



INTER-PARLIAMENTARY UNION

2008



EUROPEAN PARLIAMENT

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**Annual session of the  
Parliamentary Conference  
on the WTO**

Geneva, 11-12 September 2008

Inter-Parliamentary Union and European Communities, 2008

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Photographs : H. Salgado, 2008

ISBN 978-92-9142-400-9

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## ANNOTATED AGENDA OF THE SESSION

1. **Adoption of the agenda**
2. **Dialogue with senior WTO negotiators**

*The annual session of the Parliamentary Conference on the WTO will be taking place at a juncture when the future of the Doha Round remains uncertain due to highly divergent positions of WTO members on key issues including agriculture, non-agricultural market access, and services. Participants at the parliamentary session will have an opportunity to put questions to top WTO negotiators, receive first-hand information on the latest developments in WTO talks, and exchange views on possible ways forward.*
3. **Debate on substantive themes:**
  - (a) **Looking beyond Doha**

*Under this agenda item, delegates are expected to focus, from a parliamentary perspective, on the long-term consequences of a protracted stalemate in WTO negotiations. What is the future of a WTO-centric multilateral trading system if the Doha Round fails to deliver on its development promise? Would a spaghetti-bowl of bilateral agreements replace the multilateral system? Should the rising tide of protectionism be seen as an impediment to the achievement of the Millennium Development Goals? Are WTO accession rules and procedures sufficiently transparent? Among other issues, delegates are invited to address the issue of effective legislative oversight of trade talks, including through the Parliamentary Conference on the WTO.*
  - (b) **Can international trade help mitigate climate change?**

*Political leadership and public opinion have been alerted to the adverse impact of climate change on natural ecosystems, the economy and human health. The appropriate policies are yet to be put in place though, despite the known benefits of early action to reduce greenhouse gas emissions and put an end to irresponsible production and consumption patterns. What kind of trade rules are required to limit climate change caused by trade-related activities? What can be done to amplify the capacity of international trade to attenuate negative environmental trends? Delegates are invited to explore these avenues, bearing in mind the need for innovative and cost-effective solutions.*
4. **Panel discussions**
  - (a) **Defusing the threat of conflicts over food and energy through trade**

*For the first time in many years, food shortages and soaring energy prices are back in the spotlight of the international media and the diplomatic arena. This interactive session will focus on the role of international trade as a means of adjusting supply and demand in a situation where countries are scrambling for markets amid fears of diminishing returns. The debate should also cover the issue of trade-distorting subsidies and tariffs, and the need to strengthen WTO rules.*
  - (b) **Trade in the era of digital revolution**

*One of the most visible examples of the way in which information and communication technologies (ICT) contribute to economic growth is the advancement of e-business and e-commerce throughout the world, including in developing countries. Governments, parliaments, civil society and the private sector all have a vital stake in grasping*

## ANNOTATED AGENDA OF THE SESSION

*the digital opportunity and putting ICT at the service of development. This interactive panel will focus on the role of parliaments in providing an enabling legal and regulatory environment for e-commerce, and on trade facilitation through relevant capacity-building measures.*

5. **Guidelines for relations between governments and parliaments on international trade issues**

*As a follow-up to the initial exchange of views that took place during the Hong Kong session of the Parliamentary Conference on the WTO in December 2005, the Conference Steering Committee elaborated the enclosed draft Guidelines on the basis of two comparative studies, undertaken by the European Parliament and the French Senate respectively. Participants at the parliamentary session will be called upon to approve the text of draft Guidelines, with a view to its subsequent circulation to all parliaments as a recommendation for action.*

6. **Amendments to the Rules of Procedure of the Parliamentary Conference on the WTO**

*The current set of Rules of Procedure was adopted by the Parliamentary Conference on the WTO at its session held in Brussels in November 2004. On the request of a number of delegations, the Conference Steering Committee prepared a series of amendments to the Rules of Procedure with a view to establishing a mechanism for rotating the Steering Committee seats among different national parliaments. In accordance with Article 8 of the current Rules, the participants at the parliamentary session will be called upon to approve the proposed amendments, it being understood that the Steering Committee has already established a timeframe for phasing in the regional rotation and drawn up a list of geographical regions for the purpose of rotation.*

7. **Adoption of the outcome document**

*At the end of the session, the participants will be invited to consider and adopt an outcome document, the draft of which will be prepared by the Conference Steering Committee.*

## PROGRAMME OF THE SESSION



### Wednesday, 10 September

- 10:00 - 19:00 *Registration of participants (IPU Headquarters)*  
 17:30 - 20:00 *Pre-Conference session of the Steering Committee (in camera meeting, IPU Headquarters)*

### Thursday, 11 September

- 08:00 - 18:30 *Registration of participants*  
 09:30 - 10:00 *Inaugural session*  
 10:00 - 10:15 **Adoption of the agenda and other organizational issues**

10:15 - 11:30 *Debate on substantive themes*

**Substantive theme (a)**  
**Looking beyond Doha**

#### Rapporteurs

- Mr. Carlos Carnero González, Member of the European Parliament
- Mr. Benedict A. Martins, MP (South Africa)

#### Discussants

- Mr. Stuart Harbinson, Senior Adviser to the UNCTAD Secretary-General
- Dame Billie A. Miller, former Minister of Foreign Affairs and Foreign Trade (Barbados)
- Ms. Cristiana Muscardini, Member of the European Parliament

11:30 - 13:00 **Hearing with the WTO Director-General, Mr. Pascal Lamy**

13:00 - 14:30 *Lunch break*

14:30 - 16:30 *Interactive panel discussion*

**Defusing the threat of conflicts over food and energy through trade**

#### Panellists

- Senator Luis Alberto Heber (Uruguay)
- Mr. Olivier De Schutter, Special Rapporteur on the right to food, United Nations
- Ms. Esperanza Duran, Executive Director, Agency for International Trade Information and Cooperation
- Mr. Maximo Torero, Director, Division of Markets, Trade and Institutions, International Food Policy Research Institute (USA)

16:30 - 19:00 *Continuation and end of the debate on substantive theme (a), followed by*

**Substantive theme (b)**  
**Can international trade help mitigate climate Change?**

#### Rapporteurs

- Senator Pikulkeaw Krairiksch (Thailand)
- Mr. Alain Lipietz and Mr. Paul Rübzig, Members of the European Parliament

#### Discussants

- Ms. Vesile Kulacoglu, Director of the Trade and Environment Division, WTO Secretariat

## PROGRAMME OF THE SESSION

19:00 *Reception*  
20:00 - 22:00 *Steering Committee (in camera meeting, IPU Headquarters)*

### Friday, 12 September

08:00 - 17:00 *Registration of participants*  
09:30 - 10:30 *Continuation of the debate on substantive theme (b)*  
10:30 - 12:00 **Dialogue with senior WTO negotiators**

- Ambassador Crawford Falconer (New Zealand), Chairperson of the WTO Special Session of the Committee on Agriculture
- Ambassador Fernando de Mateo y Venturini (Mexico), Chairperson of the WTO Special Session of the Council for Trade in Services

  
12:00 - 13:00 *Continuation and end of the debate on substantive theme (b)*  
13:00 - 14:30 *Lunch break*  
14:30 - 16:30 *Interactive panel discussion*  
**Trade in the era of digital revolution**  
Panellists

- Ms. Martine Julsaint-Kidane, Trade Negotiations and Commercial Diplomacy Branch, Division on International Trade in Goods and Services and Commodities, UNCTAD
- Ms. Aarti Holla-Maini, Secretary General, European Satellite Operators Association
- Mr. Fredrik Erixon, Director of the European Centre for International Political Economy

  
16:30 - 15:45 **Amendments to the Rules of Procedure of the Parliamentary Conference on the WTO**  
*followed by*  
**Adoption of the Guidelines for relations between governments and parliaments on international trade issues**  
16:45 - 17:00 *Closing session*  
**Adoption of the outcome document**

## INAUGURAL CEREMONY

ADDRESS BY MR. GEERT VERSNICK (BELGIUM),  
MEMBER OF THE IPU EXECUTIVE COMMITTEE,  
COORDINATOR OF THE IPU DELEGATION  
TO THE CONFERENCE STEERING COMMITTEE

*Geneva, 11 September 2008*



Fellow parliamentarians,  
Representatives of governments and international organizations,  
Ladies and gentlemen,

I have great pleasure in welcoming you to the annual session of the Parliamentary Conference on the WTO. In its six years of existence, the Conference has proved to be an effective tool of parliamentary scrutiny of international trade policies. It is a place where members of parliament - elected representatives of the people - engage in debate and interaction with WTO officials and negotiators, renowned international experts, and each other, of course.

Today's meeting is the largest international parliamentary conference on trade ever organized. We have almost 100 parliaments represented at this major event. We are joined by members of diplomatic missions in Geneva, officials of international organizations, representatives of the academic and business communities, NGOs and the mass media. I extend a cordial welcome to all of you on behalf the IPU as the host of the session. I take this opportunity to convey to you the greetings of the IPU President, Mr. Pier Ferdinando Casini, who is unable to attend owing to important political commitments in his country, Italy.

Our session is taking place at a critical moment for the Doha Round of multilateral trade negotiations and for the WTO as a whole. For the third summer in a row, attempts to reach a breakthrough in WTO talks have ended in failure. Despite the repeated commitments by WTO members to conclude the Round by the end of 2008, the mini-ministerial

meetings held in late July fell short of an accord once again.

In their initial reactions to the collapse of the mid-summer talks, governments refrained from the bitter blame-game that had marked similar breakdowns in the past. And although the subsequent exchanges have become somewhat harsher, everybody seems to concur: the mini-ministerial meeting came surprisingly close to an agreement.

Thus, there is hope. Or is there? This is what we shall try to establish during our session, from a parliamentary perspective, but with the help of experts who are certainly the best-placed to know because it is they who lead these negotiations.

The first among them is Mr. Pascal Lamy, the WTO Director-General, who will join us for a special hearing. He repeated time and again after the ministerial meeting that "no one is throwing in the towel" yet. I personally find his words rather comforting and look forward to what he has to tell us.

