

# newstatesman

Special  
Supplement

## Towards Trade Justice



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## Introduction

The *New Statesman* could not have hosted this round-table without the support and involvement of The Co-operative Bank and Christian Aid. They have given the event a sense of urgency that, we hope, comes across in the following pages.

The attendees at this round-table discussed the potential promised by the Doha Development Agenda, a framework for international trade talks agreed at the World Trade Organisation's fourth ministerial conference held in Doha, Qatar, in late 2001, which gave governments of developed nations a unique opportunity to commit to a plan of action that would better link their trade agenda with development aims.

The planned trade justice mass lobby of Parliament on 2 November will remind our government of what is at stake. The lobby, likely to be the largest of its kind, is organised by Christian Aid and other NGOs and is also supported by The Co-operative Bank. If we want to "Make Poverty History", then one step must surely be to make trade just. Do those involved in the WTO talks have what it takes to deliver?

## Participants



**Charles Abugre**

Head of global advocacy, Christian Aid



**Yilmaz Akyüz**

Former chief economist, United Nations Conference on Trade and Development (Unctad)



**Alan Beattie**

World trade editor, *Financial Times*



**Kate Daley**

Campaigns manager, The Co-operative Bank



**Meghnad Desai**

Former professor of economics, London School of Economics; member of the House of Lords



**Jonathan Dimbleby (chair)**

BBC presenter and broadcaster



**John Kampfner**

Editor, *New Statesman*



**Rajiva Misra**

Deputy permanent representative of India to the World Trade Organisation (WTO)



**Spencer Neal**

Publisher, *New Statesman*



**Chandrakant Patel**

Representative, The Southern and Eastern African Trade Information and Negotiations Institute (Seatini)



**Ian Pearson MP**

Minister of Trade, Department of Trade and Industry, and Foreign and Commonwealth Office



**Geoffrey Robinson MP**

Member of Parliament for Coventry North West; chairman, *New Statesman*



**Gareth Thomas MP**

Parliamentary Under-Secretary, Department for International Development



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# Round-table discussion



**Jonathan Dimbleby** This round-table is asked to identify what needs to be agreed if there is to be significant progress towards the internationally agreed UN Millennium Development Goals.

I think it was Albert Schweitzer who said, “Man has lost the ability to foresee and forestall. He will end up destroying the world”. But it is precisely because we have the ability to foresee and forestall that we have the potential to save the world or at least some of ourselves.

To start, let’s go round the table: introduce yourselves and answer, from your perspective, how big the stakes are.

**John Kampfner** I am editor of the *New Statesman*. On behalf of the magazine, thank you all for participating. These round-tables are extremely well regarded in terms of furthering debate on these issues.

The challenge on fair trade is on three fronts. It is about trade that is not just free in terms of exchange of goods and

services, but free from the tyranny of monopolies and undue economic muscle in the hands of the few. It is a challenge about fairness and about best practice. And, third, it is a challenge about governance. If we do not crack this problem, the countries that are most adversely affected by a problem that is, in effect, of our making will continue to struggle in terms of improving in governance.

**Ian Pearson** I am Minister for Trade and Foreign Affairs. In relation to the World Trade Organisation, I am still optimistic that we are going to get progress and a successful Doha round. But there is a danger that this could all come apart. We have seen signs of progress in the past few weeks with the offer from the US, the EU offer and the G20 offer as well, but we have a long way to go. Pascal Lamy, director general of the WTO, says that we need to get two-thirds of it done at the next ministerial conference in Hong Kong this December, and we are nowhere near ►

► that at the moment. There are some huge issues out there. Clearly, agriculture is the key to the round. The EU has to go further when it comes to agriculture, particularly on market access.

**Chandrakant Patel**

I am with an African NGO called the Southern and Eastern African Trade Information and Negotiations Institute, known as Seatini. Let us not exaggerate the importance of Hong Kong. This is, after all, another in a whole series of ministerial meetings. During the Uruguay round, several meetings of this type ended inconclusively, both at Montreal and Brussels. We should not simply accept a wrong deal.

**Meghnad Desai** I think the most important thing is to preserve the WTO. Although the WTO is often demonised, it is an important institution: it is the only global institution with one country and one vote.

The inequalities of power and wealth that exist in the international system are not going to be cured by the WTO alone. But it is very important for poor countries that a system of binding rules is preserved. If it breaks down, poor countries will suffer more than rich countries. I think the EU is a disgrace.

**Jean-Charles Van Eeckhaute** I am from the WTO Unit of the European Commission which is doing the general policy co-ordination of the WTO, so I am close to the process. Hong Kong is not the end point of this round but it is very important because it will determine the shape of the end result, which will be negotiated for a further year.

We need more than just a result from this round to enable increased aid for trade. We will, perhaps, need increased international co-operation on other issues.

