



House of Commons
International Development
Committee

**Trade and Development
at the WTO: Learning
the lessons of Cancún to
revive a genuine
development round**

First Report of Session 2003–04

Volume I



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Report, together with formal minutes

*Ordered by The House of Commons
to be printed 4 December 2003*

HC 92-I
Published on 11 December 2003
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The International Development Committee

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the page number as in 'Ev 12'.

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Summary

The World Trade Organization's (WTO) 5th Ministerial in Cancún, Mexico, collapsed on 14 September 2003 with no agreement reached. The failure of the Ministerial was a major setback for the development round and for multilateralism. Its longer term implications depend on what happens next.

Cancún collapsed because on a range of substantive issues, individual countries and country-groups were unable, by the close of the Ministerial, to reach agreement through the usual WTO negotiating processes. Lessons must be learned.

Process matters: Time, timing and organisation

Preparation for Ministerials must be better. Deadlines must be met, decisions made and not postponed, and Ministerials not overloaded. At Ministerials, time must be used effectively, with clear mechanisms for making decisions about the organisation and sequencing of negotiations, and for deciding whether to extend Ministerials. The role of Chairmen, and the status of the negotiating texts they produce, must also be clarified.

Geopolitics matters: New country-groups and the failure of brinkmanship

Developing countries and country-groups found their voice at Cancún. An appropriate response by developed countries to the reshaping of the geo-political landscape might make development-friendly agreements more likely. But more actors with more objectives make strategies based on last-minute brinkmanship risky; the dismal failure of the EU's approach on the Singapore Issues showed this.

Substance matters most: Agriculture, cotton subsidies and the Singapore Issues

Ultimately, Cancún collapsed because countries' positions on matters of substance were too far apart. Without agreement on agriculture, there will be no development round. The developed world failed to offer sufficiently radical or quick reforms of its agricultural policies. The EU's failure on agriculture was an own goal resulting from a lack of coherence between its policies on trade, development and agriculture. The developed world must accept that if its agricultural policies harm developing countries—and trade-distorting domestic support and export subsidies clearly do—then, they must be changed.

The condescending refusal by the USA to negotiate on cotton, and the EU's insistence, in the face of overwhelming opposition from most developing countries, that formal negotiations on the Singapore Issues should commence, were also key factors in the collapse of Cancún. The lesson is simple: developing countries' concerns should be listened to carefully and taken seriously.

In Europe, there should be greater transparency and accountability about the formulation and pursuit of trade policy and objectives, and about the respective roles of the Member States, the Council, the Commission and the European Parliament. For the WTO itself, lessons must be learned about its governance, role and scope, and changes made. Such changes must not sacrifice democracy, accountability and transparency for efficiency gains, and must not postpone progress with the development round.

The delivery of a genuine development round is hugely important; a shift to bilateral trade relations would marginalise developing countries still further. If a genuine development round is to be revived, then all four Singapore Issues—with the possible exception of Trade Facilitation - must be removed from the agenda, and there must be a commitment to meet the concerns of the cotton producers. The EU needs to reform its Common Agricultural Policy (CAP) more radically and more quickly. If agricultural subsidies keep farmers in business, and their products are exported, then those subsidies are trade-distorting. If the EU wishes to support its farmers, or protect its environment, or improve animal welfare, this must be done in a manner which does not harm developing countries. As Oxfam note: “You can defend multilateralism, or defend the CAP; you cannot do both.”

The announcement by the World Bank and International Monetary Fund of initiatives to help developing countries with the costs of adjusting to a more liberalised world—and the recognition that the timing and sequencing of liberalisation matters—is welcome. Along with progress on Special and Differential Treatment, greater coherence between the WTO and other multilateral organisations is essential in order to deliver a development round which meets the needs of the WTO’s diverse membership.

Political leadership is needed now to revive a genuine development round. The EU’s re-engagement is welcome, but it needs to go further on agriculture, and it should stop pursuing agreements on the Singapore Issues whilst the priorities of developing countries are addressed. The UK must continue to play its part, encouraging the EU in its support for multilateralism, pushing the EU further and faster on agricultural reform, and re-iterating that the Singapore Issues are not a developmental priority.

If the legacy of Cancún is a genuine development round and a WTO more responsive to the diversity of developing countries, then the collapse of the Ministerial may be seen as a key episode in the emergence of a fairer system of global governance in which developing countries’ voices are clearly heard. As an example of what can be achieved through multilateral cooperation, the delivery of a genuine development would be hard to beat. That should be the aim.

Background and acknowledgements

On 14 July 2003, we published our report on “Trade and development at the WTO: Issues for Cancún”. The WTO’s 5th Ministerial meeting took place in Cancún, Mexico, from 10-14 September, closing with little agreement reached. This report seeks to extract whatever lessons can be learned from Cancún, and to apply such lessons to the pressing task of reviving a genuine development round.

We announced an inquiry into “Trade and development at the WTO: After Cancún” on 9 September, and subsequently received memoranda from a range of civil society organisations. We held two evidence sessions at Westminster.

We are grateful to all those who gave evidence to the inquiry, and to those who assisted us in other ways, particularly during the extremely busy post-Cancún period. We would like to thank especially: the Rt Hon Hilary Benn, Secretary of State for International Development and his DFID officials; the Rt Hon Patricia Hewitt, Secretary of State for Trade and Industry and her DTI officials; Commissioner Pascal Lamy of the European Commission; Dr Matthew Lockwood, Head of UK Advocacy, ActionAid; Mr Duncan Green, Policy Analyst, CAFOD; Ms Claire Melamed, Trade Policy Manager, Christian Aid; and Mr John Hilary, who was Trade Policy Analyst at ActionAid at the time of the Cancún Ministerial meeting.

1 Introduction

1. In November 2001, at Doha, the members of the World Trade Organization (WTO) signed up to what became known as the “Development Round”. This round is scheduled for completion by 1 January 2005. From 10-14 September 2003, the WTO held its 5th Ministerial meeting in Cancún, Mexico. The Ministerial was intended to be a stock-taking exercise, providing political impetus and a framework for further progress with the round.

2. Prior to the Cancún Ministerial, we published our report on “Trade and development at the WTO: Issues for Cancún”.¹ In that report we outlined what we saw as the necessary components of a genuine development round. These components were, and remain:

- Development-friendly agreements on a range of specific issues (agriculture, non-agricultural market access, Trade-related Intellectual Property Rights (TRIPS) and public health, and the General Agreement on Trade in Services);
- Effective participation by developing countries; and,
- Development-friendly rules.

3. In each of these areas, we made recommendations aimed at maximising the chances of achieving a successful outcome. The EU gave notice at Doha that it wanted the round to consider the Singapore Issues of Investment, Competition, Trade Facilitation and Transparency in Government Procurement (see figure 1). It was agreed at Doha that a decision would be made later, at the Cancún Ministerial, about whether to include negotiations on the Singapore Issues during the Doha development round. The sharpest comments of our earlier report were reserved for these issues. We stated: “The chances of a genuine development round being delivered, and of Cancún being a success, are not improved by overloading an already-crowded agenda. A genuine development round needs to focus on issues which are—and are felt by the majority of developing countries to be—development priorities.”²

4. The Cancún Ministerial closed in confusion, with precious little agreement reached. By extracting and applying the lessons of Cancún, we hope that we can contribute to putting negotiations back on track towards the development-friendly outcome which the WTO’s members promised at Doha. In chapter two we summarise what happened at Cancún and assess the implications for developing countries. In chapter three we extract the lessons from the collapse of Cancún. Applying these lessons, in chapter four we outline what needs to be done to revive a genuine development round. Our recommendations are directed primarily at the UK Government and the European Union (EU) and Commission. This focus does not mean that others have no role to play; indeed Cancún illustrated that a collective effort is needed by all the WTO’s members. Rather, it reflects our position as a UK Parliamentary committee.

1 International Development Committee (IDC), Seventh Report of Session 2002-03, *Trade and Development at the WTO: Issues for Cancún*, HC400-I. See www.publications.parliament.uk/pa/cm200203/cmselect/cmintdev/400/400.pdf

2 *Ibid.* paragraph 100.

2 What happened at Cancún?

The collapse of the Cancún Ministerial

5. The WTO's 5th Ministerial closed at 6.00 p.m. on Sunday 14 September, after the chairperson, Luis Ernesto Derbez, concluded that, despite some progress having been made, members' positions remained entrenched, particularly on the Singapore Issues. In Mr. Derbez's view there was no prospect of reaching a consensus at the Ministerial.

6. The closure of the Ministerial brought five days of discussions and negotiations to an end. On the first day, facilitators were named to lead five Working Groups relating to agriculture, non-agricultural market access, development, Singapore Issues, and other miscellaneous issues. Discussions in the Working Groups were to proceed in parallel, with each Group reporting back to meetings of Heads of Delegations for their consideration. A proposal made by four West African countries to eliminate cotton subsidies was also debated by delegates, and received much support. On the second day, Heads of Delegations met informally, and Working Group discussions continued. On the third day, the facilitators of the Working Groups reported back to the Heads of Delegation, and work began on a new draft Declaration. On the fourth day, Mr. Derbez distributed a new draft Ministerial Declaration, the Derbez text.³

7. The Derbez text was widely criticised, especially in relation to the Singapore Issues and cotton subsidies. The text failed totally to reflect the tone of discussions on cotton subsidies. As regards the Singapore Issues, the Derbez text specified that: negotiations on Transparency in Government Procurement and Trade Facilitation would begin immediately after Cancún; negotiations on Investment would begin at a date to be specified following some further clarification; and preparatory discussions on Competition would continue after Cancún. Start-dates for negotiations on Competition and Investment were not specified, but were—to the consternation of many developing countries—linked with the date for agreeing negotiating frameworks (modalities) for agriculture and non-agricultural market access.⁴

8. On the final day, further so-called "Green Room" informal consultations, involving a limited number of broadly representative countries, began on the Singapore Issues. After initial discussions, Pascal Lamy, for the EU, offered to drop Investment and Competition, and, according to reports, Transparency in Government Procurement too.⁵ Participants in these discussions were then given just an hour to consult the countries they were representing. On their return, Botswana, speaking for the G90 African Union/African-Caribbean-Pacific/Least-Developed Countries (AU/ACP/LDC) alliance, said that it was unable to agree a deal which included any of the Singapore Issues.⁶ South Korea, supported

3 Preparations for the Fifth Session of the Ministerial Conference, *Draft Cancún Ministerial Text, Second Revision*, JOB(03)/150/Rev.2, 13 September 2003. Available at: www.ictsd.org/ministerial/cancun/docs/draft_cancun_minist_text_rev2.pdf

4 Ibid.

5 "DTI leak blames Lamy for Cancún failure", the Guardian, 22 October 2003, p.21. Available at www.guardian.co.uk/business/story/0,3604,1068109,00.html; "EU may be more flexible on global trade talks agenda", the Financial Times, 20 November 2003, p.13. Available at www.wto.ru/en/press.asp?msg_id=7121

6 See glossary for membership of G90.

by Japan, countered that it would not agree a deal which excluded any of the Singapore Issues. At 4.00 p.m. Mr. Derbez reported to the Heads of Delegation, and at 6.00 p.m. the Ministerial closed.⁷

Figure 1: The Singapore Issues

Issue	Questions posed to Working Groups by the Doha Ministerial Declaration
Investment	How to develop non-discriminatory multilateral rules for investment which will: increase transparency and stability; balance the needs of countries receiving investment with the needs of countries where investment originates; pay due attention to countries' right to regulate; and work through a positive-list approach.
Competition	How to develop a multilateral framework to enhance the contribution of competition policy to international trade and development, and how issues of transparency, non-discrimination and procedural fairness might be addressed.
Transparency in Government Procurement	How to develop a multilateral framework to enhance the transparency of government procurement. For transparency only; not to restrict countries' scope to give preferences to domestic suppliers.
Trade Facilitation	How to expedite the movement, release and clearance of goods, by clarifying and improving relevant WTO agreements on issues including import and export fees and formalities, and customs procedures. And, what are the needs and priorities of WTO members in this regard?

Data source: WTO Doha Ministerial Declaration, paragraphs 20-27.

9. The closing Ministerial Statement noted that officials of member countries should “continue working on outstanding issues with a renewed sense of urgency and purpose and taking fully into account all the views we have expressed in this Conference.”⁸ The Chairman of the WTO’s General Council, Carlos Perez de Castillo and the WTO’s Director General, Supachai Panitchpakdi, were asked to coordinate this work and to convene a meeting of the General Council at the level of Senior Officials no later than 15 December 2003 to take the action necessary at that stage to enable progress towards a successful and timely conclusion of the negotiations.⁹ In the run-up to December 15, the Chairman of the General Council, and the Director General of the WTO have been engaged in a series of informal consultations with the WTO’s members to investigate ways in which the talks might be revived.

7 WTO, *Summary of 14 September 2003, Day 5 “Conference ends without consensus”*. Available at www.wto.org/english/thewto_e/minist_e/min03_e/min03_14sept_e.htm; International Centre for Trade and Sustainable Development (ICTSD), *Bridges Daily Update on the Fifth WTO Ministerial Conference, Issue 6, “Cancún Collapse: Where there’s no will there’s no way”*, 15 September 2003. Available at www.ictsd.org/ministerial/cancun/wto_daily/ben030915.htm

8 WTO, *Ministerial Statement* adopted on 14 September 2003, WT/MIN(03)/20. Available at www.wto.org/english/thewto_e/minist_e/min03_e/min03_20_e.doc

9 Ibid.

Before Cancún: TRIPS and public health

10. On 30 August 2003, WTO members finally reached agreement on Trade-Related Intellectual Property Rights (TRIPS) and Public Health, an issue which had assumed huge symbolic importance since the Doha Ministerial of November 2001.¹⁰ We were pleased to hear the Secretary of State for Trade and Industry's unequivocal reassurance that this agreement had not been in any way contingent on progress made in Cancún.¹¹ The agreement confirmed that countries could—without breaching their obligations under the WTO's TRIPS Agreement—export generic versions of drugs to countries with serious public health problems which lack the manufacturing capacity to produce their own supplies. **We welcome this long overdue agreement on TRIPS and public health which removes one of the obstacles which poor people face in gaining access to affordable essential medicines, and acknowledge the contribution made by the UK Government to securing agreement.**

11. Some NGOs have questioned whether the 30 August deal really represented a breakthrough. Oxfam, Médecins Sans Frontières and other NGOs described it as “a ‘gift’ bound in red tape”, which in practice would be unnecessarily restrictive as regards both disease coverage and country eligibility.¹² Time will tell, and it would be naive to assume that an agreement on paper will automatically improve on-the-ground delivery of cheaper medicines for developing countries' public health needs, but the agreement reached does at last fulfil the pledges made at Doha. Governments and pharmaceutical companies must seek to ensure that the agreement delivers what it promises, and is not hampered by excessive restrictions.¹³ In this regard, **we support Oxfam's call for UK legislation to be amended to allow compulsory licensing for export.¹⁴ This should apply to all drugs for life-threatening diseases, for export to least-developed countries. The UK should also support similar changes to European pharmaceutical legislation.** There is, however, more to healthcare than the supply of cheap drugs. Cheaper medicines cannot be delivered effectively by the sorts of crumbling health services which exist in most developing countries. We were pleased, therefore, to hear Hilary Benn emphasise the importance of “treatment” and health-service delivery.¹⁵

The implications for developing countries

12. In its immediate aftermath, two contrasting views of the collapse of Cancún and its implications were put forward. One view—held by some NGOs and some developing countries—was that the collapse might prove to be beneficial for developing countries. By this account, no deal was better than a bad deal, what was on offer at Cancún was on balance a bad deal for developing countries, and the collapse might eventually lead to a good deal being reached. A contrasting view—espoused most forcefully by the European

10 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, paragraphs 104-107 (see footnote 1 for full reference).

11 Q 18 [Patricia Hewitt, Secretary of State for Trade and Industry] NB: Unless stated otherwise, all Qs refer to oral evidence given to the International Development Committee.

12 Ev 71, paragraph 28 [Oxfam memorandum]; Ev 73 [Appendix to Oxfam memorandum]

13 Q 32 [Claire Melamed, Christian Aid]; Q 34 [Claire Melamed, Christian Aid; Matthew Lockwood, ActionAid]

14 Ev 71, paragraph 29 [Oxfam memorandum]

15 Q 18 [Hilary Benn, Secretary of State for International Development]

Commission and the WTO's Director General—was that the collapse was very bad news, and that developing countries would be the main losers. The UK Government too asserted that Cancún represented a “missed opportunity that will naturally hit developing countries hardest.”¹⁶ **We see the collapse of Cancún as a major setback—not least for multilateralism**—and are dismayed to hear that some organisations were celebrating the outcome, but any assessment of the failure by the WTO's members to reach agreement must take account of what sort of agreement, if any, might have been achieved.