I am likewise encouraged by the attitude of the chairs of the Agriculture and NAMA Negotiating Committees who have declared their intention to produce papers "capturing the work" done during the meeting. The chair of the Committee on Agriculture has kindly accepted our invitation to address the session. He will provide us with first-hand information on what to expect in this crucially important field of negotiation. He will be joined by the chair of the special session for trade in services, which is another very important area indeed.

I have no doubt that you have many questions to ask them. Let's make good use of this opportunity - just as we do it in our own parliaments during hearings with ministers and other government officials.

Whether the WTO members can pick up where they left off during the ministerial meeting remains to be seen. Governments have made various pledges and pleas to retain what is currently on the table. The truth is, however, that they have no obligation to honour such non-binding commitments offered in the course of negotiations.

This is a situation where parliaments can help. Parliaments represent a political spectrum which is naturally wider and more diverse than that of government. In multilateral trade negotiations, for example, they can contribute to identifying negotiating opportunities in areas where government officials would normally show reluctance. Members of parliament are uniquely qualified to assist in building consensus through compromise - a skill in which they are well versed.

Parliaments and the executive branch of government have very different responsibilities in relation to international trade negotiations. Governments negotiate rules and arrangements on behalf of States, while parliaments scrutinize government action, influence policies pursued in intergovernmental negotiations, ratify trade agreements, implement them through appropriate legislation and budget allocations, and finally oversee the implementation process as a whole.

We insist that trade negotiations must be subjected to democratic parliamentary scrutiny, so as to avoid situations where parliaments are faced with a fait accompli and have to ratify the already negotiated agreements as an indivisible package. This leads to tensions, which are further worsened when WTO's dispute settlement system is used to challenge national laws.

Not without some initial reticence, the WTO seems to be responding to this pressure by enhancing its relations with actors beyond its formal membership and in particular by engaging with those who have representational mandates. This is a fundamental paradigm shift. We welcome it as a step in the right direction, towards introducing greater democratic accountability of the WTO.

Our commitment to an inclusive, equitable, robust and sustainable global economic agenda founded on the rules-based multilateral trading system remains unwavering. We are convinced that there is no viable alternative to multilateralism and that engaging in a splurge of bilateralism is not an option. It is for this

reason that we have decided that the session's agenda should be focused first of all on the reasons for the protracted stalemate in WTO talks and on possible parliamentary action to help overcome it.

At the same time, the session's agenda provides ample opportunities to address other important trade-related problems, such as climate change, food shortages and soaring energy prices. Indeed, trade can be used as a means of adjusting supply and demand and thus defusing the potential tensions over energy and food. Or it can have the opposite effect. Likewise, international trade has the capacity to attenuate harmful environmental trends. But trade can also be a negative factor of climate change.

The underlying choices are political, not technical. Parliaments alone will not save the world from extinction by greenhouse gases. That can only be done if the right partnerships are forged between governments, legislators, civil society and the private sector, putting the interests of the general public before narrow concerns. What parliaments can do, however, is lay the political and legal foundations that are absolutely necessary for such partnerships to work.

The closing sitting of our session, which will take place tomorrow afternoon, will be devoted to the adoption of guidelines for relations between governments and parliaments on international trade issues, to amending the Conference Rules, and to the adoption of an outcome document, the preliminary draft of which has been prepared by the Conference Steering Committee.

The co-organizers have invested much time and energy in the preparation of this session. I address words of warm thanks to the leadership and staff of the European Parliament - our partner in this exercise - and to the IPU staff for everything they have done to facilitate this process. We hope that the session will be crowned with success and look forward to a rich and constructive debate, in true parliamentary tradition.

Let me conclude by recalling that today is also the sad anniversary of the tragic events that took place in New York on 9/11. May I suggest that we stand together for a moment of silence?

While we remember the horror of that day and the many innocent victims, we should repeat forcefully that peace and security are ultimately built on the foundations of development, trade and social justice and not just of military might. It is therefore more urgent than ever that you, the negotiators, conclude the Doha Development Round.

With these words, let me officially declare the annual 2008 Session of the Parliamentary Conference on the WTO open.

## INAUGURAL CEREMONY

ADDRESS BY MR. MANUEL ANTÓNIO DOS SANTOS,  
VICE-PRESIDENT OF THE EUROPEAN PARLIAMENT

*Geneva, 11 September 2008*



Members of Parliament,  
Ambassadors,  
Delegates,  
Distinguished guests,  
Ladies and gentlemen,

It is an honour and a real pleasure for me to welcome you, on behalf of the President of the European Parliament and on my own behalf, to what is already the sixth annual session of the Parliamentary Conference on the WTO.

Allow me first of all to convey greetings from Mr. Hans-Gert Pöttering, President of the European Parliament, who unfortunately cannot be with us today. He did, however, ask me to pass on his best wishes for the success of this latest session, which is organized jointly by the European Parliament and the IPU.

I should like to express heartfelt thanks for the hospitality provided by the IPU, which for the third time is hosting this important assembly, a body for dialogue and cooperation among parliamentarians specializing in questions of international trade.

The very first formal meeting of legislators from WTO member countries was held during the Third WTO Ministerial Conference in Seattle (United States) in 1999. At a turbulent time, marked by widespread and sometimes violent demonstrations against the WTO, a small group of parliamentarians decided to meet, on the initiative of American Senator William V. Roth and Carlos Westendorp y Cabeza, who was then chairman of the European Parliament's Committee on Industry, External Trade, Research and Energy.

It was at this first informal meeting that questions relating to the democratic character of the WTO and the transparency of its decision-making mechanisms were raised, giving rise to the idea that the elected representatives of the peoples of the entire world should make their voices heard.

Parliamentarians met again at Doha (Qatar) in 2001, where, against a background of dangerous uncertainty at international level, WTO members finally succeeded in launching a new round of trade negotiations known officially as the Doha Development Agenda, with a wide-ranging and ambitious programme focusing on development problems and the concerns and needs of poor countries.

The conclusion to the Doha Round multilateral trade negotiations has been deferred on countless occasions.

It cannot be denied that many of us are disappointed and concerned at the failure of the WTO mini-ministerial meetings held in Geneva at the end of July 2008.

It is true that adopting modalities for agriculture and NAMA could have been a major step towards the conclusion of the Doha Round.

Under these circumstances, the representatives of the peoples of WTO member countries have an important role to play in making their respective governments understand that these negotiations need to be concluded. In this respect, the holding of this conference is particularly timely.

Failure of the Doha Round and a shift towards bilateral or regional agreements could shatter the credibility of the multilateral trade system and might even cause it to collapse, resulting in a process of uneven liberalization and development, while exacerbating the imbalances between developed and developing countries.

The European Parliament is also worried that the end of multilateral negotiations could result in an increase in trade disputes, as WTO members might seek to obtain through litigation what they could not achieve through negotiation.

The WTO is important, for I am convinced that it plays in a central role as one of the multilateral organizations contributing to international economic governance, more effective control of globalization and a fairer distribution of its benefits.

The world needs a strong multilateral trade system, since this is the most effective way of developing and managing trade in the interests of all and provides an ideal framework for settling disputes.

Trade is not the only answer, but the success of this round of negotiations could ensure a genuine opening-up of markets and stricter multilateral rules, stimulate economic growth, development and employment at global level and make an effective contribution to achieving the Millennium Goals for sustainable development and the integration of developing countries into the global economy.

WTO members must have the courage to press on with the negotiations, give them a strong impetus and engage in a lively and constructive dialogue in a spirit of compromise.

In this regard, it is encouraging to note that, at the end of the July mini-ministerial meetings, the WTO members stated very clearly that the negotiations must not be abandoned since the results achieved were too important to be allowed to lapse.

Indeed, solutions were found to countless problems which had been outstanding for many years, even if the negotiations foundered on the question of the extent to which developing countries could increase customs duties to protect their farmers in the event of a surge in imports, in the context of the SSM.

Nevertheless, as we are well aware, the WTO members decided that the Doha negotiations would be seen as part of a single undertaking. Given that the WTO operates by consensus, this all or nothing approach means that sufficient progress has to be made on all key questions. No trade agreement will be adopted unless all outstanding issues have been resolved.

At the end of nine long days of negotiation, there is a danger that the progress achieved could come to nothing. This must give us pause for thought as to the pros and cons of the single undertaking.

We hope that the agreements reached during the negotiations can be preserved and that the offers put forward in July on the various items on the negotiating agenda will provide a suitable basis.

The fate of the Doha Development Agenda now lies in the hands of the members of the WTO.

We cannot take decisions on behalf of our governments. We cannot impose a consensus. We cannot break the deadlock when governments are proving inflexible. However, we are determined to do everything in our power to convince our governments that the failure of the negotiations would further exacerbate global economic and political difficulties and would have economic, financial and social consequences.

As I told you in 2006, at the last annual session of the Parliamentary Conference on the WTO, in our capacity as the legitimate representatives of our electorates, we as parliamentarians have a threefold role to play in the field of international trade.

Our first role is as a "watchdog", monitoring the actions of our governments and ensuring they are accountable to us. Secondly, we must examine and ratify the international agreements put before us. Thirdly, we must draw up the laws to enforce and support these international agreements.

We can also help to explain to the public how the trade system works and what its advantages are. We can help people to understand and come to grips with the mysteries of globalization, raise awareness and promote informed debate of questions relating to international trade. In addition, as legitimate representatives of the people, we provide a vital link between populations, civil society and governments.

The most effective tool available to us in the field of international trade today is the WTO. It is the most universal organization (bringing together 153 countries) and the only one with the means to enforce international rules through its dispute settlement body.

At a time when multilateralism and international cooperation face challenges on many fronts, we as parliamentarians must reaffirm our commitment to a multilateral approach to trade policy and our support for the WTO as the guarantor of regulated international trade.

