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Blood on the floor

How the rich countries have squeezed development out of the WTO Doha negotiations

Four years on, the Doha Round looks increasingly unlikely to deliver on its promises to the world's poor. Rich countries have sidelined development concerns and insisted on, among other conditions, the "blood on the floor" rule, i.e. obtaining economically painful concessions from all countries, including poor ones. In agriculture, trade rules look set to remain stacked against developing countries and poor farmers. Talks on industrial tariffs could jeopardise the industries of poor countries. If the rich countries fail to significantly improve their offer at the WTO ministerial meeting in Hong Kong in December 2005, developing countries should not be expected to sign on to a bad deal.

Oxfam International

MAKE TRADE FAIR

Contents

Glossary[i]

AGOA: Africa Growth and Opportunity Act: a US preference scheme.

AoA: WTO Agreement on Agriculture.

Benchmarks: Proposal by the EU in the Services negotiations to move from a 'positive list' approach where members decide which sectors they want to commit, to a negotiated minimum commitment in terms of number of sectors and level of ambition from all members.

Binding of tariffs: Commitment not to increase a rate of duty beyond an agreed ceiling level. Once a tariff is bound, it may not be raised without compensating the affected parties.

Boxes (Amber, Blue, and Green): In agriculture, a 'box' is a category of domestic support.

- Green box: supports considered not to distort trade and therefore permitted with no limits.
- Blue box: permitted supports linked to production, but subject to production limits, and therefore claimed to be minimally trade-distorting.
- Amber box: supports considered to distort trade and therefore subject to reduction commitments.

DSU: Dispute Settlement Understanding, the WTO agreement that covers dispute settlement.

EBA: Everything But Arms (EU duty and quota free access arrangement for LDCs).

Fast track: (Also known as trade promotion authority). US legislation under which Congress is able to vote for/against trade agreements negotiated by the government, but not amend them.

G20: Group of developing countries led by Brazil and India lobbying for fairer rules in agriculture.

G33: Group of developing countries led by Indonesia and the Philippines lobbying for 'special products' and a 'special safeguard mechanism' in agriculture to enable them to promote food security, livelihoods, and rural development.

GATS: WTO General Agreement on Trade in Services.

GSTP: Global System Of Trade Preferences Among Developing Countries. Negotiations convened by UNCTAD to agree south-south trade preferences.

LDCs Least developed countries.

Mode 4: The movement of natural persons. One of four 'modes of delivery' in the GATS.

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[i] Source: http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm

MTS: Multilateral Trading System.

NTBs: Non-tariff barriers to trade such as rules of origin, anti-dumping, or health and other production standards.

Peace clause: Provision in the Uruguay Round Agriculture Agreement saying agricultural subsidies committed under the agreement could not be challenged under other WTO agreements, in particular the Subsidies Agreement. Expired at the end of 2003.

Preference erosion: Loss of benefits to preference-receiving countries because, as rich countries lower their tariffs, the advantage conferred by preference schemes is also reduced.

RTAs: Regional trade agreements.

Rules of origin: Laws, regulations and administrative procedures that determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment qualifies for a tariff preference. These rules vary from country to country.

Sensitive products: Loophole introduced in the July Framework at the behest of the EU, allowing countries to retain high tariffs on a number of agricultural products, thereby depriving developing-country exporters of possible benefits.

Singapore Issues: Four issues introduced to the WTO agenda at the December 1996 Ministerial Conference in Singapore: trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation.

SDT: 'Special and differential treatment' provisions for developing countries.

Special products: Allows developing countries to designate certain crops — those vital to livelihoods, food security, and rural development — as exempt from (or subject to lesser) tariff cuts.

Special Safeguard Mechanism: Allows developing countries to increase tariffs temporarily in the face of fluctuating import prices or volumes.

Tariff escalation: Higher import duties on semi-processed products than on raw materials, and higher still on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where raw materials originate.

Tariff peaks: Relatively high tariffs, amidst generally low tariff levels. For industrialised countries, tariffs of 15 per cent and above are generally recognised as 'tariff peaks'.

TRIMS: Trade-related investment measures.

TRIPS: Trade-Related Aspects of Intellectual Property Rights.

Summary and recommendations

As the world's trade ministers head for the Hong Kong ministerial meeting in December 2005, the future of the WTO hangs on a knife-edge. The right decisions in Hong Kong could help transform the multilateral trading system into a genuine force for development. The wrong decisions could destroy progress already achieved in 2005 on aid and debt relief. The Doha Development Round is a litmus test. If it fails to create trade rules that work for the poor as well as the rich, it will confirm that the global economy will act as an engine of further polarisation and insecurity in the world. The power to decide lies squarely with the rich countries.

Today, for every $100 generated by world exports, $97 goes to the high- and middle-income countries, and only $3 goes to low-income countries. This needs to change. Developing countries need more employment and business economic opportunities, and better export opportunities including exports, under fairer competition. They also need to be able to increase supply capacity and improve their competitiveness by strengthening infant industries, protecting vulnerable sectors, and receiving increased aid.

However, since Doha, negotiations have squeezed out such development concerns. Negotiators revealed as much when they stated that in order to sell any final deal to legislators, they had to be able to show that "pain should be shared" between developed and developing countries.[1] Although this sentiment may reflect the reality faced by negotiators, such politics turn upside-down the promises made in Doha. Consequently, the Doha Round is now on course to benefit businesses in rich countries at the expense of the poorest countries.

In agriculture, the rules remain stacked against developing countries and poor farmers. There is little hope in sight for an end to egregious practices by rich countries, such as dumping and blocking access to imports from poor countries. Progress is stalled on cotton, one of the starkest examples of the impact of dumping on poor African farmers. Meanwhile, developing countries are under increasing pressure to open up their own markets, even at the expense of their impoverished farmers.

Talks on industrial tariffs give even greater cause for concern. The draft text agreed in July 2004 could destroy industry in many poor countries. Developed countries have pushed hard to cut tariffs more in developing countries than rich ones - in direct contradiction of promises made in Doha to allow poor countries to do less.

In talks on services, rich countries are seeking to change the rules of the game halfway through. Rather than following the 'opt-in' method agreed in Doha, they are now calling for 'benchmarking' — a negotiated minimum commitment in terms of number of sectors and level of ambition — from all members. At the same time, they are offering minimal liberalisation commitments in areas where developing countries stand to benefit, such as 'mode 4' commitments on temporary migrant labour.

Issues of importance to developing countries are being pushed aside. There has been little progress on agreeing details of promised 'special and differential treatment' for poor countries; new members are being forced to accept harsh conditions for membership; and pledges to help poor countries with the problems of implementing existing WTO agreements have not been adequate. Too little has been done to deal with blocks to access to Northern markets such as tariff peaks, tariff escalation, or non-tariff barriers.

While rich countries have paid some attention to development issues such as ‘aid for trade’, trade facilitation, and preference erosion, Oxfam is concerned that they may try to use offers of a ‘development package’ to coerce developing countries to agree damaging concessions in other areas.

For these talks to succeed, powerful countries, led by the EU and the USA, must keep the promises they made in Doha and put development at the heart of any agreement. Anything less would amount to a betrayal and a breach of the Doha agreement. The ball is squarely in the rich world’s court.

Unfortunately, as of November 2005, the prospects do not look good. Based on what is on the table, any deal struck now would not promote development and could even do more harm than good. If the same level of intransigence continues, the talks could collapse, or decisions could be put off and negotiations could extend into the next decade.

The worst possible outcome would be a bad deal that set in stone trade rules that impede development. Poor countries should not have to sign up to such a deal.

Unfortunately, the alternatives to a deal at the WTO are also unappealing. Trade negotiations via regional and bilateral negotiations pose even greater risks to development prospects.

At the time of writing, members’ positions were so far apart that they looked set to postpone agreement until another meeting in early 2006. Oxfam is concerned that this could move negotiations behind closed doors, away from public and civil society scrutiny, and even exclude some ministers. Oxfam also warns that another six months will not make enough of a difference unless rich countries change their attitudes and face the hard choices outlined in this paper.

