

European and External Affairs Committee

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Venue: Committee Rooms 3 and 4, National Assembly for Wales, Cardiff Bay

Title: DOHA - Development, Or Hijacking, Agenda?

Current problems with the Doha Development Agenda

1. Whilst it is of great significance that the trade negotiations known as the Doha Development Agenda (DDA) did not collapse in July 2004 in Geneva, this does not place the agreements reached there above criticism. The potential problems apparent in the Geneva proposals, and in concluding the DDA at the Hong Kong ministerial gathering in December 2005 or subsequently, revolve around two sets of issues:

2. The false economy of subsidy and tariff commitments. The immediate 20% reduction in subsidies for the world's more developed countries is a positive step. However, this will make little real impact, as the USA for example was already fulfilling this commitment. The bigger issue is how much subsidies will go down in the future, after this initial 20% fall. Whilst commitments were made at Geneva to reduce agricultural subsidies, little progress was made on the key commodity of cotton, grown by millions of African farmers. There also remains no commitment to end the dumping of subsidised goods. Worryingly, new loopholes potentially exist to enable richer countries to continue giving large subsidies simply through re-classifying them. Finally, although the least developed countries will be exempt from tariff reductions in the short term, this commitment was tied to binding them to future cuts.

3. Vague and minimal agreements. Following the breakdown in the Cancun talks of September 2003, pressure was placed on developing countries to agree to revised proposals. Consequently, ambitious plans were abandoned by poorer countries in favour of more realistic, minimal goals, to ensure that the negotiations did not fail again. The reforms outlined in Geneva were vague and offered no guaranteed commitments to poorer nations. Indeed, what emerged from Geneva was simply a framework. As Supachai Panitchpakdi (World Trade Organisation Director General) has acknowledged, no commitment has been made either to time-frames or to formulae for the removal of subsidies, to the cutting of tariffs, or to linking trade with environmental issues. Rhetoric is one thing; putting agreements into practice is the crucial, and as yet unknown, element. These uncertainties confirm that the majority of the detailed work still remains to be done, to ensure that agreements being pursued through the Doha Development Agenda do not leave poorer countries with little from a new deal. This is a message that Panitchpakdi recognises, indicating that so far there have only been 'minor triumphs' from the Doha round of talks.

Underlying issues at the World Trade Organisation (WTO)

The shortcomings inherent in the DDA process go deeper than weaknesses in the pursuit of specific agreements. They lie within the WTO itself. Criticisms of the WTO fall into two broad categories:

1. Criticism of WTO's aims. A central aim of the WTO is the reduction and ultimate elimination of tariffs, and the removal of non-tariff barriers. However, many agencies have been critical of the mantra that predominates there, namely that trade liberalisation and free trade are unquestioningly good things for developing countries. The philosophy behind trade liberalisation is that it will provide a level playing field for international trade, with benefits for all. However, a level playing field will be of little assistance to small producers in developing countries unable to compete with transnational companies. Unlike today's richer economies, who were able to build up their national industries behind protective barriers, a programme of trade liberalisation by the WTO would close off such an option for developing countries.

Fully applied, free trade would, overall, have a detrimental affect for poorer countries, by letting in large quantities of cheaper food and other products as imports, thus wiping out the livelihoods of small-scale farmers. Consequently, yet again, the main winners from trade liberalisation will be the more developed countries and transnational corporations, not the developing countries most in economic need. The potential losers would be the 48 least developed countries. The United Nations Conference on Trade and Development (UNCTAD) estimates that these countries will lose up to US\$265 million annually in export earnings as a result of trade liberalisation, whilst at the same time having to pay up to US\$292 million more for their food imports. Tariff reductions serve the interests of richer countries, as they have least to lose. For example, whilst the EU and the USA will see a relatively marginal reduction in their tariffs (28% and 24% respectively), Bolivia and Kenya will have to reduce their trade tariffs by 80%.

Free trade may also be detrimental to the environment, as the pursuit of economic growth can be at the expense of sustainable development. "Governments are trading away our environment at the WTO" is the clarion call of certain campaigners.

2. Criticism of WTO's structures. The WTO seeks to make decisions through consensus. Despite its theoretically democratic structure, in practice consensus is obtained through a more authoritarian process with richer, more powerful countries dominating proceedings. Additionally, with hearings on matters of trade dispute closed to the public and the media, the WTO can be perceived as lacking democratic accountability in its means of settling disputes.