Nevertheless, we still need to make it more effective, more democratic and more transparent. In 2004, lengthy consideration was given to the future of the WTO and the institutional challenges facing it by the Consultative Board chaired by Peter Sutherland, although there has been no tangible follow-up to its findings.

In the light of recent developments, we feel it is more necessary than ever to give renewed consideration to the decision-making process, mission, functioning and future of the WTO, with a view to possible reform of the organization to enhance both its efficiency and legitimacy.

We parliamentarians have made substantial progress since Doha.

Since 2003, the Parliamentary Conference on the WTO has been organized jointly by the European Parliament and the IPU. At the beginning of my speech I mentioned that this is already the sixth session. After Geneva and Cancún in 2003, Brussels in 2004, Hong Kong in 2005 and Geneva in 2006, we find ourselves here in Geneva once again.

Over the next two days we shall be addressing WTO negotiations and the future of the multilateral trade

system, we shall be examining the links between trade and climate change, and we shall be looking at how trade can help reduce the threat of conflicts over food and energy. Lastly, we shall discuss how ICTs can help economic growth through the development of electronic trade worldwide.

Our final sitting will be devoted to the adoption of:

- guidelines for relations between governments and parliaments on matters relating to international trade;
- amendments to the Rules of Procedure of the Parliamentary Conference on the WTO drawn up by the Steering Committee; and
- a final document, the preliminary draft of which has been drawn up by the Steering Committee.

As you see, there is no shortage of topics for discussion. I am sure that our dialogue will be fruitful and am confident that our formal appeal will be heard.

On that note, I officially declare the 2008 annual session of the Parliamentary Conference on the WTO open, with the wish that all those taking part will derive great benefit from its work.

# OUTCOME DOCUMENT

ADOPTED BY CONSENSUS ON 12 SEPTEMBER 2008

1. We, parliamentarians assembled in Geneva for the annual session of the Parliamentary Conference on the WTO, are disappointed and concerned about the failure of the WTO ministerial meetings convened in Geneva at the end of July 2008. The establishment of modalities for agriculture and NAMA could have been a breakthrough - albeit not perfect - towards the conclusion of the Doha Round.
2. We understand the difficulties of a single undertaking, and we are encouraged that substantial progress was made to reach that goal, bringing WTO members close to finalizing the agreement. Solutions have been found to a very large number of problems which had remained intractable for years, even though the intensive negotiations foundered on the extent to which developing countries would be able to raise tariffs to protect farmers from import surges under the SSM, and some other issues remained unsolved. We recognize that there are differences in views and that the right balance between the different interests has obviously not been struck; we call attention to the need to continue to give priority to the vital interests of developing countries in keeping with the common commitment of all WTO members to a "development round".
3. We reaffirm our commitment to the multilateral trading system embodied in the WTO, which contributes to enhanced security, transparency and stability in international trade and to a better management of globalization through multilateral rules and disciplines and the judicial settlement of disputes. The world needs more than ever a fair, equitable and transparent multilateral trading system, which is the most effective means of expanding and managing trade for the benefit of all, especially the developing countries.
4. In the current context, characterized by the soaring prices of raw materials and agricultural products, a successful conclusion of the Doha Round could be the robust stabilizing factor needed by a world increasingly worried about financial and economic crises and an important parameter in stimulating worldwide economic growth, development and employment. This is even more urgent in order to address new global challenges relating to food security, energy and climate change. Furthermore, it would strongly contribute to the Millennium Development Goals and to the integration of developing countries into the global trading system.
5. The costs of failure of the WTO negotiations would include: the loss of possible welfare gains from new WTO reforms; the serious threat of undermining the credibility of the international trading system and the WTO; the risk of expanding trade protectionism and that WTO members replace multilateralism with bilateral and regional agreements. The poorest and weakest members, who benefit among others from a strong multilateral rules-based system, would be the most disadvantaged.

6. We emphasize that the Doha Round should deliver on development, including duty-free quota-free access by LDCs to all developed country markets - substantially reducing agricultural subsidies - aid for trade, trade facilitation, and special and differential treatment, as well as better rules that allow for the necessary policy space to pursue sustainable development goals. Developing countries would not be able to achieve these elements at the same level in the framework of fragmented regional and bilateral deals. We believe that special attention must be paid to the responsibility of the developed countries to assist those developing countries and LDCs which need support through trade-related technical assistance and capacity-building.
7. We encourage WTO members to preserve the positive achievements made in all the areas of the talks, which should not be wasted, and to restart the negotiations as soon as possible on the basis of what has been achieved so far, showing flexibility and readiness to be constructive and positively engaged to find a resolution that is beneficial to all.
8. The WTO will need to engage in institutional reform aimed at improving its functioning and enhancing its accountability and democratic legitimacy. We reiterate that the negotiations process should be based on a bottom-up, transparent and inclusive approach and that consensus must be preserved as a cornerstone of WTO decision-making. Moreover, we call for greater coherence between the objectives and rules of the WTO and the commitments made under other international conventions and agreements.
9. We underscore the importance of making the WTO a truly universal organization and call for the removal of political barriers that stand in the way of ensuring its inclusiveness and universal membership. Therefore, we invite all WTO members to facilitate and accelerate the accession process for developing countries. These countries should not be obliged to accept concessions that are incompatible with their level of development and that go beyond prevailing WTO rules. In particular, the accession process for LDCs should be carried out in accordance with the Guidelines for the Accession of LDCs issued by the WTO General Council.
10. We reiterate our commitment to provide a strong and effective parliamentary dimension to the WTO: the days when trade policy was the exclusive domain of the executive branch are over. The negotiation of future multilateral, regional and bilateral agreements must fully involve parliaments in order to preserve transparency and parliamentary scrutiny in accordance with the laws of each WTO member.
11. We believe it is crucial for parliaments to exercise ever more vigorously and effectively their constitutional functions of oversight and scrutiny of government action, notably in the area of international trade. As parliamentarians, we are committed to play a far greater role than ever before in overseeing WTO activities and promoting the fairness of the trade liberalization process. It remains our joint responsibility, as members of parliament representing the interests of the people, to oversee government action in the field of international trade and promote fairness of trade liberalization.
12. We remind government negotiators of the commitments they made at the launch of the Round. What we now need is real leadership and courage. We are committed to doing our part. We urge our government negotiators to close the deal that has been on the table since July before the end of the year so that the Doha Development Round can be concluded in 2009, with an outcome that gives real meaning to development and secures a balance of benefits to all members.

## HEARING WITH THE WTO DIRECTOR-GENERAL, MR. PASCAL LAMY



### INTRODUCTORY REMARKS BY MR. PASCAL LAMY

Ladies and gentlemen,

This year I am the bearer of - how should I put it - "news that is not all that good!" You, the Parliamentary Conference on the WTO, have been following our work, and in particular the Doha Development Agenda, closely since its launch in 2001. The Doha Round which took almost 7 years of negotiations had been widely expected to bridge an important "milestone" towards its conclusion at the Ministerial meeting convened this July.

The meeting was expected to adopt "modalities" for agricultural, and industrial goods, and to make progress in the services negotiations. In WTO jargon, "modalities" mean the parameters on whose basis Members would establish their new commitments, whether in terms of lower tariffs, subsidies, or new disciplines.

The meeting did not succeed. It collapsed to the detriment of a world economy that is much in need of a bit of blue sky; to the detriment of the poor who would have benefited the most from the lowering of prices that trade opening brings about; and to the detriment of the developing world who has fought long and hard to bring greater equity to international rules, in particular to the field of its greatest comparative advantage; agriculture.

I often hear it said that one of the greatest flaws of the WTO is that it does not deal with inequality at the national level. It opens markets, and then claims

that its role ends there, passing the bucket to governments to deal with winners and losers. This, in my view, does not fully reflect reality.

Had the July package stabilized, much greater equity would have been brought about. Few realize that through the opening of markets, trade does more to making basic goods and services accessible to the poor than many income redistribution policies. Throughout history, trade has enhanced the purchasing power of the poor across the globe, enabling them with their limited dollars, to buy more for less. Thanks to more open markets a basic T-shirt that would have cost US\$ 3 dollars behind a tariff wall, can today cost less than half or even a third of that price.

But, of course, as you Parliamentarians know very well, those who gain from trade are seldom as loud in the political arena as those who lose. In fact, those who gain, are seldom aware that global trade rules may have had something to do with their gain. A T-shirt sold at a department store does not come with a label saying: "This T-shirt comes to you with a 50 per cent reduction due to new WTO rules." That label is simply not present, and hence the missing awareness too.

Yet, the persons you hear from are those whose factories are shutting down because they cannot sustain the competition; in other words they cannot offer a T-shirt for US\$ 1, but only for 2 or 3. Now, while consumers are made better off by trade, producers must also be assisted in adjusting to more open markets. Hence the need for accompanying policies to trade, whether social, infrastructural,

environmental or otherwise. It is only with such accompanying policies that domestic producers can better adapt to trade opening. Similarly, it is only with awareness raising that consumers can come to understand the full magnitude of the benefits they reap. And, as we all know, producers are also consumers — they're one and the same!

The package before Ministers in July had combined all of the following: the reduction of unfair agricultural subsidies; the reduction of tariff walls on industrial and agricultural goods; the reduction of barriers to trade in critical services, such as banking, insurance, energy, and environmental services; and beyond that a myriad of new trade rules. Rules that would have made the multilateral trading system fairer, in particular for the developing world. To give you, but a few telling examples of what was foregone in July, I would mention the reduction of the rich world's agriculture subsidies which would have been sliced by 70-80 per cent, and of their highest agricultural tariffs that would have fallen by 70 per cent, not to mention the commensurate effort that they would have made on industrial goods. I hasten to add that all efforts in the Doha Round would have been made in accordance with the principle of Less than Full Reciprocity, with the developed world making two thirds of the contribution, and the emerging part of the developing world only one third.