Recommendations

On agriculture:

- Set an end date of 2010 for all export subsidies and their equivalents.
- Implement much tighter disciplines and reductions on domestic support, especially in the so-called Amber and Blue Boxes, and additional criteria in the Green Box.
- Agree real and substantial reductions in rich country trade-distorting domestic support.
- Guarantee flexibility for developing countries to promote rural development and the livelihoods and food security of small farmers.
- Do not demand excessive tariff cuts from poor countries.

- Grant self-selection of special products for developing countries and an easy-to-use special safeguard mechanism.
- Agree genuine improvements in market access for developing countries into developed countries' markets, including limitations on the scope of sensitive products.
- Implement the WTO panel's ruling on US cotton subsidies and eliminate all remaining trade-distorting support for cotton on a fast-track basis.
- Do not renew the peace clause.

On non-agricultural market access (NAMA):

- Radically overhaul the July 2004 Framework agreement text on NAMA.
- Guarantee flexibility for developing countries to choose which tariffs they reduce and by how much. Targets for an average reduction would be better than adopting a 'formula approach'.
- Give developing countries freedom to choose which tariff lines to bind and the rates at which they bind them. Do not make developing countries cut tariffs that they bind in this round.
- Eliminate rich country tariff peaks and escalation.

On services

- Exclude public services from developing country liberalisation commitments.
- Give developing country governments the right to limit liberalisation, especially in areas deemed essential to national development and poverty reduction.
- Reject 'benchmarks' or other so-called complementary approaches.
- Prioritise development objectives in the services negotiations.
- Liberalisation by industrialised countries of areas where developing countries stand to benefit, such as 'mode 4' commitments on temporary migrant labour.

On Trade-Related Aspects of Intellectual Property Rights (TRIPS)

- Agree an amendment to the TRIPS Agreement that is easy to use.
- Do not make developing countries pay for such a TRIPS amendment elsewhere in the negotiations.
- Carry out a proper review of the development implications of TRIPS, as promised in the original treaty.

For the least developed countries (LDCs)

- Agree immediate duty- and quota-free access to developed country markets for LDCs.

- Recognise LDC entitlement to ‘special and differential treatment’, extended implementation periods, and full exemptions.
- Allow acceding LDCs to retract any LDC-plus concessions already made in bilateral or multilateral negotiations.
- Extend the 1 January 2006 deadline for implementation of the full TRIPS Agreement by 15 years (as requested by LDCs).

On other development issues

- Do not demand concessions in other areas in return for progress on implementation issues.
- Any aid must be complementary to — and not serving as a substitute for — better and fairer trade rules.
- Do not bind trade facilitation agreements; ensure developing country commitments are conditional on the provision of sufficient funding for their implementation.
- Address preference erosion via deepening existing preferences, compensation, improved rules of origin and technical assistance for compliance with food safety and product standards.
- Curb abuse of anti-dumping measures.
- Clarify the relationship between regional trade agreements and the WTO.
- Guarantee that adequate ‘special and differential treatment’ becomes part of the WTO rules for regional trade agreements.

On the process of negotiations

- Consult all delegations in the talks.
- Report back all developments adequately and transparently.
- Do not present ‘take it or leave it’ agreements at the last minute.

1 Trade can help reduce poverty, but the Doha Round is in trouble

Trade is one of the drivers of development. In recent decades, countries such as Viet Nam, China, South Korea, Malaysia, Mauritius, Botswana, and Chile have used trade to generate unprecedented growth rates (although their record on inequality and poverty reduction is more mixed).

If Africa were to increase its share of world trade by 1 per cent of world exports, the resulting $90bn generated would be three times what the continent receives in aid and debt relief.[a]

For that reason the multilateral trading system (MTS), with the WTO at its apex, is of vital importance. The MTS potentially gives poor countries a greater say in setting global trade rules, helping them to trade their way out of poverty. But the MTS can also work in the other direction, rigging the rules to 'kick away the ladder' of development, consigning poor countries to a future of poverty and marginalisation.

As the world's trade ministers head for the Hong Kong ministerial meeting in December 2005, the future of the WTO hangs on a knife-edge. The right decisions in Hong Kong could help transform the MTS into a genuine force for development. The wrong decisions could destroy much of the progress already achieved in 2005 on aid and debt relief.

Four years ago, in the tumultuous weeks after 9/11, the WTO's 142 members met in Doha, patched over the differences that had led to the collapse of the previous ministerial in Seattle, and embarked on a new round of negotiations that they dubbed the 'Doha Development Agenda'. To be worthy of the name, any 'development agenda' must include a set of trade rules that would allow developing countries to get a greater share of the benefits from world trade. Today, for every $100 generated by world exports, $97 goes to the high- and middle-income countries, and only $3 goes to low-income countries. This needs to change. Developing countries need more employment and business opportunities, and better export opportunities under fairer competition. They also need to be able to increase supply capacity and improve their competitiveness by strengthening infant industries and protecting vulnerable sectors, and receiving increased aid.

However, since Doha, negotiations have squeezed out such development concerns. Reversing that failure in Hong Kong requires real political leadership and a recognition that, in the long term, an MTS that helps to create prosperity and stability in the developing world benefits us all. So far, however, the signs are not good. Progress in Geneva has been minimal, all eight deadlines set in the Doha declaration were missed, and the following ministerial in Cancún collapsed.

However, at Cancún developing countries strengthened their voice by forming a number of blocs, notably the G20 and G33 on agriculture, and the G90, bringing together the world's poorest and most vulnerable countries.

In July 2004, members overcame the stalemate by agreeing the so-called 'July Framework', which set out the course of negotiations up to the Hong Kong ministerial. The Framework agreement revived the talks after failure in Cancún, and made some progress on agricultural export subsidies and an agreement to drop three of the four so-called 'Singapore Issues'. However, these positive steps were offset by a bad deal on non-agricultural market access, and the creation of new loopholes to allow rich countries to keep subsidising their farmers.

Since then, progress has been scant, amid worrying signs that rich countries' commercial lobbies are increasingly overriding their commitment to development. As the negotiations enter the final weeks before Hong Kong, there seems little prospect of any substantive agreement, let alone one that would give developing countries a fair deal on trade.

This report shows how development promises have been sidelined in the four dispiriting years since Doha, as rich countries have instead pressed developing countries for concessions that could harm the world's poor. It also makes concrete suggestions for what needs to be done to make the Doha Round work for development.

2 Doha's double standards

> 'We seek to place [developing country] needs and interests at the heart of the Work Programme.'
> — Doha Ministerial Declaration, para. 2.

The Doha ministerial was an extraordinary event. Taking place only two months after the attack on the Twin Towers in New York, delegates met in a maximum-security environment and were under heavy pressure to reach an agreement that was portrayed as an essential response to terrorist attack. This atmosphere may have been in part responsible for agreement being reached at Doha, whereas the Seattle and Cancún meetings both failed.

Many developing countries left Doha optimistic that the mandate would enable them to curb excessive levels of agricultural support in both the EU and the USA. There were nine separate references to the need to guarantee extra flexibility to developing countries through 'special and differential treatment' (SDT), and a promise to deal with the tariff peaks and tariff escalation that still keep many developing country exports out of rich country markets. Working groups were set up on some of the most pressing issues facing developing countries, such as Trade, Debt, and Finance and Trade and Technology Transfer, and discussions were mandated on the particular problems facing small economies.

Despite all the hype, the victories for developing countries in Doha were mainly defensive. In particular, they defended the original broader interpretation of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, allowing them to override patents in the interests of public health. However, the language was sufficiently vague that years of difficult negotiation lay ahead. A last-ditch effort led by India also fended off a determined effort by the EU and Japan to begin negotiations on the four 'Singapore Issues' of competition, investment, transparency in government procurement, and trade facilitation. Following the collapse at Cancún, the first three of these issues were dropped altogether.

Box 1: Talk is cheap: spin and disarming honesty in the weeks after Doha

'Doha has paved the way for a new and more collaborative global relationship between industrialised and developing countries… the integration of the development dimension runs like a red thread through the Doha declaration.'
— Pascal Lamy, then EU trade commissioner, 21 November 2001.

'Our team really delivered for America's farmers and ranchers.'
— Robert Zoellick, US Trade Representative, 14 November 2001.

Doha presented developing countries with a colossal challenge in Geneva. It set up nine parallel sets of full negotiations, mandated discussions on nine other WTO committees, and established a new Trade Negotiations Committee. All but the largest developing countries ran the risk of repeating the experience of the Uruguay Round, when they were bullied and cajoled into signing up to agreements whose development impact was poorly understood, only to regret it when it was too late.