**Yilmaz Akyüz** I was formerly at the UN Conference on Trade and Development, in charge of research. I am now an independent researcher. I believe that such a deal is



more important for developing countries than industrial countries. Maintaining the status quo as it is in the WTO is much better than going along with the proposals made by industrial countries, particularly by the EU on services. It will not be for the benefit of developing countries to accept these proposals, even if Europe is willing to give considerable assistance.

**Kate Daley** I am campaigns manager of the Co-operative Bank. This vital trade meet-

ing ahead of us in Hong Kong is our chance to help lift half the world's population out of poverty.

**Gareth Thomas** I am minister of state at the Department for International Development. Hong Kong has huge significance for developing countries. I think Oxfam estimated that a 1 per cent increase in Africa's share of world trade would be equivalent to five times the amount of aid and debt relief going into Africa at the moment.

**Rajiva Misra** I am the deputy permanent representative of India to the WTO in Geneva. Aside from the damage that the round would get into if Hong Kong were not a success, there is the larger impact that it might have on the multilateral trading system. There is considerable scepticism in Geneva as to whether the present status of negotiations is taking the round in the right direction. We need to take stock of whether we are heading the right way.

**Alan Beattie** I am world trade editor of the *Financial Times*. I think there has been a conspiracy in many quarters, including some NGOs and institutions such as the World Bank, to load the Doha round with expectation, not least in its naming of the development agenda. Many of the gains from Doha to the developing world will accrue to a relatively small number of countries, notably those that already have the capacity and exports to take advantage of it.

**Charles Abugre** Thank you very much on behalf of us at Christian Aid for participating and coming here today. The Doha working programme that specified the uniqueness of Doha as the round designed to enable developing countries to get the best out of trade, came about partly because of the exasperation that the needs of developing countries have been constantly passed by. The Hong Kong agenda is threatened by derailment, not so much from expectations but from well-worn tactics that the major developing countries use to divert attention.

For example, people thought the Hong Kong agenda would concentrate on agriculture and make advances in special differential treatment to enable the poorest developing countries to protect themselves from the rapid liberalisation that has been shown to be destructive, while allowing them to make bigger gains in market access.

However, this has been replaced by a very aggressive agenda on services that is basically scrambling to protect the service agreement. This is similar to what happened in Singapore where developing countries expected the round to concentrate on implementation modalities, but it actually focused on the introduction of new issues. These tactics might end up derailing the Hong Kong agreement. It will then be spun, probably, as the intransigence of a couple of developing countries.

**Jonathan Dimbleby** Let us start with agriculture and subsidies. What difference would a reduction or an ending of export subsidies make from the perspective of developing countries?

**Meghnad Desai** The US and the EU, as well as some other developed countries, have been guilty of unfair market distortion; they are ruining agriculture in developing countries. Export subsidy is such a distortion of international trade, I think it should not be tolerated by the WTO.

**Jonathan Dimbleby** Export subsidies should go, full stop?

**Meghnad Desai** I think there are no excuses.

**Jean-Charles Van Eckhaute** I think that's a fair point. Some subsidies are unfair and others are fair. This is clearly recognised, and it is already understood that this round will lead to the end of export subsidies; it is in the

year 2004 framework agreement. However, from our perspective, it is conditional on other developed countries making similar moves.

**Jonathan Dimbleby** The United States?

**Jean-Charles Van Eckhaute** Yes, but Canada and New Zealand as well. What is being discussed now are the modalities. We will not do it alone; we will do it in concert with the others.

**Ian Pearson** The European Commission has a mandate to negotiate the end of export subsidies. The UK has set 2010 as an end date. But it does have to be done in a sensible and phased manner because business models currently rely on these. If you just were to say, "Right, we will end them tomorrow", it would cause huge problems for a lot of countries within Europe.

**Meghnad Desai** It'd save a lot of lives in poor countries.

**Ian Pearson** The UK firmly believes in setting an end date of 2010. The Americans, in their proposals, have also suggested 2010,

which is easy for them because they do not do much in terms of export subsidies. They subsidise in other ways.

**Jean-Charles Van Eckhaute** We started reforming our agriculture policy in 1992 and did a lot of reform in 2003. The purpose is to move away from trade-distorting subsidies towards the types of subsidies that do not distort trade, in terms of direct payments to farmers that are not linked to any production or trade performance.

**Jonathan Dimbleby** Do you agree that that ends the distortion by having environmental gain?

**Jean-Charles Van Eckhaute** Yes. Common agricultural policy (CAP) reform is about doing it in a different way, not in order to create production surpluses, nor to overwhelm developing country markets, but to maintain the livelihood of agriculture in Europe. We are moving from a productivist agricultural policy to a rural policy.

