of this Organization, and I encourage you to do so again today and tomorrow. Many of you have challenged the functions of the WTO, its imperfections and problematic

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delivery mechanism. These are challenges that deserve a continuous and solution-oriented debate, including during this Forum.

But I am convinced that most of you came because you believe in the virtues of the multilateral trading system and you care about its strengthening and, not its weakening. A system that builds upon the foundations of the GATT to establish a more just and more transparent basis for international trade. Where 149 Members whether big or small have the same say. Which is working to make trade rules more development friendly. In sum, a key contribution to harness globalisation for the benefit of all. This is the mandate we all agree in Doha in 2001 and upon which I undertook to act when I was selected Director-General last year.

Let me remind you that at the age of 11, the WTO has acted successfully as a forum in which Members discuss their trade relations and policies, settle their trade disputes, and agreed to negotiate new or improved trade rules. While it is true that the WTO was born out of negotiations, and everything the WTO does is the result of negotiations, the WTO also has other roles and functions which are often forgotten.

The WTO is a set of binding rules contained in the numerous agreements signed by the vast majority of the world's trading nations. These are the ground-rules for international commerce and the basis for interaction between the WTO membership in the many councils, committees and working parties it has. A forum for exchange and interactions and, where needed, for handling and settling trade disputes. The most fundamental principles of the system – most-favoured-nation and national treatment – are monitored permanently as the safeguards for transparency, predictability and the promotion of fair competition. And by making the case for open trade, the WTO contributes to economic development.

Not that trade opening in itself creates welfare. Not that welfare creation in itself reduces poverty. We all know that the mechanisms that translate trade opening into poverty reduction are complex and necessitate the appropriate policy context. But what we also know is that if trade is not sufficient, it certainly is a necessary ingredient. This is the core of what I have called the "Geneva Consensus".

There are flaws in the system – I have repeatedly said that the WTO is far from being a perfect instrument – but the last 10 years of multilateral trade cooperation has shown that we need this, albeit imperfect, international instrument, and our commonly shared goal should be to work together to make the WTO better reflect our aspirations.

In that sense, the WTO is like an 11-year old. The expectations are often too high and there is not enough appreciation for what it already accomplished. What the WTO needs today is a mix of political courage and vision to improve the things it does well and change some of its imperfections.

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I would have preferred to stand in front of you under different, more encouraging circumstances since it is always easier to find your way to the door with the lights on. In July, we missed an important opportunity to advance our plead for a stronger multilateral trading system. This is not the first time we miss a deadline. But under the present economic and geopolitical circumstances, the magnitude of a failure of the Doha negotiations would be just too severe.

I am nevertheless encouraged to see that since July all WTO Members, academia and civil society alike have expressed frustration and regret as we run the risk of losing a major – maybe unique - opportunity to integrate more vulnerable economies into international trade, and undermining their potential for contributing to sustainable growth and poverty alleviation. This is the first step towards getting the WTO car out of the repair garage where it finds itself now. We now need to answer the question of how and when to get it out. I hope Members will use the coming weeks for quiet diplomacy, discreet bridge-building and better understanding of each others position that are necessary to conclude the negotiations.

Your input during the Forum will be a valuable contribution: it is not only welcomed, it is urgently needed. Without your ideas, it will be impossible to determine the WTO for the XXIst Century. The multilateral trading system belongs to you and therefore you should contribute to shape it. This is why I believe you came to the Public Forum in such high numbers. The presence of so many representatives of WTO Members, civil society, parliaments, the media and the academic world, strengthens my conviction that the willingness towards international co-operation and multilateralism is the only way forward.

I wish you a pleasant and fruitful Forum!

Pascal Lamy  
WTO Director-General



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**B. Message by Mr. Kofi A. Annan, Secretary-General of the United Nations**

UNITED NATIONS



NATIONS UNIES

**THE SECRETARY-GENERAL**

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**MESSAGE TO THE WORLD TRADE ORGANIZATION PUBLIC FORUM  
Geneva, 25 September, 2006**

Dear friends,

This Forum provides a chance to reflect on the rules of international trade, and how they affect people's lives.

It is a reminder that opening up global trade is essential, if we are to reach the Millennium Development Goals by 2015.

That means seizing the Doha Development Agenda as a historic opportunity to re-balance the rules of the trading system in favour of the poor.

Setbacks in the Doha talks have led some to consider settling for something less than a true development Round -- or for no round at all. That must not happen.

I join developing and least-developed countries in calling for the Round to resume as soon as possible. Our countries, and our people, need and deserve no less in order to lift themselves out of poverty.

I urge WTO Members to go the extra mile. Friends, do the right thing. Make a trade deal possible.

Kofi A. Annan



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**C. Address by the Right Honourable Prime Minister Mr. Pakalitha Mosisili MP, Kingdom of Lesotho**

**“What WTO For The XXIst Century”**

Mr. Chairman  
Director General Mr. Pascal Lamy,  
Fellow panellists,  
Your Excellencies,  
Distinguished Participants  
Ladies and Gentlemen;

May I offer warm greetings to you, one and all!

From the onset I wish to express my deep gratitude to the Director General of WTO Mr. Pascal Lamy, for his kind invitation which has afforded me this rare honour and privilege of addressing this august gathering. It is a welcome opportunity to share some thoughts which will hopefully be pertinent to the theme of the Forum: “What WTO for the XXIst Century?” This noble gesture in itself confirms the view of WTO as an international organization that provides an open forum for all, even for those of us who come from the least-developed countries (LDCs). It is an indication that all voices are listened to, and hopefully heard and heeded.

For some years my colleagues and I in government have had the duty of trying hard to use the government machinery to create conditions necessary, and to lend support required, for the efforts of the people of Lesotho in their daily struggles to earn a decent living. They toil daily in their quest to meet basic human needs. We have been doing that while at the same time upholding democracy and fully respecting and protecting human rights. It has not been an easy task. There has been progress on some fronts. Setbacks and even reverses have been encountered in other facets. We have been swimming against a strong tide of adverse internal as well as regional and global phenomena.

Lesotho as an LDC with an open economy has not been able to withstand some of the external shocks. I feel confident in saying that Lesotho is not alone in this predicament. Her woes are shared by many other LDCs and Small and Vulnerable Economies (SVEs).

**The Challenges of Globalization and the Multilateral Trading System**

Excellencies, Ladies and gentlemen, mankind stands at the crossroads with a range of challenges and opportunities that demand concerted efforts of not only individuals, nations and regions, but also of the international community at large, in order to address them effectively.



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In the meantime globalization is advancing, notwithstanding the lively ongoing debate on the subject in international fora. It has caught up with us and cannot be wished away.

Against this background, one could characterize ours as the best of times and, equally, as the worst of times (to paraphrase Charles Dickens in his classic work: “A Tale of Two Cities”). This is reflected in the complex dynamics of the global economy. There is increasing interdependence among world economies and international financial markets. Those international markets often sail through heavy turbulence. Communications have improved phenomenally. In addition, there is a growing scarcity of energy resources. There has been the destruction of the biosphere. Disturbed climate is bringing about more frequent natural disasters. There is the challenge of spreading pandemics, including HIV/AIDS with its debilitating effects. Growing geo-political instabilities and insecurity result in increased poverty and migration.

The Globalisation process, however, can be tamed to some degree and steered in the right direction and can be given a human face. It is against this background that this Forum has to debate the role and responsibilities of the WTO and what it means to the developing world, Africa, and particularly to LDCs. All reliable reports regarding performance of the world economy are positive. Worthy of special mention are the phenomenally high growth rates of China and India. Only Sub-Saharan Africa remains a big challenge.

### **Africa in the Global Economy and Trading System**

Globalization of the world economy and trade has benefited many regions of the world, but as many argue it seems to have bypassed our continent. Africa has been lagging far behind most other regions of the world. For instance, only twelve Sub-Saharan African countries fall in the UNDP Medium Human Development Index band. The rest fall in the Low Human Development Index band. With about thirty four LDCs, out of the total of about fifty, Sub-Saharan Africa has the highest concentration of this category of economies. In most cases the rate of growth in real terms has remained below the 7 per cent needed in order to reach the Millennium Development Goals punctually in 2015. The best performers are mainly the recipients of high per capita official development assistance (ODA).

In much of Africa, the main hitch to economic growth lies on the supply side of the economy. Low productive capacity, due to a variety of reasons, is the constraint in most cases. Lack of means of financing development, in order to remove those barriers, is also a major handicap. Often national saving is low due to deep and widespread poverty. Foreign Direct Investment still eschews Africa, no matter how hard some countries have worked to try to create a conducive environment. The flows of ODA continues to be precarious, awfully hesitant and highly selective. There is an exception of a handful of countries where generosity reflected in high per capita ODA on a long term basis can still be witnessed. The Paris Declaration on Aid Effectiveness is yet to be fully applied.

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There are even new arguments from some quarters that assert that ODA has not been effective in bringing about the strong and sustained growth hoped for and that therefore Aid should be de-emphasized. These pronouncements are being made without any benefit of profound analysis of underlying causes. On the contrary, evidence shows that, properly planned and applied, Aid does bear tangible results.

The HIPC Initiative quickly followed by Enhanced HIPC Initiative, did give beneficiaries relief that allowed special attention to be paid to the social services and thus ameliorate suffering and reduce poverty at least temporarily. However, the HIPC Initiative was never deep, wide and fast enough to allow sustainable escape from the grip of the debt trap.