Back in Geneva, the WTO rapidly reverted to business as usual. On paper, the WTO may look like a 'one-country one-vote' democracy, but in practice the powerful players call the shots. In an exhausting war of attrition, rich countries have wielded the full arsenal of negotiating tricks, raising spurious issues, linking any movement to further concessions, and other arm-twisting tactics to force concessions.

Proposals and draft texts typically emerge from small groups of the more powerful countries and are presented on a 'take it or leave it' basis to other members. While these groups now routinely include powerful developing countries such as Brazil and India, most smaller countries remain on the margins of decision-making.

Ministerials are invariably chaotic, with many delegates poorly informed about what is being decided. Brinkmanship and arm-twisting are used to keep objectors in line. Real negotiations often only begin in the final few hours of the ministerial.

Although reforms have been talked about and promised many times over the years, the questions of the lack of internal transparency and the lack of participation of developing countries in decision-making processes within the WTO remain unresolved.

These problems only serve to demonstrate the difficulty of trying to use the WTO to deliver a pro-development outcome. Unlike negotiations on aid or debt relief, WTO talks are based on horse-trading. A pro-development agreement in one area must be 'paid for' with concessions elsewhere. In its 28 October 2005 offer on market access, for instance, the EU demonstrated just how far negotiations have come from the development rhetoric of Doha, when it made the offer conditional on agreement before Hong Kong on a formula that cuts into applied (not just bound) tariffs in industrial goods, and insisted on mandatory numerical targets for the liberalisation of services sectors. Both of these conditions went well beyond the Doha mandate.

Moreover, vested interests, from steel to the sugar lobby, excel in putting politicians under pressure to do the wrong thing. Negotiators revealed as much when they stated in one meeting that in order to sell any final deal back home, they had to be able to point to "blood on the floor", where the "pain should be shared".[2] Such power politics turns upside-down the promises made in Doha: the Doha Round is, in fact, on course to grant more favourable treatment to the *developed* countries at the expense of the poorest.

3 Agriculture is still rigged against the poor[3]

> '…we commit ourselves to comprehensive negotiations aimed at substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. Special and differential treatment for developing countries shall be an integral part of all elements of the negotiations … [so as to] enable developing countries to effectively take account of their development needs, including food security and rural development.'
> — Doha Ministerial Declaration, para 13.

Fully 96 per cent of the world's farmers live in developing countries,[4] where they include over three-quarters of the world's poorest people.[5] For many countries, a healthy, productive agricultural sector constitutes an essential first step on the road to development.

Rich countries and poor countries support their farmers in different ways. Subsidy superpowers like the EU and USA support agriculture with large helpings of state aid. Cash-strapped poor countries have to use import tariffs to keep up prices for their farmers and protect themselves from dumping. The value of subsidies and other support to agriculture in OECD countries now runs at $279bn a year, over three times the value of global aid.[6] Such support rigs the rules of global trade, leading to massive overproduction in the North, which is then dumped on world markets, driving down prices and damaging developing country agriculture.

The US government supports its 25,000 cotton farmers with annual subsidies of up to $4bn. The resulting overproduction and dumping on world markets means that the 10 million poor farmers in West Africa who depend on cotton for their livelihoods lose $200m a year in income.[b]

Rather than favour tariff-dependent developing countries, trade rules do precisely the opposite. Through a series of carefully crafted loopholes, the WTO Agreement on Agriculture (AoA) allows rich countries unlimited subsidies, while trying to impose cuts on the use of tariffs by poor and rich countries alike.

The Doha mandate offered some hope that this imbalance would be addressed. After the collapse in Cancún, the EU gave renewed impetus to negotiations on export competition, by agreeing in the July 2004 Framework that an end date would be set for all forms of export support, including both the export subsidies (used by the EU), and 'equivalent' aspects of food aid and export credits (used by the USA).

The AoA covers three 'pillars': export competition (including export subsidies), domestic support, and market access (tariffs). In October 2005, in an effort to rekindle momentum prior to Hong Kong, the USA and EU made proposals on agriculture that purported to offer major progress on all three pillars. On closer inspection, however, the proposals proved to be more smoke and mirrors than substance. On export subsidies, the EU failed to propose an end date, while the USA made no offer on equivalent subsidies. On domestic support, Oxfam calculates that the USA proposal would require it only to cut a maximum of 19 per cent of its most harmful subsidies (and a mere 4 per cent of its overall farm subsidies), while the EU's offer would not require it to cut subsidies by a single euro.[7] Furthermore, the USA is insisting on expanding the range of subsidies exempted under the so-called 'Blue Box', while the EU is refusing to revisit those subsidies exempted under the 'Green Box' category.[8]

The USA is able to export its cotton and wheat at 35 per cent and 47 per cent respectively of their cost of production. The EU exports sugar and beef at 44 per cent and 47 per cent respectively of their internal cost of production.

On market access, the most difficult part of the talks, Oxfam's analysis of the October offers shows that the USA violated the principle of 'proportionality' by requiring developing countries to employ almost the same formula as developed ones, while the EU insisted on loopholes that enable it to retain high tariffs on a large number of so-called 'sensitive products', thereby depriving developing country exporters of possible benefits.

Many of the more vulnerable developing countries fear that premature liberalisation will lead to surges of imports, often produced by heavily subsidised Northern agribusiness, that could wipe out small farmers supplying the domestic market. In the July Framework, these countries won recognition for their right to have extra flexibility to protect 'special products' of particular importance to food security and rural development. However, there is now a concerted attempt by the rich countries to water down these exemptions by restricting the permitted number and criteria for nominating special products.

When world cotton prices fall, the US government compensates its farmers by paying them more in subsidies. In the most recent crop year (2004/05), when cotton prices were low, the 25,000 US producers received about $4.3bn in subsidies[9] for a crop worth approximately $3.4bn in export revenue.[10] Their production was dumped on world markets, and this has depressed world prices.

In contrast, 10 million people in West Africa depend on cotton for their livelihoods. While being among the most competitive producers, farmers in Africa do not have the luxury of subsidies. For many, who live on just a dollar a day, falling prices signal destitution.

The WTO has attempted to address this issue. In the run-up to Cancún, four West African countries launched a 'cotton initiative', calling for an end to subsidies and for compensation. The 2004 July Framework subsequently set up a cotton sub-committee to discuss both trade and development issues around cotton. Furthermore, a WTO dispute brought by Brazil ruled against the US use of subsidies, forcing the USA to promise to reform its system. So far, however there has been little tangible progress.

In an effort to quell the dispute over cotton, in November 2005 US Trade Representative Robert Portman proposed a new $7m scheme called 'The West Africa Cotton Improvement Program'. The offer was hard to take seriously, since only $5m of the $7m on offer was new money, it only applied to five of the 33 African countries that grow cotton, and the amounts were a tiny fraction of the losses incurred due to US dumping.[11]

Although the underlying unfairness of the AoA has not been addressed, and the agreement remains uniquely rigged and unfair on the poorest countries, the agriculture negotiations have produced some of the few small steps forward in the negotiations to date. As well as progress on export subsidies, the July Framework agreed to deal with cotton as a 'sectoral initiative' of particular importance to developing countries — although since then, progress has been minimal.

Such progress reflects a new level of assertiveness on the part of developing countries at the WTO, especially on agriculture. In Cancún, a new coalition of developing countries, known as the G20, led by Brazil, India, and South Africa, became a new and powerful voice in response to the unwillingness of the EU and USA to reform their agriculture. The G33, led by Indonesia, also came together to press for special products and a special safeguard mechanism to protect their vulnerable farmers. In addition, dispute settlement cases have been successfully brought against US cotton subsidies and the EU sugar regime that have significantly increased the pressure for reforms in those countries. In October 2005, the USA sought to head off further such disputes by calling for a reintroduction of the so-called 'peace clause' agreed in the Uruguay Round but now expired, which banned countries from challenging agricultural subsidies.[12]

What needs to happen?