**Yilmaz Akyüz** This is an important issue, but I think industrial countries are not serious about it. They bluff each other regarding the elimination of subsidies in ►

## Export subsidy is such a distortion of world trade that it should not be tolerated by the WTO

► agriculture and there is a lot of creative accounting.

People know the WTO procedure, the amber box and the green box, in respect of accounting. The US and EU are shifting the definition of subsidies from one box, the amber box, so-called “trade-destructive”, to less trade-destructive boxes, the blue box and eventually the green box.

On top of this, the US is maintaining a counter reciprocal price support so that, according to some estimates, if people accept the US offer on market-based subsidies, US farmers would end up much better off than they are now.

**Jonathan Dimbleby** So moving it into the green, environmental, box, is a trade-distorting subsidy because the money is still floating around in the system?

**Yilmaz Akyüz** Exactly. The EU is unwilling to review the green box. It wants special, differential treatment for itself – a lot more than it gives developing countries in non-agricultural market access.

**Ian Pearson** I was there for the whole of the CAP reform negotiations in Luxembourg. This is a very real reform. What we have done in breaking the link between production and subsidy is hugely important. We still have not really seen its economic effects, but it will ensure that the agricultural support provided is non-trade distorting.

**Jonathan Dimbleby** But if the money is still going into the big pot, it is trade distorting by definition.

**Meghnad Desai** There are ways of supporting agriculturalist farmers that are unconnected to their outputs, which would not be distorting. That is the eventual promise of redefining the CAP, so that you go from one category of subsidies to another. If that were implemented using a lump sum grant for every farmer, unconnected to how much their trade is, that would be undistorting.

**Alan Beattie** Subsidies have totemic status within trade and development because they are such an obvious campaigning tool. The reality is that tariffs matter far more. The World Bank says that 92 per cent of rich country liberalisation comes from tariffs and not from subsidies.

Also, most of what the rich countries heavily subsidise is

not grown in the developing world anyway.

If you get rid of subsidies, it will benefit enormously the ranchos of Argentina and the beef farmers of Brazil. But it is not going to do a whole lot for large swathes of the developing world, particularly Africa. In fact, it is quite likely to make their food bills rise. They actually benefit from lower world food prices as a result of subsidies.

The main beneficiaries of fundamental reform in rich country subsidies are people like me: urban consumers and taxpayers. I will pay less tax and cheaper prices. No likely amount of capacity building will turn a tropical continent into a big net exporter of temperate products.

African sugar growers benefit from the European sugar regime because they get to sell into the European market at three times the world level. If there were no subsidies and no protection of sugar in the world, Africans would not be exporting sugar. No African country can produce sugar as cheaply as Brazil.

If you go to the market in Accra, you see sacks of American rice stacked floor to ceiling. That rice is very heavily subsidised. If the US never exported another grain of rice to Ghana, Ghanaian rice farmers would still not be competitive on a world basis.

What you also see in the markets in Accra is Vietnamese and Thai rice. Trying to increase welfare by fixing global prices generally does not work. It doesn't work when you do it with subsidies

and it doesn't work with other systems either.

**John Kampfner** When I was filming a few years ago in the Katanga Valley, Ghana, I was invited to share a meal of which the staple was rice. The Katanga Valley used to be a prosperous rice-growing area but now the paddies are mostly not cultivated.

At the end of this meal, the village elder took me into the store just behind and there were huge sacks of rice, courtesy of the US Department of Agriculture. The absurd argument put by the World Bank in Accra was the same as yours, Alan, that it is not export and globally competitive.

**Alan Beattie** You can get rid of rich world subsidies but, in order for Ghanaian rice farmers to be competitive, they still have to be very heavily protected themselves. That's the point I was making. That is because of much more competitive production elsewhere in the developing world, in extremely poor countries such as Vietnam, for example.

I am not defending subsidies. I fully agree that all

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## The EU is unwilling to review the green box. It wants special, differential treatment for itself

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subsidies should go. But if you get rid of foreign subsidies and do nothing else, you are not going to make much difference to the rice-growing Ghanaians.

**Charles Abugre** These discussions have a way of pitching one thing in absolute opposition to the other. Subsidies have complex impacts. They definitely play a role in some countries in addition to the domestic market access question, the issue of tariffs. The combination of them is important. Up to 1992/1993 or thereabouts, Ghana was producing well over 95 per cent of the domestic market consumption, and it was never shown to be any less competitive. Ghanaian rice was exported to the West African sub-region.

This was wiped out by a combination of factors. First, the removal of domestic support created a production crisis from water to inputs to even essential services. It is important to pay attention to the role that international financial institutions play in creating the conditions for disaster. As production collapsed, so did the system of

tariffs. There was a dramatic reduction of tariffs of nearly 600 per cent, which exacerbated the problem almost overnight. The combination is what matters.