One can also observe that with the advent of the HIPC Initiative, non-HIPC LDCs, such as Lesotho, were forgotten. We were left out of the debt-cancellation initiative. The reason? We were not unsustainably indebted. Somehow the definition of LDC became synonymous with HIPC. Non-HIPC LDCs were eclipsed and disappeared from the radar screens of some development partners. We thank those few development partners that did not abandon us. We have felt, in Lesotho, that were we not only being forgotten, but positively punished for having managed our debt portfolio responsibly! Thus we were becoming victims of our own discipline and success in financial management!

The World Bank and the regional development banks do much to finance developmental activities and have opened soft windows for LDCs. Resources at their disposal, however, are not adequate when viewed against the needs on the ground among their clientele.

Remittances of migrants are beginning to form a new and potentially significant source of development financing in a growing number of countries. It is a promising new source of development finance.

Another phenomenon that is gathering some momentum is the increasing active involvement in the development effort by some private and public special funds, foundations, philanthropists as well as other non-governmental organizations of goodwill, in the development effort. Their focus has tended to be in the social sector and at the community level.

### **Regional Integration and the Multilateral Trading System**

Mr. Chairman

Meanwhile the horizon of my responsibilities has just been expanded in August this year. My colleagues - the Heads of State and Government in SADC - bestowed upon me the honour of serving as the Chair of that sub-regional grouping of countries. In that capacity one is expected to guide and lead implementation of the adopted regional agenda. There is much yet to be done to move the sub-region forward. Ways of reaching macro-economic convergence and of ensuring rapid growth of intra-regional trade are some of the centre pieces in the SADC mosaic of strategies.

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We in SADC see integration of our region as not a substitute to multilateralism, but rather as a complement and a stepping stone for our effective participation in the global trading system. We are committed to the integration of our economic space and the development of our region, while acknowledging the importance of belonging to a “global village”.

### **The Development Paradigm in Africa: What Next**

Excellencies, Ladies and Gentlemen, one of the fundamental challenges that face Africa is how to engineer change in order to put African economies onto a path of sustainable growth and development, which will yield positive results on reducing poverty. There has been no other continent in the world that has been subjected to experimentation of “development economics and theory” than Africa and yet the continent remains the least developed in the world. In most cases in the African LDCs the private sector has remained undeveloped and weak. This can be attributed to the Structural Adjustment Programmes of yester-years, which concentrated overly on rushed privatization of state-owned enterprises (that is, privatization at all costs), and tended to neglect that part of the policy on indigenous private sector development, even though the latter formed part of the policy on the private sector. As a result, the home-grown private sector in African LDCs is not equal to the expected task of being a dependable development partner of government through Public-Private Partnerships (PPPs). Efforts to strengthen the home grown private sector have to be redoubled.

It is now generally acknowledged that the “Washington Consensus” applied in developing economies has not been sufficient. Some even forcefully argue that it has actually been somewhat detrimental to those economies upon which it was applied. Much more needed to be done to salvage the economies concerned from the abyss of macro-economic imbalances and set them on a path of strong and sustained growth leading to socio-economic development.

This odyssey brings us to TRADE as an instrument of economic growth and socio-economic development. Given low and unpredictable ODA, unresponsive FDI, and limited financial resources at the development financing institutions, resorting to the trade avenue offers more viable opportunities for stronger economic growth and development. Well designed and competently managed trade policies can trigger forward, backward and indeed lateral linkages that would entail wealth creation, improved employment and thus contribute towards poverty reduction.

The challenge to growth in trade in LDCs is the successful removal of the supply side constraints, success with trade facilitation and improved access to the global markets. As part of this endeavour, strengthening the private sector and facilitating its operation is pivotal.

Diversification is key in making the economy relatively more external shock absorbent. One of the examples of devastation of external shocks, where there is a narrow export base, is that of Lesotho. When the Multi - Fibre Agreement expired, coupled with currency

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appreciation in the Common Monetary Area (CMA) in which Lesotho is a member along with Namibia, South Africa and Swaziland, textile exports dropped abruptly and drastically. This led to massive factory job losses. It was a heavy blow on Lesotho's economy! Shedding off narrow export base is a major challenge facing Sub-Saharan Africa. Diversification would also boost intra-regional trade.

Sub-Saharan Africa has a share of about 2.4 per cent of the world's merchandise exports and only 2.2 per cent of merchandise imports. Even a rise by one percentage point in exports share would bring about enormous positive impact on poverty reduction. These low trade volumes only show that offering special dispensations to Sub-Saharan African countries, or to LDCs in general, would not cause major sacrifice on the part of those extending them.

Again Lesotho is an LDC with an open economy. For Lesotho and other similar LDCs trade is not an option at a buffet of development policies, where one has the luxury of picking and choosing.

It is an imperative. It is a condition sine qua non. It has to be an integral part of the bouquet of key and coherent development policies reflected in the strategic frameworks, action plans and programmes of action, especially those pertaining to poverty reduction.

### **What should be the Key Elements of the WTO of the 21 Century**

Excellencies, Ladies and Gentlemen

The theme of our discussions today is "What WTO for the XXIst Century?". Please allow me to offer my thoughts on this matter, for what they may be worth. Earlier on I observed that the globalization process seems to be irreversible. Trying to halt and reverse it would be an exercise in futility. The better option is that of taking the reigns, guiding the process in the right direction, letting it move at deliberate speed and giving it a human face.

In as far as trade is concerned, multilateral trade has been proliferating and intensifying over the decades. In order to ensure orderly, free and fair multilateral trade system the World Trade Organization (WTO) was brought into being in 1995. WTO is a reality whose time had truly arrived. There had to be an institution that performs the current core functions that WTO performs; namely,

Promoting liberalised and fair trade ( bearing the special needs of developing economies in mind, especially those of LDCs);

- Acting as a forum for negotiating multilateral trade agreements;
- Averting or settling trade disputes;
- Managing a set system of trade rules; and
- Rallying assistance for developing economies in trade development.

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At this point I cannot imagine the XXIst Century World without WTO. The same way that the IMF is needed for global monetary, financial and macro-economic stability, the World Bank Group and regional development banks for mobilizing financial resources for development, so is WTO needed for orderly, free and fair multilateral trade. It is a forum where all can have a voice and the weak can be protected and disputes averted or settled.

Having acknowledged that the WTO has an important role to play in the XXIst century, now allow me to suggest what I consider should be the key elements of the WTO of the 21 Century, if it is to adequately address challenges that face us. In my view, such an organization ought to spend its energies and resources in trying to address the following four key issues:

How to contribute to global growth and sustainable development?

How to create a fair and equitable global trading system and its associated multilateral trading system?

How to contribute to effectively dealing with the problems associated with imbalances in “commodity markets” and associated dominant power of the “buyer” versus the “seller and producer”? And, finally,

How to address issues of effective participation by all WTO member states, small and large, in the decision making process of the WTO, especially as regards issues of transparency and inclusiveness

Mr. Chairman, Excellencies Ladies and gentlemen, if today our Forum can fully address these issues it will have contributed to a WTO of the future. I will not venture to offer views on how we should proceed for after all that is the purpose of our meeting. Nonetheless, let me offer a few pointers.

Firstly, many have argued that the WTO is not a development institution and therefore its role on “development issues” is marginal. I beg to differ in that trade issues affect the daily lives of millions of people in the world. The cotton growers in Africa, as an example, continue to be affected by events thousands of miles from them. The launch of the Doha Round and the decision to designate it a Development Round was in itself a recognition of the imbalances that exist in the multilateral trading system.

Secondly, I wish to join the chorus of those calling for the WTO, UNCTAD, World Bank Group and the IMF to forge and maintain coherence. In WTO, capacity-building activities in the area of trade, ought to be intensified for developing countries, particularly for LDCs.

Notwithstanding David Ricardo’s principle of “comparative advantage” Gunnar Myrdal’s “polarization process” should also be borne in mind. That is the process whereby if market forces are allowed to work themselves out between interacting economies, which are without any barriers of any sort, the tendency will be for the advanced economy to gain at the expense of the less developed. This tendency has to be contained through deliberate counter measures.

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Instruments such as Enhanced Integrated Framework for LDCs and Aid for Trade for all developing countries are attempts to address such situations, among others. It is hoped that development partners will be generous in contributing financial resources to the Enhanced Integrated Framework for LDCs. May I urge that Enhanced IF be operationalized as soon as possible.

May Aid for Trade, which is not part of the single undertaking of the Doha Round negotiations, materialize along the lines envisaged. Additionality of resources offered and the creation of soft windows for LDCs are some of the key factors to be borne in mind in this initiative.

The noble gesture of USA, through AGOA is fully appreciated in Africa. May it be extended and blessed by WTO. Likewise, EU's "Everything But Arms" for the ACP is highly cherished. These dispensations, coupled with harmonization of accompanying rules of origin, would represent an added advantage. It is noted with gratification that Japan is steadily moving in that same direction as USA and EU. Only if all OECD countries could follow suit.

Thirdly, the WTO of the future would need to address the issue of the imbalance in "world commodity markets" and the functioning of these markets. Current arguments, that these markets function perfectly and should not therefore be tampered with, fails to see the inherent injustices that prevail in many of these markets where producers are denied an opportunity to earn a decent living. It is about time to effect change. We will need to be proactive in order not to be overwhelmed by events.