But behind those headline catching numbers, was a new set of rules - which while the media paid scant attention to - were perhaps just as important as the headline-grabbing figures I just cited. For example, the subsidies that the rich extend to agriculture would have not only been reduced in an aggregate manner, but new ceilings per product would have also been established. Hence, players such as the United States, the European Union and Japan would have no longer been allowed to concentrate the bulk of their support on only a few commodities. Do I need to spell out for you what this would have meant for cotton! The litmus test for the development dimension of the Doha Round! It is indeed a great shame that this package did not materialize at that time.

To the Parliamentary Conference on the WTO, the trading community owes an explanation. What exactly happened in July, how did such a package slip through our fingers? What were the issues that were resolved, and which were left outstanding? I will try to respond to these questions as faithfully as I can since I believe that greater accountability lends force to what we do, and that your voice will be vital to re-energizing the negotiations.

WTO Members entered the July Mini-Ministerial looking at agricultural subsidies, agricultural tariffs, industrial tariffs and services. In a short space of time, they accomplished what some never thought they would.

They found convergence on the issue of agriculture subsidies, even if the specific extra reduction for cotton subsidies remained to be negotiated. They went a long way on the issue of agricultural tariffs. The same can be said about industrial tariffs, even if a few issues remained for further clarification. And they had a promise before them of attractive services offers, based on the Services Signalling Conference that had been held.

In agriculture, various elements of the Doha Package had been designed to address both the developed and the developing world's many sensitivities. In July, much progress was achieved on "sensitive products" for developed and developing countries, and on "special products" reserved exclusively for the developing world — these are all products that would take either a lower tariff reduction than the norm or no reduction at all, to make trade opening more gradual. The flexibilities were intended to allow for a "tailor-made" package as opposed to a "one-size-fits-all".

But where the negotiations collapsed, was on the details of the Special Safeguard Mechanism for agriculture for the developing world. Countries could not agree on the circumstances in which this Safeguard could be used - the extent of volume surge, or price decline of imported products that would have to occur for it to be triggered. And nor could they agree on the extent of the remedy that it would provide when set in motion - the magnitude of the extra duty that would be imposed on imported goods to protect the domestic market.

Efforts were made until the very last minute of the meeting to find a compromise over the Special Safeguard, but it eventually became clear that this thorny issue would require more work to build convergence. It was not, in the end, as ripe as some thought it was. Because the negotiation stopped at the Safeguard, negotiators never made it to other critical issues, such as cotton. The Cotton-4, Benin, Burkina Faso, Chad and Mali - not to mention the rest of Africa - walked away in extreme disappointment.

So, what now? Do we throw in the towel, and do we give up? Most WTO Members have already said that this would be highly irresponsible. To let a 7-year international effort to essentially "do good" collapse would be a calamity. Who is ready to shoulder that

responsibility? Are we really willing to tell the taxpayer who has funded us for this long that we've wasted his/her money! Not only that, are we willing to tell producers and consumers alike that we blew away in a single month their hope for more open markets, and a more equitable, and development-friendly, trading system? Are we willing to tell them that topics that would have followed these modalities, such as trade facilitation for small businesses, market opening for environmental goods and services and the reduction of environmentally-harmful fisheries subsidies, are now off the table without even a chance at a Ministerial discussion?

There is simply no way. Hence the stance taken by WTO Members, asking that we preserve the enormous progress that had been achieved and to build on it for a final agreement. August has been a very active month for the WTO family. A fair amount of travelling and phone diplomacy has taken place to not let this opportunity slip through our fingers. My sense is that there is scope for renewed engagement over the coming weeks, as confirmed by the technical discussions that have been held here in Geneva these past two days.

Today I ask you to help us close the July package. While it has now become clear that we cannot complete the Doha Round by the end of this year, let us at least aim to complete modalities in 2008, so as to conclude the Round in 2009.

In conclusion, let me add that completing the Doha Round is intimately linked to the themes that you have chosen for this conference, food security and climate change. The wave of rising food prices that we witnessed, would find at least a partial answer through the Doha Round, allowing increases in supply to adjust to increases in demand in different corners of our planet with much greater ease.

As for climate change, I must confess to you that what has happened in the WTO in July has left me with a bitter taste. If the international community cannot find the courage to do what it has done many times before - which is to open markets collectively through a trade round - will it have the courage to tackle what has "never" yet been tackled! Not to mention that the Doha Round contained the first-ever environmental chapter of a trade round of negotiations. Does busting that chapter in any way pave the road to a post-Kyoto regime?

What we now need is a bit more leadership and courage. You have shown both with your unwavering support for the WTO. Please try to transmit this same spirit to your country's negotiators. Please convey the message back home that, in view of the package

that is currently on the WTO table, the Doha Round must see the light of day. Further delays would weaken the multilateral trading system, our collective capacity to achieve the Millennium Development Goals, and endanger other major international negotiations which are needed to stabilize our risky planet; such as the one on climate change.



#### EXCERPTS FROM THE DEBATE

##### Mr. K. Kiljunen (Finland)

Since the launch of the Doha Round, new challenges have emerged to the international system. We cannot underestimate the gravity of climate change. The Doha Round comprises an environmental chapter, which is a new element. How specifically can climate change be included in the agenda of the Doha Round?



### Mr. H. Khan (Pakistan)

The failure of the July mini-ministerial talks represents a setback for everyone. My understanding is that the G-7 ministers failed to reach agreement on the SSM. Is the SSM such a big issue that it can be allowed to hold the whole Doha Round hostage, or is it just an excuse? Apparently senior G-7 officials met again on 10 September to assess each other's position. The Director-General's role as an honest broker deserves special appreciation. What are the prospects for the round today, in view of your recent visits to the United States and India? Does early resumption of the talks increase the risk of failure? Are key players willing to give it another try? If so, within what timeline?

### Mr. A. Riedl (Assemblée parlementaire de la Francophonie)

Would it not be possible to call on other negotiators with more decision-making power, for example heads of State and government, who bear a greater responsibility towards humanity, especially as concerns agriculture and food security?

### Mr. Lamy (Director-General of the WTO)

The relationship between trade and environmental issues is complex. From the technical point of view, the WTO has to make sure that trade opening works for sustainable development. This was spelled out when the WTO was constituted. Many WTO agreements already factor in questions of environmental sustainability, one example being the Sanitary and Phytosanitary Measures Agreement. In



addition, the jurisprudence of the WTO dispute-settlement mechanism, notably the Appellate Body, already recognizes environmental issues.

How can we move ahead? One part of the Doha Round is to agree to more open markets for environmentally friendly goods or services than for others. Many countries are ready to open their markets to environmental services, not just because markets are then opened to them as well, but because they believe they need such services. Furthermore, let us assume that the post-Kyoto negotiations result in a toolbox of policy measures that address climate change seriously; it is not a prerequisite that such measures be WTO compatible. Let the climate change negotiators agree on the new set of rules needed, then the WTO system will adjust.

From the political point of view, the deal needed to address climate change is just not doable if developing countries, notably emerging countries, do not feel more ownership of the international system. Addressing climate change will require policy changes that are politically painful for domestic constituencies, whether in the developed or the developing countries. They will not accept this if they do not feel that the international system is more attuned to the geopolitics of today. The first test case for them is the WTO. They have made the point for a decade now that the rules of the game of international trade need to be changed in order to address what they see – I believe legitimately – as imbalances in the system in their disfavour. They have chosen the Doha Round as the easiest path to change. We have "done" trade negotiations for over 50 years, we know how tough they are, but we have the toolbox to do them. The failure of the Doha Round would therefore have political consequences that would probably go beyond the technical improvements and adjustments we can make.

The SSM is a big issue. The reason it has become such a big issue is that it entails a set of positions that have systemic consequences. Developing countries asking for a safeguard clause want to be able to use it easily. Other countries, including many developing countries, agree that there should be a safeguard of this kind, but they do not want it to be too user-friendly, so that it will not capture normal trade. Both points of view are valid. And it was on this question – whether the SSM is an ambulance or a taxi – that the negotiations failed.

What are the prospects? The Doha Round can still be completed, because since the July flop most WTO members have been saying that most of the hard work is done – let us finish it. Following my discussions in New Delhi and Washington a few

weeks ago, I can tell you that key players are willing to give it another try. Your attitude as parliamentarians, as opinion leaders, may make a difference.

I do not think it would make a difference to involve heads of State and government in the negotiations. Trade negotiators have instructions from their superiors, and those instructions are always a mix of political and technical considerations. Heads of State and government think a deal would be good for the world but have to convince their parliaments that it would be good for their countries.

### Mr. J. Bizet (France)

France truly hopes that a balanced agreement will be reached soon. Failure today at the WTO would not bode well for the success of the forthcoming post-Kyoto climate negotiations. What new means can the WTO deploy in the coming months? Do you think that the negotiations can be concluded before the current United States administration leaves office?



### Ms. E. Ferreira (European Parliament)

Coming back to climate change, clearly this is a problem no single country can solve and in which the emerging economies have to feel greater ownership. The European Parliament is in the process of materializing the global compromise associated with its leadership: a 20-per cent reduction in emissions by 2020. This represents a huge effort for the industries involved. The European Parliament considers that if the emerging economies are

reluctant to engage on a global compromise, it would probably make sense to reach compromises at sector level. This would mean that the benchmarks would be negotiated worldwide. Do you feel this is the way forward, or should it be abandoned?



### Mr. J. Hussain (Bahrain)

How likely is it that the Doha Round will be successfully completed in 2009? I fear that as the Doha Round founders, more free trade agreements and regional trade agreements are being negotiated. These agreements are essentially protectionist in nature and undermine the true spirit of free trade.

### Mr. Lamy (Director-General of the WTO)

The negotiations, as most of you know, function on the basis of an extremely restrictive principle: once agreement has been reached on the subjects to be negotiated, as was the case in 2001 in Doha, there can be no agreement until everyone has agreed on everything. The mini-ministerial meeting of July was not the finish line; it was a bridge on the long journey towards the finish line. If the July package had been adopted, the finish line would have been in sight, and the momentum would have picked up for negotiations on hitherto untouched subjects such as fisheries subsidies, environmental goods and services, and trade facilitation for small and medium-sized enterprises. I believe we have to cross the bridge. Can we do this before the current United States administration leaves office? Yes, we can cross the bridge, but not the finish line.



small country like Costa Rica stand across the table from the United States or China, for example? Its chances are much better at the WTO table.