**Jonathan Dimbleby** So in order to have a fair outcome at Hong Kong in relation to subsidies, the support of internal production has to continue through subsidy in one form or another, while the developed countries move towards removing their own subsidies?

**Charles Abugre** Exactly. That is supposed to be the development formula. The flexibility to raise tariffs is an important ingredient in the combination of strategies to regenerate the economy. It is forced liberalisation that causes problems.

**Rajiva Misra** Domestic support in agriculture and subsidies are trade distorting from a free trade point of view. Even more important, developing countries do not have the option of providing subsidies, because they do not ►

► have the resources, so subsidies are objectionable from an equity standpoint. At least tariffs are instruments that are available to developing countries.

We also need to look at how we execute the end dates for export subsidies. We must not repeat the experience we had with the textile orders, when the phase-out was back-loaded to such an extent that the adjustment process became very difficult for everyone.

**Meghnad Desai** As happened with the Chinese bras.

**Gareth Thomas** I do not accept Charles's point that forced liberalisation is what is being opposed here. Alan's point that the least developing countries are losing out in the short-term, potentially, in seeing food prices rise, is right. That's why my department's contribution to the UK government's position has been to look at what special products developing countries might want to protect and over what time scale. Part of Britain's pitch is to provide that information so that the EU can reflect the issues developing countries have and we can, in turn, make progress on agriculture.

**Jonathan Dimbleby** Does this so-called policy space have to be worked out before there can be an effective subsidy deal at Hong Kong?

**Jean-Charles Van Eckhaute** It is just one part of what needs to be done. It is not all a question of sequencing. We will not achieve anything if we discuss just one issue and that is it. The specificity of a single undertaking is a trade-off between various areas, including special and differential treatment.

**Jonathan Dimbleby** But sequencing of some kind has to take place. We recognise that this is all part of a whole. Does there have to be an agreement between the member countries not only on the removal of export subsidies, but also on the support that Gareth, Alan and others have been talking about? Is there a good chance of delivering that solution between now and 18 December?

**Ian Pearson** This is a single undertaking. Nothing is agreed until everything is agreed.

**Jean-Charles Van Eckhaute** To echo Alan, it is not simply that farmers are starving in Africa because of

export subsidies in Europe. It is much more complex. Also, as Charles pointed out, different developing countries have different capacities to absorb trade liberalisation and to get benefit from it. Some of them will need help to be able to grab the opportunities and others will not.

**Meghnad Desai** On Alan's point, even if it is true that when American rice is withdrawn, Vietnamese or Thai rice will come, that is fine. They will not need an export subsidy. There is nothing wrong with that.

**John Kampfner** I want Gareth to clarify his position on forced liberalisation. What do you do with the distortions of past forced liberalisations? This is the point that Charles and I were making. You cannot wipe the slate clean. You have to deal with those distortions that resulted from the past. I want to know how you intend to deal with the past as well as benefiting the future?

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**Gareth Thomas** In a sense, if you have a series of negotiations, those negotiations will start from where you are now. We have to get the definition of special products right, the special safeguard mechanisms that every-

body wants to see included as part of the outcome of these negotiations.

I wanted to add one other thing in relation to subsidies and that is aid for trade. Alan made the point that many countries will not immediately benefit from the end of export subsidies. If countries are to benefit over the medium and long term, then we have to increase the amount of money available for assistance to improve the customs infrastructure of developing countries. That is why the link to what we have been able to secure around improvements in aid and debt relief is so important.

**Alan Beattie** One of the problems with tariffs concerns the CAP: a myth has been propagated that a lot of CAP reform has been done and it does not distort trade any more. Although some subsidies under the CAP have been reformed, in order to try to maintain farm incomes and farm sectors at their current size, those have to be defended by tariffs. If, as the French seem to want, there are going to be as many farmers producing goods in Europe after the conclusion of the Doha round as before – and they are to have the same incomes as before – then the French logic is that those very high tariffs

have to be maintained. So tariffs and subsidies are not completely disconnected.

This is a much bigger issue than subsidies for the developing world because the rich countries, obviously, have the biggest, most active markets. The product in which a lot of the developing world has a comparative advantage is in agriculture. China and India have brought themselves out of poverty in the past few decades through exports, albeit not mainly through agricultural exports in their cases. This is why tariffs are so important.

**Ian Pearson** I think Europe can and needs to go further when it comes to market access. But I think people still do not appreciate the slow-burn nature of CAP reform and the fact that this will have a fundamental impact on production levels over the next five years. And it was done explicitly in the context of wanting to make progress on Doha.

I do think we have a lot further to go. The UK's view is, as the Prime Minister said to the European Parliament, that 40 per cent of the budget is being spent on agriculture which employs 5 per cent of the population and contributes 2 per cent of the GNP. It does not make sense.