Finally, a WTO of the 21 century would invariably have to address the issue of effective participation, transparency and inclusiveness in the decision making process of the WTO. Many acknowledge the difficulties of arriving at a consensus on many issues in an institution of a membership of 149 countries. Nonetheless, a WTO of the future would need to find ways that the voices of all member countries, small and large, are taken into account when arriving at decisions. A democratic and inclusive WTO is the way of the future.

### **What Next in the Doha Trade Round?**

Excellencies, Ladies and Gentlemen

Up to July this year (2006) good progress had been made on numerous fronts in this Round. Let us not be pessimists who see a half-empty cup where there is actually a half-full cup. It is always the last lap in a race that is truly demanding. At the ongoing UN General Assembly session, at the Bank/Fund Annual Meetings in Singapore and in many other world fora, leaders are calling for speedy resumption of the Doha Round negotiations. Let me once again add my voice to that chorus. Recent suspension of negotiations due to elusive convergence on key points among the economically powerful in our midst, and subsequent delayed resumption of the talks, are many-fold more costly to developing countries, particularly to LDCs and SVEs, than to the rest. Every month that passes without progress takes a heavy toll on the struggling economies. The stalemate is deeply regrettable.

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When talks do resume, it is hoped that positions will have been adjusted and strategies modified. This will need to be accompanied by higher levels of commitment and determination at all levels. At the same time resumption of negotiations should not be seen to be opening an opportunity of skilfully bailing out through the emergency exits provided by some lingering loopholes. Negotiations should faithfully remain within the parameters of the set mandate.

The key challenge of this Round is to deliver improved market access and strengthened rules that will foster growth in developing countries.

At this stage let me congratulate the Director General and his competent team as well as the various chairs for keeping alive the concept of development at the center of this Round and skilfully navigating such a delicate process safely through stormy and rocky straits.

It would be remiss of me not to express gratitude to our dedicated Ambassadors and representatives as well as officials and experts who have done a marvellous job of putting forward our concerns and positions in these negotiations. Please keep up the good work. I also wish to thank those organizations that have been providing us with technical support in these complex negotiations, and more specifically, the African Union, the United Nations Economic Commission for Africa (ECA), the South Centre, the United Nations Conference on Trade and Development (UNCTAD) the ACP as well as our sub-regional economic communities.

Thank you for this opportunity and thank you for your kind attention.

H.E. Pakalitha Mosisili  
Prime Minister of Lesotho

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## D. Address by Ted Turner, Chairman UN Foundation

Thank you for that warm welcome. I especially want to thank Director General Lamy for his inspiring talk, and for inviting me here today. He is renowned for the unique way in which he combines socialism with support for free trade – using both his heart and his head.

I like free trade. I've been a free trader ever since I debated the topic back in my high school days. I pushed for free trade when I travelled around the world, from country to country, urging them all to open up their media markets to CNN.

If we don't have free trade that gives every country a chance, we're never going to build a better, more prosperous world. That's why I think the WTO is one of the best ideas humanity's ever had. We human beings have been trading with each other ever since we started coveting our neighbors' goods. But we didn't create the GATT, and then the WTO, until we'd been around about a million years. It was about time!

Today we're in a crisis – for the WTO, for trade, and for the future of the world.

Five years ago, the Doha Round began with a commitment to increase the benefits of free trade for developing countries.

It was a great plan: developed countries would reduce their agriculture subsidies and tariffs, and developing countries would lower their tariffs to allow imports, improve their industries, and attract investment.

Two months ago, the latest talks on the Doha Round collapsed here in Geneva. A lot of commentators shared the view expressed in the Financial Times, which said that if Doha fails, it could be “the last effort of its kind.”

“The last effort of its kind?!?” If we give up and quit on this Round – we may not ever try anything like it again?!? No more global trade agreements?!?

That would be a disaster! Poor countries are going to remain poor countries until they can find a way to sell goods to rich countries. But to do that, poor countries have to improve their industries, open their markets, draw new investment, and get trade rules that are fair. That's what this Doha trade Round is all about – to give developing countries a better chance ... to trade on a more equal footing with rich countries.

If we give up on global trade agreements, we know what will happen. The big countries will go off and do separate bilateral and regional deals with their favoured trading partners – and guess who will be left out? The very people the WTO was created to include: the developing countries. They will be left to bargain alone against the giants of international



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trade. We've already seen where that leads – it leads right back to where we are today: to a world where billions of people live in poverty.

It's one of the biggest moral failures in the history of humanity that we allow half the world's people to live in intolerable conditions, on less than 2 dollars a day. A billion live on less than a single dollar a day. A billion have no safe drinking water.

Poverty is cruelty.

And poverty persists in part because the trade that has created so much prosperity for the world's wealthy countries is bypassing poor countries. Fifty-four countries are poorer than they were fifteen years ago. And poverty doesn't just mean doing without food and shelter. For many of these countries, poverty means conflict. When there isn't enough to go around, people start to fight. Of the 20 poorest nations on earth, 16 have suffered civil war over the last two decades.

If we can't reverse it, poverty is going to crack the world apart. If the world ends up hopelessly split between rich and poor, we will never get the global cooperation we need to deal with the problems the whole world has to solve together.

We're running through the assets of this planet that took billions of years to create. The fossil fuels that we're burning are turning up the world's temperature. We're overpopulating the earth. We're using up our oil, coal, gas, forests, rivers, and arable land with no sign of slowing down and little idea what to do when these resources are gone.

We're spending more than \$1 trillion a year on military budgets – more than 50 times what we spend on the UN, our best tool for peace. As we're sitting here – 15 years after the end of the cold war – the US and Russia still have thousands of nuclear missiles on hair-trigger alert, ready to launch within minutes. We have hundreds of tons of highly enriched uranium poorly secured – and groups of terrorists desperate to get the materials, build them into bombs, and use them.

We can't solve any of these problems unless all countries work together. We created the UN to give ourselves this option. We created the WTO for the same reason. But we're not making the most of what we have.

The world's leaders in both business and government aren't looking at the future; they're looking just a few days ahead – at the next day's news stories, the next quarter's earnings, the next poll, the next election. We need to learn the difference between long-term value and short-term gain.

I got rich making long-term decisions. My competitors were all thinking about the TV ratings from last night, and I was thinking about where I was going to be 10 years later. The first TV station I ever thought of buying was losing \$70,000 a month. My board told

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me if I bought it, I would bring the whole company down. I bought it. Then I bought another one – worse than the first – and my accountant quit in protest. Eight years later, I sold that station and started CNN. If I had had to show a profit every quarter, I never would have built anything.

I think young people ought to be raising hell with older people about this. Most of the people making big decisions in the world today are over 50. Many are over 60. They're taking out loans, and they're not even going to be around when the debt comes due.

They have to lift up their eyes and see the future: either we change our ways, or we're going to destroy ourselves.

We have to go for the long-term gains we'll get from building a world where every country participates. The more countries participate in the global economy, the more they will have an incentive to build a better world – and the more they will have the capacity to build a better world.

That's why developing countries have to have a bigger stake in global commerce. Expanding trade is the best way to get it. And the Doha Round is the only instrument the world has to make that happen. We have to revive these talks and get an agreement.

Global trade agreements have made a huge economic impact since the GATT. They've cut tariffs; they've increased trade, they boosted economic growth. For the US, the EU, and Japan – it has meant hundreds of billions of dollars a year.

But the benefits of global trade are uneven. And now we need to rewrite the rules so they help poor countries the way they've helped rich countries. That's the purpose of the Doha Round.

If we give up on Doha, we're giving up on fighting poverty.

If we don't give up, ... if we revive Doha and get a strong agreement, we can immediately increase incomes in the poorest countries of the world. There is nothing we could do that would strike a quicker, wider blow against global poverty. No handout, no program, nothing. If you're against poverty, you're for a strong Doha agreement. If you're against a strong Doha agreement, you're probably not too worried about global poverty.

Now, we are not going to get this deal until we get an agreement that every country can live with.

Sure, global agreements are a pain. The more people who have to agree, the longer it takes to get an agreement. But there's an African proverb that says: "If you want to go fast, go alone; if you want to go far, go together." I believe that human beings are not going to go much farther ... unless we go together.

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Right now – we’re not going anywhere. The Doha Round is stalled because rich countries and poor countries are split on the question of agriculture subsidies.

In the US, government farm supports are 16 per cent of total farmer income; in Europe, it’s 32 per cent; in Japan, it’s 56 per cent.

In West Africa, cotton farmers on some of the richest land in the world make only \$400 a year – because developed countries drive prices down with their cotton subsidies. In fact, developed countries spend about \$2 billion every week on trade-distorting tariffs and subsidies.

Why do we even have subsidies? That’s simple. We have subsidies because we have overproduction. Supply is greater than demand, and prices fall below what farmers need to make a living. Farmers in rich countries are supported with subsidies. Farmers in poor countries just suffer.

The fight over subsidies is not, for developed countries, just an economic matter. At the time the GATT was adopted, agriculture represented half the trade in the world. Last year, it was 8 per cent. When the entire system of global trade agreements is put in jeopardy by a disagreement over 8 per cent of all trade, you can suspect the reason is more politics than economics.

If developed countries negotiate away agriculture subsidies, politicians in rich countries would have to tell farmers in rich countries to find something else to do. At which point, the farmers would tell the politicians that they have to find something else to do. That’s why these talks are stalled – politicians in the developed countries do not want their farmers to fire them in the next elections.