- Set an end date of 2010 for all export subsidies and their equivalents.
- Much tighter disciplines and reductions on domestic support, especially in the so-called Amber and Blue Boxes, and additional criteria in the Green Box. This should lead to real and substantial reductions in the amount of trade-distorting domestic support given by developed countries.
- Developing countries need to retain the ability to promote rural development and the livelihoods and food security of small farmers. At a minimum, this requires a deal that does not demand excessive tariff cuts and also provides extra flexibility to protect poor farmers

in developing countries through the self-selection of special products and an easy-to-use special safeguard mechanism.

- Genuine improvements in market access for developing countries into developed countries' markets, including limitations on the scope of sensitive products.
- In addition to the implementation of the WTO panel's ruling on US cotton subsidies, all remaining trade-distorting support for cotton classified under the Amber, Blue, and Green Boxes should be eliminated on a fast-track basis.
- No renewal of the peace clause.

4 Industrial tariff talks are ignoring development[13]

> 'We agree to negotiations which shall aim … to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries … negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments.'
> — Doha Ministerial Declaration, para 16.

NAMA (non-agricultural market access) negotiations came to the fore in the July 2004 Framework Agreement, when developing countries fiercely, but unsuccessfully, opposed a draft text that called for drastic cuts.

Developed countries have pushed hard for a tariff reduction formula that cuts higher tariffs more than lower ones. This puts developing countries at a disadvantage since their tariffs are generally higher, and is in direct contradiction of the 'less than full reciprocity' promised in Doha.

To date there has been little progress on issues of concern to developing countries, such as tariff peaks,[14] tariff escalation[15] or non-tariff barriers, which block exports to Northern countries and prevent developing countries from reaping the benefits of any liberalisation that does occur.

The July Framework also calls on developing countries that have bound (i.e. set a ceiling for) less than 35 per cent of their tariff lines to bind all of them at the average tariff rate of developing countries. A simple average of developing country tariffs is 29 per cent, but weighted by size, that could fall to as little as 12.5 per cent[16]. Either figure could allow cheap imports to wipe out many fledgling industries in poor countries. While the Framework exempts LDCs from applying the tariff reduction formula, it requires them to 'significantly increase' their number of bound lines.

While selective liberalisation of imports can be desirable, countries with successful growth records — such as South Korea, Taiwan, Viet Nam, China, and Mauritius — have developed key sectors behind protective barriers. Trade barriers were gradually lowered once these sectors started to become internationally competitive. Exactly the same policy was adopted by rich countries themselves at an earlier stage of development. The threat posed by the Doha talks is that, by preventing today's poor countries from following their example, a bad NAMA agreement could kick away the ladder of development.[17] In the short term, sudden tariff reductions can lead to industrial collapse, unemployment, and loss of government revenue from import taxes.

Fisheries and forestry are also covered by the NAMA agreement, and there are serious concerns over the social and environmental impacts of liberalisation in these sectors. For example, in the fisheries sector, a combination of liberalisation and poor environmental management can lead to both over-exploitation of fish stocks and the exclusion of poor people engaged in fishing, as large foreign firms move in.

When they were at the same level of development as sub-Saharan Africa is today, the countries now demanding deep tariff cuts from developing countries used high tariffs to protect their own industries: the USA had an average tariff of 40 per cent, Japan 30 per cent and EU members 20 per cent.[c]

Whatever the development arguments, in practice rich country negotiators are driven by their commercial lobbies, pressing hard for much greater access to developing country markets. If they are successful, poor countries will no longer be able to use tariffs to help build national industries.

What needs to happen

- The July 2004 framework agreement text on NAMA is not pro-development. It must be radically overhauled.
- Developing countries should have the flexibility to choose which tariffs they reduce and by how much. Setting targets for an average reduction would be better than adopting a 'formula approach'.
- Developing countries should be allowed to choose which tariff lines to bind along with the rates at which they bind them. No tariff that developing countries bind in this round should be subject to cuts; binding is already a concession.
- Any agreement must eliminate rich-country tariff peaks and escalation.

5 Negotiations on services reflect rich country priorities

> ‘There shall be appropriate flexibility for individual developing country Members for opening fewer sectors, liberalising fewer types of transactions, progressively extending market access in line with their development situation.’
> — Guidelines and Procedures for the Negotiations on Trade in Services, March 2001, para 12.

Services constitute 60 per cent of world output and 20 per cent of all trade, and are an area dominated by the rich countries. In the WTO negotiations on the General Agreement on Trade in Services (GATS) the richer countries have sought market access for their financial, telecommunications, and other service companies including, controversially, health, education, and water.

With a few exceptions (for example, developed country protectionism on outsourcing, medical services, and shipping), the main offensive interest of developing countries is in ‘Mode 4’, which covers the temporary movement of migrant workers (including professionals). In many countries, remittances from overseas workers form a significant part of national income, although migration also raises concerns over a ‘brain drain’ on, for example, health and education.

Despite government restrictions on migration, remittances from overseas workers back to developing countries are worth $200bn per year, 2.5 times the value of the global aid budget.[d].

In defensive terms, developing countries want effective special and differential treatment (SDT) and to keep the GATS ‘bottom up’ — i.e. unlike other WTO agreements, countries decide for themselves which sectors to include in the negotiations.

However, rich countries have not been satisfied with developing countries’ offers, so they are seeking to change the rules of the game halfway through. They are now calling for ‘benchmarking’ — a negotiated minimum commitment in terms of number of sectors and level of ambition — from all members. In a move symptomatic of the way development considerations are squeezed out by power politics as a ministerial approaches, the chair of the services negotiations produced a draft text in October 2005 that suits the EU’s proposals, despite developing country opposition.

So far, only the EU has made any offer on Mode 4, although this mainly concerned the movement of highly skilled personnel, without offering opportunities for the vast majority of semi-skilled and unskilled workers who are seeking overseas employment.

GATS is essentially an investment agreement. Its provisions are complex and far-reaching, establishing a regulatory framework that limits domestic policies important for economic development and for ensuring universal access to essential services. For example, GATS commitments can restrict the powers of governments to re-regulate where privatisation creates problems, and can restrict the achievement of social aims, such as universal access to services.

What needs to happen

- Public services should be excluded from developing country liberalisation commitments and governments should be given the right to limit liberalisation, especially in areas deemed essential to national development and poverty reduction.
- Benchmarks or other so-called complementary approaches should be rejected.
- Development objectives should be prioritised in the services negotiations. Industrialised countries should undertake liberalisation commitments in areas where developing countries stand to benefit, such as 'mode 4' commitments on temporary migrant labour.

6 The TRIPS Agreement still endangers public health

> 'We affirm that the [TRIPS] Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all. In this connection, we reaffirm the right of WTO members to use, to the full, the provisions … which provide flexibility for this purpose. ,,,
>
> 'We recognise that WTO members with insufficient or no manufacturing capacities in the pharmaceutical sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement. We instruct the Council for TRIPS to find an expeditious solution to this problem … before the end of 2002.'
>
> — Declaration on the TRIPS Agreement and Public Health, adopted at the 2001 Doha ministerial conference, paras 4 and 6.

The 1995 TRIPS Agreement extended the levels of intellectual property protection that existed in industrialised countries to the developing world. Among other things, it required all countries to grant patents lasting at least 20 years on all products, including pharmaceuticals. In the years before the Doha ministerial conference, there was growing concern that this treaty would drive up the price of patented new medicines by eliminating competition from producers of generic (out of patent) medicines.

As the recent controversy over availability of the Tamiflu treatment for bird flu has shown, this apparently arcane discussion can be a matter of life and death. In many poor countries, generic competition is the only proven way of lowering drug prices in a sustainable way. In 2000, five big international companies announced price reductions of anti-retrovirals for treating HIV/AIDS in Africa, from $10,000 per patient per year to under $1,000. This was partly because of pressure from campaigners, and partly because of offers from generic manufacturers in India to supply the same drugs for about $360.

At Doha, developing countries successfully united against the USA and others to push through the Doha Declaration on TRIPS and Public Health, which said that health needs should outweigh private intellectual property rights, even though it did not formally amend TRIPS.

Although the EU has since abided by the letter and spirit of the Declaration, the USA has systematically used its bilateral trade agreements, together with intense diplomatic pressure, to introduce 'TRIPS-plus' intellectual property protection in developing countries, which further reduces access to affordable generic medicines. The USA also invariably demands 'TRIPS-plus' laws from countries such as Viet Nam as a condition for entry to the WTO.