**Jonathan Dimbleby** If you are saying that the CAP as reformed is not trade distorting when it goes into the green box, then CAP reform is, from your perspective, an internal issue, a house-keeping issue for the EU?

**Ian Pearson** Yes. When it is in the green box, we do not believe it is trade distorting. However, as far as the UK is concerned, we think there is an agenda for further reform.

In Luxembourg recently, the French were saying that the European Commission had exceeded its negotiating mandate. The other member states did not accept that, nor do I, but Spain, Portugal, Italy, Ireland, Hungary, Greece and Poland also have concerns about market access issues. But they have agreed and signed up to a mandate. If Doha is going to work, Europe must move further quite quickly



because we are not going to get progress in other areas unless the EU does more on agriculture.

**Jonathan Dimbleby** Jean-Charles, as you go towards Hong Kong, are you trying to corral the EU into a position where it is closer to the UK or do you have to move at the pace of France which is, allegedly, at the back of the queue?

**Jean-Charles Van Eeckhaute** Our mandate was confirmed by all the member states, so we continue to negotiate on the basis of the mandate we have. One cannot expect, given what is going on with the member states, for Peter Mandelson, the trade commissioner, to say, "This is the offer I made on agricultural market access and it has been pocketed by the others". The member states will ask, "What did you get in industrial terms, in terms of services and in terms of anti-dumping? How far did we get in terms of development?" A lot of member states are really serious about the development issue. Peter Mandelson can only say, "We have made a new offer on agriculture and it has been pocketed by others. We have made no advance on any other issue, ►



►so this will not work, and we cannot subscribe.” This is essential.

In the Uruguay round, all the other members understood that we have to help each other sell our negotiation stance to our domestic constituencies. What is going on now is that the rest of the membership is putting us under pressure, which is unhelpful because if we continue to be pushed to work unilaterally on agriculture . . .

**Jonathan Dimbleby** Who’s putting on the pressure?

**Jean-Charles Van Eeckhaute** The US, Brazil, India. They are shooting themselves in the foot. If they want movement on agriculture, we have to seriously discuss . . .

**Jonathan Dimbleby** When you say there are other development issues as well, those are government issues, such as liberalisation issues?

**Jean-Charles Van Eeckhaute** No. This week Peter Mandelson put a list of conditions on the table in Geneva,

a list of issues, on which we need to discuss seriously if we want to make progress on agriculture. In this whole process, I have the impression that we are forgetting about the poorest members. Even those developing countries that claim to be the voice of the developing world seem to focus on their own interests.

**Gareth Thomas** The fact that Peter Mandelson has got the negotiating mandate he has is because we were able to deliver a big CAP reform deal in 2000 and 2003. The deal that was done in the past came about because of political leadership. Britain played a huge part in getting the CAP reform deal through, which has given Peter Mandelson negotiating space to move forward in the way we want.

**Yilmaz Akyüz** I think that this single undertaking does not mean reciprocity. Why is the EU not willing to apply the Swiss format to agriculture?

**Jean-Charles Van Eeckhaute** We have not said full reciprocity.

**Yilmaz Akyüz** Industrial countries tend to use the least developed countries [LDCs] and others as a divisive issue.

There are more poor people living on less than \$1 a day in India, China, Indonesia and Brazil – in just one of those countries – than in all the LDCs put together. There is nothing in the offer that takes care of LDCs. LDCs are not interested in market access issues because market access liberalisation for them means loss of preferences, particularly on sugar. Different countries have different stakes.

The main thing happening in Geneva is that industrial countries are using the LDCs' weak position to break down the solidarity among developing countries on certain issues and to distance the negotiations away from any country which is politically difficult for them and economically not very important.

They want to open the large markets of Brazil and India in services, but they are not interested in LDCs because there is no market or money there. Let us be clear about it. What is development about now if the condition for your subsidies and market access is that Brazil, India and China open up their markets in services and industrial products?

There has been talk of putting a cap of 15 per cent on industrial products against 10 per cent in the EU. That is a 5 per cent margin.

**Meghnad Desai** This summer, the EU wanted to change the rules and get China to restrict its exports because Italian and German textile firms had not anticipated the situation and adjusted for it. Why would anybody trust the EU as a negotiating body? It always reneges.

**Ian Pearson** The UK, I think, showed tremendous community solidarity in backing the European Commission when it came to textiles. But it gets up my nose that we can be in a position where we have known for ten years that reform is coming, where we have seen tens of thousands of job losses in the UK as our industry has restructured, and some of the EU countries' industries have not restructured and suddenly, at the last minute, they cry "foul" and put pressure on the European Commission.

**Rajiva Misra** There is a categorisation of LDCs that the system recognises. Beyond that, we are not saying that all developing countries are alike, as all developed countries are not alike.