If agriculture were always going to be the same, then the question of subsidies would be a problem without a solution.

But agriculture is changing.

Farmers have always grown crops for food and fibre. Today, farmers can grow crops for food, fuel and fibre. This changes the future. There is now a huge and growing unmet demand for farm products like corn, sugar beets and sugar cane that can be converted into ethanol. There’s a huge market for palm, soy, and rapeseed oil that can be made into bio diesel. Agriculture is changing from an industry that faces limited demand to an industry that faces unlimited demand, from an industry facing low prices, to one facing high prices.

And that’s what’s so ironic about this trade impasse. The Doha negotiations have come to the point of collapse over agriculture. But the negotiators are deadlocked over agriculture the way it was in 1999 or 2000, not the way it is today, and certainly not the way it can be in the coming years.

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There is a huge and growing opportunity in agriculture for farmers who can grow fuel. Since 2000, global ethanol production has more than doubled. Bio diesel production is up nearly fourfold. And demand is so great that even though Brazil produces almost a quarter of the world's sugar, it still struggles to meet its own domestic demand for ethanol. A sugar grower in Brazil recently told the Washington Post: "We would never be able to supply the United States with any substantial quantity of ethanol." If the world's largest biofuels producer doesn't have enough to supply the world's largest energy consumer, this is what I would call a business opportunity.

It's also an opportunity to do something for the earth and humanity. Biofuels are far better for the planet than fossil fuels. They can dramatically cut greenhouse gas emissions. And biofuels are renewable. You don't have to spend billions of dollars finding new oil fields in the ocean. You don't have to put new wells in national parks. And you don't have to negotiate with countries oceans away. You have to plow and plant seeds. We've been doing that for a long time.

This is a natural stage in human evolution. Humans have gone from hunter-gatherers to farmers to produce their food. Now we're going from hunter-gatherers to farmers to produce our fuel. It's much better than coal and oil. When you want more fuel, you don't have to wait for the next geological age. You just have to wait for the next growing season.

The emergence of biofuels creates something like a merger between two industries: agriculture and energy. When agriculture (an industry with slow-growing demand) is merging with energy (an industry with fast-growing demand), it's a very bullish change for agriculture.

This gives developed countries a chance to end the stalemate over agriculture subsidies by giving farmers incentives to grow biofuels and by giving consumers incentives to use them.

If – over the next ten years – WTO nations adopt policies that support an entirely new market in bio-based energy – and if production expands to provide 15 to 20 per cent of global fuel needs, the market in global agriculture could double or triple in value.

In this market of unmet demand, the effect of government incentives for bio fuel production will be totally different from normal crop subsidies. The unmet demand for transportation fuel is almost endless. This means that support for domestic production will not displace foreign competitors or reduce the prices paid abroad. Farmers will be getting their income from the market, not from the government.

Even farmers who don't switch to energy crops will do better financially because other farmers will have switched their land to bio fuel production. This will reduce supply and raise prices for conventional crops.

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If farmers see that agriculture is changing, and see how that change can benefit them, the politics of subsidies changes. This change is crucial to reviving the Doha Round and getting an agreement. But first your trade negotiators here have to explain this change to your constituents. They're the only ones who can give you permission to come back to the table and make a deal.

A growing market in biofuels can reduce or even end the need for agriculture subsidies in the developed world. But this isn't just an opportunity for rich countries. Developing countries can benefit even more. Poor countries that are dependent on oil imports have been hit especially hard by rising energy costs. Ten years ago, when the world agreed on debt relief for the poorest countries in Sub-Saharan Africa, the price of oil was 22 dollars a barrel. Over the last four years, the price has more than tripled. Higher oil prices now cost Ethiopia 5 times as much as they are gaining from debt relief. Other developing countries who import oil face the same burdens.

Gambia now spends six times as much money on fuel as it does on health. Sierra Leone now spends twice the money on fuel as it does on all efforts at poverty reduction combined.

And the energy problems of developing nations go beyond higher budget expenditures. Most of Sub-Saharan Africa has no electricity at all. In many countries, women gather and carry loads of firewood for miles each day.

By investing in biofuels, developing countries can start solving these problems. They can produce their own domestic transportation fuels, cut their energy costs, improve public health, create new jobs in the rural economy, and ultimately, build export markets. By converting part of their output from food and fibre to fuel, they will be entering a market with higher prices and rising demand, and are more likely to attract the kind of foreign investment that can modernize their agricultural practices – and increase their food production as well.

This is a critical point, because there should be no food vs. fuel debate. We can absolutely produce both – all that's required is investment. Economic growth, especially in rural areas, will help developing countries meet their food needs more easily. The answer to hunger is not more food, it is less poverty.

Some enterprising companies and towns are already showing the way on biofuels.

Forty per cent of the energy for the Bolivian town of Riberalta comes from a plant powered by Brazil nut shells.

An Indonesian company switched from firewood to a biomass gasifier to dry their cocoa beans. The gasifier is fuelled by palm nut shells – a waste product from the business's other operations.

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Women's groups in the African nation of Mali are using biofuels – processed from locally grown crops – to run diesel generators to power grinding mills.

Biofuels are also catching on in the Caribbean, where Jamaica is investing millions of dollars in ethanol.

The Dominican Republic is looking at jatropha – a bush that grows well in hostile conditions and has great potential as an energy crop.

Malaysia, India, and Thailand are preparing to make big commercial investments in palm oil.

On a grand scale, of course, nobody beats the example of Brazil. Their biofuels have saved them some \$50 billion in oil imports and created a million new jobs.

The opportunities will get better as the technology improves – and that's happening right now. In the future, we should be able to produce new fuels like cellulosic ethanol, a bio fuel that could be extracted from virtually anything grown anywhere. We will be able to genetically alter bio fuel crops to make their conversion more efficient. And we will be able to create better bio-refineries, increasing the returns on bio fuel investment.

The global demand for biofuels is huge and rising. That's why I'm confident that in the near future, farmers' incomes will be assured, not by subsidies and tariffs, but by market forces. And that's why it makes so little sense to throw away the Doha Round over agricultural subsidies and tariffs. We shouldn't give up a great future to cling to the past.

Developed countries have the greatest responsibility for putting this Round back together. Over the last 60 years, free trade has added trillions to their economies. Now they have a chance to grow even richer while giving developing countries new opportunities through trade to help boost their economies and reduce poverty. In the process they will also be creating new markets for themselves.

Developed countries should agree to phase out tariffs and reduce their subsidies for food and fibre crops and replace them with support for biofuels. The right approach would allow a transition period; say 5-10 years, to phase in the changes. As soon as the deal is struck, farmers – instead of pressuring politicians to preserve subsidies – will be pressuring politicians to quickly make the changes necessary to convert farms profitably to bio fuel production.

Developing countries also need to do their part for the Doha Round by reducing tariffs and opening their markets – especially to each other. If they keep their markets closed to protect domestic industries, it might help for a time. But if they don't open their borders and allow imports, their products will never compete, they're never going to draw much investment, and they won't capture the much bigger market beyond their borders.

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Officials in all countries should not only explore options for production of biofuels; they should also adopt policies that promote consumer demand and build an infrastructure that can guarantee supply. These steps will help meet energy needs, reduce greenhouse gas emissions, revive the agriculture industry, and help eliminate the conflict over subsidies that is stalling crucial advances in world trade.

Let's remember the point of what we're doing here – we're just trying to reach out and bring in more people – into trade, into prosperity, into opportunity, into community. Those first TV stations of mine that I mentioned earlier – I bought them cheap, because they had an inferior signal – a UHF signal – that couldn't reach very many homes at all. How was I going to make any money if I couldn't even get my TV signal to all my neighbors? Well, we got an idea. Instead of broadcasting from a tower 1,000 feet high that sends a signal out 50 miles, we started broadcasting from an antenna 24,000 miles out in space that covered a quarter of the surface of the earth with one signal. The satellite. I guess that's when I really started to think globally. When I realized I had to bring more people in, or I really wasn't going to make it. The world is facing the same situation today. We've got to bring everyone in, and stop leaving so many people out.

#### Conclusion

There's a new book out by an economist named Eric Beinhocker. He says the "critical advantage" that humans had over Neanderthals was trade. We had trade; Neanderthals didn't. We're still here; they're extinct. What's the lesson? Trade is good. Trade helped save us.

We need trade to save us again.

The key to it all is right here in the hands of the trade negotiators. Right now you don't have permission to negotiate cuts in your agricultural subsidies. But your constituents will never support a deal if they know only what they'd be losing, and don't understand what they'd be gaining. You have to explain it. If we want to change public policy, we have to change public opinion. Tell them! Tell them that adding energy crops will create economic opportunities. It will create stronger markets for food crops. It will help boost incomes in the poorest countries in the world. And it's crucial for the environment. We're polluting our planet, and we've got to do something about it. We're not going to stop using energy; so we've got to start using a different kind of energy. This is our chance to make a big push – and do something that will save the earth for our grandchildren.

You've got to explain this to people. You've got to convince them. This is a big job. It isn't the job you signed up for. But this is the job the world needs you to do. If we give up on trade, we're giving up on ending poverty. We can't give up. We've got to keep fighting.

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At the gym where I used to box when I was a teenager, there was a sign on the wall that said: “Fight one more round.” You could look at that sign at the start of the fight; you could look at it at the end. But the message was always the same: fight one more round. No matter how bloody and exhausted you are, fight one more round – because if you’re always willing to fight one more round, you’re never beaten.