The Declaration also recognised an anomaly whereby TRIPS allows developing countries to override a patent on a new medicine and import an affordable generic version, but at the same time prevents countries from exporting to meet demand in other developing countries that lack pharmaceutical industries of their own. The WTO missed its deadline to change the rules on exporting generics, but agreement on the details was eventually reached in August 2003. Even then, the deal only covered the terms of a temporary waiver, and negotiations continue on the wording of a formal amendment. Regrettably, the USA and its allies have successfully ensured that the new rules will be bound up with so much red tape that it is unlikely that the change will make a real difference to access to medicines. Moreover, individual governments have to reform national laws for the change to be effective, which means that there are further opportunities to water down the deal, as has happened in the case of Canada.

The need for reform is greater than ever, since all developing countries except LDCs had to be TRIPS-compliant from 1 January 2005. Under its new TRIPS-compatible legislation, India, for example can no longer freely export affordable generic versions of new drugs.

What needs to happen

- The Doha Declaration on TRIPS and Public Health must be turned into an amendment to the TRIPS Agreement that ensures it is not unduly burdensome or difficult to use. Developing countries should not be made to pay for such a TRIPS amendment elsewhere in the negotiations.
- A proper review should be conducted of the development implications of TRIPS, as promised in the original treaty.

7 Least Developed Countries are being sidelined in the round and ruthlessly squeezed when trying to join the WTO

> ‘We are committed to ... improving their effective participation in the multilateral trading system.’
> — Doha Ministerial Declaration, para 3.
>
> ‘We commit ourselves to the objective of duty-free, quota-free market access for products originating from LDCs.’
> — Doha Ministerial Declaration, para 42.
>
> ‘…We are committed to accelerating the accession of least-developed countries.’
> — Doha Ministerial Declaration, para 9.

The 49 generally small and vulnerable Least Developed Countries (LDCs) are home to some of the world’s poorest people. They have a combined population of 700 million (11 per cent of the world’s population), yet account for just 0.4 per cent of global trade. Thirty-two LDCs are WTO members.

The average US tariff for all imports is 1.6 per cent, but this rises to 14–15 per cent for LDCs such as Bangladesh, Nepal, and Cambodia. As a result, in 2004, the US Treasury collected roughly the same amount in tariff revenue on imports from Bangladesh ($329m) as on imports from France ($354m), even though France exports 15 times as much to the USA. In the same year, US aid to Bangladesh was just $74m.[e]

Under the Uruguay Round, LDCs agreed to give up the right to use a number of industrial policies, such as making foreign investment conditional on the use of domestic inputs. They also bound all their agricultural tariffs, and agreed to implement the TRIPS Agreement by 2006 (extended to 2016 for pharmaceutical patents). However, they were exempted from the cuts required to other developing countries’ tariffs and subsidies. These exemptions were extended in the July Framework, although the current NAMA draft urges LDCs to ‘substantially increase’ their level of binding commitments.

The main concerns of LDCs within the Doha Round include gaining improved market access to rich country markets, effective special and differential treatment, increased aid to build trade capacity, and greater attention to the problems of debt and technology transfer. Many LDCs also fear that multilateral liberalisation will erode the value of their preferential access to rich markets (see below).

The negotiations have sidelined these concerns. The ‘best endeavours’ language of the Doha mandate did not commit members to take any concrete steps on market access, although some progress has been made outside the WTO, where most rich countries have given some degree of preferential access to LDC exports. However, delays in opening markets to particular exports and red tape in the form of overly-demanding 'rules of origin' have undermined much of the positive potential of the preferences.

Judging by their inaction in Geneva, powerful countries have largely ignored other LDC issues. The Committee on Trade, Debt and Finance has received only seven submissions, six of them from developing countries. The Committee on Trade and Development has seen only five submissions in four years, two of them from a group of East African countries desperately trying to address the problems of dependence on commodity exports.

There are still a number of countries that are not members of the WTO and wish to join. But the WTO accession process is inherently unfair. Not only must an aspirant country comply with all WTO rules, but individual member countries are allowed to ask for further concessions, known as 'WTO-plus', from applicants in return for support for their application. Small wonder that Vanuatu, for example, decided to freeze its accession negotiations in 2001 in dismay at the kinds of concessions that had been extracted from it.[18] Although 20 countries have joined the WTO since it was founded in 1995, only two of these were LDCs (Cambodia and Nepal, both in 2004). Non-LDC countries trying to accede to the WTO, such as Viet Nam, have faced similar treatment.[19]

In its current accession negotiations, Vanuatu has been forced to give commitments to radical liberalisation of services in education, hospitals, retail and wholesale distribution, environmental services, and telecommunications. These commitments go well beyond those of virtually any other existing WTO member, including the richest nations.[7]

What needs to happen

- LDCs should be granted duty- and quota-free access to developed country markets immediately.
- There should be full recognition that LDCs are entitled to the full benefit of special and differential treatment, all extended implementation periods, and all exemptions enjoyed by founding member LDCs.
- LDCs that are in the process of acceding should be allowed to retract any LDC-plus concessions already made in bilateral or multilateral negotiations.
- Rich countries should agree to the LDCs' request for a 15-year extension to the 1 January 2006 deadline for implementation of the full TRIPS Agreement.

8 Improvements in 'special and differential treatment' have been blocked by the rich countries

> ‘All special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational.’
> — Doha Ministerial Declaration, para 44.

The Uruguay Round drastically reduced the scope of SDT, to little more than longer timescales and lower tariff and subsidy reduction commitments for developing countries, with exemptions from such commitments for the LDCs. Increasingly, developing countries, supported by NGOs and academics, argue that the concept of SDT should be expanded to guarantee poor countries the ‘policy space’ they need in order to develop In effect, the ‘special’ should be dropped from SDT, and differential treatment for developing countries should become the norm.

At the Seattle ministerial and again in Doha, developing countries highlighted the need to sort out the many difficulties and inequities they faced in implementing the Uruguay Round, before going on to negotiate a whole new set of agreements. They were promised that these concerns would be dealt with earlier than the rest of the agenda, freeing them from the need to ‘pay twice’, i.e. give concessions in both the Uruguay and Doha Rounds to sort out the same agreement. This has not happened.

Instead Northern negotiators, as well as some Latin American countries whose main interest is in gaining new markets for their exports, have blocked progress on SDT. Developed countries have raised new objections such as ‘differentiation’ (see below). In July 2005, the latest of several missed deadlines, delegates failed even to agree on five proposals put forward by the LDCs. Selected from the 88 such agreement-specific SDT proposals made by developing countries, these included duty- and quota-free access for LDCs; coherence of IMF, World Bank, and WTO measures; and exemption from the Agreement on TRIMS (Trade-Related Investment Measures). ‘We are back to square one,’ lamented one delegate.

What needs to happen

- Differential treatment for developing countries needs to be placed at the heart of a reformed WTO system, fulfilling the Doha mandate of making it more precise, effective, and operational.
- Any agreement on the implementation issues should not be traded-off against concessions in other areas.

9 'Aid for Trade' could be beneficial, if it is not used to lure countries into accepting a bad deal

Poor countries need major increases in aid, particularly for infrastructure (roads, etc.) and communications, if they are ever to trade their way out of poverty. Those countries that are suffering from preference erosion (see below) also need help to adjust.

Combined bilateral and multilateral flows of aid for trade have increased in recent years to $2.7bn in 2003.[20] This accounts for around 4 per cent of all development aid, yet funds have been insufficient and painstakingly slow to arrive. While there are no firm estimates on how much it might cost to overcome the obstacles to trade detailed above, $3bn annually, spread across more than 100 developing and least-developed countries, is clearly not enough.

In the run-up to Hong Kong in December 2005, 'Aid for Trade' has become a favoured phrase of negotiators and also featured at the G8 summit in July 2005 in Scotland. Oxfam welcomes the recognition that poor countries need support if they are to benefit from trade, but any aid must be recipient-driven, additional, adequate, predictable, free of economic conditions, and complementary to — and not serving as a substitute for — better and fairer trade rules.

Moreover, current proposals for channelling such aid through the so-called 'Integrated Framework'[21] could significantly increase the influence of the World Bank and IMF in developing countries, where they have a poor record in forcing through liberalisation and deregulation, even when doing so harms poor people or the long-term development prospects of poor countries.