13. According to Patricia Hewitt, on the Sunday evening at Cancún the trade minister of one of the leading G20+ countries¹⁷ said to her that if there had been about six hours of serious discussions on agriculture, agreement could have been reached on a framework of negotiations to move things forward.¹⁸ Patricia Hewitt's view is that there was a deal to be done, and it would have been a good deal for developing countries.¹⁹ ActionAid, CAFOD and Christian Aid took a different view; no deal was better than a bad deal, and the Derbez text, the closest that Cancún came to setting out a deal on paper, was without doubt a bad deal for developing countries.²⁰ **Important progress had been made at Cancún, and more may have been possible. But it is not possible to say with any certainty whether a good deal was in the offing, particularly because the unexpected closure of the Ministerial meant that some countries and country-groups had probably not played all of their cards** (see paragraphs 19-20).

14. There is little point in speculating on what might have been. A successful outcome may have been possible. It may have been possible to reach agreement on agriculture. We shall never know with any certainty. But what we can say is, that the consequences of Cancún for developing countries will depend upon what happens next.²¹ If there is a shift to prioritise bilateral trade negotiations (see paragraph 54), and if the promise of a “Development Round” evaporates, then the collapse of Cancún will have been a disaster. What happens next depends upon how well the lessons of Cancún are learned; this in turn depends upon how well the reasons for the collapse of Cancún are understood. It is to this task that we now turn.

16 Ev 26, [DFID and DTI memorandum]

17 The Consumers' Association attribute this view to Brazil (Ev 58, paragraph 2.4); others have attributed it to South Africa. See glossary for membership of G20+.

18 Q 4 [Patricia Hewitt]

19 Q 4 [Patricia Hewitt]; Q 1 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt].

20 Q 24 [Claire Melamed, Christian Aid; Duncan Green, CAFOD; Matthew Lockwood, ActionAid; John Hilary, formerly ActionAid]

21 Q 24 [Claire Melamed, Christian Aid]

3 Learning the lessons of Cancún

15. Picking over the bones of Cancún to apportion blame for its collapse serves little purpose. But “business as usual” will not lead to the successful and timely conclusion of a genuine development round. If the round is to be revived, the lessons of Cancún must be learned. As Hilary Benn put it: “It is very important that we should reflect upon the lessons.”²² We trust that this view is shared across Government and by the European Commission.

Why did Cancún collapse?

16. Many explanations have been put forward for the failure at Cancún. The simplest is that Cancún collapsed because too few countries were persuaded that a deal which would be to their benefit was on the cards. To put it differently, many countries felt they would lose little if Cancún failed. The USA did not want to give concessions on cotton without getting better access to developing country markets. The G20+ was disappointed that no agreement was reached on agriculture, but was pleased to have made its geo-political presence felt. The G90 feared that their losses, due primarily to preference erosion, would outweigh any potential gains.²³ The EU’s apparent enthusiasm for the Singapore Issues was perhaps balanced by its lack of enthusiasm on agricultural reform. There may be some truth to such explanations. But they fail to take account of the fact that countries’ priorities are translated into positions through negotiating processes, and relationships between countries and country-groups, and within country-groups. Cancún collapsed because on a range of substantive issues, individual countries and country-groups which had formed in part around particular issues, were unable, by the close of the Ministerial, to reach agreement through the usual WTO negotiating processes.

Process matters: Time, timing and organisation

17. Issues of time, timing, and the organisation of WTO negotiating processes, at and before the Ministerial, play an important role in explaining the collapse of Cancún. Patricia Hewitt has emphasised that, “as things turned out ... there simply was not enough time to get into the serious discussions that were needed on agriculture, on non-agriculture market access and on special and differential treatment.”²⁴ When such discussions did begin, progress was made,²⁵ but too much time was taken up at the start of the Ministerial with speeches simply re-stating countries’ well-known positions.²⁶ On the Saturday and Sunday morning, countries lacked sufficient time to understand and consider each others’ changing positions, to consult within their country-groupings, and to ensure that their

22 Q 9 [Hilary Benn]

23 This is the thrust of Pascal Lamy’s analysis of Cancún given to the European Parliament on 24 September 2003. See www3.europarl.eu.int/omk/omnsapir.so/debatsL5?FILE=20030924EN&LANGUE=EN&LEVEL=TOC2&CHAP=6 He omits in that speech to extend his analysis to the EU. We have filled in the gap.

24 Q 3 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt].

25 *Ibid.*

26 *Ibid.*; and evidence to International Development Committee Q 4 [Patricia Hewitt]

views were in turn communicated and understood.²⁷ For instance, as regards the Singapore Issues, Patricia Hewitt has claimed that India was “very happy” with the concessions offered by Pascal Lamy on the Sunday morning, but that this had not been communicated to the African countries within the G90 grouping. As a result they stuck to their position of insisting that all four issues be removed from the agenda.²⁸ Regardless of what India’s position was—and there are contrasting accounts—there were certainly communication problems, exacerbated by a lack of time, with uncertainty surrounding even something as fundamental as how many and which of the Singapore Issues Pascal Lamy had offered to remove from the agenda.²⁹ **If Ministerials are to work better in future, and there is to be sufficient time for negotiations, then lessons must be learned about the effective use of limited time. There is little point in delegates wasting time rehearsing their well-established positions.**

18. With almost two years having elapsed between the Doha Ministerial and Cancún it may seem fanciful to suggest that a more effective use of time early on in the Ministerial, and a little more time for consultations at the end, might have made a difference. Had there been more progress in Geneva, there would have been fewer issues to resolve in Cancún and more chance of success. However, as we noted in our pre-Cancún report, all the deadlines for making progress at Geneva had been missed.³⁰ This, and the promotion of the Singapore Issues by the EU, Canada and Japan had completely overloaded the agenda.³¹ This much was apparent long before Cancún. As the European Commission’s Directorate General (DG) for Trade explained in a post-Cancún commentary:

“It also has to be recognised that however well the preparatory work had been done, and however clearly the options had been presented, the sheer volume and substantive importance of the mass of issues on the agenda made it difficult for any, except the largest and best organised of the delegations, to analyse and position themselves as the situation changed over the last few hours.”³²

We agree. But the European Commission and EU Member States should have realised the danger of overloading the agenda, prior to Cancún, as well as the risk of its strategy of last-minute brinkmanship failing (see also paragraphs 31-32). **If Ministerials are to be successful, the preparatory work must be done. Better progress must be made at Geneva, deadlines must be met, and decisions should not be simply postponed to Ministerials.**

19. More progress at Geneva and better preparation for the Ministerial, would have given Cancún a greater chance of success.³³ A slimmer agenda and different negotiating tactics

27 Q 9 [Hilary Benn]; Q 3 and Q 6 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt].

28 Q 15 [Patricia Hewitt]

29 Ev 41 [CAFOD memorandum]

30 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, paragraph 36 (see footnote 1 for full reference).

31 Ev 68, paragraph 2 [Oxfam memorandum]

32 EC Directorate General for Trade, *The Doha Development Agenda after Cancún*, 25 September 2003, p.6. Available at www.ictsd.org/ministerial/cancun/docs/COMMISSION-Cancun-and-Beyond-Sept-03.pdf

33 Q 4 and Q 15 [Patricia Hewitt]; Q 6 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt].

on the part of the EU, the G20+ and others might have helped too. Nevertheless, extra hours can make all the difference. There was a widespread expectation among delegations that the Ministerial Conference would be extended by a day or two in an effort to bridge what many saw as resolvable differences.³⁴ Such extensions have become standard practice at the WTO. But the Chairman, Mr. Derbez, decided not to extend the Ministerial. As Patricia Hewitt told us; “the stated closing time of Sunday afternoon was the real closing time, even though that was not widely shared or understood.”³⁵

20. Many delegations, including the UK’s, regarded the closure as premature.³⁶ The Consumers’ Association described Mr. Derbez’s decision as “bizarre and unexpected”.³⁷ Patricia Hewitt explained to us that: “the Chairman, Minister Derbez, obviously consulted with a few people, including of course Dr. Supachai, but it was his judgment, and it had to be his judgment, as chair of the conference, that the disagreements not only on the Singapore issues but on other issues were so great that they simply could not be bridged in the time available. That was his judgment and his decision.”³⁸ We cannot help but wonder whether Mr. Derbez might have been persuaded to extend the Ministerial if the USA and other powerful countries had so wished. But perhaps of greater concern is the fact that one person could decide to call a halt to negotiations having consulted only a few people and countries. **In our view the closure of the Ministerial was premature as well as unexpected. Participants in WTO Ministerials must know when negotiations are set to conclude. Otherwise, negotiations are unlikely to work. Ministerials ought not to be extended as a matter of course, and, there should be clear mechanisms for making decisions about whether, exceptionally, to extend them. The decision to extend a Ministerial must not be in the hands of one person.**

21. Mr. Derbez, it seems, along with the WTO Secretariat, was also responsible for the decision to begin Sunday’s Green Room discussions by focussing on the highly contentious Singapore Issues. It was a mistake to place them, in preference to agriculture, as the first item on the agenda.³⁹ Patricia Hewitt suggested to us that “if countries, particularly developing countries, had been able to see real progress, particularly on agriculture but also on non-agriculture market access, where the majority of their exports lie, then everything else could well have fallen into place.”⁴⁰ This may or may not be the case; we cannot know. But the opportunity of making progress on agriculture was thrown away when discussions on the Singapore Issues were held first, and stalled, before any time was given over to agriculture.⁴¹ **In a development round it was a serious mistake to prioritise negotiations on the Singapore Issues over agriculture, because agricultural reform is clearly of greater importance to most developing countries. It was wrong to attempt to make**

34 Q 4 [Patricia Hewitt]

35 Q 3 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]; see also Q 4 of evidence to IDC

36 “Breakdown means no end in sight to Doha round”, the Guardian, 16 September 2003, p.15—available at www.guardian.co.uk/wto/article/0,2763,1043079,00.html; “No hope of trade deal warns Lamy”, the Independent, 16 September 2003, p.17—see news.independent.co.uk/world/politics/story.jsp?story=443826

37 Ev 60, paragraph 3.3 [Consumers’ Association memorandum]

38 Q 13 [Patricia Hewitt]

39 Ev 42 [CAFOD memorandum]; Ev 53, paragraph 2.2 [Christian Aid memorandum]

40 Q 12 [Patricia Hewitt]

41 *Ibid*; Q 11 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

progress on agriculture a “reward” that developing countries would receive if they agreed to include the Singapore Issues on the WTO agenda. Decisions as to the order in which negotiations proceed at Ministerials ought to be taken by the WTO’s membership as a whole, rather than being made by the Chairman in consultation with a small number of countries.

22. The organisation of the Ministerial, with five Working Groups discussing five sets of issues in parallel during the first three days, may have also contributed to the collapse of Cancún by undermining the scope for trade-offs between the various issues.⁴² There is no perfect way of organising discussions amongst 146 members of the WTO; any structure has drawbacks which must be addressed. So, on the Sunday morning, when discussions were to take place sequentially, it may have been preferable not to start with the most contentious and divisive issues. And earlier in the week, when five Groups were working in parallel, more effort should have been made to maintain communication between the groups. **The Government refers somewhat cryptically in its memorandum to the need for “better designed negotiating structures”.**⁴³ **We invite the Government to clarify what it means by this phrase, and to outline what it is doing to ensure that negotiating structures are better designed in future. For the EU, which uniquely has one negotiator for a number of WTO member states, it is essential that trade ministers of Member States meet the EU trade Commissioner regularly, at least daily, during WTO Ministerial meetings so that the Commissioner can base his negotiating position on policies agreed collectively by the trade ministers.**

23. There are also concerns over the ways in which papers were produced, both by Chairs of Working Groups, and by the Chairman of the Ministerial. The status of papers authorised by Chairmen and facilitators—of Committees in Geneva, of Working Groups at Ministerials, or of Ministerials themselves—is unclear, as is the role of the WTO Secretariat in their production. When the Derbez text was released on the Saturday it caused widespread resentment, bitterness and anger. On agriculture, some countries thought it went too far, others thought it didn’t go far enough; this is to be expected when a text seeks the middle ground. But on the Singapore Issues and most especially as regards cotton subsidies, many delegations were stunned by what the text said. On cotton the Derbez text simply echoed the USA’s line; that the West African cotton producers—pushed to the wall by the USA’s cotton subsidies—should diversify out of cotton (see paragraph 39). The Consumers’ Association called it a “disaster of a text”⁴⁴; CAFOD reported that developing countries, who had been led to believe that their concerns would be taken seriously were “doubly disillusioned” by the text.⁴⁵ **The status of papers produced by Chairmen and facilitators of Working Groups, and the role of the WTO Secretariat in such processes, should be clarified.**

42 Ev 59, paragraph 2.6 [Consumers’ Association memorandum]

43 Ev 26 [DFID and DTI memorandum]

44 Ev 61 [Consumers’ Association memorandum]

45 Ev 39 [CAFOD memorandum]

Geo-politics matters: New country-groups and the failure of brinkmanship

24. Perhaps the least-expected aspect of Cancún was the emergence of new country-groups, forming primarily but not exclusively around aspects of the agriculture negotiations. The G20+ brought together many of the largest developing countries including China, India, Brazil and South Africa around a complex and partially-formed set of demands, such as reductions in northern domestic support for agriculture and the elimination of export subsidies. The G90 brought together the African Union, the LDCs and the ACP countries, with a focus on protecting their preferential access to northern markets, as well as resisting the introduction of the Singapore Issues. Led by Indonesia and the Philippines, the G33 was, as its formal name indicates, an Alliance for Strategic Products and a Special Safeguard Mechanism whose members wanted to maintain their ability to protect their own agricultural sectors.⁴⁶

25. Pascal Lamy has described the G20+ as having an agricultural mother and a geo-political father. That is, its rise is explained both by its constituents' concerns about the slow pace of northern agricultural liberalisation, and by the desire of countries such as Brazil to play a larger role on the world stage and to show—particularly in the wake of the perceived sidelining of the UN in the build up to war in Iraq—that it is possible to stand up to the richest and most powerful countries.⁴⁷ The importance of geo-politics in this sense to Cancún's collapse is unclear, but the emergence of new country-groups, and especially the powerful G20+ grouping, certainly changed the dynamics of negotiations⁴⁸ and may in time come to be seen as a key moment in shaping a new map of international geo-politics and economics. At Cancún, developing countries found their voice.

26. The increased coordination and coherence between developing countries at the WTO, and their stronger voice was perhaps the most positive aspect of Cancún. We are pleased that the Government—in contrast to some of its developed country partners—shares this view.⁴⁹ Oxfam's assessment is that: “The new political landscape that this creates offers an opportunity to move the negotiations forward in a more focused and effective manner, and has the potential to overcome some of the difficulties associated with negotiations among 146 member countries.”⁵⁰ We agree, as does Pascal Lamy.⁵¹ But it is not simply a question of making negotiations more manageable, it is also about making negotiations fair and development-friendly. If multilateralism is to work, as regards trade, and as regards poverty reduction, developing countries must have strong voices which are heard clearly and listened to carefully. As Hilary Benn put it “the more we hear that voice, the better developing countries are able to articulate what they want, the better chance we have in the end of reaching agreements that will make a difference to poverty.”⁵² **The Government can be justly proud of its work in building the capacity of developing**

46 Ibid.

47 Q 40 [Pascal Lamy, European Commission]; Pascal Lamy, European Parliament debate on the outcomes of Cancún (see footnote 23).

48 Q 4 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt].

49 Q 9 [Hilary Benn]; Ev 25 [DFID and DTI memorandum]

50 Oxfam, *The EU after Cancún: A way forward*, October 2003, pp.3-4. Available at: www.oxfam.org.uk/what_we_do/issues/trade/eu_cancun.htm

51 Q 41 [Pascal Lamy]

52 Q 3 [Hilary Benn]

countries to enable them to have a more effective voice in international negotiations.⁵³ This important work should continue—even if countries who receive assistance sometimes take up positions which conflict with the UK’s perceived interests—and should apply beyond the trade arena.