I know it’s late in the match, and you’re all tired. But I’m asking you all to fight one more round – this Doha Round. You can do it. You can win it. And it will make a world of difference to millions of people who will never even know you to thank you. Go to it, and good luck!

Ted Turner  
Chairman, UN Foundation





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## E. Address by Antony Burgmans, Chairman Unilever

Director-General Lamy, Prime Minister Mosisili, Mr Ted Turner, Delegates from around the world.

Let me start by saying that the theme of this week's Symposium, "What WTO for the XXIst century", is a very necessary question in light of the present impossibility to complete the "Doha Development Round".

I would also venture that if such a round cannot be completed on reasonable terms, it raises a further necessary question, about whether indeed there would be a viable WTO for the XXIst century.

Let me briefly explain my perspective on this topic

My perspective is a business perspective, and a sustainable development perspective. Unilever is a global company based and operating in many countries around the world ... we work with many thousands of small farmers and suppliers to manufacture and distribute food and household products ... and in doing so, to advance sustainable agriculture, sustainable water use, rural entrepreneurship and poverty reduction. This is part of our every day business reality.

We are also a member company of the World Business Council on Sustainable Development ... a coalition of 190 international companies from more than 30 countries and 20 sectors with a shared commitment to sustainable development through economic growth, ecological balance and social progress.

As regards the WTO, Unilever and the WBCSD are long-term advocates of the multilateral trade system and a successful Doha Development Round:

- The WTO should contribute to sustainable development by ensuring predictable rules, lower costs of inputs from liberalization, and opening up trade opportunities on fair terms.
- For our part, international business is a key engine for growth and job creation, a vital partner for building sustainable practices, and an important advocate for good policy outcomes.
- We view open trade and sustainable development as an integrated approach that should be mutually reinforcing – not an "either/ or" proposition.

I want to say a few more words on this point - the WTO Doha Round as one of the drivers of sustainable development

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The purpose of a Development-focused trade Round should be to correct imbalances in rules and commitments that create barriers to countries for sharing in the development benefits of trade. For the past 30 years or more, these barriers have concentrated in textiles and agriculture.

The last Round started to do something about this but did not go far enough. The Doha Round needs to continue the journey, especially in agriculture, as well as manufacturing and services; and to provide a supportive framework for investment in better trade facilitation systems (customs and transport, etc).

If this can be done, the Doha Round would help unlock economic opportunity for millions of people. This should be a shared goal to which everybody contributes. As the first trade Round to explicitly put Development into its mission, it is not surprising that it has been difficult. The WTO is a young organization and everyone is on a learning curve about how to secure the development dividend from trade negotiations ...

But I think the clear lesson of the past few years is, that to succeed, the Development Round needs action by all parties not just a few:

Clearly the US, EU, Japan and some others need to give more on agriculture liberalization, especially to reduce the subsidies and tariffs that contribute to unsustainable production at home and poverty abroad.

But developing countries have a major responsibility for the success or failure of a Development Round as well.

In less than a decade - by 2015 - there will be 750 million more people mainly in developing countries, which will increase the challenges of competitiveness, environmental stress, and social progress. Developing countries will need foreign investment and trade in new technologies as part of the answer. This is the often neglected import side of the trade and development equation.

Also, more than 50 per cent of developing countries' trade is already South-South; and the Doha Round should create opportunity for Lesotho and Costa Rica to export more to China, India and Brazil, not just for developing countries as a whole to export more to the US and EU.

So it is hard not to think that the leading developing countries are short-changing their own and other developing countries' development with a strategy of making minimal offers and expecting only the US and EU to do more.

Therefore to make this development Round succeed, real leadership is needed by all the major players in the world economy, including the developing countries which have built world-leading industries in agriculture, manufacturing and services through trade and investment. Waiting until the next round to "give something back" will be too late.

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Some other things are needed as well – because trade liberalization via the Doha Round is not enough to deliver the development dividend from trade.

We also need more investment into the other international organizations that work on sustainable development. We need more progress with good governance and policy-making at home. And we need the practical partnerships on the ground that create the capacity to translate a new trade agreement made here in Geneva into sustainable growth and jobs at home.

So, against this background – “What WTO for the XXIst century?”

I hope I have made clear our preference for a WTO that contributes to sustainable development by ensuring the WTO rules provide open trade opportunities for all, rather than protecting established beneficiaries behind barriers – whether that is in agriculture, manufacturing or services, and whether it is in developed or developed country markets.

We would like to see the global trade policy community take greater account of the wider global risk outlook and pressures on sustainable development, and to see the contribution that trade policy can make in more urgent terms. It is no longer good enough – if it ever was – to take a decade to negotiate global trade deals with multiple periods of inaction.

In the next decade, both developed and developing countries face key tests for sustainable development – from ageing populations and labour shortages versus booming youth populations and job shortages, to stresses arising from rising competition for water, energy and other commodities. I am member of the Board of the World Resources Institute and reports that were published earlier this year show that most of our eco-systems are already degrading.

If you add to this protectionist trade policies and unsustainable agricultural policies, we greatly diminish the ability to manage these other pressures.

It is also an illusion to think that we can move beyond rounds yet and liberalise trade through regional or bilateral trade agreements. If agriculture trade reform cannot be done at the WTO it will not be done anywhere, and it needs to be done.

Remember too, that if the Doha Round cannot be revived and completed in the next year, it adds to the risk of systemic break down into competing bilateral/regional trade agreements that ignore the poorest countries while adding to the complexity and transaction costs of trade between the others. This too, is a recipe for unsustainable development.

So the Doha Round must be revived quickly as part of the international sustainable development strategy. That means better offers are a necessary step by many countries, not lowering of ambitions or waiting until the other guys move. Push each other by stepping forward, not by holding back. And maintain the base package/ early harvest elements that are already agreed, such as eliminating export subsidies by 2013 at the latest.

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At the same time that we - in international business - are advocates for this effort at the global level, we are also committed to help at a practical level. This is important to build the case that trade promotes development.

At Unilever, we are involved in a number of initiatives to promote the climate for sustainable business and a trading system that is efficient, accountable and socially inclusive. Let me give two examples:

To gain a better understanding of the links between international business and poverty reduction, we undertook a joint research project with Oxfam to examine the 'poverty impact' impact of our operations in Indonesia. The project produced a lot of new knowledge and learning for both sides. Among the findings were ...

That the full-time equivalent of around 300,000 people make their livelihoods from Unilever Indonesia's value chain, around a third in the supply chain and more than half in the distribution and retail chains.

That the total value generated by the Unilever Indonesia value chain is at least US\$ 633 million, of this Unilever earns around \$212 million and the remaining \$421 million is earned by the other actors in the chain.

The study showed the importance - if value chains are to work for poor people - of other social institutions and resources to be in place, such as credit and saving schemes, and diversification of income streams.

We certainly gained a lot of insight into how to improve our overall contribution to poverty reduction. And other companies are looking on how they can do this in their own sectors.

Oxfam acknowledged that "Unilever Indonesia's business decisions reflect the embedded nature of its operations, favouring a long term approach to optimising the opportunities for business success and an emphasis on the development of skills and industry within the wider Indonesian economy."

My second example relates to improving trade flows within Africa

Over and above our existing operational commitments on the continent (40,000 employees, manufacturing in 18 African countries), we have signed up to the Investment Climate Facility for Africa which currently has some \$100 million in funding from the World Bank, national donors and corporate sponsors.

Working with the Business Action for Africa group, we are developing programmes that aim to make both a practical and a strategic difference. Customs reform is a key example. We have identified private sector recommendations for what needs doing and we are

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holding pilot workshops across East Africa to create a co-operative platform with Customs authorities. The net result should be measurable in terms of quicker clearance times, reduced transaction costs and corruption, leading to improved public receipts.

This should not only improve the practicalities of trade in the immediate sub-region but also create political goodwill towards trade as a force for good in the developing world, with business seen as an involved stakeholder and not simply a distant actor.

In conclusion

The biggest contribution the WTO can make to sustainable development is to complete the Doha Round on terms, and within a timeframe, that enables open global trade on fair terms – especially in agriculture, as well as manufacturing, services and by supporting investment in trade facilitation.

Doing this is the acid test for the present generation of trade negotiators and political leaders – whether they can move beyond narrow mercantilism of the past rounds and play a role in solving the big challenges of our time

This would indeed be a WTO fit for the XXIst century – one that delivers rule-making and liberalization results that give more countries a chance to earn their way in the world, that works more effectively with other international organizations, and that encourages business and NGOs in practical partnerships to make trade work for the poor.

Unilever and other WBCSD members are committed partners with a real-world perspective on growth and development for this very important cause.

Thank you very much.