Where there is no clear consensus, WTO's decisions are made by voting based on "one country, one vote". Whilst in principle poorer members of the WTO are able to outvote richer ones (developing countries account for three quarters of WTO's membership of 147 states), in practice this rarely happens. The reasons for this are three-fold: (i) richer countries place pressure on poorer countries to comply with their proposals; (ii) poorer countries cannot afford to send representatives to all of the 1,000-plus WTO meetings each year. Whilst over 30 developing countries have no negotiators at WTO's HQ in Geneva, richer countries have large teams of specialist negotiators, many of whom are

linked to multinational companies; (iii) WTO's democratic claims are undermined by "Green Room" meetings, organised by richer nations in isolation from other WTO member states, with corporate lawyers employed to resolve trade disputes in favour of richer countries.

Although member governments make up the WTO, there can be no doubt that transnational companies (TNCs) also play an influential role in the establishment of trade rules. For example, in the drafting and promotion of what came to be the WTO's Trade Related aspects of Intellectual Property Rights (TRIPs) Agreement, the US brought together 13 major US corporations to advise on proceedings. It can be argued that the WTO rules actually increase the power of companies over governments. Given the level of corporate influence, WTO agreements on trade liberalisation and investment are likely to be more about prising open developing country markets than promoting and ensuring the economic development of those countries.

EPAs (Economic Partnership Agreements)

The European Union wants to change trade relationships between it and the Africa-Caribbean-Pacific (ACP) block of 77 former colonies, with which it has traditionally had trade agreements, through the introduction of EPAs. The EPA negotiations run parallel with the multilateral DDA trade talks at the WTO, and are similarly about encouraging reciprocal trade liberalisation. ACP countries currently have access to EU markets, but the EU is now demanding the opening up of ACP economies in return. If this happens, as explored with regard to the WTO above, ACP producers will be unable to compete with cheaper imports from the EU, where producers have the advantages of size and technology. Whilst losing revenue to the EU with the removal of quotas on textiles for example, ACP countries at the same time will face substantial adjustment costs in opening up to EU exports, with losses in government revenues and likely undermining of efforts to develop a modern industrial base.

Additionally, like the WTO, the negotiation process is weighted in favour of the EU countries. Whilst the EU claims that countries do not have to sign up to EPAs, many ACP countries are highly economically dependent on EU trade and aid. Consequently, EU countries are using this position to dictate the pace and terms of EPAs, which they want to have in place by 2008. One way in which this is occurring is through the reintroduction of three of the so-called 'Singapore issues' within the EPA negotiations:

1. Investment - New investment rules, concerning treatment of foreign investors
2. Competition Policies - Setting standards for anti-monopoly and cartel laws
3. Government procurement - Enabling foreign companies to win public sector business

These issues were dropped from the DDA following their blocked progress in Cancun, with developing countries (including the ACP countries) rejecting them on the basis that they wanted to retain control over their own key industrial sectors. Furthermore, these three issues offer no benefit to developing countries' economies. The EU denies it has 'offensive interests' in all this, but organisations in the UK and internationally have argued that EPA negotiations – claimed to be complementary to the DDA - are

driven predominantly by the EU's own interests, evident in attempts to resume talks on the 'Singapore issues'.

Trade Justice Movement / Make Poverty History

"To end poverty and protect the environment, we need trade justice not free trade."

(Make Poverty History Manifesto, p. 5)

International trade could be a powerful, positive force in reducing poverty – if it was based on just principles. Trade justice is about changing the rules of free trade and weighting them in favour of those who lose out from international trade. The Trade Justice Movement was launched in 2002 and highlights the problems that face developing countries because of unfair trade practices, like dumping, that are the present reality of free trade and stand in the way of development.

MakePovertyHistory is the UK part of a global campaign, the 'Global Call to Action Against Poverty', which identifies the "glaringly unjust global trade system" as a major factor in the perpetuation of poverty. Echoing the criticisms outlined above concerning the WTO, the campaign argues that the rules of international trade are stacked in favour of the most powerful countries and their businesses. In its view, tackling poverty can be achieved not through policies of trade liberalisation, but through trade justice that could include certain freer trade policies, but only if they are also fairer trade policies. The MakePovertyHistory coalition of over 250 agencies will campaign on these issues throughout 2005.

Stephen Thomas and Andrew McKechnie
Welsh Centre for International Affairs: April 2005

Sources: Oxfam, CAFOD, Traidcraft, Christian Aid, Friends of the Earth, MakePovertyHistory, George Monbiot.