Within the EU itself, you have 25 countries with a difference of interest. In the G22, the main instrument for developing countries, one of the major groupings is negotiating agriculture. India's participation in G22, which has been constructive so far, is an instance of that developing

country solidarity. We have no interest in agriculture and yet we recognise that, for a number of developing countries, the removal of distortions in agriculture may be of benefit, so we are participating and making proposals. We want to protect our subsistence farmers, but that does not mean we do not support G22 demands on the elimination of domestic support and subsidies.

**Jonathan Dimbleby** Do you believe you can protect your subsistence farmers at the same time as eliminating domestic subsidies? Can you resolve the apparent contradiction?

**Rajiva Misra** There is no contradiction. The size of land holdings in India is 1.6 hectares, on average, which does not lend itself at all to any commercial production. We do not look upon India as an agricultural exporter, even in the long-term. Therefore, our primary interest is to protect those farmers against unfair international competition.

That is why we want the tariffs issue in agriculture to be looked at entirely differently between developed countries and developing countries. That is the only instrument we have to protect our subsistence small farmer; 650 million people in India depend on agriculture, which contributes nearly 25 per cent of total GDP. So 65 per cent of the population has 25 per cent of the income. That shows the extent of their vulnerability. So there is no way that we can satisfy the kinds of market access demands we keep hearing primarily from the US.

**Charles Abugre** Our only interest in this discussion was the assumption that the UK government and the EU were actually committed to a development round, that they were demonstrating a clear and strong commitment to make the concessions necessary to pull hundreds of millions of people out of poverty. This is what was said at the G8 meeting.

But it is quite clear that this is not what is happening. Instead, it is a traditional market access debate in which the poor countries are being held as hostage to exact the most market access for the bigger ones. The market access problems that the smallest countries have are often largely non-tariff barriers, such as health and safety standards and all sorts of future sanitary measures.

The other thing I wanted to say is that the G33, the group of developing countries which represents mainly small-scale agriculture, presented a proposal on special products. There was a defensive part, partly because of the EU strategy to move or increase its overall support for ►

► agriculture into the boxes. Key agriculture has been moved into green, amber and blue boxes, which just protects and increases the size of investment in that sector.

When the mass of populations depends on small-scale agriculture, when there are no non-agricultural employment opportunities to move into, then production and cultivation of small-scale crops is the major livelihood. So the whole sector needs, therefore, to be moved into a special protection. Much of India's agriculture is small scale.

**Jean-Charles Van Eeckhaute** Do you have the impression that we are against that?

**Charles Abugre** We have the impression that you were negotiating market access massively in the agriculture . . .

**Ian Pearson** No.

**Jean-Charles Van Eeckhaute** No.

**Gareth Thomas** If we were not serious about a genuine development round, we would not be genuinely talking about special and differential treatment in the way that we are. We would not be funding research into what constitutes special products and what those special products should be in the interests of developing countries. We would not be funding Unctad to help support negotiations in non-agricultural market access and services. The idea that we are not committed is simply not true.

**Jean-Charles Van Eeckhaute** I think that allegation is absolutely incorrect. You may disagree with how we look at, and how we can deliver on, development in the round. That is a different issue. But claiming we are unwilling to do something about agriculture is totally unjustified.

**Charles Abugre** Basically, the actions on subsidies are an attempt to maintain the status quo. To present CAP as a substantial reform that will lead to the redressing of the asymmetries in international trade and agriculture does not reflect the development round commitment that the EU seeks.

**Jean-Charles Van Eeckhaute** There has been substantial reform, because the type and the nature of the

subsidies has completely changed or is completely changing. You cannot say this is maintaining the status quo.

**Ian Pearson** It is really still only just happening.

**Jean-Charles Van Eeckhaute** Exactly. It is still happening. For the service sectors, it is still happening.

**Jonathan Dimpleby** Let us pick up on two things. First, in the context of our round-table question of making trade just and poverty history, how valid is trade-off? And, second, the areas where trade-off might be expected to be a crunch point in relation to both non-agricultural access and services.

**Chandrakant Patel** I think we should not lose sight of the fact that a parallel process is going on to the WTO process, and that is a series of bilateral and additional trade arrangements, as well as the EU-sponsored economic partnership agreements (EPAs). These have different agendas, much of it market opening. And most of them are reciprocal concessions. This goes against what is being negotiated in the WTO.

A series of pressures are being applied on developing countries and, at the same time, developing countries have a number of options. For example, Article 18 in WTO or GATT used to

permit quantitative restrictions on import surges for balance-of-payments reasons. That option is virtually disappearing because most of these countries are under the tutelage of programmes sponsored by the International Monetary Fund.

When we talk of trade-offs, we really go back to the core of the EU's intentions and priorities – and that is agriculture. Which is why you find in the single undertaking mentioned earlier trades-offs in which they will not give a meaningful reform on agriculture at all until developing countries themselves give something significant.