27. Collaboration between developing countries is hardly new—Brazil and India have worked together since the Uruguay Round—but the emergence of new powerful country-groups at Cancún, and particularly the involvement of China, added another dimension to negotiations. As the Consumers’ Association note, the G20+ was “negotiating its own stance at the same time as negotiating with the US and EU on agriculture.”⁵⁴ This is not peculiar to the G20+—the EU seemed to be doing the same as regards the Singapore Issues - but it did complicate negotiations and made a successful conclusion to Cancún still more unlikely. And, given the assertiveness of the new country-groups, developed countries were unable to reach a deal behind the scenes and present it to the rest of the world to be rubber-stamped. Patricia Hewitt suggested that what was heard at Cancún was “a very powerful ‘no’ from countries that previously have felt disempowered.”⁵⁵ Other commentators have focussed on what they see as the refusal of the G20+ to negotiate or to engage with the joint USA-EU proposal on agriculture.⁵⁶ This is one way of putting it. The G20+ were buoyed by their initial success in presenting an alternative agenda for agriculture, and were concerned also to maintain their group identity. But it is simplistic to suggest that theirs was a blocking agenda; one might equally say that the USA-EU had an agenda of blocking the G20+ proposal on agriculture and of maintaining its unity on the Singapore Issues. **All participants in negotiations need to be flexible; otherwise agreement is impossible. Country-groups should, as far as possible, work out their positions prior to Ministerials. And, perhaps most importantly, the EU and the USA must realise that the geo-politics of the WTO have changed; they can not expect to set the agenda. Further, given the significant barriers to South-South trade, negotiations and liberalisation between developing countries must form part of a development round.⁵⁷ In this regard, we were interested to see the European Commission’s somewhat provocative suggestion that the G20+ be invited to give preferential access to the poorest countries.⁵⁸**

28. In their responses to the new dynamics and specifically to the G20+, it was apparent that the mindsets of the EU and USA had not evolved to cope with the new environment.⁵⁹ Prior to Cancún, Commissioner Franz Fischler dismissed the G20+ proposal on agriculture as “intellectually dishonest”, and stated that:

“If I look at the recent extreme proposal co-sponsored by Brazil, China, India and others, I cannot help [getting] the impression that they are circling in a different

53 Q 6 [Hilary Benn]; Q 15 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt].

54 Ev 57, paragraph 2.4 [Consumers’ Association memorandum]

55 Q 11 [Patricia Hewitt]

56 Ev 55, paragraph 1 [Consumers’ Association memorandum]

57 Q 40 [Pascal Lamy]

58 European Commission, *Reviving the DDA negotiations—the EU perspective*, Communication from the Commission to the Council, to the European Parliament, and to the Economic and Social Committee, 26 November 2003, p.7 and p.17. Available at http://trade-info.cec.eu.int/doclib/docs/2003/november/tradoc_114259.pdf

59 Ev 39 [CAFOD memorandum]

orbit ... If they want to do business, they should come back to mother earth. If they choose to continue their space odyssey they will not get the stars, they will not get the moon, they will end up with empty hands.”⁶⁰

29. Commissioner Fischler’s prediction was borne out; whether this was a helpful response to the G20+ proposal is more questionable.⁶¹ Patricia Hewitt suggested to us that it was “a pity” to focus on this statement by Commissioner Fischler.⁶² If it were an isolated example we would agree, but it is not. Throughout Cancún, the EU and the USA sought to undermine the G20+ through inducements, threats, denigration and predictions of the group’s disintegration.⁶³ **The members of the G20+ are not the very poorest countries, and they do have different interests,⁶⁴ but they are a serious grouping—at Cancún the G20+ represented 63% of the world’s farmers and 51% of the world’s population⁶⁵—and should be treated with respect rather than contempt.**

30. Pascal Lamy has acknowledged that the new geo-political dimension, and particularly the impact of the run-up to war in Iraq, may have “partly escaped” the European Commission in its preparations for Cancún.⁶⁶ Taking the geo-political temperature should be a fundamental part of preparing for multilateral negotiations. We welcome Pascal Lamy’s frank acknowledgement of this omission; this is an important part of learning the lessons and adjusting to the new geo-political realities.⁶⁷ If the European Commission had been better prepared for the new dynamics, then it might have acted differently—for instance in its approach to the Singapore Issues—and the outcome of Cancún might have been different.

31. Pascal Lamy’s judgment was that the Sunday morning of Cancún was the right time for the EU to offer to unbundle the Singapore Issues and to withdraw its demands for negotiations on Investment and Competition. In offering this concession, Pascal Lamy had the UK’s “very strong support”.⁶⁸ He had not offered this concession at an earlier stage because: a) he was following the formal mandate⁶⁹ and, we assume, informal advice, given him by the EU’s Member States; and b) he did not feel that other WTO members had shown sufficient flexibility to warrant further EU concessions.⁷⁰ Patricia Hewitt explained that: “Pascal Lamy negotiates on behalf of all of us in the European Union and he has to make his judgment about the right point within those Green Room discussions at which to

60 Franz Fischler “Ten ingredients to make Cancún [a] success”, Press Conference, Brussels, 4 September 2003. Available at: [europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=SPEECH/03/384\[0\]RAPID&lg=EN&display=](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=SPEECH/03/384[0]RAPID&lg=EN&display=)

61 Q 24 [Matthew Lockwood, ActionAid]

62 Q 10 [Patricia Hewitt]

63 ICTSD, *Bridges Daily Update on the Fifth WTO Ministerial Conference, Issue 2, “Cotton, the ‘TRIPS and Health’ of Cancún?”* 11 September 2003. Available at www.ictsd.org/ministerial/cancun/wto_daily/ben030911.pdf; Q 24 [Duncan Green, CAFOD]

64 Q 11 [Patricia Hewitt]

65 *G20 Ministerial Communiqué* of 9 September 2003. Available at: www.mre.gov.br/portugues/imprensa/nota_detalhe.asp?ID_RELEASE=1838

66 Pascal Lamy, European Parliament debate on the outcomes of Cancún, p.85—see footnote 23; Q 41 [Pascal Lamy]

67 Q 41 [Pascal Lamy]

68 Q 1 [Patricia Hewitt]; Q 6 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt].

69 Q 45 [Pascal Lamy]

70 Ev 27 A3 [DFID and DTI supplementary memorandum]; Pascal Lamy, European Parliament debate on the outcomes of Cancún, 3-215 (see footnote 23).

offer a particular concession.”⁷¹ **The EU’s offer to unbundle the Singapore Issues, and to withdraw its demands for a start to negotiations on Investment and Competition, came far too late. The European Commission’s strategy of brinkmanship was destined to derail Cancún, particularly given the complications introduced by the emergence of new country-groups.**⁷² **The timing of the Commission’s offer to unbundle the issues left countries with little time to consider their positions, consult with their allies and respond constructively.**⁷³ **The unexpected closure of the Ministerial reduced the time available still further.**

32. We understand the concessions-trading logic of the WTO, but negotiating strategies based on brinkmanship and the with-holding of concessions until the last minute are not the best way of conducting a development round given the emerging geo-political realities. As Mike O’Brien, Minister for Trade and Investment, explained to the Trade and Industry Committee: “maybe we need to find a different way of approaching these issues so that it is not just the traditional ‘Let’s hold back our cards and not play them until the last possible moment’ style.”⁷⁴ The Government has been loathe to criticize the European Commission, at least in public,⁷⁵ but lessons have to be learned. We hope that the UK Government has made its views known to the European Commission in private.

Substance matters most: Singapore Issues, agriculture and cotton subsidies

33. Process matters, particularly when it is complicated by the emergence of new country-groups, but Cancún collapsed primarily because countries’ positions on matters of substance were too far apart. As Claire Melamed of Christian Aid put it, there is no “magic process which will transform what are essentially difficult political issues into technical problems to be overcome.”⁷⁶ As was apparent in reactions to the Derbez text,⁷⁷ substantive differences remained, particularly as regards: the Singapore Issues; agriculture, including the issue of cotton subsidies⁷⁸; and non-agricultural market access.

34. The Singapore Issues were divisive long before the Ministerial collapsed around them. At Doha, the WTO’s members agreed to launch negotiations on the Singapore Issues of Investment, Competition, Trade Facilitation and Transparency in Government procurement, subject to a decision to be taken by “explicit consensus” at Cancún on the modalities of negotiations. Developing countries understood this to mean that they retained the right of veto, a view which was shared by the UK.⁷⁹ The EU and Commission

71 Q 9 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]. The Government, responding to a written question from the Committee, has noted that: “Lamy has told the European Parliament that an earlier move would have been premature in the light of lack of movement from other countries on other issues in Cancún. It is not possible to be certain, with hindsight, whether or not this judgment was correct.” Ev 27 A3 [DFID and DTI supplementary memorandum]

72 Ev 58, paragraph 2.5 [Consumers’ Association memorandum]; Ev 30, paragraph 2.4 [Action Aid memorandum]

73 Ev 41 [CAFOD memorandum]

74 Q 16 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Mike O’Brien].

75 “DTI leak blames Lamy for Cancún failure”, the Guardian, 22 October 2003, p.21 (see footnote 5).

76 Q 25 [Claire Melamed, Christian Aid]

77 Ev 52-53, paragraph 1 [Christian Aid memorandum]

78 Ev 33, paragraph 4.12 [ActionAid memorandum]

79 Q 517 of oral evidence taken by the IDC, Session 2002-3, HC 400-II [Baroness Amos, then Secretary of State for International Development]

interpreted the requirement of “explicit consensus” rather differently, taking the view that WTO members had agreed, at Doha, to begin negotiations at Cancún. Prior to Cancún it was obvious that there would be no “explicit consensus” on including the Singapore Issues as part of the WTO’s agenda.⁸⁰

35. By mid-July, the UK Government had stated carefully that it did not regard the Singapore Issues as a priority.⁸¹ Nevertheless, in its 7 September response to our pre-Cancún report, the Government made clear that at that time it continued to support the launch of WTO negotiations on investment in this round.⁸² Governments (UK, France, Italy, Germany), Parliaments (UK, Germany, Netherlands, European Parliament) and European civil society organisations had all expressed varying degrees of concern about the wisdom of pushing the Singapore Issues.⁸³ The EU was the primary *demandeur*, and regarded developing countries’ opposition as largely tactical.⁸⁴ At Cancún a US Trade Representative spokesperson stated that the EU had “isolated themselves from the rest of the planet” on these issues.⁸⁵ **The insistence, by the EU and a small number of other countries, on the adoption of the Singapore Issues, in the face of overwhelming opposition from most developing countries, and the linkage made in the Derbez text between progress on agriculture and non-agricultural market access and progress on the Singapore Issues, were key factors in the collapse of Cancún. The EU’s decision to pursue negotiations on the Singapore Issues was a major error. The lesson is simple: developing countries’ concerns should be listened to carefully and taken seriously.**

36. On agriculture too there were major differences between countries and country-groups. The USA and the EU felt that they had revived negotiations on agriculture with their mid-August joint proposal,⁸⁶ a proposal which formed the basis for the agriculture section of the WTO’s first draft Ministerial text of August 24.⁸⁷ The EU in particular was bullish about its progress with reforming the Common Agricultural Policy (CAP) and thought that if only other countries appreciated just how radical its decoupling proposals were, they would surely be willing to shift their positions.⁸⁸ The Consumers’ Association suggested that there was insufficient time for the EU to take a step back and coolly consider

80 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, paragraph 96 (see footnote 1). The Least Developed Countries made clear in the Dhaka Declaration of 2nd June their opposition to launching negotiations (see www.sdnbd.org/sdi/issues/economy/ldc_dhaka/documents/ldc_final_declaration.pdf). The African Union expressed its reservations in the Grand Baie Declaration of 20 June (see www.cancun2003.org/en/web/111.html). Bangladesh, Cuba, Egypt, India, Indonesia, Kenya, Malaysia, Nigeria, Pakistan, Venezuela, Zambia and Zimbabwe insisted on the need for “explicit consensus” in a paper published by the WTO General Council on 8 July WTO (see www.ictsd.org/ministerial/cancun/docs/WTGCV501.doc).

81 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, paragraph 96 (see footnote 1); Q 517 of oral evidence taken by the IDC, Session 2002-3, HC 400-II [Baroness Amos]

82 *Government response to the Committee’s Seventh Report: Trade and Development at the WTO: Issues for Cancún*, (received on 7 September, published on 18 September) HC1093 [incorporating HC1092], p.9.

83 Action Aid, *Chips off the bloc: Disunity within the EU on the Singapore Issues*, August 2003. Available at www.actionaid.org/resources/pdfs/chips.pdf

84 Ev 47 [CAFOD memorandum]

85 ICTSD, *Bridges Daily Update on the Fifth WTO Ministerial Conference, Issue 4, “New ministerial statement to be issued today”*, 13 September 2003. Available at http://www.ictsd.org/ministerial/cancun/wto_daily/ben030913.htm

86 EU-US Joint Text: Agriculture, 13 August 2003. Available at www.tradeobservatory.org/library/uploadedfiles/EC-US_Joint_Text.pdf

87 WTO, Preparations for the fifth session of the Ministerial Conference, Draft Cancún Ministerial Text Revision [JOB(03)/150/Rev.1], 24 August 2003. Available at www.ictsd.org/ministerial/cancun/docs/Job.03.150.Rev.1.pdf

88 Our views on agriculture are set out in paragraphs 68-75 of this report. Our views on the EU’s CAP reform are spelt out in recommendations 6-8 of our pre-Cancún report (see footnote 1).

the positions and demands of other countries, between the EU's agreement on reform of the CAP in June and Cancún.⁸⁹ We agree. In addition, **the timing of the agreement on CAP reform and the EU's failure to agree on an absolute reduction in subsidies may well have made it difficult for the EU to sell its CAP reform plans to other members of the WTO. But the timing and extent of CAP reform was something which the EU's member-states alone could determine. This was an own goal resulting from a lack of coherence between EU policies on trade, development and agriculture.**

37. The G20+ felt that the joint USA-EU proposal and hence the first draft of the Ministerial text was unacceptable. They tabled an alternative agriculture proposal on 9 September, insisting that the success of Cancún depended on this proposal being treated on a par with the USA-EU joint proposal.⁹⁰ The G20+ paper demanded the elimination of Blue Box domestic support, the capping of a more tightly-disciplined Green Box, ambitious targets and timetables for reducing Amber Box subsidies, and a firm date for the elimination of export subsidies.⁹¹ It also refused to contemplate the extension of the Peace Clause, which is due to expire at end-2003 and prevents legal challenges under the Agreement on Agriculture (see glossary and paragraph 56).

38. Coming together at Cancún, the G90's members were concerned that their interests would be marginalised in negotiations between the G20+ and the USA-EU. Their aim was to protect their preferences, and if this was not possible, to ensure that they were appropriately compensated, and to improve their access to northern markets by tackling issues of high tariffs, tariff peaks and escalation. Countries in the Alliance for Strategic Products and a Special Safeguard Mechanism, which grew from 23 to 33 countries at Cancún, were concerned to maintain their ability to protect their domestic agricultural sectors in a more liberalised system of international agricultural trade. The USA and the EU, along with South Korea and Japan, did not want to be further constrained in their ability to subsidise their agricultural sectors. And the EU was apparently concerned that the G20+ proposal would benefit strong agricultural exporters and do little for the poorest developing countries. Significant progress was made on agriculture at Cancún,⁹² including the EU-inspired proposal that members should eliminate export subsidies on all products of interest to developing countries. To some observers there were signs that an agreement might have been possible. But as serious negotiations on agriculture never started, it is impossible to say how close an agreement was (see paragraphs 68-75 on the EU and agriculture).

39. Differences on agriculture were illustrated most clearly in relation to cotton. On 16 May 2003, four West African countries—Benin, Burkina Faso, Chad and Mali - had tabled a paper at the WTO which analysed the impact of cotton subsidies on the competitiveness of their cotton exports. The proposal called for the phased elimination of cotton exports and the establishment in the meantime of a compensatory financing facility. The proposal received considerable support, but—with US cotton subsidies as its main target—faced

89 Ev 57, paragraph 2.2 [Consumers' Association memorandum]

90 ICTSD, *Bridges Daily Update on the Fifth WTO Ministerial Conference, Issue 1, "Cancún Ministerial, setting the stage"*, 10 September 2003. Available at www.ictsd.org/ministerial/cancun/wto_daily/ben030910.htm

91 Under the current WTO Agreement on Agriculture production-boosting domestic support is classified as Amber Box, production-limiting domestic support is classified as Blue Box, and domestic support which is at most minimally trade-distorting is classified as Green Box support. See glossary for further explanation.