10 A trade facilitation agreement could be beneficial, if backed with hard cash

> '…in cases where required support and assistance for such infrastructure is not forthcoming, and where a developing or least-developed Member continues to lack the necessary capacity, implementation will not be required.'
> — July 2004 Framework, Annex D.

Trade facilitation is the sole survivor of the failed attempt by the EU and others, notably Japan, to push a number of new issues onto the Doha agenda. Trade facilitation covers issues such as customs and licensing procedures, transport formalities and payments, insurance, and other financial requirements. Empirical studies by the OECD suggest that directly and indirectly incurred trade transaction costs each amount to anywhere between 1 and 15 per cent of the value of traded goods, constituting a significant obstacle to trade. Moreover, such costs tend to be greater for poorer countries, adding to their exclusion from the benefits of international trade.[22]

One innovative aspect of the July Framework agreement was that it made implementation of any trade facilitation deal contingent on countries receiving sufficient aid to build capacity.

Trade facilitation can bring economic benefits to developing countries through increased efficiency and reduced transaction costs in international trade procedures. However, the proposals on the table could impose significant costs and it is unclear how developed countries are going to fulfil their promise for technical support and capacity building.

Moreover, making binding commitments at the WTO could make it harder for developing countries to build the rules and institutions best suited to their conditions - there is no one-size fits all approach. A better approach would be to develop country specific programs that would stimulate trade facilitation, something also proposed by the World Bank.

What needs to happen

- The outcome of the negotiations should not be binding and any developing-country commitments should be conditional on the provision of sufficient funding for their implementation.

11 Preference erosion is a serious problem for some countries

> 'The issue of preference erosion will be addressed.'
> — July Framework, Annex A, para 44.

Developing countries (mainly LDCs and Europe's former colonies) that currently benefit from trade preferences will suffer substantial losses if the Doha Round results in serious trade liberalisation. This is because, as rich countries lower their tariffs, the advantage conferred by preference schemes for the poorest countries — such as the EU's Everything But Arms (EBA) scheme — is also reduced. According to calculations by the WTO Secretariat, in NAMA alone, LDCs would suffer a net loss of $170m in preference margins if the Quad countries (EU, USA, Japan, and Canada) and Australia were to apply a fairly typical current proposal for a tariff reduction formula (a 'Swiss formula' with a coefficient of 10). The five most affected LDCs would be Bangladesh, Cambodia, Haiti, Lesotho, and Madagascar.[23]

If agriculture is included, the IMF calculated the total loss of LDC income from a 40 per cent cut in protection in the Quad at $530m.[24] Some middle-income countries also benefit from preferences, for example through the EU's preference scheme for former colonies in Africa, the Caribbean, and the Pacific. Here the IMF calculates that for six countries in particular—Mauritius, St. Lucia, Belize, St. Kitts and Nevis, Guyana, and Fiji—preferences add around one-fourth or more to the value of exports.[25]

Several complementary approaches for dealing with preference erosion have been proposed, including expanding market access for products of vital export interest to preference-dependent countries, and simplifying rules of origin or enacting other measures to ensure they can effectively use existing preferences. Lesotho's experience in the 1990s of different sets of rules of origin shows how much these rules matter. Lesotho's exports of clothing to the USA took off under the Africa Growth and Opportunity Act (AGOA), which allowed for simpler rules of origin. In contrast, the need to comply with unduly complex EU rules in order to export on preferential terms in effect blocked Lesotho's clothing exports to that market.[26]

Preference erosion is both a serious threat to the welfare of the countries affected, and a potential barrier to progress in the Doha Round. It has also failed to receive the attention it deserves, having hardly been dealt with in the negotiations. But is far too important to be put off until the last moment.

Preference-dependent countries should at a minimum receive a binding commitment from rich countries — especially those who created the preferences system — to provide bilateral assistance to ease the transition, commensurate with the impact of preference erosion. This should not be left exclusively to the international financial institutions, as has previously been the case.

What needs to happen

- Preference erosion must be fully addressed via deepening existing preferences, compensation, improved rules of origin, and technical assistance for compliance with food safety and product standards.

12 Little progress on curbing abuses of anti-dumping or checking the spread of regional trade agreements

The Doha ministerial agreed to negotiations on a number of areas of WTO rules, especially on anti-dumping, subsidies, and regional trade agreements (RTAs). These issues came onto the agenda largely at the behest of the developing countries, which wanted to curb rich countries' licence to block their exports through questionable anti-dumping actions. When a company exports a product at a price lower than the price it normally charges on its own home market, anti-dumping actions impose extra import duty on the product in order to bring its price closer to the 'normal value' or to remove the injury to domestic industry in the importing country.

Progress has been minimal, with any agreement expected to come at the very end of the round, when the USA and others can see what concessions have been made in other areas.

While RTAs are proliferating in the real world, the WTO 'negotiations' on regional trade agreements amount to little more than a talking shop. According to the WTO, over 170 RTAs are in force. By the end of 2005, the WTO estimates that the total number of RTAs could well approach 300.[27] The concern here is that RTAs can undo the benefits of the multilateral system by, for example, forcing developing countries to sign 'WTO-plus' agreements that extract greater concessions in areas such as TRIPS and agriculture. In the aftermath of the collapse in Cancún, the US Trade Representative threatened to pursue just this option:

> 'The key division at Cancún was between the can-do and the won't-do. For over two years, the USA has pushed to open markets globally, in our hemisphere, and with sub-regions or individual countries. As WTO members ponder the future, the USA will not wait: we will move towards free trade with can-do countries.'[28]

Whatever the outcome in Hong Kong, there are serious concerns that the spread of 'WTO-plus' RTAs could seriously damage the development prospects of poor countries.

What needs to happen

- Disciplines to curb abuse of anti-dumping measures should be agreed.
- Clarification of the relationship between regional trade agreements and the WTO is urgently needed, to guarantee that hard-won gains

by developing countries in the WTO are not subsequently undermined in regional negotiations and guarantee that adequate special and differential treatment becomes part of the WTO rules for regional trade agreements between developed and developing countries.

13 Rich countries twist development arguments to serve their own interests

Developed country negotiators have become adept at cloaking their own interests in the language of development. Nowhere is this clearer than in the debates on differentiation and South-South trade.

'Differentiation' is being used to divide and rule

Rich countries argue that what they call 'advanced developing countries' — such as China, India, Brazil, and South Africa — no longer need SDT measures to promote development. In its 28 October 2005 offer, the EU demanded that in any NAMA agreement 'advanced developing countries' apply the same formula as developed countries while granting only very limited additional flexibility. However, such countries are being targeted not because they have reached a particular level of development, but because their middle-class consumers constitute potentially lucrative markets. The realpolitik is that the rich countries want 'blood on the floor' in the shape of market access concessions by these countries as part of any deal.

Many of these countries still have large populations living in poverty and large uncompetitive sectors that could be wiped out by premature liberalisation, with severe consequences for poor farmers and industrial workers. In India, for example, 800 million people live on less than $2 a day (almost half of them on less than $1); one in ten children die before their fifth birthday; and one in five of the population is undernourished. However much the EU and the USA's industrialists fear competition from Indian software and clothing exports, it is hard to see in what genuine sense these statistics describe an 'advanced developing country'.

Most developing countries see the EU and USA's sudden interest in 'differentiation' — which appears nowhere in the Doha mandate — as little more than a combination of disguised self-interest and divide-and-rule tactics towards the developing countries.

Unfortunately, the rich countries' attempt to use the differentiation issue has stifled more genuine discussions on the particular challenges facing commodity-dependent, small, and landlocked economies, which tend to be more vulnerable to volatile prices, and more dependent on a small number of goods.

Hiding self-interest behind calls for increased 'South-South trade'

Rich country negotiators frequently argue that developing countries should lower their tariffs in order to increase South–South trade. While there are certainly potential gains here for some developing countries, the issue should not be used to distract attention from Northern protectionism. Given that industrialised economies constitute 75 per cent of the world's GDP, access to Northern markets remains critical for developing countries. Moreover, South–South trade is booming without any intervention from the WTO: during the 1990s, it grew at nearly double the rate of global trade. There is nothing to prevent individual developing countries from further liberalising their trade regimes unilaterally, or as part of South–South regional trade agreements or initiatives such as UNCTAD's (the United Nations Conference on Trade and Development) Global System Of Trade Preferences Among Developing Countries (GSTP) negotiations, if they consider this to be in their interest. However, rich countries should stop using the excuse that 'it is good for South–South trade' to justify their aggressive push for access to developing country markets.