Antony Burgmans  
Chairman, Unilever





**VII. ANNEX II**  
**WTO PUBLIC FORUM 2006 PROGRAMME**

**WTO Public Forum**  
“What WTO for the XXIst Century?”

**Forum public de l'OMC**  
«Quelle OMC au XXI<sup>e</sup> siècle?»

**Foro Público de la OMC**  
«¿Qué OMC queremos para el siglo XXI?»

 25-26 September 06

<http://publicforum.wto.org>



# WTO Public Forum 2006

## “What WTO for the XXIst Century?”



### Programme

#### 25-26 September 2006

Time	Room	Subject	Organizer	Title of Session / Speakers
<b>Monday 25 September</b>				
<b>07:30 10:00</b>	CR Lobby	Registration	WTO – External Relations Division	<b>Registration of Participants</b>
<b>10:00 12:00</b>	CR	Plenary Opening	WTO – External Relations Division	<b>High Level Panel: What WTO for the XXIst Century?</b>  <b>Pascal Lamy</b> – WTO Director-General <b>Kofi Annan</b> – Message by the Secretary- General of the United Nations <b>H.E. Pakalitha Mosisili</b> – Prime Minister of Lesotho <b>Ted Turner</b> – Chairman, UN Foundation <b>Antony Burgmans</b> – Chairman, Unilever
<b>**** 13:00 – 15:00 LUNCH BREAK ****</b>				
<b>15:00 18:00</b>	CR	High Level Panel on Development	WTO – Development Division	<b>Coherence and Capacity Building for Trade: Focus on the Enhanced Integrated Framework and the Aid for Trade Initiative</b>  <b>Valentine Rugwabiza</b> – Deputy-Director General, WTO, Introduction of panelists  <b>Moderator: H.E. Don Stephenson</b> – Ambassador, Permanent Representative to the WTO, Canada <b>H.E. Mia Horn af Rantzien</b> – Ambassador, Permanent Representative to the WTO, Sweden <b>H.E. Liv Monica B. Stubholt</b> – Deputy- Minister of Foreign Affairs, Norway <b>Dominique Njinkeu</b> – Executive Director of International Lawyers and Economists Against Poverty <b>Dorothy Tembo</b> – Director of Foreign Trade, Zambian Trade Ministry <b>Mohammed Salisu</b> – Principal Trade Economist, African Development Bank <b>Carlos Braga</b> – Senior Adviser, World Bank, Geneva

Time	Room	Subject	Organizer	Title of Session / Speakers	Monday 25 September
15:00 18:00	W	Agriculture	Committee of Professional Agricultural Organisations in the European Union and General Confederation of Agricultural Co-operatives in the European Union (COPA/ COGECA)	<p><b>How can non-trade concerns in agriculture be best safeguarded - within WTO or by strengthening wider global governance?</b></p> <p><b>Opening Address: Rudolf Schwarzböck</b> – President of COPA</p> <p><b>Moderator: Noël Devisch</b> – President of Belgian Boerenbond</p> <p><b>Dr. Alex Thiermann</b> – President of the Terrestrial Animal Health Code Commission, World Organisation for Animal Health (OIE)</p> <p><b>Tetsuro Ushikusa</b> – Deputy Director of International Economic Affairs, Japanese Ministry of Agriculture</p> <p><b>Marco Kassaja</b> – Head of Unit, Tanzanian Mission to the WTO</p>	
15:00 16:30		Systemic Issues	UNICE/ Confederation of European Business and APEC Business Advisory Council	<p><b>Neo-protectionism: 21st Century Challenge for the WTO</b></p> <p><b>Moderator: David Hartridge</b> – White &amp; Case, Former Director, Services Division, WTO</p> <p><b>Prof. Dr. Reinhard Quick</b> – Vice-Chairman, WTO Working Group, UNICE</p> <p><b>Hernán Somerville</b> – President, Chilean Association of Banks and Financial Institutions</p> <p><b>Peter Charlton</b> – Chairman &amp; CEO First Charlton Communications</p>	
16:30 18:00	D	Agriculture	IATP / Coordination SUD/ Collectif Stratégies Alimentaires	<p><b>Africa Paves the Way Forward: new possibilities for agriculture trade</b></p> <p><b>Opening Address: Jim Harkness</b> – Chair, IATP</p> <p><b>Arlène Alpha</b> – Coordination SUD</p> <p><b>Saliou Sarr</b> – ROPPA, West African Farmers and Farm Producers Network</p> <p><b>Synthesis and conclusion: Henri Rouillé d'Orfeuille</b> – Coordination SUD and</p> <p><b>Elly Kamahungye</b> – First Secretary, Permanent Mission of Uganda to the UN and other International Organizations at Geneva</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Monday 25 September
15:00 16:30	E	Standards	United Nations Economic Commission for Europe (UNECE)	<p><b>International Standards in the multilateral trading system: A stakeholders' discussion</b></p> <p><b>Moderator: Marek Belka</b> – Executive Secretary, UNECE  <b>Alan Bryden</b> – Secretary-General of the International Organization for Standardization (ISO)  <b>Marion Jansen</b> – Counsellor, WTO Secretariat  <b>Per Döfnäs</b> – Director, Technical Regulations, Ericsson  <b>Olga Razbash</b> – Legal Expert, Russian Regional Ecological Centre  <b>Ulrike Bickelmann</b> – Head of Inspection Service, Federal Bureau for Food and Agriculture, Germany  <b>Tadatsugu Toni Matsudaira</b> – Technical Officer, The World Customs Organization  <b>Roger Pochhier</b> – Standards &amp; Regulations Manager, Caterpillar S.A.R.L.</p>	
16:30 18:00		Sustainable Development	International Institute for Sustainable Development (IISD)	<p><b>A Sustainable Development Roadmap for the WTO</b></p> <p><b>Moderator: Howard Mann</b> – Senior International Law Advisor, Trade and Investment, IISD</p> <p><b>Faizel Ismail</b> – Head of the South African Delegation to the WTO, Chair, Development Committee  <b>Rupert Schlegelmilch</b> – Head of Unit, European Commission DG Trade F3 (Sustainable Development)  <b>Prof. Gary Sampson</b> – International Economic Governance, United Nations University, Institute of Advanced Studies  <b>Carin Smaller</b> – Head of Geneva Office, Institute for Agriculture and Trade Policy  <b>Aaron Cosbey</b> – Associate and Senior Advisor, Trade and Investment, IISD</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Monday 25 September
15:00 16:30	F	Sustainability and Environmental Impact Assessments	Centre for International Sustainable Development Law (CISDL)	<p><b>Sustainability and Environmental Impact Assessment of Trade Negotiations: Doha and Beyond</b></p> <p><b>Moderator: Marie-Claire Cordonier Segger</b> – Director, CISDL</p> <p><b>Keynote : Rupert Schlegelmilch</b> – Head of Unit, European Commission</p> <p><b>Dr. Markus W. Gehring</b> – Lead Counsel, CISDL and Lecturer in International Law, University of Cambridge</p> <p><b>Prof. Clive George</b> – Institute for Development Policy and Management, University of Manchester</p> <p><b>Gabrielle Marceau</b> – Counsellor, Office of the Director-General, WTO</p> <p><b>Michelle Cooper</b> – First Secretary, Permanent Mission of Canada</p>	
16:30 18:00		Trade and Employment	International Confederation of Free Trade Unions (ICFTU) and Solidar	<p><b>Can trade deliver decent work in the XXIst Century?</b></p> <p><b>Moderator: Cecilia Brighi</b> – Confederazione Italiana Sindacati dei Lavoratori, CISL</p> <p><b>Guy Ryder</b> – General Secretary, ICFTU</p> <p><b>Ben Khoza</b> – First Vice President, National Union of Metalworkers of South Africam, NUMSA</p> <p><b>Peter Peek</b> – Manager, Statistical Development and Analysis, ILO</p> <p><b>Sergio Bassoli</b> – PROSVIL / CGIL (Solidar)</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Monday 25 September
15:00 16:30	B	Corporate Social Responsibility	Geneva Social Observatory(GSO) and Quaker United Nations Office (QUNO)	<p><b>Corporate Social Responsibility and the Doha Development Round: Are there any Win-Win Opportunities for the Private Sector and Developing Countries?</b></p> <p><b>Moderators: Katherine A. Hagen</b> – Executive Director, Geneva Social Observatory and <b>Martin Watson</b> – Representative, Trade and Development, Quaker United Nations Office</p> <p><b>Auret van Heerden</b> – President and CEO, Fair Labor Association  <b>Bernard Luten</b> – Head, Occupational Health, Unilever  <b>Christopher Roberts</b> – Chair of the Policy Committee of the European Services Forum  <b>Joy Kategekwa</b> – Team Leader, South Centre  <b>Peter Neidecker</b> – Manager, Support Services E. Europe, Africa, Middle East, Central Asia, Hewlett Packard (hp)  <b>Rabson Wanjala</b> – First Secretary (Commercial Affairs), Permanent Mission of the Republic of Kenya to the United Nations  <b>Stefanie Meredith</b> – Director of Public Health Partnerships, IFPMA  <b>Shaista Sohail</b> – Economic Counsellor, Permanent Mission of Pakistan to the WTO</p>	
16:30 18:00		Regional Trade Agreements	Federation of German Industries (BDI)	<p><b>RTAs threat or opportunity for the WTO?</b></p> <p><b>Moderator: Reinhard Quick</b> – German Chemical Industry Association, VCI</p> <p><b>Nicolas Imboden</b> – Ideacentre  <b>Jürgen Matthes</b> – Cologne Institute for Economic Research, IW  <b>Joakim Reiter</b> – European Commission  <b>Rachel A. Shub</b> – Attaché, Permanent Mission of the United States to the WTO</p>	
<b>**** 18:00 - 20:00 RECEPTION ****</b>					