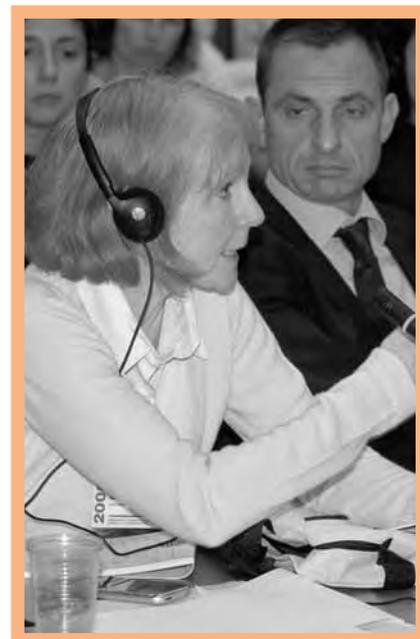
#### Ms. K. Sinnott (European Parliament)

The role of parliamentarians may be to sell the WTO deal, but it must not be forgotten that parliamentarians have two levels of representativity: as individuals they represent a particular constituency, but they are also members of a delegation. At meetings like the Parliamentary Conference on the WTO, parliamentarians listen and watch, they take on board recommendations. When they go back, it is not to sell anything, it is to describe what they have heard and seen. It is therefore important not just that they take on board the deal but that they provide input reflecting their constituents' concerns and possibly even change the deal.

There is an interesting parallel between climate change negotiations and WTO negotiations in terms of sector agreements. The WTO's approach is well known: agreement is reached on formulas for reducing tariffs before specific sector agreements are negotiated. It is in this second round of negotiations that countries agree to go further. This concept of a general endeavour that can be topped up with a "sectoral plus" is therefore part of the WTO culture and could be applied to climate change negotiations. To be frank, I think the sector approach can only work as a top-up. I do not think sector agreements on carbon emissions can replace a global, cross-cutting commitment by countries.

The Gulf Cooperation Council negotiations with the European Union, which started in 1987, are an excellent example of how free trade agreements may not provide a quick fix when the WTO drags its feet. Indeed, they disprove the notion that bilateral negotiations are easy while multilateral negotiations are difficult.

Bilateral agreements in which two countries decide to contract vis-à-vis one another obligations going beyond their WTO multilateral commitments do not pose a problem, but many of the issues being discussed in the Doha Round cannot be dealt with bilaterally (fisheries subsidies are one example). Bilateral agreements also raise the issue of fairness. The aim is to have a more development-friendly international system, to rebalance the legacy and adjust to a more global but fairer system; but bilateral negotiations are by their very nature more unfair than multilateral negotiations. What chance does a



#### Mr. R. Pal (India)

Will not new challenges such as climate change and food insecurity only serve to complicate and dilute the already complex Doha Development Agenda? Is there not a move underfoot to redefine the development dimension, even at this late stage, and to ignore the element of unfairness?

#### Mr. T. Shinohara (Japan)

Environmental issues and food shortages are, understandably, affecting the Doha Round. Trade

liberalization is important, but food is not the same as any other product. Staple foods such as rice are different. Unfortunately, this aspect has not been taken into account in the WTO negotiations, and this may explain why the SSM was the root cause of their collapse. For the Doha Round to be concluded successfully, we need to take account of different points of view.

#### Mr. Lamy (Director-General of the WTO)

Parliamentarians are accountable for their votes in parliament, they have to explain to the constituents who elected them how their votes tally with the reasons they were elected. I see no distinction between listening, watching and voting – they are all part of the same activity. Parliamentarians will have to vote on the outcome of seven years of complex negotiations during which the negotiators will in most cases have been under the permanent scrutiny of parliaments and will have factored in the concerns of domestic constituencies as they are expressed by parliamentarians. The question is: is the package currently on the table worth ratifying? All I can say is that overall it reflects the political will of the WTO members who started the negotiations in 2001 to go one stage further in opening markets and to ensure that the rules framing that market opening are more development friendly. Of course, the package has to stand the test of member-by-member explanation. The case of the European Union is even more complex, because it has to stand the test of the European Union balance of national and other interests.

Do new issues complicate the agenda? The technical answer is no, because under the single undertaking system the Member States cannot change the agenda as it was defined in 2001. This is a good thing. It is true, however, that issues have arisen that were not on the table in 2001 and that might influence the political environment, notably the capacity of parliamentarians to assess the cost-benefit ratio of a deal. But what will be their real impact on the negotiations? Does climate change need to be negotiated at the WTO at this stage? No. The ongoing negotiations on environmental goods and service suffice to meet the environmental challenge of today. Of course, if a global post-Kyoto package emerges from the United Nations Climate Change Conference to be held in Copenhagen in late 2009, the WTO might have to make some adjustments. Does the current food crisis have any impact on current WTO agricultural negotiations? No. The current crisis has been brought about by a

shortfall in supply. The way to increase supply is to make sure that those who have supply capacity – essentially developing countries whose farming systems have been damaged by obstacles to trade or unfair subsidies – augment it. Thus, the Doha Round of negotiations is even more necessary and urgent than it was before.

Of course, some issues, for instance energy, will require further negotiation in the future.

The WTO has long known that producing food is not the same as producing shirts. It is not of the view that it is going to erase all subsidies for all products for all time, including agricultural products. Even if the Doha Round succeeds and lowers agricultural tariffs and subsidies to the extent intended, the average tariff worldwide on agricultural products will probably be five times the average tariff on industrial goods. The average amount of the subsidies the United States and the European Union pay, directly or indirectly, to farmers will remain the same. The difference is that the subsidies will be granted in ways that are less trade-distorting and in some cases will not distort trade at all.

The development dimension is central to the Doha Round. Not only does every item being negotiated have its specific development dimension, the developing countries will have to pay much less. The LDCs will basically pay nothing, small and vulnerable economies will pay a bit and emerging countries will have to pay something, but overall two thirds of the financial burden will be borne by the developed countries.

#### Mr. G. Mitchell (European Parliament)

Parliamentarians have to do more than just listen and report back to their constituencies. They have to show leadership. Their sole concern must not be their own re-election.

What will be the effects of the current impasse on LDCs? Ireland, for example, has a recent history of famine and colonialism. The reason it is now divided has its origins in trade: the people in the north-east were given small property allocations on which they grew goods for export, enabling them to earn capital and invest in industry, whereas people in the south were dependent on absentee landlords and had no property rights. I think it is important for the WTO to take an interest in the issues of food security and climate, but it must also consider property rights. Until people can own land, they will not be able to benefit from trade.

**Mr. R. Cullen (Canada)**

I am of the school that believes that parliamentarians must show leadership and sell their governments on the idea of successfully concluding the Doha Round. Is a consensus now emerging on trade in services? Is this item now on the political radar?

**Mr. Lamy (Director-General of the WTO)**

The current impasse is having a negative impact on developing countries, as the developing countries themselves are saying. The vast majority of developing countries have said they want to preserve what was negotiated in July and indeed to complete it, not least because they can see exactly where the benefits are: LDCs would obtain quasi duty-free quota-free market access to developed and a number of developing country markets; emerging economies would benefit from reductions in tariff peaks in the United States and in the European Union.

I am not sure that property rights come under the WTO's remit. It has agreements on trade-related issues, such as trade-related intellectual property rights, and when a country joins the WTO its legislation is reviewed to ensure that standards pertaining to property rights roughly match those of a market economy, but beyond that, property rights do not form part of trade negotiations.

As concerns services, what was very positive about the July talks was that the notion that services were off the radar was dispelled. Services are a key component of most economies today. Even in developing countries, the services sector accounts for more than 50 per cent of the economy on average, although not all services have something to do with international trade.

Services are not negotiated in the same way as agricultural and industrial tariffs. There are no tariffs on services. Consequently, the main changes in negotiations on services since the Uruguay Round fifteen years ago are, first, that many developing countries now have a comparative advantage in services (India and the IT sector is one example), making the negotiations much more balanced than in the past, when the comparative advantage lay with the developed countries, and second, the countries involved believe that the technology trade-off inherent in trade in services is good for them in more than just monetary terms.

In conclusion, the negotiations on services are back on the radar. If the ongoing talks are successful, the final round of negotiations on this point could probably be successfully concluded.



## DIALOGUE WITH SENIOR WTO NEGOTIATORS

**Ambassador Crawford Falconer (New Zealand)**  
*Chairperson of the WTO Special Session of the Committee on Agriculture*

I am pleased to have another opportunity to meet directly with parliamentarians. I am not suggesting that ministerial representatives do not reflect the views of parliamentarians, but it is sometimes useful to get the feelings of members of parliament "in the raw"; the refined opinions of ministerial representatives do not always reflect all views on both sides of the aisle.

In July 2008, we came very close to concluding the Doha Round of trade negotiations, and that is no small achievement. Most people would have written this process off anywhere up to three or four months ago. The fact that we almost succeeded at the end of July is testimony to how much people really want the deal to happen. We also have to recognize, however, that close enough is not good enough.



There are many reasons we did not quite succeed. I do not think people should be too surprised. First, to some extent the negotiations failed because the ministers had to cover so much political ground in roughly 10 days. Secondly, the substance of what they ultimately tripped up over was not

a narrow technical issue. The SSM may sound obscure to some, but it reflects a question of overall balance in the negotiations. At the end of the day, the Member States had to make a political judgement on whether the right balance had been struck between, say, changes in domestic subsidies, market access to developed countries and market access to developing countries. The crucial issue when it came to the SSM was not the technical details of how it would work but a difference in perception on whether the right balance had been struck between developed country obligations and developing country obligations on certain parts of agriculture vis-à-vis other parts of the negotiations. Because we were trying to calibrate that balance through one issue, that issue became much more difficult to resolve – especially because at that point the ministers were exhausted.