The blue box and the green box are in place. They are sanctioned. They are not going to be reformed any time soon.

**Jean-Charles Van Eeckhaute** We all agreed – the entire membership agreed – on the programme in Doha. That was about more than just agriculture. All members who embarked on this know that everyone will have to make certain concessions in certain areas. That is what we are asking. That is a principle which must be upheld.

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## The EU will not give meaningful reform on agriculture until developing countries give too

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**Jonathan Dimbleby** Are those concessions designed to be beneficial for developing countries, as opposed to being merely to the advantage of the developed countries?

**Jean-Charles Van Eeckhaute**

Yes, we believe that for developing countries, under certain conditions, market opening can be beneficial; more for the more advanced developing countries than for the poorer countries. It is really a matter of absorption capacity. For the more advanced developing countries, there is absorption capacity to take up commitments on industrial tariffs and on services.

Of course, there are limits to mercantilism, and certainly we have gone beyond a pure mercantilist round, but, still, why on earth, after having signed the Doha declaration, do people think that we should unilaterally completely disarm on agriculture with nothing in return? This is not the rule of the game. After all, China, Brazil and India claim a certain role on the international scene, and they are absolutely right to do so, but with this role also comes a responsibility.

**Jonathan Dimbleby** It appears to me, from what has been said, that there is a dispute about whether what is being offered by the EU on agriculture is as beneficial to the developing countries as the EU claims.

It also seems that the EU and other developed countries are saying: “We think that liberalisation is good for you in these other areas but, because we have done what we are doing on agriculture, we are not going to give you anything that you want unless you give in to us on the non-agricultural products.”

**Jean-Charles Van Eeckhaute** I think that is unfair. Of course, there is a tit-for-tat. This is a WTO trade round. Mercantilism is inherent in that, but we all signed the Doha declaration because we want to get beyond pure mercantilism. This is not an OECD-only round; this is not an agriculture-only round. We have not made our final offer on agriculture yet. That is what negotiation is about.



**Jonathan Dimbleby** If this is a development round, if it is exclusively designed to help the developing world, the argument that is being put by the developed countries has to be: “This is good for you as well as for us”.

**Jean-Charles Van Eeckhaute** Yes. The heart of the matter is the whole issue of graduality of transition periods, of opening your markets in a way that is commensurate to your level of development or your needs.

**Meghnad Desai** I think Hong Kong is dead. Forget about Hong Kong.

Also, there is a genuine difference regarding the developmental effect of industrial tariffs. A lot of countries, India included, have wrecked their economies by the wrong kind of tariffs. It would be good for the more mature developing countries to look at some of their tariffs, but developed countries always cheat when it comes to access to their markets.

**Jonathan Dimbleby** Example? Leave aside CAP and textiles, we’ve already had them.

**Meghnad Desai** Films. The French always want protection for bad films. India does not get protection for its film industry, so people do not get to see its films. And there was a big fuss about India’s IT industry taking office jobs away, again a mercantilist reaction from America.

If these people want non-agriculture market access, ►



► they have to give it. They should give developing countries full access to their own markets, as everybody else does, but they don't. Developed countries don't accept their share of globalisation costs.

**Yilmaz Akyüz** Agriculture was one of the biggest areas of expectation from 1982, all the way until the trade rounds concluded. The hope of agriculture reform was used as a bait to spring on services and trade-related investment measures. Again, the developed countries got a big chunk

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## Developed countries are playing economic poker with poorer societies as unwitting chips

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and delayed any reforms in agriculture for a long time.

It is the same for reforms in tariff escalation measures in non-agricultural products. That, too, even for the poorest countries, will be delayed for a very long time. The development round was expected to provide time to concentrate on implementation issues and assess the implementation processes; to see what was better for developing countries and to make the significant concessions without full reciprocity in most cases; to ensure that development

actually flowed out of international trade – there is no automatic link between international trade and development.

**Jonathan Dimbleby** In what territory do you believe the developing countries can, and should, be offering something in return?

**Yilmaz Akyüz** Flexibility: in the sense that when developing countries realise that reducing tariffs will promote their own internal competitiveness, they should pursue that in the various sectors in which they can.

**Alan Beattie** Trade rounds, it strikes me, are a bit like financial markets, in that they run on a mixture of fear and greed: you have to have greed to overcome fear. The EU needs the greed of its service sectors and goods exporters to overcome its fear of the farmers.

There are always interesting cross currents in trade. Developing countries are not primarily worried about European and American

exports, but China. I talked to the Indian trade minister in Geneva this week and he said that tariff cuts would not make much difference to their exporters. It would, however, allow in very cheap exports from China. This matters enormously to a lot of developing countries because the way that countries have traditionally got on the development ladder is through garments and toys, where manufacturing is relatively cheap.