Time	Room	Subject	Organizer	Title of Session / Speakers
<b>Tuesday 26 September</b>				
10:00 13:00	CR I	Systemic Issues	National Foreign Trade Council (NFTC)	<p><b>To remain relevant and viable in the XXIst Century, what will the WTO need to deliver?</b></p> <p><b>Moderator: John M. Weekes</b> – Senior Policy Adviser, Sidley Austin LLP, Geneva</p> <p><b>Mary Irace</b> – Vice-President, Trade and Export Finance, and Co-Chair of the NFTC Doha Round Working Group NFTC, Washington, D.C.</p> <p><b>Celine Charveriat</b> – Head of Advocacy Office in Geneva, and Head of Make Trade Fair Campaign, Oxfam, Geneva</p> <p><b>Fredrik Erixon</b> – Director, European Centre for International Political Economy, Brussels</p> <p><b>John Vassallo</b> – Senior Counsel and Director of European Affairs GE, Brussels</p> <p><b>Vishwanath Tattamangalam</b> – Head of International Trade Policy, Confederation of Indian Industry, New Delhi</p> <p><b>Dr. Magdi Farahat</b> – Chief, Office for Africa Division of Technical Cooperation Coordination, International Trade Centre, Geneva (TBC)</p>
10:00 11:30	CR II	WTO and Sustainable Development	WTO – Trade and Environment Division	<p><b>Opportunities and challenges for further strengthening the mutual supportiveness of trade and environment in the Doha Round</b></p> <p><b>Opening Address: Achim Steiner</b> – Executive Director, UNEP</p> <p><b>Dr. Laurence Tubiana</b> – Director, Institut du développement durable et des relations internationales</p> <p><b>Richard G. Tarasofsky</b> – Programme Head, Energy, Environment and Development Programme, Chatham House</p> <p><b>Ricardo Meléndez-Ortiz</b> – Executive Director, ICTSD</p>
11:30 13:00				<p><b>Fisheries Subsidies: realizing a triple-win for trade, environment and development</b></p> <p><b>David K. Schorr</b> – Senior Fellow, WWF</p> <p><b>Matthew Wilson</b> – First Secretary, Mission of Barbados</p> <p><b>Angel Gummy</b> – Senior Fishery Planning Officer, Fisheries Department, FAO</p>

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
10:00 11:30	w	Agriculture	WTO – Agriculture and Commodities Division	<p><b>Globalization, trade and the transformation of agrifood systems</b></p> <p><b>Moderator: Anabel Gonzalez</b> – Director, Agriculture and Commodities Division, WTO</p> <p><b>Dr Kostas G. Stamoulis</b> – Chief of Agricultural Sector, Economic Development Service, FAO</p> <p><b>Kimberly Elliott</b> – Senior Fellow, Center for Global Development</p> <p><b>Gilles Dryancour</b> – Director Government Affairs, Europe, Africa, Middle East, Deere &amp; Company European Office</p>	
11:30 13:00		Trade and Development	Evian Group	<p><b>Trade and Development post non-Doha: Let's get real</b></p> <p><b>Moderator: Prof. Jean-Pierre Lehmann</b> – Professor of International Political Economy, IMD, Switzerland and Founding Director, The Evian Group</p> <p><b>Shuaihua Cheng</b> – Young Professional Officer, China Programme, ICTSD, Switzerland</p> <p><b>Franklin Cudjoe</b> – Executive Director, Imani: The Centre for Humane Education, Ghana</p> <p><b>Ximena Escobar Nogales</b> – Center for Applied Studies in Negotiations, CASIN, Switzerland</p> <p><b>Huma Fakhar</b> – Founder and Chairperson of Market Access Promotion, Pakistan</p> <p><b>Pranav Kumar</b> – Policy Analyst, CUTS International, India</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
10:00 11:30	D	Development	SAARC Chamber of Commerce and Industry, SCCI	<p><b>Stocktaking of WTO Negotiations: Concerns of Developing Countries</b></p> <p><b>Moderator: Dr. Manzoor Ahmad</b> – Ambassador, Permanent Representative of Pakistan to the WTO, Geneva</p> <p><b>Martin Khor</b> – Director, Third World Network, Malaysia  <b>Rashid S. Kaukab</b> – Head, Strategic Policy, Planning and Coordination, South Centre, Geneva  <b>Pradeep S. Mehta</b> – Secretary General, CUTS International, India  <b>Dasho Ugen Tsechup Dorji</b> – President SAARC Chamber of Commerce and Industry, Bhutan</p>	
11:30 13:00		Systemic Issues	World Trade Institute & HEI	<p><b>Decision-making in the WTO: medieval or up-to-date?</b></p> <p><b>Moderator: Dr. Manfred Elsig</b> – Senior Research Fellow, WTI/GIIS</p> <p><b>Prof. Thomas Cottier</b> – Managing Director of the World Trade Institute, Berne, Switzerland  <b>Carolyn Deere</b> – Senior Researcher, Oxford University, UK  <b>Anthony Hill</b> – Former Ambassador of Jamaica to the GATT and WTO, and to the UN, Geneva  <b>Prof. Robert Wolfe</b> – Queen’s University, Kingston, Canada  <b>Vicente Paolo B. Yu III</b> – South Centre, Global Governance for Development Programme, Geneva</p>	



Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
10:00 11:30	E	Systemic Issues	Agency for International Trade Information and Cooperation (AITIC)	<b>Beyond Doha: In Search of the Multilateral Trading System</b>  <b>Moderator: Dr Esperanza Durán</b> – Executive Director, AITIC  <b>H.E. Carlo Trojan</b> – Ambassador, Permanent Representative of the EC to the WTO <b>Constantine Michalopoulos</b> – Consultant <b>H.E. Rosalie Koudoungué</b> – Minister of Commerce, Industry and Small and Medium Enterprises, Central African Republic	
11:30 13:00		Subsidies and International Trade	WTO – Economic Research and Statistics Division	<b>Subsidies and International Trade</b>  <b>Moderator: Robert Teh</b> – Counsellor, Economic Research and Statistics Division, WTO  <b>Presentation 1: World Trade Report 2006</b> <b>Patrick Low</b> – Director, Economic Research and Statistics Division, WTO <b>Presentation 2: The Global Subsidies Initiative</b> <b>Ronald Steenblik</b> – Director of Research for the Global Subsidies Initiative, IISD <b>Presentation 3: “Is sunlight the best disinfectant? Transparency in farm subsidies”</b> <b>Jack Thurston</b> – Co-founder Farmsubsidy.org	

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
10:00 11:30	F	Role of Media	The Panos Institute	<p><b>The role of the media in boosting public awareness and debate of trade policy-making</b></p> <p><b>Moderators: Dipankar de Sarkar</b> – International journalist, India/UK and  <b>Jon Barnes</b> – Head of globalisation programme, Panos, London</p> <p><b>Richard Waddington</b> – Reuters, Chief correspondent, Geneva  <b>Anthony Hill</b> – Former Ambassador of Jamaica to GATT and WTO and UN, Geneva  <b>John Kamau</b> – Senior reporter, <i>Sunday Standard</i>, Kenya  <b>Mildred Mpundu</b> – Journalist, Zambia</p>	
11:30 13:00		Accessions	International Development Research Centre (IDRC)	<p><b>Improving the Accession Process in the 21st Century</b></p> <p><b>Moderator: Alejandro Jara</b> – Deputy Director General, WTO</p> <p><b>Prof. Simon J. Evenett</b> – University of St. Gallen, Switzerland  <b>Riad al Khouri</b> – MEBA, Jordan  <b>Sok Siphana</b> – International Trade Centre (ITC)  <b>Dr. Fawaz Al-Alamy</b> – Saudi Arabia  <b>Mina Mashayekhi</b> – UNCTAD  <b>Ann Weston</b> – North South Institute, Canada  <b>Dr. Diana Tussie</b> – FLACSO, Argentina</p>	
10:00 11:30	B	Migration / Development	OECD	<p><b>Migration and Development: What role for the WTO?</b></p> <p><b>Moderator: Philippe Fremeaux</b> – Director, Alternatives économiques</p> <p><b>H.E. Toufiq Ali</b> – Ambassador, Permanent Representative of Bangladesh, Geneva  <b>Johannes Bernabe</b> – Programme Coordinator, Trade in Services, ICTSD  <b>Joy Kategekwa</b> – South Centre project on services  <b>Prof. Louka T. Katseli</b> – Director, OECD Development Centre</p>	
11:30 13:00		Agriculture	UECBV (European Livestock and Meat Trading Union)	<p><b>The agricultural negotiation of the WTO and its affect on European Agriculture: The case of the European Meat Industry</b></p> <p><b>Arne Mielken</b> – Assistant to the Secretary General, European Livestock and Meat Trading Union</p>	
**** 13:00 - 15:00 LUNCH BREAK ****					