The real question now is whether we have the possibility, having come so far, to pick up where we left off. Yes, of course we have the possibility. Whether we are ultimately successful, however, is also a function of changed circumstances and time. There are other issues that still need to be resolved. Discussions of cotton, for example, will have enormous economic and developmental impact, and they have not yet even started.

My feeling is that there is a political readiness to have another go at the highest level, because we have realized that there is too much at stake developmentally, economically and politically. At the end of the day, this is one part of an international multilateral system that has so far functioned relatively well in what is still a very unsafe world.

Letting what the July talks achieved slide would require very serious political consideration in the present circumstances.

It is always difficult to come back to the negotiating table, but the Member States are trying. There was a preliminary meeting of the G7 yesterday, at which they agreed to make a more protracted effort to resolve their differences next week. If they make progress, we could still find a way to close the remaining gaps, but in my view, this needs to happen very quickly. The longer we stay away from an implicit deal, the more difficult it will be to put it back together again. As parliamentarians you know all too well that it is easier to walk away from a bad deal than to work hard to close a good one, and that it is more comfortable to make out of failure a virtue in the form of a tough negotiating stance.

We need to capitalize very quickly on the good will currently prevailing. The world needs to close out these negotiations: a) because of the benefits, such as a stable trading system in agriculture; and b) because the WTO Member States need to move on to a new agenda. The world has changed since the Doha Round started. You, as parliamentarians, probably understand that much better than many bureaucrats. The reality of food prices, the energy crisis and the more general economic downturn presents us with an agenda that we really need to tackle on a multilateral basis. That agenda is much broader than the one before us today, which I would call relatively narrow.

We will find it virtually impossible to deal with the new agenda if we still have the residue of unfinished negotiations on our doorstep. Those of you who care about a broader or more up-to-date agenda will understand that one of the reasons for completing the Doha Agenda is to be able to get on with the next agenda. This is not to diminish the intrinsic reasons for completing the negotiations, which are very real – for West African cotton producers they are a matter of life and death!

I do not believe we can simply say that the Doha Round has failed and we have to put it behind us. Politics is not like that – progress is made on the back of success, not on the corpse of failure.

**Ambassador Fernando de Mateo y Venturini (Mexico)**  
*Chairperson of the WTO Special Session of the Council for Trade in Services*

The Doha Round of negotiations started seven years ago. More progress was made toward its successful

conclusion in the final days of July 2008 than during the entire previous seven years. We saw the light at the end of the tunnel.

Services are an important aspect of the global economy, of developed country economies and of developing country economies. They are an increasingly important aspect of international trade, not because they comprise transportation but because they are needed for the efficient production of industrial goods at steadily falling prices.

The fact that we came so close to success in July does not mean we went far enough. What do we have to do to reach the end of the tunnel? There is a difference between the way in which agriculture and NAMA are negotiated and the way in which services are negotiated.

Negotiations on agriculture and NAMA are akin to opening the starting gate for a downhill skier who gets to the bottom of the hill two minutes later. The starting gate has rusted, which is why we are still at the top of the hill. Negotiations on services are much closer to cross-country skiing. They do not seek to establish formulas; they consist in putting one foot in front of the other in an ongoing effort to negotiate, negotiate, negotiate.

In July 2008, the negotiations on services made huge progress by building on two earlier events: one was a report by the Services Chair, the other a signalling conference at which each Member State indicated what it was willing to offer in the coming months for each service being negotiated. Indeed, negotiations on services generally require knowing what each country is willing to offer, i.e. how far it is willing to go towards opening its market. It is in the absence of such offers that a signalling conference is needed.

The report by the Services Chair contained two key elements. First, and very importantly for LDCs, the entire membership endorsed the possibility of granting them most favoured nation status in services. Secondly, it proposed a deadline for final offers for services, said offers to consist of the elements raised at the signalling conference.

What is missing to conclude the negotiations? We have to finalize the negotiations on agriculture and NAMA,



and we have to obtain the final services offers. What concessions is each of our countries willing to make in terms of services? The important thing is to ensure that the Doha Round ends successfully. The round's contribution to development and global wealth has been a matter of much debate. What is clear is that its successful conclusion would strengthen the multilateral trading system and would prevent the WTO from becoming simply a trade dispute-settlement body.

I am optimistic. I am sure that in 2008 we can conclude negotiations on the modalities for agriculture and NAMA and start to present offers for services, and that in 2009 we can conclude the Round.

### EXCERPTS FROM THE DEBATE

#### Mr. J. Cardozo (Uruguay)

It is true that the negotiators had too many responsibilities. If we keep adding to the burden, if we keep incorporating new ideas, the negotiations will become more complicated and take longer to finalize. Unfortunately, the perfect is the enemy of the good, as the saying goes. By wanting the best outcome, by adding to the list of items to be negotiated, we lost sight of the Doha Round's objective and now run the risk of achieving neither the perfect nor the good! We have to focus on what the Doha Round is really intended to achieve.

#### Mr. N. Toure (Senegal)

As parliamentarians we are all concerned about the collapse of the July mini-ministerial meeting. We are also all convinced of the need to return to the negotiating table, because failure poses clear dangers, especially for countries like Senegal. What can we do now other than express the wish for the negotiations to resume?

We had asked our government to stress certain points. To engage in trade you need sound industries, and our local industries are very fragile. We had asked our government to negotiate on the basis of support for local industries and maintain tariffs at a level able to protect strategic products. We also asked it to ensure that the preferential tariffs granted to Member States not be compromised by non-tariff and residual tariff barriers. We underscored the need to recall the commitment made by the WTO Member States at Doha for duty-free quota-free access to markets for Member State products, a commitment that should be fulfilled as soon as possible.

The threat posed by preference margins for exports is another important point. In the case of Senegal, this concerns certain exports to the European Union, such as frozen shrimp and fish fillets. Preventive solutions have to be found so that countries like ours do not find themselves faced with disagreeable surprises. Where do we stand today on these negotiations?

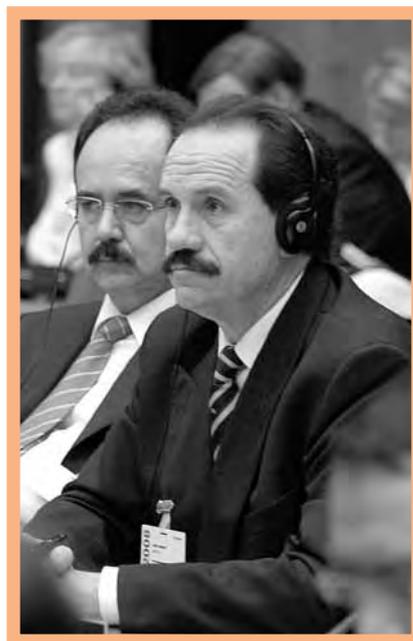
#### Mr. R. Khuntia (India)

Unlike India, the developed countries have yet to liberalize their services trade regime. For instance, the United States has not moved at all on its Mode 4 commitment. India's interests in the service sector have to be addressed on a special footing, as India and other developing countries are providing substantial new market access to the developed countries in agriculture and NAMA. The question now is what to do about Mode 4, movement of natural persons providing services, and Mode 1, cross-border supply of services.

The negotiations have the potential to have a serious impact on the millions of people in India who depend on fishing and agriculture. If the European Union and the United States do not cut their subsidies, what should India and other developing countries do to cope?

#### Mr. J. Bueno (Mexico)

What prevented agreement on the SSM, which protects the subsistence livelihoods of the poorest



farmers in developing countries? As parliamentarians we must urge you, the negotiators, to conclude the Doha Round successfully, so as to send a strong signal on the WTO's ability to help reduce severe poverty. We know this will require political will and time. We want to believe that the political will is there, but how much more time will the process take? We trust that the steps to conclude the negotiations will be rapidly taken.

**Mr. F. de Matteo y Venturini (panellist)**

I agree absolutely that no further items should be added to the Doha Agenda. The WTO was given a mandate that covered a number of topics. Adding to the list would simply lead the negotiations to capsize. I also absolutely agree that the Doha Round must be successfully concluded as soon as possible, and I would welcome a declaration from this Parliamentary Conference on the WTO on the urgency of doing so.

Duty-free and quota-free access to markets by LDCs is currently being negotiated. It has been examined and approved, but cannot be implemented until the Doha Round has been completed. Proposals for Mode 4 and Mode 1 liberalization are also being discussed, but what is needed now are concrete offers from Member States indicating exactly how far they are willing to go along this road.

**Mr. C. Falconer (panellist)**

I do not think the Doha Round is in difficulty because the agenda is overloaded. The important thing now is to conclude the round within the framework of what was initially agreed at Doha. The multilateral trade system needs to move on to a broader agenda, one that relates to climate change, but it cannot do that until it has put the current negotiations behind it. Tackling both agendas at the same time would indeed be taking on too much. This is one more reason why those of you who have a stake in the new agenda and want serious results from it should put pressure on your governments to conclude the present round.

On issues like strategic industries for developing countries, preference erosion as it relates to developing countries and duty-free quota-free access for LDCs, agreement had essentially been reached in July 2008. If the round now fails, even on some other issue, that agreement will be gone for the foreseeable future. This is why the leaders and ministers of certain developing countries have realized that they have a vested interest in concluding the Doha Round.

Where do we stand today? If, within the next few weeks, material progress is made on the remaining differences - the SSM, tariff simplification and cotton - the modalities on agriculture and NAMA could be concluded around the end of the year. The schedules of concessions could then be drawn up in detail - this takes three to six months - and the negotiations concluded one or two months later.

If the remaining issues cannot be resolved and the modalities are not settled by the end of the year, it is hard to see when they would be. In that case, the negotiations could take another year or two, during which time the world will have undergone vast change.

On the SSM specifically, the fundamental political question is: to what extent are some developed countries willing to contemplate the possibility that developing country members would, in certain circumstances, be able to step back from their existing obligations to deal with a real problem of livelihood security for small farmers? The developed and the developing countries have to find the degree of manoeuvrability between their respective positions, both of which are legitimate. If they fail, there will be no SSM, no limitations on the domestic support provided by the United States and the European Union, no obligation to remove export subsidies, no duty-free quota-free treatment for LDCs, no agreement on tropical products. It seems to me that it would be pretty unintelligent to allow that to happen.