A lot of that route now appears to be closed off unless protection is maintained for a long time. In hindsight, I think you cannot compete with China.

**Jonathan Dimbleby** Your erosion of the crude distinction between rich and poor suggests that there is a kind of anachronism built into this process.

**Alan Beattie** It is partly built into the process, but very substantially built into the way that people look at it. The flip side of the Indian situation is that India has tremendous gains to make in services; there are clear divisions between India and other developing countries, particularly between India and Brazil on services. India thinks that services are terrific because they are the back office and, increasingly, the software programmer of the world.

**Rajiva Misra** Mercantilism is the name of the game and we are willing to play it. We are doing that. We have

simply been saying, “The mandate has been negotiated. Let us not denegotiate the mandate. Let us not now introduce categorisations”. In the case of non-agricultural market access, for example, there is slow and sure flexibility in developing countries.

The special and differential elements in the non-agricultural market access discussion need to be balanced. If you have a ambitious formula then, yes, you will have a greater special and differential treatment, but if you have a low-ambition formula, then you need less.

Special and differential elements have been negotiated and agreed. On this, India has taken on one of the most ambitious liberalisation programmes in the last seven years. We have, without getting repayment from anyone in Geneva, brought our tariffs down.

Our applied tariffs are now at a peak of 15 per cent and an average of about 13 per cent, which is not at all high given average levels in developing countries.

**Gareth Thomas** I was going to make the case for managed liberalisation. In Botswana, they have chosen to liberalise telecommunications and, as a result, there has been a dramatic increase in coverage both for

mobile phones and for land lines.

**Yılmaz Akyüz** Two small points. With the development plan, our understanding was that industrial countries keeping high tariffs and subsidies in areas of interest to developing countries was unjust, keeping textiles and non-agriculture out of the system for 40 years. Now that will be dealt with as a sort of unfinished business. Suddenly these are being used as bargaining chips vis-à-vis services.

What industrial countries want now is to bind developing countries for ever, like a Catholic marriage that can be broken only by death. We do not clearly understand the impact of trade on development. When you bind developing countries too specifically – for example, 10 per cent for shoes with laces, 15 per cent for shoes without laces – you end up with thousands of tariffed lines.

I proposed an alternative. Give them an average tariff level of 30 per cent and let them be free to assign tariffs within that. That would be a much better way of getting flexibility and combining a multilateral discipline.

With the proposals for non-agricultural market access, I have very serious concerns about their impact on industrial development in the longer term.

## Conclusion

### Spencer Neal

The thrust of WTO talks is often hijacked by powerful developed nations, to suit their own interests. As several people here stated, the developed countries are in effect playing economic poker, using the economies and livelihoods of much poorer societies as unwitting chips. The most developed countries need to stop using WTO talks as a foil to disputes between themselves.

Equally, when negotiators refer to, in the words of one speaker, “domestic political management concerns” they mean that their electorates would not understand or accept a certain approach and so steps toward trade justice are constrained by domestic politics. Governments of the richest countries need to develop a better and more honest dialogue with their electorates.

However, two issues must be accepted. The first is that negotiations start from where we are now.

Second, if we are to be rational about the future, we

must accept that the status quo is not sustainable. All communities want to be able to deliver a better standard of living to subsequent generations. But not, these days, at the expense of other world communities.

As long as WTO talks remain disconnected from the daily lives of ordinary people in developed countries, politicians and their appointed negotiators will remain prone to disingenuous distraction.

The Doha development round is not going to solve the world’s problems. But it could take us a long way towards resolving some entrenched disputes and may even help crystallise thinking on trade-offs, differentiation and special treatments.

Mass lobbying of national governments and their negotiating bodies demonstrates that electorates in the developed countries acknowledge their responsibilities.

You will note that we did not debate the role of the IMF or the World Bank. Perhaps next time?

The Co-operative Bank is the UK’s only high street bank with a published ethical policy, clearly stating where it will and will not invest its customers’ money, as well as a history of active campaigning on important ethical issues and a worldwide reputation as world leaders in corporate social responsibility. The Co-operative Bank has been campaigning for trade justice throughout 2005, in partnership with Christian Aid.



## There's nothing free about free trade

Free trade sounds like a great idea. But if it's not between equals it doesn't work. Yet free trade is often forced onto poor countries through trade agreements and as a condition of aid and debt relief. This means their growers and producers are overwhelmed by powerful international competitors and unprotected fledgling industries are destroyed.

Trade Justice is a better way. Put simply, it means the world's poor nations should have the right to choose for themselves the policies that will help them trade their way out of poverty.

That's why The Co-operative Bank is campaigning with Christian Aid for Trade Justice. We need a million signatures to petition the UK Government to support the call for lasting reform. There can never be justice without Trade Justice. Poverty will never be made history. And the developing world's hands will remain tied.

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