92 Memoranda submitted by Action Aid [Ev 29] and CAFOD [Ev 38] include much useful detail on agriculture.

determined opposition. At Cancún, the West African proposal was widely supported, prompting the WTO's Director-General to play a personal role in working towards a resolution. Expectations were raised; cotton subsidies were elevated to a totemic issue in much the same way as TRIPS and public health had been at Doha. But with elections next year in the USA, and several key states containing major recipients of US cotton subsidies, the USA remained unmoveable. As a result, the solution suggested in the Derbez text to the problem of cotton subsidies was not to reduce their level, but to encourage the West African countries to diversify out of cotton!⁹³

40. Although trade policy has international repercussions, it is primarily the product of domestic politics.⁹⁴ When international trade policy is the by-product of US electoral politics and rising protectionist sentiment, the USA's trading partners, including developing countries, are the losers. In our pre-Cancún report we suggested a general principle: the burden of adjustment should not fall on those countries who are least-equipped to deal with it.⁹⁵ The same applies to the burden of non-adjustment. We welcome DFID's ongoing work which aims to understand better the plight of the West African cotton producers, and encourage the UK and its EU partners to emphasise, in their dealings with the USA as well as with their own farmers, that the poor should not have to suffer the impacts of northern subsidies (see paragraph 60 on cotton, and paragraphs 81-83 on the IMF-World Bank adjustment assistance initiative).

41. Non-agricultural market access was a further area of contention at Cancún. In mid-August the EU, USA and Canada had tabled a paper proposing substantial tariff reductions for all countries. Despite this proposal being roundly rejected by developing countries, it formed the basis for the section on non-agricultural market access in the first draft of the Ministerial text. This text outlined a framework of steeper cuts on higher tariffs, something which developing countries objected to, but which was seen as insufficiently radical by some developed countries. In part, the stalling of progress on non-agricultural market access was—in addition to concerns about the erosion of trade preferences, the loss of tariff revenues, and the principle of non-reciprocity in tariff reductions—a result of slow progress on agriculture. Developing countries would not agree to reduce their barriers to trade in non-agricultural goods, unless and until the developed world made substantial concessions on agriculture.

The European Commission and the EU's Member States: Mandate, communication, accountability and transparency

42. Having extracted the lessons of Cancún as regards process, geo-politics and substance, we turn now to examine the role of the European institutions and Member States, and issues around the governance, role and scope of the WTO. The European Commission negotiates on behalf of the European Union and its Member States at the WTO. It is, as Patricia Hewitt put it, very important “to get the balance right between the Commission, who are doing the negotiation on our behalf, and the Member States and the Ministers who of course are responsible for the negotiating mandate.”⁹⁶ She had few complaints

93 Ev 41 [CAFOD memorandum]; Ev 59, paragraph 3.1 [Consumers' Association memorandum]

94 Ev 59, paragraph 3.1 [Consumers' Association memorandum]

95 IDC, Trade and development at the WTO: Issues for Cancún, HC400-I, paragraph 69 (see footnote 1).

96 Q 1 [Patricia Hewitt]

about how such relationships worked at Cancún, at least in public.⁹⁷ Others have been more vocal in their criticisms, suggesting that weak lines of accountability and poor information flows between the Commission and EU Member States—on agriculture⁹⁸ as well as on the Singapore Issues—may have had a detrimental effect on the strategy and tactics employed by the European Commission.⁹⁹

43. Questions have been raised about the timing of Pascal Lamy’s concession on the Singapore Issues. In our view, this offer came too late (see paragraphs 31-32). But it is difficult to know whether this was a failing on the Commission’s part or simply the result of the Commission following the mandate given by Member States. The evidence suggests the latter.¹⁰⁰ The minutes of the 21 July meeting of the European Council (External Relations) record that the “Council confirmed the objective of negotiating new WTO rules and disciplines in all four areas, and rejected suggestions that any one of the four Singapore issues might be removed from the scope of the single undertaking.”¹⁰¹ We asked the Government: what position the UK took at this meeting; which countries suggested unbundling; and, which countries rejected such a suggestion? In response, we were told that:

“The Commission reported to the Council that unbundling had been proposed by some WTO members. At that stage they considered that the acceptance of unbundling would mean dropping some issues on the agenda. Accordingly, they recommended that the EU should resist this approach. No Member State objected, and the Presidency summed up accordingly.”¹⁰²

44. In July, the then-Secretary of State for International Development, Baroness Amos stated that the UK did not regard the Singapore Issues as a development priority.¹⁰³ We welcomed this statement, and urged the Government to persuade its EU partners and the European Commission to stop promoting the Singapore Issues¹⁰⁴ (emphasis added). In its response to our pre-Cancún report, whilst making clear its position on the Singapore Issues (see paragraph 35 of this report), the Government did not respond to this specific recommendation.¹⁰⁵ Rectifying this omission, the Government stated on 27 September that: “we were and continue to be in dialogue with Member States and the Commission

97 “DTI leak blames Lamy for Cancún failure”, the Guardian, 22 October 2003, p.21 (see footnote 5).

98 Ev 42 [CAFOD memorandum]; “EU reneges on pledge to third world”, the Guardian, 11 September 2003, p.16 - see www.guardian.co.uk/international/story/0,3604,1039652,00.html; and, “Mexican standoff: the west is rumbled”, the Guardian, 15 September 2003, p.27, see - www.guardian.co.uk/wto/article/0,2763,1042074,00.html

99 Ev 54, paragraph 4.5 [Christian Aid memorandum]; Ev 42 [CAFOD memorandum]; Ev 35, paragraph 7.11 [Action Aid memorandum]; “DTI leak blames Lamy for Cancún failure”, the Guardian, 22 October 2003, p.21 (see footnote 5).

100 Q 9 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

101 EU General Affairs and External Relations Council, Minutes of 21 July meeting, p.20 [11439/1/03 REV 1 (Presse 209)]. Available at <http://ue.eu.int/pressData/en/gena/76752.pdf>

102 Ev 27, paragraph A4 [DFID and DTI supplementary memorandum]

103 Q 517 [Baroness Amos, then Secretary of State for International Development] Oral evidence taken by the IDC, Session 2002-3, HC 400-II

104 IDC, Trade and development at the WTO: Issues for Cancún, HC400-I, paragraph 98 (see footnote 1).

105 Ev 38 [CAFOD memorandum, Annex A]

regarding our view that any WTO agreement on the Singapore Issues must be development friendly.”¹⁰⁶

45. We appreciate that the UK Government had a difficult job to do in seeking to persuade its European partners and the European Commission that the Singapore Issues were not a priority. Rebutting a suggestion made by CAFOD,¹⁰⁷ the Government states that its line on investment was “in no way driven by tactical considerations relating to CAP reform.”¹⁰⁸ Nevertheless, seeking to de-prioritise the Singapore Issues whilst maintaining the momentum of CAP reform, must have involved some delicate balancing. Whilst we would not wish to jeopardise progress towards much-needed CAP reform, **in our view the Government should have done more to persuade the EU and the Commission to unbundle the Singapore Issues, and to drop Investment and Competition rather than simply make them less of a priority.**¹⁰⁹ **The Government should not have left itself open to the charge that it failed to express its views about the Singapore Issues with sufficient force.**

46. Such charges would be easier to refute if there were more transparency as regards the formulation and pursuit of European trade policy and objectives, and the respective roles of the Member States, the Council, the Commission and the European Parliament. The Article 133 Committee, with its membership of high-level Member State officials, plays an important role in communication between Member States and the European Commission. But its workings are little known. For instance, it remains unclear whether the Commission sought advice from the Article 133 Committee prior to making its Sunday morning offer to withdraw Investment, Competition and, by some accounts, Transparency in Government Procurement,¹¹⁰ or whether the Commission simply “reported” after the event, as the Government suggests.¹¹¹ A lack of transparency does not make for accountable or, ultimately, effective institutions.¹¹² **Although we welcome the EU’s commitment to greater use of Sustainability Impact Assessments as a contribution to enhancing transparency and improving discussion of the impacts of trade policy,**¹¹³ **the UK Government should do more. They should clarify the legal status of the Article 133 Committee and explain its role in determining the aims of European trade policy and pursuing those aims in multilateral fora. The UK Government should also consider following Denmark’s example by publishing the agendas of Article 133 Committee meetings when it next holds the presidency of the European Union in 2005. We share the Government’s view that the policies pursued by its developing country partners should be determined through democratic and inclusive processes; the EU should make this case through example.**

106 Ev 25 [Hilary Benn letter to Tony Baldry, Chairman of the IDC]

107 Ev 39 [CAFOD memorandum]

108 Ev 27, paragraph A5 [DFID and DTI supplementary memorandum]

109 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, recommendations 20-25 (see footnote 1).

110 Ev 54, paragraph 4.4 [Christian Aid memorandum]; ICTSD, *Bridges Daily Update on the Fifth WTO Ministerial Conference, Issue 5*, “At the eleventh hour, divergence all over again”, 14 September 2003. Available at www.ictsd.org/ministerial/cancun/wto_daily/ben030914.htm

111 Ev 27, paragraph A6 [DFID and DTI supplementary memorandum]

112 WWF-UK, *A league of gentlemen; who really runs EU trade decision-making?* November 2003. Available at www.panda.org/downloads/europe/aleagueofgentlemenfinal.pdf

113 Q 40 [Pascal Lamy]

Governance, role and scope: The WTO and a development round

47. If the WTO's members are to deliver a development round, they must learn several lessons from Cancún. When Ministerials are overloaded with issues to be considered and decisions to be taken, they are likely to fail. More progress needs to be made prior to Ministerials, especially in Geneva, and deadlines must be taken seriously. In addition Ministerials themselves need to be better organised. Cancún was an improvement on Doha or Seattle; there was more transparency, better communication, and more inclusive decision-making processes.¹¹⁴ But nevertheless, several organisational questions were posed by the collapse of the Ministerial: what is the most effective use of time at Ministerials; how should discussions on a range of issues be organised; what is the status of papers produced by facilitators and chairmen; how should decisions about the sequencing of negotiations be taken; and how should decisions about extending Ministerial meetings be taken? (see paragraphs 17-23).

48. In the immediate aftermath of Cancún, as at Seattle, Pascal Lamy complained about the WTO's "medieval" decision-making structures, pointing particularly to the difficulties of reaching consensus among 146 members, and to the fact that the Director General of the WTO has little power to push negotiations forward.¹¹⁵ **Along with Pascal Lamy,¹¹⁶ many developing countries¹¹⁷ and many NGOs,¹¹⁸ we are also concerned about the governance of the WTO, and specifically about the way in which Ministerials are run. As the World Development Movement put it, "for an organisation that creates so many rules, it is surprising that the WTO does not have any rules to guide its own negotiations and decision-making."¹¹⁹ The motivation for introducing new rules must be broader than one of efficiency; it must also be to ensure that multilateral negotiations are democratic, accountable and transparent. We were pleased therefore to hear Patricia Hewitt state that: "the fundamental principle of one member one vote must not be tampered with".¹²⁰ It seems likely that greater use might be made of mini-Ministerials, to try to reduce the pressure on Ministerials themselves.¹²¹ This, and other organisational improvements are suggested in a reflection paper produced by DG Trade of the European Commission for the consideration of the Article 133 Committee. We would be interested to hear the Government's response to the proposals mooted in this paper. Specifically, we invite the Government's comments: first, on what might be done to improve the effectiveness of Ministerials; and, second, on the likely impact of a greater use of Ministerials on levels of democracy, accountability, transparency and the participation of developing countries at the WTO.**

114 Q 14 [Patricia Hewitt]

115 Q 42 [Pascal Lamy]

116 EC Directorate General for Trade, *The Doha Development Agenda after Cancún* (see footnote 32); EC Directorate-General for Trade, *Reflection paper on WTO organisational improvements*, 29 October 2003.

117 WTO, *Preparatory process in Geneva and negotiating procedure at the Ministerial conferences*, Communication from Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Jamaica, Kenya, Malaysia, Mauritius, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe, (WT/GC/W/471). Available at www.wto.org

118 *The Cancún democracy challenge*. Available at www.wdm.org.uk/news/WTOdemands280703.htm

119 Ev 84, paragraph 4 [World Development Movement memorandum]

120 Q 27 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

121 EC Directorate-General for Trade, *Reflection paper on WTO organisational improvements*, 29 October 2003, p.6 (see footnote 116).

49. Cancún’s collapse has also led to questions about the nature of a “Development Round”, the role and scope of the WTO, and its relationship with other international organisations.¹²² In our pre-Cancún report, we suggested that there was some tension between the notion of a “Development Round” and the hard-bargaining concessions-trading which is the stuff of WTO negotiations.¹²³ At Cancún, there were certainly differing expectations.¹²⁴ Believing the rhetoric of a “Development Round”,¹²⁵ many developing countries thought that they would receive the benefits of a new round without having to make concessions themselves. Others, including the European Union, took the view that successful trade negotiations require all countries to make concessions. With hindsight, it seems to us that the notion of a development round was always likely to result in differing expectations. The “Development Round” may have been sold to developing countries at Doha, but the use of such language merely postponed the issue of determining just what it might amount to, and—unless its meaning is specified—allows countries to claim too easily that they have kept their Doha promises.

50. For some commentators the solution is for the WTO to pull back from the notion of a development round, and to return to its traditional emphasis on mercantilism and concessions-trading.¹²⁶ We have some sympathy with such suggestions, but the reality is that the very poorest countries have little in the way of concessions which they can exchange. They cannot, therefore, be part of a concessions-trading round. For some commentators such as Martin Wolf of the Financial Times, one solution is to have a round which does not include countries which are unwilling or unable to be part of a mercantilist round.¹²⁷ **But in our view, rather than excuse the developed world from delivering on its promise of a “Development Round” which involves developing countries, the appropriate response is to work harder to deliver a round that really does serve the developmental interests of the WTO’s diverse membership. If trade and trade liberalisation is a positive-sum game, then it ought to be possible to ensure that all countries gain; for a development round, the gains for developing countries should be substantial.**

51. The European Commission’s DG for Trade has, since Cancún, asked some fundamental questions about the scope of the WTO’s agenda, and about the ways in which trade agreements are organised.¹²⁸ One of their suggestions is that the WTO should have a core of agreements to which all members are signed up, and additional opt-in plurilateral agreements which would be binding only on those members who subscribe to them.¹²⁹ This would in effect be a variable geometry WTO, with the principle of the single-

122 Ev 84 [WWF-UK memorandum] especially paragraph 3.6 (Ev 86)

123 IDC, Trade and development at the WTO: Issues for Cancún, HC400-I, paragraph 16 (see footnote 1).

124 Q 16 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

125 Ev 41 [CAFOD memorandum]; Q 24 [Duncan Green, CAFOD]

126 Evenett, S.J. *The failure of the WTO Ministerial meeting in Cancún: What implications for future research on the world trading system?* CESifo Forum 3, Autumn 2003—see www.cesifo.de/link/forum3-03-focus2.pdf; Ev 63, paragraph 5.4 [Consumers’ Association memorandum]

127 “The abominable no-men menacing world trade”, the Financial Times, 24 September 2003, p.21. Available at www.wto.ru/en/opinion.asp?msg_id=6397

128 EC Directorate General for Trade, *The Doha Development Agenda after Cancún*, 25 September 2003 (see footnote 32).

129 Plurilateral agreements would be entered into by many or some of the WTO’s members, but not all of them.

undertaking abandoned. Such an approach may seem to offer the flexibility which the WTO needs, particularly if it were limited to allowing non-reciprocal commitments on market access.¹³⁰ But if it left developing countries with the choice of participating in negotiations for rules that they don't want, or facing pressure to sign up to rules which they had no part in negotiating, this would not be development-friendly.¹³¹ The European Commission clearly considers plurilateralism, as regards trade negotiations in general, and investment rules specifically, as a way out of the current impasse.¹³² Action Aid, CAFOD, Christian Aid, Oxfam and the World Development Movement suggest that there would be very strong opposition to a plurilateral investment agreement¹³³; plurilateral agreements on other issues might meet a similar response. **We would like to hear the Government's views about the implications for developing countries of a shift to plurilateral trade negotiations and agreements: might such a shift presage the emergence of a more flexible and development-friendly WTO; and, how could the interests of developing countries, and the priority afforded to poverty reduction, be protected?**

52. A common maxim for those contemplating institutional reform is, "if it isn't broken, don't fix it." The failure of two out of the last three WTO Ministerials suggests that some repairs are needed.¹³⁴ However, with the 2015 deadline for meeting the Millennium Development Goals (MDGs) fast-approaching, **now is not the time for fundamental reforms which act as a distraction, and which postpone any progress on making trade work for poverty reduction.**¹³⁵ **The question is whether there are some limited and useful reforms which can be undertaken immediately to restart negotiations in a more transparent and efficient manner without stalling the process completely, whilst discussions about more fundamental reform go on in parallel.**¹³⁶ **We invite the Government to comment on what immediate reforms it would like to see and what it is doing to secure such reforms, and also to tell us what input it is making into debates, including the work of the Sutherland Commission, about longer-term reforms.**¹³⁷

130 Oxfam, *The EU after Cancún: A way forward*, October 2003, p.2 (see footnote 50).

131 Ev 37, paragraph 8.12 [ActionAid memorandum]

132 EC Directorate General for Trade, *Singapore Issues—Options post-Cancún*, 30 October 2003. Available at www.ictsd.org/ministerial/cancun/docs/EC-Sing-Issues-Post-Cancun.pdf

133 ActionAid, CAFOD, Christian Aid, Oxfam and World Development Movement, *Four arguments against a plurilateral investment agreement in the WTO*, November 2003. Available at www.cafod.org.uk/policy/pia200311.shtml

134 Pascal Lamy, *The EU, Cancún and the future of the Doha Development Agenda*, speech delivered to the Journal for Common Market Studies, London 28 October 2003. Available at: http://europa.eu.int/comm/commissioners/lamy/speeches_articles/spla195_en.htm

135 Q 14 [Patricia Hewitt]; Q 27 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

136 Q 24 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Mike O'Brien]; Q 42 [Pascal Lamy]; Ev 72, paragraph 37 [Oxfam memorandum]

137 Trade Observatory, *After Cancún, WTO panel seeks an end to gridlock*, 29 September 2003. Available at www.tradeobservatory.org/News/index.cfm?ID=4839

4 Reviving a genuine development round

Post-Cancún prospects: Bilateralism, trans-atlantic relations and the peace clause

53. If the promise of a “Development Round” disappears and there is a shift to prioritise bilateral trade negotiations, then the collapse of Cancún will have been a disaster. A missed opportunity to make trade work for poverty reduction would be a major setback for progress towards the MDGs. Fears of these outcomes are well-founded.