**Mr. I. Guardans Cambó (European Parliament)**

I would really like to understand why the negotiations have stalled. Mr. Falconer has been quoted in the press as saying that it would be futile to believe that the July mini-ministerial meeting failed because of some minor technical hitch in the proceedings. Apparently, a true political divide has existed since 2005. How can a divide that has existed for so long be bridged in the space of a few weeks or months?

The whole issue of cotton has never really been seriously dealt with. If the stumbling block had not been the SSM, it would probably have been cotton. What would have happened if the meeting had gone so far as to discuss cotton?

**Mr. D.H. Oliver (Canada)**

A number of the countries represented at this conference are donors of food aid. Where are the negotiations as concerns the elimination of export

subsidies and tighter rules on export credit? We know that this can lead to improved market predictability and fairness, but certainly strengthening disciplines on food aid would help prevent such aid from contributing to commercial displacement and ensure that it is provided in a way that meets humanitarian needs.

What are the essential problems with the cotton debate and what are the key issues still to be resolved?

#### Lord Paul of Marylebone (United Kingdom)

Those attending the July mini-ministerial meeting came to Geneva determined to succeed because they knew that the consequences of failure would be terrible. Why, then, did they fail? And what has changed today to bring them back to the negotiating table? Did the July talks break down for reasons of political brinkmanship or because of national political agendas?

#### Mr. A. Couriel (Uruguay)

In the current round, the caps on internal aid proposed by, for example, the United States (US\$ 14.5 billion) are higher than its real subsidies (US\$ 8 billion). Why is the SSM that important? The developing world wants to protect its rural producers from specific increases in imports. Is this not what the developed world has always done? What the European Union and the United States are currently doing? Why can the developing world not do it?

Has the balance of power shifted? Is this not reflected in the nature of the confrontation between emerging countries like China and India, on the one hand, and the United States, on the other?

We all want the Doha Round to be completed as soon as possible. Is it feasible to resume the negotiations this year, during the US presidential elections, or will they inevitably be postponed until 2009?

#### Mr. J. Al Matrook (Bahrain)

We have heard much about the significant progress made in July 2008. Were the developed countries in agreement on their agenda? The same can be asked of the developing countries. What were the differences between the two?

#### Mr. C. Falconer (panellist)

I think it would be a big mistake to think that the July mini-ministerial meeting stumbled over a narrow technical issue. The SSM is a fundamental political issue for the Member States concerned and will only be resolved if it is recognized that it matters to India or China, for instance, as much or even more than what happens to the green box<sup>1</sup> matters to the European Union.

Developing country members are bound to ask themselves why they should not have an SSM that deals with their livelihood security concerns – the developed countries are not really cutting their domestic subsidies over their current expenditure levels, they are managing access to their markets in ways they find politically acceptable, they have a green box in which to accommodate vast amounts of expenditure. The developed countries, for their part, might well ask themselves why the developing countries should be entitled to raise their existing bound rates for free – the developed countries are cutting their domestic support down vastly from what they are entitled to, they are not getting much, if any, market access from some developing country members, they are allowing the developing countries an exemption from making any tariff cuts on products that are of export interest to the developed countries. The problem is one of political balance. It will not be fixed by a purely technical solution.

Cotton has never been dealt with at ministerial level, but it has been discussed elsewhere. We do not know how far the United States would have been prepared to go in making reductions in its blue box<sup>2</sup> and amber box<sup>3</sup>-specific commitments as they relate to cotton. We do know what the European Union was prepared to do, but apparently it was not enough. I cannot gauge where the negotiations on cotton would have led. I doubt that the United States came to the meeting in July unprepared to negotiate. Certainly cotton subsidies are the most demanding issue it faces and the one on which it would find it politically most difficult to deliver. It therefore chose to play that card last.

Clearly, if the negotiations had reached cotton, the result would have had to reflect the mandate, i.e. a bigger reduction in cotton subsidies than any other, to be implemented as a matter of priority. It should also be borne in mind that Brazil has won a case at

<sup>1</sup> Domestic support for agriculture that is allowed without limits because it does not distort trade, or at most causes minimal distortion.

<sup>2</sup> Included in the blue box are any support payments that are not subject to the amber box reduction agreement because they are direct payments under a production limiting programme.

<sup>3</sup> Agriculture's amber box, according to the WTO, is used for all domestic support measures considered to distort production and trade.

the WTO against the United States on cotton. The United States now has to implement that decision.

When it looked like the July negotiations would be successful, the members had agreed implicitly on how to settle their few remaining differences on food aid and export credits. If the rest of the negotiations fall back into place, that deal could be implemented.

Has anything changed since July? The answer must surely come from the politicians. Looking at how the negotiations unfolded, I would say that too many political concessions were held back in July until the last minute. The WTO must reach its decisions by virtual unanimity, and that makes brinkmanship much more likely.

The differences are not necessarily always between developed and developing countries. The situation is much more complex than that, and this means that the WTO is not necessarily divided into strict, purely politicized groups.

#### Mr. T. Shinohara (Japan)

Japan is faced with two serious issues in connection with minimal access. First, its rice imports in 2007 were 6,000 tonnes short because of the drop in supply. It was therefore unable to meet its WTO minimum access commitment. Why did the WTO impose a penalty? It should be responsible for finding an appropriate exporter. If the current shortage continues, Japan will be forced to abandon its minimum access commitment. Do other countries apply the minimum access rules as scrupulously as Japan?

Secondly, some of the rice Japan imported unfortunately contained amounts of pesticide that exceeded permitted levels. The resulting cases of food poisoning raised food safety concerns among Japanese consumers, who started to ask the Japanese Government to stop importing tainted rice. What is the WTO's response in such cases?

#### Ms. K. Sinnott (European Parliament)

In May, the Irish Farmers Association, Ireland's largest farm organization, asked the Irish Government to veto the WTO deal; in exchange, it would recommend approval of the Lisbon Treaty. The Irish Government agreed. Subsequently, full-page ads appeared in all Irish national papers saying that the veto was secure and urging a "yes" vote for the Lisbon Treaty. Were the WTO negotiators aware of this? Did the European Union indicate that it would find it difficult to close

a deal because one of its members had guaranteed a veto? Did any Irish government minister mention this?

#### Mr. B. Ouattara (Burkina Faso)

The issue of cotton has been raised at several WTO ministerial meetings. Why, then, was it not raised in July? Do the countries concerned think they can come to an arrangement and then simply present it as a good thing for the African countries? Is it a good thing that Africa is not represented on the G7?

#### Mr. Falconer (panellist)

Minimum access at the WTO is not a purchase requirement. Minimum access commitments are intended to create an opportunity for a certain number of imports to enter the country, but there is no obligation to import. The WTO does not require any Member State to consume poisoned food, and every Member State is absolutely entitled under the Sanitary and Phytosanitary Measures Agreement to protect animal and human life and health.

How the Irish Farmers Association viewed the July mini-ministerial meeting and the Irish Government's position was fairly common knowledge. This being said, the parties engaged in the negotiations are responsible for selling whatever deal they reach back home. The European Union is not in a fundamentally different position, because at the end of the day all the negotiating parties have to sell the deal to their legislatures.

There is no question that the issue of cotton cannot be resolved by the G7. There could have been no decision in July without the representatives of cotton producers, i.e. Brazil, the United States, the European Union and the Cotton 4.



## LOOKING BEYOND DOHA

*Discussion paper presented by Mr. Carlos Carnero González (European Parliament)*

### The multilateral trading system

The multilateral trading system embodied in the WTO contributes to enhanced security, transparency and stability in international trade and to a better management of globalisation through multilateral rules and disciplines and the judicial settlement of disputes.

The world needs a strong multilateral trading system. It is the most effective means of expanding and managing trade for the benefit of all and provides a unique framework for dispute settlement.

The European Union has always been committed to the Doha Development Round, whose central purpose is to promote a fairer and more pro-development trade system based on multilateral rules.

### The July 2008 WTO mini-ministerial meetings

Governments' latest attempt to salvage a deal in the Doha Round of trade talks broke down at the end of July 2008, as ministers acknowledged that they were unable to reach a compromise on modalities after nine days of mini-ministerial meetings in Geneva.

A very large number of problems which had remained intractable for years had found solutions, even though the negotiations foundered on the extent to which developing countries would be able to raise tariffs to protect farmers from import surges under a 'special safeguard mechanism'. Differences over cuts to farm subsidies and industrial tariffs, which had long seemed virtually intractable, appeared to

be bridged to a significant extent and even the always tricky issue of preference erosion was reportedly close to being finalised.

EU negotiators were involved over the last days of the talks in trying to help broker an agreement on the very area that led to the collapse. The European Union negotiated openly and in good faith and did everything it could to contribute to a successful conclusion.

After the collapse of the talks, WTO Members expressed a desire not to abandon the negotiations and to preserve the progress made in agriculture and NAMA and other areas of the talks, representing thousands of hours of negotiation and serious political investment by all the Members of the WTO, which should not be wasted.

Nevertheless, the path towards putting the negotiations back on track is unclear.

Some Members suggested that there were some parts of the package that had almost been negotiated or where there was a consensus, which could move forward. Other called to implement some actions that had already been agreed, such as duty-free quota-free market access for LDCs, aid for trade and the "enhanced integrated framework" of assistance to LDCs.

Nevertheless, choosing to move ahead in the talks on a disaggregated basis would require a consensus decision among all WTO Members. That could prove difficult, given the varying degrees of importance that different governments assign to particular issues. There would be resistance to dismantling the Doha

Round package, given the institution's traditional 'single undertaking' approach, under which 'nothing is agreed until everything is agreed'.