14 Conclusion and likely outcomes of Hong Kong

Four years on, the Doha Round looks unlikely to deliver on its promises to the poor. The WTO could be part of the solution to poverty and underdevelopment. Instead, it is becoming part of the problem.

In agriculture, the rules remain stacked against developing countries and poor farmers. The EU's grudging agreement to negotiate an end date to export subsidies was a welcome step, but there is little hope in sight for an end to other egregious practices by rich countries, such as dumping, or blocking access to imports from poor countries. Meanwhile, developing countries are under increasing pressure to open up their own markets, even at the expense of their impoverished farmers.

Talks on industrial tariffs give even greater cause for concern. There the existing draft text is hostile to the industrialisation prospects of poor countries and should be scrapped altogether, but there is little prospect of that happening. In other areas of the talks, such as services, special and differential treatment (SDT), or Trade-Related Aspects of Intellectual Property Rights (TRIPS), development concerns have been sidelined , as negotiators have reverted to the 'might is right' powerplays of traditional trade talks.

When rich countries are driven by the short-term self-interest of their commercial lobbies, the goal of development is rapidly reduced to empty rhetoric. This is a shameful missed opportunity not just for poor countries themselves, but in the medium- and long-term, for the interests of developed countries. As the Marshall Plan showed after the Second World War, rich countries benefit from the creation of prosperous markets for their exports around the world, not from keeping the majority of the world's people in penury.

Oxfam believes that the powerful countries, led by the EU and the USA, must keep the promises made in Doha and put development at the heart of any agreement, including the measures recommended in this paper. Anything less amounts to a betrayal. The ball is squarely in the rich world's court. Unfortunately, as of November 2005, there seem to be at least five plausible scenarios for just such a betrayal. If there is a deal, it could be a bad deal for development, or a minimal agreement. If there is no deal, the round could stretch into the next decade or collapse altogether.

Buying time

At the time of writing (mid-November 2005), key WTO members are energetically talking down expectations for the Hong Kong ministerial, eager to avoid another collapse on the scale of Cancún or Seattle. An increasingly popular option is to hold another meeting in 2006, hoping still to meet the deadline imposed by the expiry of fast-track authority. This could either be a full ministerial or a 'general council plus ministers' like the one that agreed the July Framework agreement in 2004.

Oxfam has serious concerns about this option. It is vital that any such decision does not seek to move negotiations behind the closed doors of the WTO, away from public and civil society scrutiny, and even some ministers, as happened to some extent in July 2004. A General Council is not the place to make decisions of this gravity. Even if they buy themselves an extra six months, when they reconvene, WTO members will still face the hard choices outlined in this paper. Any genuine development outcome will require a step change in political will from the developed countries.

Bad deal

Developing countries are bullied into accepting a worse agreement than the Uruguay Round. Minor concessions in rich world agriculture are traded for major new access to developing country markets, while dumping of agricultural surpluses continues unabated. Developing country agriculture fails to get a fair chance to compete and serve the interests of their own people, while its fledgling industries and services are smothered by cheap imports through premature liberalisation. Such a deal would be a dismal end to a year in which development has had an unprecedented profile in world affairs, with serious consequences in the decades ahead. The WTO provides developing countries with the only multilateral forum in which they can fight (albeit often against overwhelming odds) for changes to trade rules and they would have every right to refuse a bad deal.

Minimal agreement

In order to avoid a breakdown and to finish talks within the deadline set by the expiry of the US 'fast-track' negotiating authority, in mid-2007, all sides save face by accepting a watered-down agreement with little new market access or cuts in developed country subsidies. Such a political compromise can in no way be seen as a success for development. Although the developing countries might retain their existing flexibilities on tariffs, they lose an historic opportunity to get a fairer deal on global trade rules, in which the developed world cuts its agricultural and other protection to encourage development.

Slow round

Hong Kong paves the way for a greatly prolonged round, ending some time in the next decade. Fast-track authority may not be renewed immediately, but in the long run, no US president can afford to do without it, as it is needed for bilateral and regional trade agreements as well as the WTO. Negotiations move even more slowly in Geneva, but pick up steam when fast-track once again becomes likely. If the round stretches into the next decade, the developmental implications depend on broader geopolitical shifts, but events since Doha (the rise of the G20, the wider crisis of the Washington Consensus) give some cause for optimism that the longer the round, the better the eventual outcome. Furthermore, as long as negotiations are proceeding, they may exercise some level of restraint on Northern protectionism and perhaps on the push for WTO-plus regional trade agreements. However, the price of a long round is high in terms of prolonging the agony of an unjust world trading system that condemns developing countries to poverty.

Collapse

The Hong Kong meeting collapses, like Cancún and Seattle before it. This could either lead to a slow round, or the round being abandoned altogether. If the round is scrapped, the multilateral trading system would remain based on the Uruguay Round agreements that originally constituted the WTO. The WTO is too useful to the powerful players (witness the Boeing-Airbus dispute) and the big developing countries (for example, in the cotton and sugar disputes) for anyone to want to scrap it altogether. The system would then evolve through dispute settlements. Pressure for drastic reform of the WTO would grow after a third collapse in four ministerials, but there is no guarantee that reforms would benefit developing countries. In agriculture, developing countries would be left with a credible Plan B in terms of curbing dumping through existing agreements such as the Agreement on Subsidies and Countervailing Measures, and a vigorous use of the dispute mechanism. However, outside a weakened WTO, the rich countries are likely to pursue their own highly damaging Plan B in the shape of even more highly unbalanced regional trade agreements.

What happens next?

Whatever the outcome in Hong Kong, a key issue will be the future of negotiations on the ever-growing number of regional trade agreements.

In particular, if the next generation of RTAs pursue a 'WTO plus' agenda in which the powerful countries wring further concessions out of developing countries, they would undermine even a reasonable deal within the WTO. The Doha Round itself could help, by clarifying the relationship between regional trade agreements and the WTO, guaranteeing that adequate special and differential treatment becomes part of the WTO rules for regional trade agreements between developed and developing countries. Until this is done, developed countries should stop negotiating RTAs with developing countries.

To fulfil their promises in Doha, and in their own self-interest, the powerful countries must deliver in Hong Kong, based on the recommendations outlined in this paper. Any other outcome would be a breach of the Doha agreement and a betrayal of the developing world. Worst of all would be a bad deal that sets in stone trade rules that undermine development. Developing countries should not be expected to sign up to such a deal. Either a minimal agreement, *or* abandoning the Doha Round altogether, *or* extending the round into the next decade are all preferable to a bad deal. They, however, all come at a considerable cost as promised changes to unfair international trade rules will either be seriously delayed or will not materialise at all.

Notes

[1] SUNS #5784, 20 April 2005.

[2] The 'blood on the floor' rule was invoked in the negotiations on Special and Differential Treatment by a US negotiator in April 2005 to explain that concessions in the Doha Round had to be mutual, or governments would find it impossible to sell the deal to their constituents. Source: SUNS #5784, 20 April 2005.

[3] For recent Oxfam papers on agriculture and the WTO, see www.oxfam.org.uk/what_we_do/issues/trade/papers.htm, including:
'A Little Blue Lie: Harmful Subsidies Need to be Reduced, Not Redefined', www.oxfam.org.uk/what_we_do/issues/trade/bn_bluebox.htm;
'Green but not clean: Why a comprehensive review of Green Box subsidies is necessary',www.oxfam.org.uk/what_we_do/issues/trade/joint_green.htm;
'A Round for Free: How Rich Countries are Getting a Free Ride on Agricultural Subsidies at the WTO', www.oxfam.org.uk/what_we_do/issues/trade/bp76_modalities_and_dumping.htm;
'Kicking Down the Door: How Upcoming Wto Talks Threaten Farmers in Poor Countries', www.oxfam.org.uk/what_we_do/issues/trade/bp72_rice.htm;
'Food Aid Or Hidden Dumping? Separating Wheat from Chaff', www.oxfam.org.uk/what_we_do/issues/trade/bp71_foodaid.htm;
'A Sweeter Future? The Potential for EU Sugar Reform to Contribute to Poverty Reduction in Southern Africa', www.oxfam.org.uk/what_we_do/issues/trade/bp70_sugar.htm;
'Finding the Moral Fibre: Why Reform is Urgently Needed for a Fair Cotton Trade', www.oxfam.org.uk/what_we_do/issues/trade/bp69_cotton.htm.