54. As Cancún collapsed, the USA indicated clearly its intention to move forward with bilateral and regional trade negotiations with what the United States Trade Representative Robert Zoellick referred to as the “can-do” countries.¹³⁸ Pascal Lamy also wondered aloud about the best way for the EU to manage its trading relations.¹³⁹ Patricia Hewitt said that she would “strongly oppose a shift in emphasis from multilateral to bilateral talks”.¹⁴⁰ Poor developing countries would lose most from a shift to regional trade blocs and bilateral deals. The poorest countries would not be invited to participate in such arrangements, and those that were would be subject to the full-force of bilateral arm-twisting, unprotected by a multilateral framework of rules. **The UK Government must ensure that its strong support for multilateralism is heard loud and clear by its European partners, and also that in the EU’s own bilateral relations—through for instance Economic Partnership Agreements with the ACP countries—its objective remains developmental partnership rather than bilateral arm-twisting.**¹⁴¹

55. Heightened tensions between the USA and the EU over steel tariffs, with continuing disagreements on genetically-modified organisms, hormone-treated beef, and the taxation of foreign sales corporations, do not bode well for EU-USA trade relations and the prospects of reviving the development round. In any trade war between the EU and the USA many non-combatant developing countries would be injured too. If the round is to be revived, both the USA and the EU must remain committed to trade multilateralism at the WTO. Patricia Hewitt told us that the USA does not wish to be responsible for the failure of the Doha round,¹⁴² but there is a world of difference between this sentiment and a willingness to provide the leadership which is needed to revive the round. Forthcoming elections, in India, and in the USA, and the appointment of a new European Commission complicate the picture still further. **We trust that the Prime Minister is using what political capital he has with President Bush to convince him that reviving the development round is an important front in the war on poverty, and that the war on poverty is complementary to the war against terrorism.**

138 “America will not wait for the won’t-do countries”, the Financial Times, 22 September 2003. Available at www.ustr.gov/speech-test/zoellick/2003-09-22-ft.htm

139 “EU may rethink multilateral trade role”, the Financial Times, 17 September 2003, p.12. Available at www.ioe-emp.org/ioe_emp/news/pdf/News_15%20-19.September.pdf

140 Q 26 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

141 Ev 74 [Traidcraft memorandum]

142 Q 2 [Patricia Hewitt]

56. There is a danger that trade negotiations will simply drift. For instance, it has been reported that the EU favours pushing back the 15 December deadline until February 2004.¹⁴³ But the expiry of the Peace Clause—which shields agricultural subsidies from dispute settlement proceedings (see glossary)—ought to concentrate minds,¹⁴⁴ assuming of course that the WTO’s members remain committed to multilateral trade rules and dispute settlement procedures. When it expires at the end of 2003, agricultural subsidies will be subject to the same disciplines as industrial subsidies. The pre-Cancún EU-USA paper on agriculture proposed an extension of the Peace Clause, a measure which the G20+ refused to contemplate. **We would not want to see the WTO swamped by a flood of disputes, but clearly if the WTO is to be credible and effective, developing countries must be able to make use of its dispute settlement procedures to challenge trade-distorting agricultural subsidies wherever they are found. The Peace Clause should not be extended; backdoor efforts by the USA and the EU to extend it through re-interpretation of its expiry date must be resisted strongly.**¹⁴⁵

What’s on the table?: The Derbez text and the Singapore Issues

57. The progress made at Cancún must not be squandered. In the Ministerial Declaration made at the close of Cancún the WTO’s members committed themselves to continue working on outstanding issues “with a renewed sense of urgency and purpose and taking fully into account all the views we have expressed in this Conference”, taking “all the valuable work that has been done at this Conference” into the new phase of discussions.¹⁴⁶ Members stated that: “In those areas where we have reached a high level of convergence on texts, we undertake to maintain this convergence while working for an acceptable overall outcome.”¹⁴⁷

58. But somewhat predictably, disagreements have emerged in the weeks since Cancún, primarily around the question of how to take things forward. Should the Derbez text be the starting point? Or, the Derbez text plus the European Union’s concession on the Singapore Issues? Or, the Derbez text with the patronising advice on cotton removed? Or the pre-Cancún first draft Ministerial Declaration? Or the Doha Declaration? Or none of the above?

59. For us the key question is, what starting point will maximise the chances of the WTO’s members delivering a genuine development round?¹⁴⁸ This is not an easy question to answer, but the WTO’s members must decide, and they must decide in a manner which rebuilds trust between members and their confidence in the WTO as an institution capable of delivering a development round.

60. The decision on which text to use as the starting point must not be made by a limited group of countries. The USA has been promoting the Derbez text as the best basis for re-starting negotiations, and has the support of the APEC (Asia-Pacific Economic

143 ICTSD, *Bridges*, Year 7(8), November 2003, p.11. Available at www.ictsd.org/monthly/bridges/BRIDGE57-8.pdf

144 Q 22 [Patricia Hewitt]

145 ICTSD, *Bridges*, Year 7(7) September-October 2003, p.4. Available at www.ictsd.org/monthly/bridges/BRIDGE57-7.pdf

146 WTO, *Ministerial Statement*, 14 September 2003 (see footnote 8).

147 Ibid.

148 Q 28 [John Hilary, formerly ActionAid]

Cooperation) countries. But the Derbez text was roundly condemned at Cancún, and many countries, including India, are adamantly opposed to its re-incarnation.¹⁴⁹ **If the Derbez text is to be the basis for negotiations, the Singapore Issues must—with the possible exception of Trade Facilitation on which an explicit consensus seems near - be removed and the condescending language on cotton subsidies expunged. The Singapore Issues should be considered parallel to the round, with reports on possible ways forward made to the WTO’s General Council by the start of 2005. A solution to the issues around cotton should be pursued within the agriculture negotiations, alongside efforts to tackle agricultural subsidies more generally.**

61. There is some confusion too as to what offer was made by the European Commission, on behalf of the EU, on the Singapore Issues, and whether this offer stands. There is no doubt that Pascal Lamy offered to withdraw Investment and Competition; but there have been reports that he also offered to withdraw Transparency in Government Procurement.¹⁵⁰ Perhaps to gloss over such confusion, and the gaps in accountability which created this situation, the Commission’s DG for Trade has since stated that: “Although the Commission indicated its willingness to reduce the agenda at Cancún, this offer was not accepted and therefore does not constitute any formal or informal commitment on behalf of the EU”.¹⁵¹ In his evidence to us, Pascal Lamy said that he made the proposal in an effort to move negotiations forward, and that as the negotiations did not move forward “we are now back to square one.”¹⁵² He explained: “The table crumbled; there was no table and there was nothing on the table.”¹⁵³ This may be a nice metaphor, but this attitude will not help to revive the round. As Patricia Hewitt put it: “If everybody goes back to their own positions we will not get anywhere.”¹⁵⁴

62. We fail to understand how, having signed up to the Ministerial Declaration, the European Commission can perform a u-turn on the Singapore Issues and hope to retain its credibility. Such a manoeuvre shows no appreciation of the strength of feeling among developing countries about the Singapore Issues. If the Commission’s about-turn looks shoddy to us, as parliamentarians of an EU member state, we can imagine how it must look to developing countries. This is not the way to rebuild trust and confidence in the EU’s commitment to a genuine development round. Neither is it the way to revive the round or to work towards an equitable inclusive system of multilateral global governance. Credibility and trust, the essential lubricants of peaceful international relations, are quickly lost, but slowly regained. We look forward, in the interests of transparency and accountability, to hearing exactly what position the Government has been taking at meetings of European trade Ministers and officials in the run-up to 15 December.

149 Pascal Lamy, *The EU, Cancún and the future of the Doha Development Agenda*, speech delivered to the Journal for Common Market Studies, London 28 October 2003 (see footnote 134).

150 South Centre, *Chronology of events in the Cancún WTO Ministerial Conference*, 22 September 2003. “EU may be more flexible on global trade talks agenda”, the Financial Times, 20 November 2003, p.13 (see footnote 5).

151 EC Directorate General for Trade, *The Doha Development Agenda after Cancún*, 25 September 2003, p.14 (see footnote 32).

152 Q 45 [Pascal Lamy]

153 Q 46 [Pascal Lamy]

154 Q 12 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

63. The Commission has been consulting Member States, and others, as to what its position should be on the Singapore Issues.¹⁵⁵ A paper prepared by the Commission's DG for Trade on 30 October sets out a range of options, and questions for the Article 133 Committee to discuss.¹⁵⁶ The paper berates other countries for not sharing the Commission's, in our view, bizarre interpretation of "explicit consensus", for failing to "participate constructively" or to "respect their commitments". It then indicates that whilst the EU is not prepared to give up on the Singapore Issues in the WTO, it may be sensible to consider each of them on their own merits (unbundling), to remove them from the Single Undertaking, and to pursue optional and plurilateral agreements.

64. In this scenario, progress with the development round would not be conditional on reaching agreement on the package of four issues. This is welcome—each issue should always have been treated on its own merits—although of course unbundling and dealing with the issues in a plurilateral manner will not in itself make them any more palatable to some. Plurilateral agreements can constrain countries' policy space just as much as multilateral ones.

65. In its analysis of potential ways forward, the Commission reveals the limitations of its thinking. The Commission's starting point is to ask why the Singapore Issues were rejected. Its own answers relate to:

- the reluctance of some developing countries to surrender their policy space;
- the apparent absence of negotiating capacity for some developing countries; and,
- the reluctance of some developed countries to tie their hands to a multilateral rather than a bilateral or unilateral approach to investment and competition.

66. So far, so good. But the Commission's subsequent analysis of the options for moving forward completely ignores its own answers to the question of why the Singapore Issues were rejected. **There may well be value in optional participation and plurilateral agreements on the Singapore Issues, but unless developing countries' underlying concerns are addressed—including legitimate concerns about their policy space—the Commission's proposals will not, and should not, be accepted. Plurilateral optional agreements entered into by a sub-set of the WTO's membership are not problem-free; this approach was floated by the EU prior to Cancún and received, at best, a lukewarm response from developing countries. A plurilateral approach would leave developing countries with the unenviable choice of taking part in negotiations that they don't want, or not participating and facing pressure at a later date to sign up to an agreement they had no part in negotiating.**¹⁵⁷

67. **We reiterate what we said prior to Cancún: the Singapore Issues are not a development priority.**¹⁵⁸ **Developing countries have made this abundantly clear. Agreements on these issues should not, therefore, be pursued as part of the current**

155 Q 46 [Pascal Lamy]

156 EC Directorate General for Trade, *Singapore Issues—Options post-Cancún*, 30 October 2003 (see footnote 132).

157 CAFOD, *Initial comments on EC Singapore Issues Options Paper*, 7 November 2003. Available at www.investmentwatch.org/files/CAFODInitial.doc

158 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, recommendations 20-25 (see footnote 1).

round. This reasoning should apply to each of the issues, with the possible exception of Trade Facilitation, an issue on which an explicit consensus seems near. As the Chancellor of the Exchequer, Gordon Brown, stated after Cancún, “in putting developing countries’ interests first, we must focus on agriculture and not be distracted by the Singapore issues (investment, competition, transparency in procurement and trade facilitation).”¹⁵⁹

The European Union and agricultural reform

68. There will be no development round without agreement on agriculture. A development-friendly agreement on agriculture must, at a minimum, pass two developmental tests: will it stop dumping?; and, will it allow developing countries to protect themselves from any continuation of dumping? In addition, it must: reduce tariffs and tackle tariff peaks and escalation; extend duty-free and quota-free access to all LDC exports into all developed countries; ensure that tariff barriers are not replaced by other forms of protectionism; include binding timetables to reduce and in time eliminate domestic support and export subsidies of all types; and, compensate and assist current preference holders and ensure the food security of the net-food-importing developing countries and the LDCs.¹⁶⁰

69. For the developing countries, neither the joint proposal made by the EU and the USA, nor the Derbez text were adequate. That said, some progress was made. **We welcome the inclusion in the Derbez text of the EU-inspired proposal to “remove export subsidies for products of particular interest to developing countries”,¹⁶¹ and hope that developing countries will respond positively to this offer. This offer must remain on the table post-Cancún; there must be no backtracking. And it must be for developing countries themselves to determine which products are of particular interest to them.**

70. The EU’s position on agriculture plays a large part in determining what sort of a multilateral deal might be possible. The EU is—in contrast to the USA with its Farm Bill—moving in the right direction on agricultural reform.¹⁶² But the speed of movement is far too slow. It is not simply that the EU lacked the time to explain its proposals to developing countries between its agreement on CAP reform and Cancún¹⁶³ (see paragraph 36). Developing countries, we believe, understood the agreement on CAP reform perfectly well, and, like us, were desperately disappointed, though not surprised, given the November 2002 Franco-German agreement.¹⁶⁴

71. The agreement on CAP reform does not provide a sufficient basis for making good multilateral progress on agriculture. In evidence to us, and to the Trade and Industry Committee, Patricia Hewitt, Hilary Benn and Mike O’Brien all stressed that the June

159 “Gordon Brown: Globalisation and the poor man’s burden”, the Independent on Sunday, 21 September 2003. Available at <http://argument.independent.co.uk/commentators/story.jsp?story=445366>

160 IDC, Trade and development at the WTO: Issues for Cancún, HC400-I, paragraph 77 (see footnote 1).

161 Preparations for the Fifth Session of the Ministerial Conference, *Draft Cancún Ministerial Text, Second Revision* (see footnote 3).

162 Q 48 [Pascal Lamy]

163 Q 5 [Patricia Hewitt]; Q 9 [Hilary Benn]; Q 8 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

164 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, paragraphs 54 and 151 (see footnote 1).

agreement on decoupling was better than might have been expected.¹⁶⁵ When we heard from Baroness Amos in June, the glass of EU CAP reform looked half-empty¹⁶⁶; post-Cancún the Government's line seems to be that the glass is half-full. As Patricia Hewitt put it: "It is not perfect but this is the real world; it is a good package of agricultural reform that is good for our taxpayers, consumers and our farmers as well as for the farmers of the developing world. That is why I say our interests as well as the interests of developing countries have been well-served in this respect".¹⁶⁷ We disagree.

72. The interests of European taxpayers and consumers, and most especially the farmers of developing countries who suffer the effects of the dumping of agricultural products, are poorly served by the EU's agreement on CAP reform. The reform may be substantial in terms of EU politics, but that does not mean that it will make a substantial difference to developing countries. Partially decoupled agricultural support will still keep European farmers in business at the expense of farmers in developing countries. If agricultural subsidies keep farmers in business, and their products are exported, then those subsidies are trade-distorting.¹⁶⁸ This is self-evident.