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
15:00 18:00	CR I	Sustainable Development	International Centre for Trade and Sustainable Development (ICTSD)	<p><b>Measuring Different Futures For The Global Trading System: implications for sustainable development</b></p> <p><b>Moderator: Ricardo Meléndez-Ortiz</b> – Executive Director, ICTSD</p> <p><b>Kimberly Elliott</b> – Institute for International Economics (IIE) and Center for Global Development (CGD), USA  <b>Antoine Bouet</b> – International Food Policy Research Institute (IFPRI)  <b>Clive George</b> – Impact Assessment Research Centre, University of Manchester, UK</p>	
15:00 16:30	CR II	Aid for Trade	CUTS International	<p><b>Operationalising Aid for Trade</b></p> <p><b>Moderator: Jean-Pierre Lehmann</b> – Professor of International Political Economy, IMD, Lausanne, Switzerland and Founding Director of the Evian Group</p> <p><b>H.E. Mia Horn Af Rantzien</b> – Ambassador and Permanent Representative to the WTO, Sweden  <b>H.E. Khadija Rachida Masri</b> – Ambassador and Permanent Observer, Permanent Delegation of the African Union in Geneva  <b>Susan Barton</b> – International Trade Department, DFID, UK  <b>Harmon Thomas</b> – Special Advisor, Division on International Trade in Goods and Services and Commodities, UNCTAD  <b>Martina Garcia</b> – Senior Trade Policy Analyst, OECD Trade Directorate</p>	
16:30 18:00		Development	Friedrich-Ebert-Foundation (FES) & CUTS International	<p><b>G-20 Civil Society Views on WTO</b></p> <p><b>Moderator: Thomas Manz</b> – Friedrich-Ebert-Foundation (FES)</p> <p><b>Umberto Celli</b> – idcid, Brazil  <b>Mzukisi Qobo</b> – Research Associate, SAIIA, South Africa  <b>Pradeep S Mehta</b> – Secretary General, CUTS International, India  <b>Ricardo Meléndez-Ortiz</b> – Executive Director, ICTSD</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
15:00 16:30	W	Agriculture	Canadian Federation of Agriculture (CFA)	<p><b>The Doha Round, where do we go from here and what are the implications for agriculture?</b></p> <p><b>Moderator: Laurent Pellerin</b> – 1st Vice President of the Canadian Federation of Agriculture and President of l'Union des producteurs agricoles (UPA)</p> <p><b>Peter Clark</b> – Grey, Clark, Shih and Associates Limited</p> <p><b>Martin Rice</b> – Executive Director, Canadian Pork Council</p> <p><b>Bob Friesen</b> – President, Canadian Federation of Agriculture</p>	
16:30 18:00	W	Agriculture	International Federation of Agricultural Producers (IFAP)	<p><b>Outstanding Issues in Agriculture and Impacts on Farm Policies</b></p> <p><b>Opening Address: Jack Wilkinson</b> – President of IFAP and <b>David King</b> – IFAP, Secretary-General</p> <p><b>Panel of the leaders of the main negotiating groups:</b> <b>H.E. Bruce Gosper</b> – WTO Ambassador, Australia (Cairns Group) <b>H.E. Samuel Amehou</b> – WTO Ambassador, Benin (LDCs) <b>H.E. Clodoaldo Huguency</b> – WTO Ambassador, Brazil (G-20) <b>H.E. Carlo Trojan</b> – WTO Ambassador, European Communities <b>H.E. Ujal Singh Bhatia</b> – WTO Ambassador, India <b>H.E. Ichiro Fujisaki</b> – WTO Ambassador, Japan (G-10) <b>H.E. Peter Allgeier</b> – WTO Ambassador, USA</p> <p><b>Panel of leaders from farmers' organizations:</b> <b>Peter Gaemelke</b> – Vice-President of IFAP; President Danish Agricultural Council <b>Ajay Vashee</b> – Vice-President of IFAP, Chair of the Southern African Confederation of Agricultural Unions (Zambia) <b>Fernando Lopez</b> – Chair, IFAP Latin American and the Caribbean's Farmers Committee <b>Sutrisno Iwantono</b> – Chair, Advocacy Centre for Indonesian Farmers <b>Robert Friesen</b> – President, Canadian Federation of Agriculture</p> <p><b>Closing remarks: H.E. Crawford Falconer</b> – Chairman, Special Session of the WTO Committee on Agriculture, WTO Ambassador, New Zealand</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
15:00 16:30	D	Gender	Commonwealth Secretariat	<p><b>Equitable Trade: creating a level playing field for men and women</b></p> <p><b>Moderator: Dr. Esperanza Durán</b> – Executive Director, AITIC</p> <p><b>Mariama Williams</b> – Independent consultant and author, Gender Mainstreaming in the Multilateral Trading System</p> <p><b>H.E. Mia Horn af Rantzien</b> – Ambassador, Permanent Representative to the WTO, Sweden and Chair, Task Force on Aid for Trade</p> <p><b>H.E. G. Senadhira</b> – Ambassador, Permanent Representative of Sri Lanka to the WTO and Chair, Geneva Group of the Commonwealth Developing Countries</p> <p><b>Sarojini Ganju Thakur</b> – Adviser (Gender Section), Commonwealth Secretariat, London</p>	
16:30 18:00			International Gender and Trade Network (IGTN)	<p><b>Aid for Trade: Any chances for a gender-sensitive development?</b></p> <p><b>Moderator: Maria Rosaria Iorio</b> – Head, International Gender and Trade Network Office, Geneva</p> <p><b>Kristin Simpson</b> – USTN, United States</p> <p><b>Gigi Francisco</b> – Women and Gender Institute (WAGE), Philippines</p>	
15:00 16:30	E	Development	Co-operation Internationale pour la Développement et la Solidarité (CIDSE)	<p><b>Development criteria for differentiation in trade policies</b></p> <p><b>Sergio Schlesinger</b> – Trade Unit Coordinator, Federação de Órgãos para Assistência Social e Educacional (FASE), Brazil</p> <p><b>Joseph Ssunna</b> – Secretary-General, Participatory Ecological Land-Use Management (PELUM), Zambia</p> <p><b>Catherine Gaudard</b> – Responsable Souveraineté Alimentaire Comité catholique contre la Faim et pour le Développement (CCFD), France</p> <p><b>Maria Rosaria Iorio</b> – Head, International Gender and Trade Network Office, Geneva</p> <p><b>Michael O'Brien</b> – Advocacy Officer, TROCAIRE, Ireland</p>	
16:30 18:00	E	Agriculture	Co-operation Internationale pour la Développement et la Solidarité (CIDSE)	<p><b>New directions for agriculture trade rules</b></p> <p><b>Wolfgang Sachs &amp; Tilman Santarius</b> – Wuppertal Institute</p> <p><b>Daniel de la Torre Ugarte</b> – APAC, University of Tennessee</p> <p><b>Aileen Kwa</b> – Policy Consultant on Trade Issues</p> <p><b>Alicia Kolmans</b> – MISEREOR</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
15:00 16:30	F	Development	Research and Information System for Developing Countries (RIS)	<p><b>World Trade and Development Report 2006: Building a Development Friendly World Trading System</b></p> <p><b>Moderator: Faizel Ismail</b> – Head of the South African Delegation to the WTO</p> <p><b>Presentation of Report's Highlights: Dr Nagesh Kumar</b> – Director-General, Research and Information System for Developing Countries (RIS)</p> <p><b>Dr. Yash Tandon</b> – Executive Director, South Centre</p> <p><b>Dr. Sam Laird</b> – Special Adviser, Office of Secretary-General, UNCTAD</p> <p><b>Dr. Martin Khor</b> – Director, Third World Network</p>	
16:30 18:00		Sustainable Development	Greenpeace	<p><b>NAMA and Sustainable Development: reflecting on a new agenda for the 21st century</b></p> <p><b>Moderator: Daniel Mittler</b> – Greenpeace International</p> <p><b>Jennifer Brant</b> – Oxfam International</p> <p><b>Marc Allain</b> – Independent Consultant</p> <p><b>Neo Chabane</b> – National Union of Metal Workers of South Africa (NUMSA)</p> <p><b>Nathalie Bernasconi Osterwalder</b> – Centre for International Environmental Law (CIEL)</p>	

Time	Room	Subject	Organizer	Title of Session / Speakers	Tuesday 26 September
15:00 16:30	B	Development	The Global Business Dialogue (GBD)	<p><b>Trade Rules and Living Standards: The Interplay of National Development Strategies and Global Rules</b></p> <p><b>Moderator: R. K. Morris</b> – President, The Global Business Dialogue, Washington, DC</p> <p><b>Vishwanath Tattamangalam</b> – Head of International Trade Policy, Confederation of Indian Industry, New Delhi</p> <p><b>Grant Aldonas</b> – Principal Managing Director, Split Rock International, Washington, DC</p>	
16:30 18:00		The Role of Academia and WTO	International Chair WTO/ Regional Integration	<p><b>How can academic policy-oriented thinking on WTO matters be improved?</b></p> <p><b>Moderators: Ramon Torrent</b> – International Chair WTO/RI Coordinator and <b>Josep Maria Cervera</b> – International Division of the Barcelona Chamber of Commerce and the Spanish Council of Chambers of Commerce</p> <p><b>Sheila Page</b> – International Chair WTO/RI <b>Vera Thorstensen</b> – Counsellor, Permanent Mission of Brazil to the WTO <b>Miguel Rodríguez-Mendoza</b> – ICTSD, and Former DDG of the WTO <b>Victor Echevarría</b> – Deputy, Permanent Representative for Trade in Geneva, Spain <b>Patrick Low</b> – Director, Economic Research and Statistics Division, WTO</p>	

This first edition of the Public Forum proceedings provides a summary of the many views and concerns raised at the 2006 WTO Public Forum, organized under the overall theme "What WTO for the XXIst Century?". The publication attests to the relevance and importance of the views and concerns expressed during the Forum, and their contribution to the worldwide debate on the multilateral trading system. It summarizes the dialogue between participants in each individual session, on the following general themes: systemic issues, development, agriculture, sustainable development and environment, and issue-specific topics. The latter refers to specific topics related to the work programme of the WTO, including: regional trade agreements, international standards, subsidies, and accessions, as well as others, such as employment and trade, gender and trade, and migration.



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