[4] FAO database, http://faostat.fao.org/.

[5] World Bank, Agriculture and the WTO, p.2, Washington DC, 2004.

[6] OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2005.

[7] For a detailed analysis, see 'Oxfam Analysis of recent negotiating proposals in WTO agricultural negotiations', November 2005.

[8] The Green and Blue Boxes are categories of subsidies deemed to be 'non or minimally trade-distorting' and therefore not subject to reductions. In reality these are loopholes that enable the USA and the EU to go on dumping subsidised exports on the world market.

[9] www.fsa.usda.gov/dam/bud/CCC%20Estimates%20Book/2006PresBud/Pres%20Bud%20Table%2035.pdf

[10] http://usda.mannlib.cornell.edu/reports/erssor/trade/aes-bb/2005/aes45.pdf

[11] Oxfam International Press Release, 10 November 2005.

[12] www.ustr.gov/Trade_Sectors/Agriculture/US_Proposal_for_WTO_Agriculture_Negotiations.html

[13] For more on Oxfam's position on NAMA, see 'Non-agricultural market access (NAMA) talks threaten development: Six reasons why a fundamentally different approach is needed', www.oxfam.org.uk/what_we_do/issues/trade/joint_nama.htm; and 'Oxfam International Contribution Regarding NAMA (Non-Agricultural Market Access) Negotiations', www.oxfam.org.uk/what_we_do/issues/trade/sub_nama.htm. See also Ha Joon Chang, 'Why Developing Countries Need Tariffs: How WTO NAMA Negotiations Could Deny Developing Countries' Right to a Future', South Centre, Geneva, November 2005.

[14] 'Tariff peaks' are relatively high tariffs, usually on 'sensitive' products, amidst generally low tariff levels. For industrialised countries, tariffs of 15 per cent and above are generally recognised as tariff peaks.

[15] 'Tariff escalation' refers to the imposition of higher import duties on semi-processed products than on raw materials, and higher tariffs still on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where raw materials originate.

[16] Santiago Fernandez de Córdoba, Sam Laird, and David Vanzetti (2005) 'Development opportunities and challenges in the WTO negotiations on industrial tariffs', UNCTAD.

[17] The phrase was first used in the 19th century by German economist Friedrich List to describe Britain's attempt to persuade Germany to drop tariff protection for its infant industries, see H-J Chang (2002) 'Kicking Away the Ladder: Development Strategy in Historical Perspective', London.

[18] For more information, see 'Make Extortion History: the Case for Development-Friendly WTO Accession for the World's Poorest Countries', available at www.oxfam.org.uk/what_we_do/issues/trade/bp79_make_extortion_history.htm.

[19] 'Do as I say, not as I do: The unfair terms for Viet Nam's entry to the WTO', www.oxfam.org.uk/what_we_do/issues/trade/bn_vietnam.htm.

[20] 'Commitments of TRTA/CB by Donor from 2001-2003', WTO/OECD Trade Capacity Building Database, http://tcbdb.wto.org/index.asp?lang=ENG.

[21] www.integratedframework.org.

[22] Quantitative Assessment Of The Benefits Of Trade Facilitation, November 2003, www.olis.oecd.org/olis/2003doc.nsf/43bb6130e5e86e5fc12569fa005d004c/ec8dd2cee8fca29ac1256ddd0055e57b/$FILE/JT00153655.DOC.

[23] Patrick Low, Roberta Piermartini, and Jurgen Richtering (2005) 'Multilateral Solutions to the Erosion of Non-Reciprocal Preferences in NAMA', WTO, October 2005, www.wto.org/english/res_e/reser_e/ersd200505_e.doc.

[24] Bernard Hoekman and Çaglar Özden (2005) 'Trade Preferences and Differential Treatment of Developing Countries Introduction', available at www.dfid.gov.uk/pubs/files/itd/gspandsdt-readings.pdf.

[25] Katerina Alexandraki, 'Preference Erosion: Cause for Alarm?', Finance & Development March 2005.

[26] Christopher Stevens and Jane Kennan (April 2004) 'Comparative Study of G8 Preferential Access Schemes for Africa', report on a DFID-commissioned study, Institute of Development Studies.

[27] www.wto.org/english/tratop_e/region_e/region_e.htm.

[28] *Financial Times*, 22 September 2003.

Web links in this document correct as of 19 August 05.

Notes to margin captions

[a] Source: WTO International Trade Statistics: www.wto.org/english/res_e/statis_e/its2004_e/chp_0_e/table_1_e.xls; Gleneagles G8 communiqué: www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_Africa,0.pdf.

[b] 'Finding the Moral Fiber: Why reform is urgently needed for a fair cotton trade', available at: www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp69_cotton.pdf.

[c] Historical tariff data from Bairoch (1993), cited in Ha-Joon Chang, 'Kicking Away the Ladder' p17. Canada figure from K. W. Taylor, 'Tariffs', in W. Stewart Wallace (ed.) The Encyclopedia of Canada , Vol. VI, Toronto: University Associates of Canada, 1948, 398p, pp. 102-108. Historical income per capita levels from Maddison,
www.eco.rug.nl/~Maddison/Historical_Statistics/horizontal-file.xls.
Based on population-weighted average of the seven EU countries for which data are available.

[d] World Bank, Global Development Finance 2004, p.169 .

[e] US International Trade Commission, www.usitc.gov.

[f] 'Make extortion history: The case for development-friendly WTO accession for the world's poorest countries', www.oxfam.org.uk/what_we_do/issues/trade/bp79_make_extortion_history.htm

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For further information on the issues raised in this paper or the Make Trade Fair campaign, please e-mail advocacy@oxfaminternational.org or visit www.maketradefair.com.

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Oxfam International Advocacy Offices:
Washington: 1112 16th St., NW, Ste. 600, Washington, DC 20036, USA
Tel: +1.202.496.1170. E-mail: advocacy@oxfaminternational.org
Brussels: 22 rue de Commerce, 1000 Brussels, Belgium
Tel: +322.502.0391. E-mail: luis.morago@oxfaminternational.org
Geneva: 15 rue des Savoises, 1205 Geneva, Switzerland
Tel: +41.22.321.2371. E-mail: celine.charveriat@oxfaminternational.org
New York: 355 Lexington Avenue, 3rd Floor, New York, NY 10017, USA
Tel: +1.212.687.2091. E-mail: nicola.reindorp@oxfaminternational.org
Tokyo: Oxfam Japan, Maruko-Bldg. 2F, 1-20-6, Higashi-Ueno, Taito-ku, Tokyo 110-0015, Japan
Tel/Fax: +81.3.3834.1556. E-mail: advocacy@oxfaminternational.org

Oxfam America 26 West St. Boston, MA 02111-1206, USA Tel: +1.617.482.1211 E-mail: info@oxfamamerica.org www.oxfamamerica.org	**Intermón Oxfam (Spain)** Roger de Llúria 15 08010, Barcelona, Spain Tel: +34.902.330.331 E-mail: info@intermonoxfam.org www.intermonoxfam.org
Oxfam Australia 156 George St. Fitzroy, Victoria 3065, Australia Tel: +61.3.9289.9444 E-mail: enquire@caa.org.au www.oxfam.org.au	**Oxfam Ireland** Dublin Office, 9 Burgh Quay, Dublin 2 Ireland, Tel: +353.1.672.7662 Belfast Office, 115 North St, Belfast BT1 1ND, UK, Tel: +44.28.9023.0220 E-mail: communications@oxfam.ie www.oxfamireland.org
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Oxfam Germany Greifswalder Str. 33a 10405 Berlin, Germany Tel: +49.30.428.50621 E-mail: info@oxfam.de www.oxfam.de	**Novib Oxfam Netherlands** Mauritskade 9, Postbus 30919 2500 GX, The Hague, The Netherlands Tel: +31.70.342.1621 E-mail: info@novib.nl www.novib.nl
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