73. Agricultural negotiations at the WTO revolve around definitions. Under the current Agreement on Agriculture, Amber Box support (production-boosting and trade-distorting) is to be reduced, Blue Box support (production-limiting) is not subject to reduction commitments, and Green Box support (at most minimally trade-distorting) is neither limited nor subject to reduction commitments. The unfettered use of Green Box measures is crucial for the EU; moving agricultural support from the Amber Box and the Blue Box to the Green Box is central to maintaining progress with CAP reform, and consequentially with multilateral negotiations. In Pascal Lamy's view, capping the Green Box would be the "best disincentive" to further CAP reform.¹⁶⁹ Capping the Green Box would not—so the Commission and the UK Government argue—be politically realistic.¹⁷⁰ But for others, including the G20+, if Green Box subsidies keep farmers in the business of exporting their produce, then they are trade-distorting and should be subject to limits and reduction commitments. The question is: is the Green Box a stepping stone or a stumbling block towards fundamental development-friendly agricultural reform, within the EU and internationally? Pascal Lamy dismissed our questioning about whether Green Box support is trade-distorting as "a very interesting academic question".¹⁷¹ To poor farmers in developing countries and to exporters in less poor but still developing countries, it is more than academic.

74. Pascal Lamy explained that decisions about what sorts of subsidies fall into the Amber, Blue and Green Boxes are made at the WTO; in his view this is where such decisions

165 Q 5 [Patricia Hewitt]; Q 8 [Mike O'Brien] and Q 19 [Patricia Hewitt] of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i

166 Q 514 [Baroness Amos, then Secretary of State for International Development] Oral evidence taken by the IDC, Session 2002-3, HC 400-II

167 Q 19 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

168 Q 37 [Duncan Green, CAFOD]

169 Q 50 [Pascal Lamy]

170 Q 6 [Patricia Hewitt]

171 Q 50 [Pascal Lamy]

should be made.¹⁷² We are not convinced. **The question of whether or not particular forms of agricultural support fall into the Green Box must be based on objective assessments rather than political bargaining, as the EU itself seemingly recognised in its earlier proposal to review the Green Box criteria.**¹⁷³ This issue has become too politically divisive for it to be considered objectively at the WTO. We support the call made by CAFOD, Action Aid and others for an independent review—preferably conducted by the World Bank—of the Green Box criteria and the impact of different forms of subsidies on production and trade,¹⁷⁴ and recommend that the UK Government support this proposal too.

75. We recognise the complex multi-level politics of agricultural reform, but efforts to create a set of fair and development-friendly rules for international trade in agricultural goods cannot be built simply on the basis of what seems politically feasible from an EU perspective. **Multilateral trade negotiations at the WTO are supposed to be about providing a level playing field. The Common Agricultural Policy slants the playing field to the tune of \$50 billion per year. As Oxfam point out, you can defend multilateralism or defend the Common Agricultural Policy, but you cannot do both.**¹⁷⁵ The UK must continue to press for urgent and radical reform of the CAP, including full decoupling, rather than going along with an exercise which tries to hide trade-distorting subsidies in a different coloured box. If the EU wishes to support its farmers, or protect its environment, or improve animal welfare, this must be done in a manner which does not harm the interests of developing countries.

Dealing with difference: Preference erosion, SDT and coherence

76. For some commentators, Cancún saw the emergence at the WTO of the sort of North-South conflict which has sometimes been apparent at the United Nations. There may be some truth to this, but it seems to us that Cancún was a key moment in the emergence of an increasingly multi-polar world which is more complex than a North-South picture suggests. As Pascal Lamy explained, there are several Souths and several Norths.¹⁷⁶ We would not want to overdo this—was much agreement between diverse developing countries at Cancún—but there is little identity of interests between agricultural exporters such as Brazil who favour rapid and widespread agricultural liberalisation and ACP countries who are heavily dependent on preferences.¹⁷⁷ This poses the question: can multilateral liberalisation—which, by definition leads to preference erosion—be development-friendly, particularly given the emergence of China as an economic superpower capable of producing many goods at lower cost than most developing countries? For countries which are heavily-dependent on preferential access to markets—for sugar and other agricultural goods, for textiles and clothing—at first glance the answer

172 Ibid.

173 EC *Comprehensive Negotiating Proposal*, 14 December 2000 (G/AG/NG/W/90) paragraph 13. Available at: www.wto.org/english/tratop_e/agric_e/ngw90_e.doc

174 CAFOD, ActionAid, Germanwatch, German NGO forum for environment and development, *Post-Cancún Reflections on Agriculture: Joint NGO submission to the European Commission*, October 2003. Available at www.germanwatch.org/tw/c03ecsub.pdf

175 “Cancún was where the WTO found glasnost—and a chance for renewal”, the Guardian, 22 September 2003, p.25. Available at www.guardian.co.uk/wto/article/0,2763,1047046,00.html

176 Q 40 [Pascal Lamy]

177 Q 6 [Patricia Hewitt]

is no. A round which is development-friendly for Brazilian agricultural exporters, risks being development-unfriendly for Caribbean sugar producers.

77. The WTO's members range from the desperately poor to the immensely rich. This puts them in very different positions in terms of their ability to benefit from liberalisation. In turn this raises the key question of whether negotiations aimed at delivering a multilateral framework of rules for progressive liberalisation can deliver a development round which will be to the benefit of all.

78. If trade liberalisation is a positive-sum game, then it ought to be possible to deliver a round, or a round combined with supporting mechanisms, which sees all countries win. The challenge is to devise mechanisms, either within the WTO or external to it, which will ensure that the round delivers a framework of rules and tariff reductions which will enable all countries to harness the benefits of trade for development and poverty reduction. Unless all countries feel they will gain by concluding the round, the round will not be concluded, and no country will gain.

79. Within the WTO, Special and Differential Treatment (SDT) has the task of creating a level playing field for vastly unequal players, either by exempting qualifying countries from certain WTO rules, or by granting them preferential treatment in their application. But developed and developing countries have become increasingly dissatisfied with the way in which SDT works. It has rarely led to assistance with implementing agreements, or encouraged development, but rather has led to a fragmentation of the multilateral trading system.¹⁷⁸ The Doha Declaration promised to review SDT with a view to strengthening it, and making it more precise, effective and operational. In our pre-Cancún report, we suggested some principles which should guide the development of effective SDT,¹⁷⁹ building on useful work carried out by DFID, the World Bank, UNCTAD, UNDP and the International Centre for Trade and Sustainable Development (ICTSD).¹⁸⁰

80. Very limited progress was made on SDT in Geneva; some measures were agreed, but few, if any, of these will bring development benefits. At Cancún, as regards SDT, there was silence.¹⁸¹ The WTO's members failed totally to get to grips with the need to make multilateral rules flexible enough to accommodate their own diversity. **In response to our pre-Cancún comments on SDT, the Government acknowledged that “the WTO systems must be made more flexible and sophisticated to respond to widely differing needs”¹⁸² and suggested that a first step in encouraging a constructive debate might be to establish an expert working grouping which would report to the WTO's General Council. This sounds like a good idea; we look forward to hearing what progress the Government has made with this proposal.**

178 IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, paragraphs 135-146 (see footnote 1).

179 *Ibid.* paragraph 145 (see footnote 1).

180 See Bernard Hoekman (World Bank) and Susan Prowse (DFID), *More favourable treatment for developing countries in the WTO: Policy options for a way forward*, Paper for a high-level meeting on trade and development, Copenhagen, 27 May 2003—available at www.um.dk/udenrigspolitik/handel&udvikling/background/SDT-paper.pdf; and ICTSD, UNCTAD and UNDP, *Making special and differential treatment more effective and more responsive to development needs*, Report of a seminar held on 6 and 7 May 2003, p. 9 - available at www.ictsd.org/dlogue/2003-05-06/Dialogue-draft-meeting-report.pdf

181 Q 26 [Duncan Green, CAFOD]

182 *Government response to the Committee's Seventh Report: Trade and Development at the WTO: Issues for Cancún*, p.15 (see footnote 82).

81. A more differentiated system of SDT is an important way of providing flexibility within the rules of the WTO, but movement on SDT is very slow. Progress with the development round and with ensuring that the WTO can accommodate the needs of a diverse group of countries cannot wait for progress on SDT. Other mechanisms are needed to ensure that the gains from trade liberalisation are distributed so that all countries gain and hence have an incentive to keep the round's momentum going. In this regard, one of the positives from Cancún was the announcement by the IMF and World Bank of a new "contingent insurance" initiative to help developing countries to cope with the adjustment costs of liberalisation, including the loss of preferences and reduced tariff revenues.¹⁸³ Specifically, the initiative would provide financial support to countries that face a net negative impact on their balance of payments as a result of multilateral trade liberalisation. **The recognition by the international financial institutions, and the WTO, that the impacts of trade liberalisation vary by country, and that the timing and sequencing of a country's trade reforms matters is welcome and somewhat overdue. Such a recognition necessitates increased coherence between the various multilateral institutions. As such, we warmly welcome the IMF-World Bank adjustment assistance initiative as a concrete mechanism for strengthening co-operation and coherence between the WTO, the IMF and the World Bank,¹⁸⁴ and applaud DFID for its role in promoting this initiative.**

82. Coherence and an enhanced role for the international financial institutions are not good things in themselves. They are only beneficial if they support countries' nationally-owned poverty reduction strategies and make them more effective. Designed and managed well, the IMF-World Bank initiative could help countries to weather the adjustment costs of multilateral liberalisation. Designed and managed poorly it could be seen as little more than a sweetener to persuade developing countries to agree to WTO rules that are not in their interests, and, still worse, to acquiesce to other demands that the international financial institutions might make. Given the role of the IMF in encouraging developing countries to liberalise—the evidence of which Patricia Hewitt saw first hand in her pre-Cancún trip to Honduras with Christian Aid—such a fear would not be without foundations. Indeed, on her return from Cancún and Honduras the Secretary of State, emphasising that the governments of developing countries retain the right and responsibility to put in place appropriate regulatory frameworks, remarked: "That is an issue to which the World Bank and IMF should pay attention."¹⁸⁵

83. The IMF-World Bank initiative is potentially very significant; the UK must do its utmost to ensure that it is well-designed. Decisions about whether, when, how, on what basis, and to which countries, assistance should be provided, must be based on the needs of developing countries. And the IMF-World Bank initiative must not be the sole preserve of the international financial institutions. Rather, its design and operation must be shaped by the expertise, knowledge and experience of developing countries themselves, UNDP, UNCTAD and bilateral donors, as well as the expertise and backing

183 Anne Krueger, First Deputy Managing Director, IMF, *Address at the fifth WTO Ministerial conference*, 10 September 2003. Available at www.imf.org/external/np/speeches/2003/091003.htm

184 Ev 26 [DFID and DTI memorandum]

185 Patricia Hewitt, Hansard, 17 September 2003, col. 874. Patricia Hewitt also told the House of Commons that an important part of lifting small scale subsistence farmers out of poverty was to ensure "that Governments in developing countries have the policies base on which to ensure that vulnerable producers in rural communities are properly supported and protected. That also needs to be taken into account by the World Bank and the IMF." (Hansard, 17 September 2003, col. 876).

of the international financial institutions. As the Government states, adjustment assistance and mechanisms to deliver it must be built on sound analysis of the impacts of liberalisation on poverty.¹⁸⁶

84. The detailed mechanisms of the IMF-World Bank initiative, and other ways of achieving greater coherence between the WTO and other institutions, and between countries' trade and other policies, are beyond the scope of this report. But we are aware of useful ongoing work concerning the role which might be played by mechanisms such as the Integrated Framework, the WTO's Balance of Payments Committee, or a restructured Trade Policy Review Mechanism with greater input provided by the World Bank, the IMF and the UN's development organisations.¹⁸⁷ Designing institutions to enable countries to harness well-sequenced trade reform in pursuit of their poverty reduction goals, and to ensure that nationally-determined policies are supported by multilateral rules, is a complex endeavour. There is no doubt that aid should be used to build countries' capacities to trade; the question is what is the most effective way of delivering aid for trade? We are pleased that DFID is leading the way with such work, and is promoting the better integration of trade and trade policy with countries' nationally-owned poverty reduction strategies.¹⁸⁸

Political leadership

85. Progress has been slow with the development round. The prospects of concluding the round by its January 2005 deadline are slim. Other trade rounds have made slow progress, but if trade is to play its part in generating the resources countries need to meet the MDGs, this round must not stall. Political leaders must inject some momentum. The USA and the EU have been distracted by war in Iraq and the war on terrorism. But as the WTO's members realised at Doha, shortly after the 11 September attacks, the development round and the war on poverty are not unrelated to the war on terrorism.

86. Delivering a successful development round would be an important step towards healing the scars of poverty, improving the life-chances of billions of people, and removing one of the impediments to a more peaceful and secure world. There ought perhaps to be a plan B for harnessing the energies of trade for poverty reduction, but the overwhelming priority—particularly given the problems besetting negotiations on regional agreements such as the Free Trade Area of the Americas—is to revive the development round.

87. The USA is unlikely to provide the necessary leadership at this time; its energies are directed elsewhere. The EU has been in listening mode. But, welcome as it is, listening is not sufficient to deliver a genuine development round. **Patricia Hewitt stated that: "Europe as one of the largest and leading players in the WTO does need to take a lead and put a great deal of effort into helping get the talks back on track in Geneva".**¹⁸⁹ **We fully endorse this. The EU was the primary architect of the Doha Development Agenda**

¹⁸⁶ *Statement to the Development Committee of the IMF/World Bank* made by Baroness Amos and Gordon Brown, Dubai, September 2003. Annex B of UK Government submission to the IDC's evidence session on the Autumn meetings of the IMF and World Bank.

¹⁸⁷ Prowse, S (2002) Mechanisms for Trade-related capacity building and technical assistance after Doha, *The World Economy* 25(9)

¹⁸⁸ Q 17 [Hilary Benn]

¹⁸⁹ Q 12 [Patricia Hewitt]; Q 34 of oral evidence taken by the Trade and Industry Committee, Session 2002-03, 15 October 2003, HC1178i [Patricia Hewitt]

and could—by working with others including the G20+, the G90 and the G33—revive the round.

88. As we were finalising this report, on 26 November the European Commission published a new document, “Reviving the Doha Development Agenda negotiations—the EU perspective.” This paper sets out the Commission’s views on “how the EU could best contribute to a successful re-launch of negotiations”.¹⁹⁰ It was endorsed by EU trade Ministers on 2 December, and was to be adopted by EU foreign Ministers on 8 December, so that the EU position could be settled by 15 and 16 December meetings at the WTO.

89. In this communication, the European Commission signals that the EU is ready to re-engage to get the talks on track. The paper states that the EU is committed to the multilateral trading system, sees a strong rules-making component as an essential part of the round alongside agreements to improve market access, and believes it essential to ensure that negotiations deliver a development round. The paper outlines areas where the EU might be flexible—the Singapore Issues, trade and environment linkages, and Geographical Indications¹⁹¹—and areas where the EU wants to see other players being more flexible—agriculture, cotton, industrial tariffs, and trade in services. Finally, the paper argues at present for limited reform of the WTO, especially the organisation of Ministerial meetings.

90. We are pleased that the Commission and the EU are now keen to play their part in reviving the round, but our response to the detail of the communication is more mixed. We welcome the Commission’s support for the multilateral trading system, and agree that rules are a key component of any multilateral framework (see paragraph 54), but would wish to emphasise that new rules must be development-friendly and wanted by developing countries. New rules are not always a good thing. We welcome too the Commission’s emphasis on a “development round”, but are disappointed to see that the Commission’s understanding of this amounts to little more than the greater integration of developing countries into the world economy.¹⁹² This is no doubt desirable, but a “development round” ought to offer more than other rounds do for developing countries (see paragraphs 49-50, and our pre-Cancún report). On the Singapore Issues, the Commission’s acknowledgement that these issues should be taken out of the Single Undertaking and considered, issue-by-issue, on their own merits, and with the aim being plurilateral agreements, is good news.¹⁹³ Nevertheless, as we have made clear, making an agreement plurilateral will not make it any more palatable to many developing countries (see paragraphs 63-67). The EU’s pursuit of agreements on the Singapore Issues must not be allowed to endanger the round as a whole. On cotton, we welcome the Commission’s support for an effective and specific solution at the WTO¹⁹⁴ (see paragraphs 39 and 60). And we agree with the Commission that the profile of commodities issues should be raised

190 European Commission, *Reviving the DDA negotiations*, p.2 (see footnote 58).

191 Geographical Indications identify a good as originating from a particular place or region, and imply that the good’s geographical origin shapes its qualities or reputation. Rules on Geographical Indications prevent unauthorised parties from using protected names for products not originating from that place or region.

192 European Commission, *Reviving the DDA negotiations*, p.4 (see footnote 58).

193 *Ibid.* pp.10-11 (see footnote 58).

194 *Ibid.* p.8 (see footnote 58).

at the WTO.¹⁹⁵ Finally, we share the Commission's view about the need to improve the organisation of WTO Ministerials, whilst ensuring that we do not get distracted from the development round by embarking on too ambitious reforms at this stage¹⁹⁶ (see paragraphs 17-23 and 47-48).

91. On agriculture, we welcome the suggestion that countries' use of the Blue Box might be capped,¹⁹⁷ but overall the EC's paper is very disappointing. The paper suggests that the EU should not make any concessions at this time because the EU regards its pre-Cancún movement as sufficient to begin negotiations. We disagree strongly (see paragraphs 68-75). We also note some confusion in the Commission's paper as to the nature of the Green Box, with it first referred to correctly as a box for measures which have "no or little trade effects" and a few lines later as a box for measures with "no trade distorting impact."¹⁹⁸ The Commission calls for other players to recognise the distinction between the different trade distorting impacts of different policies; that is, to recognise that Green Box measures are less trade-distorting than others.¹⁹⁹ But, successful negotiations must be based on shared understandings. If even the Commission is unsure as to the definition of Green Box measures, then this can only add weight to the proposal for a review of the Green Box criteria (see paragraph 74).

92. In summary, whilst it is very good news that the EU is going to re-engage with negotiations, and is prepared to be a little more flexible on the Singapore Issues, in other areas the Commission's paper does little more than re-state familiar positions. As the paper itself makes clear, the EU's objectives have not changed; rather what the Commission proposes are new strategies to refine and sharpen the EU's negotiating approach.²⁰⁰ As we have made clear, particularly on agriculture, this is not enough.

93. The EU cannot revive the round on its own—other countries and country-groups must show some of the flexibility which the EU has shown²⁰¹—but it must not lose interest in the development round. As a key player within the EU, the UK has a major role to play. By most accounts, and with few exceptions, the UK Government performed admirably at and before Cancún. **The UK must continue to play its part, encouraging the EU in its support for multilateralism, pushing the EU further and faster on agricultural reform, and re-iterating that the Singapore Issues are not a developmental priority.**

94. If the legacy of Cancún is a genuine development round and a WTO more responsive to the diversity of developing countries, then the collapse of the Ministerial may be seen as a key episode in the emergence of a fairer system of global governance in which developing countries' voices are clearly heard. As an example of what can be achieved through multilateral cooperation, the delivery of a genuine development round would be hard to beat. That should be the aim.

195 *Ibid.* p.8—see footnote 58. See also IDC, *Trade and development at the WTO: Issues for Cancún*, HC400-I, paragraphs 122-127 (see footnote 1 for full reference).

196 European Commission, *Reviving the DDA negotiations*, p.17 (see footnote 58).

197 *Ibid.* p.6 (see footnote 58).

198 *Ibid.* p.6 (see footnote 58).

199 *Ibid.* p.7 (see footnote 58).

200 *Ibid.* p.5 (see footnote 58).

201 Q 44 [Pascal Lamy]

Conclusions and recommendations

What happened at Cancún?

1. We welcome this long overdue agreement on TRIPS and public health which removes one of the obstacles which poor people face in gaining access to affordable essential medicines, and acknowledge the contribution made by the UK Government to securing agreement. (Paragraph 10)
2. we support Oxfam's call for UK legislation to be amended to allow compulsory licensing for export. This should apply to all drugs for life-threatening diseases, for export to least-developed countries. The UK should also support similar changes to European pharmaceutical legislation. (Paragraph 11)
3. We see the collapse of Cancún as a major setback—not least for multilateralism. (Paragraph 12)
4. Important progress had been made at Cancún, and more may have been possible. But it is not possible to say with any certainty whether a good deal was in the offing, particularly because the unexpected closure of the Ministerial meant that some countries and country-groups had probably not played all of their cards (Paragraph 13)

Learning the lessons of Cancún

Process matters: Time, timing and organisation

5. If Ministerials are to work better in future, and there is to be sufficient time for negotiations, then lessons must be learned about the effective use of limited time. There is little point in delegates wasting time rehearsing their well-established positions. (Paragraph 17)
6. If Ministerials are to be successful, the preparatory work must be done. Better progress must be made at Geneva, deadlines must be met, and decisions should not be simply postponed to Ministerials. (Paragraph 18)
7. In our view the closure of the Ministerial was premature as well as unexpected. Participants in WTO Ministerials must know when negotiations are set to conclude. Otherwise, negotiations are unlikely to work. Ministerials ought not to be extended as a matter of course, and, there should be clear mechanisms for making decisions about whether, exceptionally, to extend them. The decision to extend a Ministerial must not be in the hands of one person. (Paragraph 20)
8. In a development round it was a serious mistake to prioritise negotiations on the Singapore Issues over agriculture, because agricultural reform is clearly of greater importance to most developing countries. It was wrong to attempt to make progress on agriculture a “reward” that developing countries would receive if they agreed to include the Singapore Issues on the WTO agenda. Decisions as to the order in which negotiations proceed at Ministerials ought to be taken by the WTO's membership as

a whole, rather than being made by the Chairman in consultation with a small number of countries. (Paragraph 21)

9. The Government refers somewhat cryptically in its memorandum to the need for “better designed negotiating structures”. We invite the Government to clarify what it means by this phrase, and to outline what it is doing to ensure that negotiating structures are better designed in future. For the EU, which uniquely has one negotiator for a number of WTO member states, it is essential that trade ministers of Member States meet the EU trade Commissioner regularly, at least daily, during WTO Ministerial meetings so that the Commissioner can base his negotiating position on policies agreed collectively by the trade ministers. (Paragraph 22)
10. The status of papers produced by Chairmen and facilitators of Working Groups, and the role of the WTO Secretariat in such processes, should be clarified. (Paragraph 23)

Geo-politics matters: New country-groups and the failure of brinkmanship

11. The increased coordination and coherence between developing countries at the WTO, and their stronger voice was perhaps the most positive aspect of Cancún. We are pleased that the Government—in contrast to some of its developed country partners—shares this view. The Government can be justly proud of its work in building the capacity of developing countries to enable them to have a more effective voice in international negotiations. This important work should continue—even if countries who receive assistance sometimes take up positions which conflict with the UK’s perceived interests—and should apply beyond the trade arena (Paragraph 26)
12. All participants in negotiations need to be flexible; otherwise agreement is impossible. Country-groups should, as far as possible, work out their positions prior to Ministerials. And, perhaps most importantly, the EU and the USA must realise that the geo-politics of the WTO have changed; they can not expect to set the agenda. Further, given the significant barriers to South-South trade, negotiations and liberalisation between developing countries must form part of a development round. In this regard, we were interested to see the European Commission’s somewhat provocative suggestion that the G20+ be invited to give preferential access to the poorest countries. (Paragraph 27)
13. The members of the G20+ are not the very poorest countries, and they do have different interests, but they are a serious grouping—at Cancún the G20+ represented 63% of the world’s farmers and 51% of the world’s population—and should be treated with respect rather than contempt. (Paragraph 29)
14. The EU’s offer to unbundle the Singapore Issues, and to withdraw its demands for a start to negotiations on Investment and Competition, came far too late. The European Commission’s strategy of brinkmanship was destined to derail Cancún, particularly given the complications introduced by the emergence of new country-groups. The timing of the Commission’s offer to unbundle the issues left countries with little time to consider their positions, consult with their allies and respond constructively. The unexpected closure of the Ministerial reduced the time available still further. (Paragraph 31)

Substance matters most: The Singapore Issues, agriculture and cotton subsidies

15. The insistence, by the EU and a small number of other countries, on the adoption of the Singapore Issues, in the face of overwhelming opposition from most developing countries, and the linkage made in the Derbez text between progress on agriculture and non-agricultural market access and progress on the Singapore Issues, were key factors in the collapse of Cancún. The EU's decision to pursue negotiations on the Singapore Issues was a major error. The lesson is simple: developing countries' concerns should be listened to carefully and taken seriously. (Paragraph 35)
16. The timing of the agreement on CAP reform and the EU's failure to agree on an absolute reduction in subsidies may well have made it difficult for the EU to sell its CAP reform plans to other members of the WTO. But the timing and extent of CAP reform was something which the EU's member-states alone could determine. This was an own goal resulting from a lack of coherence between EU policies on trade, development and agriculture. (Paragraph 36)
17. Although trade policy has international repercussions, it is primarily the product of domestic politics. When international trade policy is the by-product of US electoral politics and rising protectionist sentiment, the USA's trading partners, including developing countries, are the losers. In our pre-Cancún report we suggested a general principle: the burden of adjustment should not fall on those countries who are least-equipped to deal with it. The same applies to the burden of non-adjustment. We welcome DFID's ongoing work which aims to understand better the plight of the West African cotton producers, and encourage the UK and its EU partners to emphasise, in their dealings with the USA as well as with their own farmers, that the poor should not have to suffer the impacts of northern subsidies (Paragraph 40)

The European Commission and the EU's Member States: Mandate, communication, accountability and transparency

18. in our view the Government should have done more to persuade the EU and the Commission to unbundle the Singapore Issues, and to drop Investment and Competition rather than simply make them less of a priority. The Government should not have left itself open to the charge that it failed to express its views about the Singapore Issues with sufficient force. (Paragraph 45)
19. Although we welcome the EU's commitment to greater use of Sustainability Impact Assessments as a contribution to enhancing transparency and improving discussion of the impacts of trade policy, the UK Government should do more. They should clarify the legal status of the Article 133 Committee and explain its role in determining the aims of European trade policy and pursuing those aims in multilateral fora. The UK Government should also consider following Denmark's example by publishing the agendas of Article 133 Committee meetings when it next holds the presidency of the European Union in 2005. We share the Government's view that the policies pursued by its developing country partners should be determined through democratic and inclusive processes; the EU should make this case through example. (Paragraph 46)

Governance, role and scope: The WTO and a development round

20. Along with Pascal Lamy, many developing countries, and many NGOs, we are also concerned about the governance of the WTO, and specifically about the way in which Ministerials are run. As the World Development Movement put it, “for an organisation that creates so many rules, it is surprising that the WTO does not have any rules to guide its own negotiations and decision-making.” The motivation for introducing new rules must be broader than one of efficiency; it must also be to ensure that multilateral negotiations are democratic, accountable and transparent. We were pleased therefore to hear Patricia Hewitt state that: “the fundamental principle of one member one vote must not be tampered with”. It seems likely that greater use might be made of mini-Ministerials, to try to reduce the pressure on Ministerials themselves. This, and other organisational improvements are suggested in a reflection paper produced by DG Trade of the European Commission for the consideration of the Article 133 Committee. We would be interested to hear the Government’s response to the proposals mooted in this paper. Specifically, we invite the Government’s comments: first, on what might be done to improve the effectiveness of Ministerials; and, second, on the likely impact of a greater use of Ministerials on levels of democracy, accountability, transparency and the participation of developing countries at the WTO. (Paragraph 48)
21. In the face of challenges with delivering a genuine development round But in our view, rather than excuse the developed world from delivering on its promise of a “Development Round” which involves developing countries, the appropriate response is to work harder to deliver a round that really does serve the developmental interests of the WTO’s diverse membership. If trade and trade liberalisation is a positive-sum game, then it ought to be possible to ensure that all countries gain; for a development round, the gains for developing countries should be substantial. (Paragraph 50)
22. We would like to hear the Government’s views about the implications for developing countries of a shift to plurilateral trade negotiations and agreements: might such a shift presage the emergence of a more flexible and development-friendly WTO; and, how could the interests of developing countries, and the priority afforded to poverty reduction, be protected? (Paragraph 51)
23. Now is not the time for fundamental reforms which act as a distraction, and which postpone any progress on making trade work for poverty reduction. The question is whether there are some limited and useful reforms which can be undertaken immediately to restart negotiations in a more transparent and efficient manner without stalling the process completely, whilst discussions about more fundamental reform go on in parallel. We invite the Government to comment on what immediate reforms it would like to see and what it is doing to secure such reforms, and also to tell us what input it is making into debates, including the work of the Sutherland Commission, about longer-term reforms. (Paragraph 52)

Reviving a genuine development round

Post-Cancún prospects: Bilateralism, trans-atlantic relations and the peace clause

24. The UK Government must ensure that its strong support for multilateralism is heard loud and clear by its European partners, and also that in the EU's own bilateral relations—through for instance Economic Partnership Agreements with the ACP countries—its objective remains developmental partnership rather than bilateral arm-twisting. (Paragraph 54)
25. We trust that the Prime Minister is using what political capital he has with President Bush to convince him that reviving the development round is an important front in the war on poverty, and that the war on poverty is complementary to the war against terrorism. (Paragraph 55)
26. We would not want to see the WTO swamped by a flood of disputes, but clearly if the WTO is to be credible and effective, developing countries must be able to make use of its dispute settlement procedures to challenge trade-distorting agricultural subsidies wherever they are found. The Peace Clause should not be extended; backdoor efforts by the USA and the EU to extend it through re-interpretation of its expiry date must be resisted strongly. (Paragraph 56)

What's on the table?: The Derbez text and the Singapore Issues

27. If the Derbez text is to be the basis for negotiations, the Singapore Issues must—with the possible exception of Trade Facilitation on which an explicit consensus seems near - be removed and the condescending language on cotton subsidies expunged. The Singapore Issues should be considered parallel to the round, with reports on possible ways forward made to the WTO's General Council by the start of 2005. A solution to the issues around cotton should be pursued within the agriculture negotiations, alongside efforts to tackle agricultural subsidies more generally. (Paragraph 60)
28. We fail to understand how, having signed up to the Ministerial Declaration, the European Commission can perform a u-turn on the Singapore Issues and hope to retain its credibility. Such a manoeuvre shows no appreciation of the strength of feeling among developing countries about the Singapore Issues. If the Commission's about-turn looks shoddy to us, as parliamentarians of an EU member state, we can imagine how it must look to developing countries. This is not the way to rebuild trust and confidence in the EU's commitment to a genuine development round. Neither is it the way to revive the round or to work towards an equitable inclusive system of multilateral global governance. Credibility and trust, the essential lubricants of peaceful international relations, are quickly lost, but slowly regained. We look forward, in the interests of transparency and accountability, to hearing exactly what position the Government has been taking at meetings of European trade Ministers and officials in the run-up to 15 December. (Paragraph 62)
29. There may well be value in optional participation and plurilateral agreements on the Singapore Issues, but unless developing countries' underlying concerns are

addressed—including legitimate concerns about their policy space—the Commission’s proposals will not, and should not, be accepted. Plurilateral optional agreements entered into by a sub-set of the WTO’s membership are not problem-free; this approach was floated by the EU prior to Cancún and received, at best, a lukewarm response from developing countries. A plurilateral approach would leave developing countries with the unenviable choice of taking part in negotiations that they don’t want, or not participating and facing pressure at a later date to sign up to an agreement they had no part in negotiating. (Paragraph 66)

30. We reiterate what we said prior to Cancún: the Singapore Issues are not a development priority. Developing countries have made this abundantly clear. Agreements on these issues should not, therefore, be pursued as part of the current round. This reasoning should apply to each of the issues, with the possible exception of Trade Facilitation, an issue on which an explicit consensus seems near. (Paragraph 67)

The European Union and agricultural reform

31. We welcome the inclusion in the Derbez text of the EU-inspired proposal to “remove export subsidies for products of particular interest to developing countries”, and hope that developing countries will respond positively to this offer. This offer must remain on the table post-Cancún; there must be no backtracking. And it must be for developing countries themselves to determine which products are of particular interest to them. (Paragraph 69)
32. The interests of European taxpayers and consumers, and most especially the farmers of developing countries who suffer the effects of the dumping of agricultural products, are poorly served by the EU’s agreement on CAP reform. The reform may be substantial in terms of EU politics, but that does not mean that it will make a substantial difference to developing countries. Partially decoupled agricultural support will still keep European farmers in business at the expense of farmers in developing countries. If agricultural subsidies keep farmers in business, and their products are exported, then those subsidies are trade-distorting. This is self-evident. (Paragraph 72)
33. The question of whether or not particular forms of agricultural support fall into the Green Box must be based on objective assessments rather than political bargaining, as the EU itself seemingly recognised in its earlier proposal to review the Green Box criteria. This issue has become too politically divisive for it to be considered objectively at the WTO. We support the call made by CAFOD, Action Aid and others for an independent review—preferably conducted by the World Bank—of the Green Box criteria and the impact of different forms of subsidies on production and trade, and recommend that the UK Government support this proposal too. (Paragraph 74)
34. Multilateral trade negotiations at the WTO are supposed to be about providing a level playing field. The Common Agricultural Policy slants the playing field to the tune of \$50 billion per year. As Oxfam point out, you can defend multilateralism or defend the Common Agricultural Policy, but you cannot do both. The UK must

continue to press for urgent and radical reform of the CAP, including full decoupling, rather than going along with an exercise which tries to hide trade-distorting subsidies in a different coloured box. If the EU wishes to support its farmers, or protect its environment, or improve animal welfare, this must be done in a manner which does not harm the interests of developing countries. (Paragraph 75)

Dealing with difference: Preference erosion, SDT and coherence

35. In response to our pre-Cancún comments on SDT, the Government acknowledged that “the WTO systems must be made more flexible and sophisticated to respond to widely differing needs”, and suggested that a first step in encouraging a constructive debate might be to establish an expert working grouping which would report to the WTO’s General Council. This sounds like a good idea; we look forward to hearing what progress the Government has made with this proposal. (Paragraph 80)
36. The recognition by the international financial institutions, and the WTO, that the impacts of trade liberalisation vary by country, and that the timing and sequencing of a country’s trade reforms matters is welcome and somewhat overdue. Such a recognition necessitates increased coherence between the various multilateral institutions. As such, we warmly welcome the IMF-World Bank adjustment assistance initiative as a concrete mechanism for strengthening co-operation and coherence between the WTO, the IMF and the World Bank, and applaud DFID for its role in promoting this initiative. (Paragraph 81)
37. The IMF-World Bank initiative is potentially very significant; the UK must do its utmost to ensure that it is well-designed. Decisions about whether, when, how, on what basis, and to which countries, assistance should be provided, must be based on the needs of developing countries. And the IMF-World Bank initiative must not be the sole preserve of the international financial institutions. Rather, its design and operation must be shaped by the expertise, knowledge and experience of developing countries themselves, UNDP, UNCTAD and bilateral donors, as well as the expertise and backing of the international financial institutions. As the Government states, adjustment assistance and mechanisms to deliver it must be built on sound analysis of the impacts of liberalisation on poverty. (Paragraph 83)

Political leadership

38. Patricia Hewitt stated that: “Europe as one of the largest and leading players in the WTO does need to take a lead and put a great deal of effort into helping get the talks back on track in Geneva”. We fully endorse this. The EU was the primary architect of the Doha Development Agenda and could—by working with others including the G20+, the G90 and the G33—revive the round. (Paragraph 87)
39. In summary, whilst it is very good news that the EU is going to re-engage with negotiations, and is prepared to be a little more flexible on the Singapore Issues, in other areas the Commission’s paper does little more than re-state familiar positions. As the paper itself makes clear, the EU’s objectives have not changed; rather what the Commission proposes are new strategies to refine and sharpen the EU’s negotiating

approach. As we have made clear, particularly on agriculture, this is not enough. (Paragraph 92)

40. The UK must continue to play its part, encouraging the EU in its support for multilateralism, pushing the EU further and faster on agricultural reform, and reiterating that the Singapore Issues are not a developmental priority. (Paragraph 93)
41. If the legacy of Cancún is a genuine development round and a WTO more responsive to the diversity of developing countries, then the collapse of the Ministerial may be seen as a key episode in the emergence of a fairer system of global governance in which developing countries' voices are clearly heard. As an example of what can be achieved through multilateral cooperation, the delivery of a genuine development round would be hard to beat. That should be the aim. (Paragraph 94)

Glossary²⁰²

African, Caribbean and Pacific (ACP)

Group of 79 African, Caribbean and Pacific countries whose partnership with the EU, including preferential access to EU markets, has been defined in a series of agreements, the latest being the Cotonou Agreement.

Amber box

Domestic agricultural support measures—income support and production subsidies - which distort production and trade (with a few exceptions) fall into the “amber box”. These subsidies are subject to reduction commitments under the WTO’s Agreement on Agriculture.

Asia-Pacific Economic Cooperation (APEC)

APEC is an inter-governmental grouping which was established in 1989 to further enhance economic growth and prosperity for the Asia-Pacific region and to strengthen the Asia-Pacific community. It has 21 members—referred to as "Member Economies": Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; USA; Vietnam.

African Union (AU)

The AU is an inter-governmental organisation which aims to promote the socio-economic development of the African continent.

Blue box

Domestic agricultural support measures regarded as exceptions to the general rule that all subsidies linked to production must be reduced or kept within defined minimal levels. Covers payments directly linked to land size or livestock as long as the activity being supported limits production.

Common Agricultural Policy (CAP)

The CAP is the EU’s system of domestic support, export subsidies and tariffs which was designed to support and protect European agriculture. It is now supposed to provide landscape amenity and environmental benefits too.

²⁰² This glossary has been constructed using a range of sources including: Making global trade work for people; DFID’s Departmental Report for 2003; the report of the Commission on Intellectual Property Rights; and the WTO’s website.

Decoupling

The severing or weakening of the link between agricultural support and production. The purpose of decoupling is to enable farmers to be supported in ways which do not distort production or trade, and which are WTO-compliant.

Department for International Development (DFID)

Department of Trade and Industry (DTI)

Dumping

Occurs when goods are exported, with the help of explicit or implicit subsidies, at a price less than their market value, generally meaning that they are exported to a given market for less than the price at which they are sold in the home market or third-country markets, or at less than production cost. Dumping of Northern produced agricultural surpluses on world markets and directly into Southern countries (for example through food aid), depresses prices and reduces the incentive for Southern farmers to produce and export.

G20+

The G20+ is a group of developing countries which have called for substantial reductions in agricultural subsidies of developed countries and increased market access for developing countries' agricultural products. At Cancún the group included: Argentina; Brazil; Bolivia; China; Chile; Colombia; Costa Rica; Cuba; Ecuador; Egypt; El Salvador; Guatemala; India; Indonesia; Mexico; Nigeria; Pakistan; Paraguay; Peru; the Philippines; South Africa; Thailand and Venezuela. During and after the Ministerial Conference, Columbia, Costa Rica, Guatemala, Ecuador, El Salvador, Peru and Thailand left the G20+.

G33 (also called Alliance for Strategic Products and a Special Safeguard Mechanism)

The G33 is a group of developing countries which has argued that any framework for agricultural modalities should allow developing countries to protect their own agricultural sectors through mechanisms including 'strategic products' (see below) and a Special Safeguard Mechanism (see below). The group included: Antigua and Barbuda; Barbados; Belize; Botswana; Cuba; Dominica; Dominican Republic; Grenada; Guyana; Haiti; Honduras; Indonesia; Jamaica; Kenya; Mongolia; Montserrat; Nicaragua; Nigeria; Pakistan; Panama; the Philippines; Saint Kitts; Saint Lucia; Saint Vincent and the Grenadines; Suriname; Tanzania; Trinidad and Tobago; Turkey; Uganda; Venezuela; Zambia and Zimbabwe.

G90

The G90 brought together the ACP, LDC and AU groupings. At Cancún it represented 91 developing countries, 60 of which were WTO members. Their objectives have included protecting their preferential access to northern markets, and resisting the introduction of the Singapore Issues. Members include: Bangladesh; Jamaica; Botswana; China; Cuba;

Egypt; India; Indonesia; Kenya; Malaysia; Nigeria; the Philippines; Tanzania; Venezuela; Zambia and Zimbabwe.

General Agreement on Tariffs and Trade (GATT)

A multilateral forum for trade discussion and negotiation aimed at encouraging trade among its members through the reduction of trade barriers. It led to a series of trade agreements, the first of which was in 1947. The Uruguay Round, completed in 1994, created the World Trade Organization which superseded the GATT in 1995.

Green box

Domestic agricultural support measures that are expected to cause little or no trade distortion. The subsidies have to be funded by governments but must not involve price support. Environmental protection subsidies are included. No limits or reductions are required by the WTO for such measures.

International Centre for Trade and Sustainable Development (ICTSD)

Established in September 1996 the ICTSD is an independent, non-profit and non-governmental organisation which engages a broad range of actors in ongoing dialogue about trade and sustainable development, and produces invaluable briefings and updates about trade and sustainable development.

International Financial Institutions (IFIs)

The International Monetary Fund and the World Bank.

International Monetary Fund (IMF)

Least Developed Countries (LDCs)

Forty-nine countries that have been identified by the UN and recognised by the WTO as 'least developed' in terms of their low GDP per capita, their weak human assets and their high degree of economic vulnerability.

Liberalisation (of trade)

The process of reducing tariffs and other restrictions on international trade. Multilateral liberalisation is that which is achieved by many countries through negotiation and cooperation.

Millennium Development Goals (MDGs)

At the UN General Assembly in 2000, governments committed to achieving the following goals by 2015: eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality,

improving maternal health, combating HIV/AIDS, malaria, and other diseases, ensuring environmental sustainability and developing a global partnership for development.

Modalities

An agreed framework upon which trade negotiations can be based. May include targets, including numerical targets for achieving the objectives of the negotiations as well as issues relating to rules.

Peace Clause

A provision in article 13 of the WTO's Agreement on Agriculture designed to reduce the threat of trade disputes during the period of agricultural trade reform, especially in industrial countries. It stipulates that agricultural subsidies permitted by the agreement cannot be challenged under other WTO agreements. Expires at the end of 2003. Unless renewed, its expiry will subject agricultural subsidies to the same disciplines as industrial subsidies.

Poverty Reduction Strategy Paper

Initiated by the boards of the World Bank and International Monetary Fund, this is a document describing a country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are expected to be prepared by governments through a participatory process involving civil society and development partners, including the World Bank and IMF, and are required for countries seeking to obtain concessional lending and debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) initiative.

Preference erosion

Takes place when countries which enjoy preferential market access see the value of these preferences reduced as other countries gain enhanced market access through Most Favoured Nation liberalisation or through other preferences. As a result, the initial preference holders, depending upon how competitive their export industries are without the preferences, will lose markets for their exports.

Preferential access

Granting by developed (and some developing) countries of access to developing countries on terms more favourable than the Most-Favoured Nation terms agreed in the WTO. It is allowed under Special and Differential Treatment.

Singapore Issues (also called 'New Issues')

The four issues on which it was agreed at the 1996 WTO Singapore Ministerial Conference to form working groups: trade and investment, competition policy, transparency in government procurement and trade facilitation.

Single Undertaking

Provision that requires countries to accept all the agreements reached during a round of WTO negotiations as a single package, rather than on a case-by-case basis. Nothing is agreed until everything is agreed.

Special and Differential Treatment (SDT)

The principle in the WTO that developing countries be accorded special privileges, either exempting them from some WTO rules or granting them preferential treatment in the application of WTO rules. It specifically allows developed countries to offer preferential access as an exemption from the Most Favoured Nation principle.

Special Safeguard Mechanism

An instrument which allows countries to erect temporary barriers to protect themselves from sudden influxes of imports of particular products which threaten domestic production.

Strategic/ Special products

Products which are crucial for food security, rural development or livelihood concerns, in relation to which tariff cuts required by the WTO would be much smaller than for other goods.

Tariff

A government-imposed tax on imports.

Tariff escalation

An increase in tariffs as a good becomes more processed. For example, low duties on fresh tomatoes, higher duties on canned tomatoes and higher still on tomato ketchup. Tariff escalation protects domestic processing industries and discourages the development of processing activity in countries where raw materials originate.

Trade-Related aspects of Intellectual Property Rights (TRIPS) Agreement

WTO agreement aimed at establishing minimum standards of intellectual property rights protection for all products and services, covering copyrights, trademarks, geographical indications, industrial designs, integrated circuits, patents and trade secrets.

United Nations Conference on Trade and Development (UNCTAD)

United Nations Development Programme (UNDP)

Uruguay Round

The last round under the GATT, which began in Uruguay in 1986 and was completed in 1994 after nearly eight years of negotiations. Included agreements in trade-related intellectual property rights and services for the first time, in addition to agreements in traditional trade areas such as agriculture and textiles and clothing. Its conclusion led to the creation of the World Trade Organization.

World Trade Organization (WTO)

The World Trade Organization exists to ensure that trade between nations flows as smoothly, predictably and freely as possible. To achieve this the World Trade Organization provides and regulates the legal framework which governs world trade. Decisions in the World Trade Organization are typically taken by consensus among the 146 member countries and are ratified as international treaties.

Formal minutes

Thursday 4 December 2003

Members present:

Tony Baldry, in the Chair

John Barrett
Hugh Bayley
Ann Clwyd

Mr Tony Colman
Mr Robert Walter
Tony Worthington

The Committee deliberated.

Draft Report (Trade and Development at the WTO: Learning the lessons of Cancún to revive a genuine development round), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs entitled 'Background and Acknowledgements' read and agreed to.

Paragraphs entitled 'Summary' read and postponed.

Paragraphs 1 to 94 read and agreed to.

Postponed paragraphs entitled 'Summary' read again and agreed to.

Glossary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chairman do make the report to the House.

Ordered, That the provisions of Standing Order 134 (Select committees (reports)) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(*The Chairman*).

Several papers were ordered to be reported to the House.

[Adjourned till Tuesday 6 January at 2.30 pm]

Witnesses (page numbers refer to Volume II)

Thursday 16 October 2003

Page

Rt Hon Patricia Hewitt MP, Secretary of State for Trade and Industry, **Dr Elaine Drage**, Director, Trade and Development, Department of Trade and Industry, **Rt Hon Hilary Benn MP**, Secretary of State for International Development, and Ms Dianna Melrose, Head of the International Trade Department, Department for International Development.

Ev 1

Tuesday 28 October 2003

Dr Matthew Lockwood, Head of UK Advocacy, ActionAid, **Mr John Hilary**, formerly Trade Policy Analyst for ActionAid, **Mr Duncan Green**, Policy Analyst, CAFOD, and **Ms Claire Melamed**, Trade Policy Manager, Christian Aid.

Ev 11

Commissioner Pascal Lamy, Directorate General for Trade, and **Mr Matthew Baldwin**, Deputy Head of the Cabinet of Commissioner Pascal Lamy, European Commission

Ev 18

Reports from the International Development Committee since 2001

The Government Responses to International Development Committee reports are listed here in brackets by the HC (or Cm) No. after the report they relate to.

Session 2002-03

First Report	Afghanistan: the transition from humanitarian relief to reconstruction and development assistance	HC 84 (<i>HC 621</i>)
Second Report	International Development Committee: Annual Report 2002	HC 331
Third Report	The humanitarian crisis in southern Africa	HC 116-I and -II (<i>HC 690</i>)
Fourth Report	Preparing for the humanitarian consequences of possible military action against Iraq	HC 444-I and -II (<i>HC 561</i>)
Fifth Report (First Joint Report)	The Government's proposals for secondary legislation under the Export Control Act	HC 620 (<i>Cm 5988</i>)
Sixth Report (Second Joint Report)	Strategic Export Controls Annual Report for 2001, Licensing Policy and Parliamentary Scrutiny	HC 474 (<i>Cm 5943</i>)
Seventh Report	Trade and Development at the WTO: Issues for Cancún	HC 400-I and II (<i>HC 1093</i>)
Eighth Report	DFID Departmental Report 2003	HC 825

Session 2001-02

First Report	The humanitarian crisis in Afghanistan and the Surrounding Region	HC 300-I and -II (<i>HC 633</i>)
Second Report	The Effectiveness of the Reforms of European Development Assistance	HC 417-I and -II (<i>HC 1027</i>)
Third Report	Global Climate Change and Sustainable Development	HC 519-I and -II (<i>HC 1270</i>)
Fourth Report (First Joint Report)	Strategic Export Controls: Annual Report for 2000, Licensing Policy and Prior Parliamentary Scrutiny	HC 718 (<i>CM 5629</i>)
Fifth Report	Financing for Development: Finding the Money to Eliminate World Poverty	HC 785-I and -II (<i>HC 1269</i>)
Sixth Report	Department for International Development: Departmental Report 2002	HC 964 (<i>HC 357</i> , <i>Session 2002-03</i>)