### Benefits of a successful conclusion

A successful conclusion of the Doha Round, providing for genuine further market opening and stronger multilateral rules, could be the robust stabilizing factor needed by a world increasingly worried about financial and economic crises and an important parameter in stimulating worldwide economic growth, development and employment and effectively contribute to the MDGs and to the integration of developing countries into the world economy.

All WTO Members would benefit significantly from a more open and fairer multilateral trading system should the DDA be finalised.

### Prospective costs of failure of the Doha Round

The European Parliament is convinced that the costs of failure in the WTO negotiations would be substantial. In fact, the alternative to a successful Round is not the status quo but a serious degradation in the trading system.

The first loss would be the possible welfare gains from new WTO reforms (with expected benefits ranging from about fifty to several hundred billion dollars).

The second cost would be systemic erosion. In fact, the credibility of the international trading system and the WTO as an institution would be seriously undermined. The poorest and weakest members, who benefit the most from a strong multilateral rules-based system, would be the most disadvantaged. Members still would adhere to obligations under existing agreements, but there would be less confidence in using the WTO as a forum for trade negotiations.

On the other hand, there would be more emphasis on WTO litigation in the absence of an effective process to liberalise trade. WTO Members would make more use of the dispute settlement process to "litigate" desired changes in the practices of other members, but big players would have less incentive to comply with adverse rulings.

The third cost would be the risk that the international trade system drifts into the doldrums of bilateralism and regionalism. Trust in the principles of multilateralism and in international cooperation would be weakened. Major trading nations would

refocus their negotiating efforts on bilateral and regional trade agreements, and the number of such initiatives would proliferate.

The fourth cost would be increased protectionism. Multilateral trade negotiations act as a buffer against protectionist impulses since new trade barriers or subsidies could disrupt ongoing negotiations. Protectionist measures could escalate in the future in response to slower growth and rising unemployment as the global boom weakens amid high energy costs and associated inflation.

Fifth, the breakdown of the trade talks could cause adverse shocks in financial markets. Markets already are sensitive to threats of new trade protectionism and their effects on capital flows.

Finally, the cost of not being able to use multilateral trade negotiations to catalyze domestic economic reform.

### Bilateral and regional trade agreements

Bilateral and regional trade agreements (RTAs) are changing the world trade landscape. The number of agreements in force now surpasses 200 and about a further 70 are under negotiation or consideration. The number of bilateral agreements as well as the world share of preferential trade has been steadily increasing.

As agreements proliferate, a single country often becomes a member of several different agreements. Each agreement has different rules of origin, tariff schedules, periods of implementation, and together they complicate customs administration and create complex rules for economic operators. Some countries place bilateralism at the heart of their trade policy. Major players are also increasingly turning towards bilateralism, which may shift the focus from the multilateral level. This can be both a cause and a consequence of reduced ambition and commitment in the WTO talks.

The existing provisions of the WTO require RTAs to be recognized as an exception to MFN treatment and non-discrimination. However, they do not work as a brake on the formation of RTAs.

The relationship between the multilateral trading system and bilateral agreements as an alternative/complementary policy tool is a complex one. Many argue that the overlapping, complex, diverse and unpredictable RTAs are inherently discriminatory and contribute to a fragmented world trade system, also undermining the WTO and its basic principles. Others claim that pursuing trade

liberalisation through bilateral deals is a useful complement to the multilateral level.

RTAs can build on WTO and other international rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion and by preparing the ground for the next level of multilateral liberalisation. RTAs can have a harmonising role and may complement and strengthen the multilateral system.

But RTAs can also carry risks for the multilateral trading system. The drawbacks seem to outweigh the advantages and there are important economic and political costs associated with slow progress or failure at multilateral level and the proliferation of RTAs. Bilateral deals weaken the multilateral system. They can complicate trade, erode the principle of non-discrimination and exclude the weakest economies.

The WTO system is more transparent and more predictable than the "spaghetti bowl" created by the hundreds of overlapping RTAs that generate uncertainty for exporters. Very often, RTAs may penalise countries with limited bargaining power and multilateral liberalization has a greater positive impact on development.

Furthermore, RTAs and parallel negotiations at multilateral, regional and bilateral levels strain the institutional capacity of governments. RTAs are complex to negotiate and especially developing countries' capacity is very limited to cope with ongoing parallel negotiations.

### The future of the WTO

An important analysis of the future of the WTO and the institutional challenges it faces was carried out in 2004 by the Advisory Board chaired by Peter Sutherland. However, no practical action was taken with regard to the recommendations set out in the report delivered in January 2005.

The debate on the decision-making process, mandate, functioning and future of the WTO should be resumed in the light of the latest developments, with a view to increasing both its effectiveness and its legitimacy.

The European Parliament considers that some aspects deserve our attention:

- the appropriateness of the institutional structure of the WTO;
- the need to ensure consistency and coordination with the action being taken by other international organisations;

- the importance of the parliamentary dimension of the WTO in order to enhance the democratic legitimacy and transparency of WTO negotiations;
- equal and effective participation by all members, particularly LDCs;
- the importance of capacity building and technical assistance for developing countries;
- the introduction of a more democratic system of decision-making at the WTO that takes into account the views of the entire membership, which comprises countries at varying levels of development;
- the need to examine various methods and procedures with a view to facilitating, on a case-by-case basis, the emergence of consensus;
- a plurilateral approach with opt-in or opt-out agreements, for certain groups of countries or certain sectors, in cases where a consensus cannot be reached;
- the limits of the formula of the "Rounds" of negotiations involving all WTO members on a very wide range of subjects;
- the redefinition of the role and the format of the Ministerial Conferences;
- the need to disconnect as much as possible multilateral negotiations from the national political situation of the different WTO Members;
- strengthening the role of the WTO Secretariat, enabling it to take initiatives and suggest compromises;
- the possibility of examining proposals and compromises prepared by independent panels of experts;
- the issues of external and active transparency;
- the involvement of the civil society;
- the reform of the dispute settlement system;
- etc. etc.

### Conclusions

The multilateral negotiations now face an even more uncertain future, despite considerable headway towards an accord.

Nevertheless, the European Parliament attaches the utmost importance to safeguarding what has so far been achieved by the multilateral trade system and remains firmly committed to the success of the Doha Round.

The collapse of the mini-ministerial meetings of July 2008 should not stop but, on the contrary, animate the reflection on the multilateral trading system, the future of the WTO and the way forward. It is true that an agreement based on the consensus of all WTO members is long and costly to negotiate. However, the Doha Round should deliver on development, including free access of LDCs to all developed country markets, substantially reducing agricultural subsidies that hurt the producers of the South, aid for trade, trade facilitation, special and differential treatment justified by development

reasons, as well as better rules. Developing countries would not be able to achieve these elements in the framework of fragmented regional and bilateral deals.

Therefore, it is necessary to continue to promote a regulated multilateral system, which gives priority to development and incorporates non-trade dimensions (environment, health, poverty eradication, social standards, and respect of decent work norms).

We believe that a successful conclusion of the Doha Round must remain our objective.

## LOOKING BEYOND DOHA

*Discussion paper presented by Mr. Benedict A. Martins (South Africa)*

There is justified concern that multilateralism, to which most developing and developed countries strongly subscribe, has suffered another setback with the failure to conclude the important modalities phase of the Doha Development Round of negotiations held in Geneva from 21 to 29 July 2008.

Notwithstanding marathon trade talks the Round has ground to a halt again. The proximate cause of the latest failure was rules governing agricultural trade. The stand-off over the special safeguard mechanism for small-scale agricultural producers in the developing world proved irreconcilable; but even if it had been resolved, other, more complex issues stood in the way, such as addressing the concerns of cotton producers in the developing world, industrial tariff reduction commitments and rules of trade in services.

Our view is that behind the immediate issues at stake lurks a broader challenge of recovering the developmental content of the Doha Round. It remains a serious source of concern that the developmental principles that WTO members agreed to in Doha in 2001 appear not to be sufficiently informing the detailed negotiations now under way. Developing countries thus have valid concerns over the future of the Doha negotiating mandate and whether it will be possible to preserve its core developmental objectives.

Furthermore, the potential gains that may be lost should also not be underestimated, as these have important systemic implications for development, particularly with respect to agriculture. These would include among others, the elimination of export

subsidies, lowering ceilings for trade distorting support, new disciplines for product support, reduction of subsidies on cotton, duty-free quota-free market access for LDCs, new provisions for developing countries to protect agricultural products for food security and rural development reasons (special products), and a new trade remedy to protect developing countries from surges in subsidized agricultural imports (special safeguard mechanism).

However, ensuring that trade becomes a true force of development means going far beyond simply improving developing countries' access to the markets of developed countries. It requires the promotion of trade as an effective instrument for the effective and beneficial integration of developing countries into the international trading system.

Enabling a fairer trade regime for developing countries also entails a coherent policy approach to promote the creation of productive resources, skills and capacities within developing countries, as a crucial complement to trade liberalization. The focus of trade liberalization must be on more than achieving an open, non-discriminatory, predictable and rules-based multilateral trading system; it must also be able to deliver on the promise of development if it is to be sustainable.

Furthermore, in striving to enhance the multilateral trading system, it remains necessary for the WTO to continue to reflect on the aspirations and needs of all its members. China, India and Brazil are emerging as significant players on the world economic scene. As the economic and political influence of these countries increases, both individually and collectively,

the trading system will have to reach an accommodation with them politically as well as economically. The emergence of a multipolar global economy, one in which the United States, the European Union and Japan are no longer the only major players, must therefore be addressed if the continued viability of the trading system is to be assured. Similarly, the nature, scope and objectives of the WTO need to be resolved. In this regard WTO members need to decide what they want their organization to be and do. Again, any such decision must properly reflect the priorities of the whole membership and not just of the powerful few. This will reduce the imperative for nations to seek solutions outside of the multilateral trading system. There is no doubt that the governance arrangements for world trade need to be updated to reflect new circumstances and new economic and political realities.

The following challenges, which are distinct yet often related, need to be met if the multilateral trade regime is to succeed:

- Counter growing opposition to further multilateral trade liberalization in industrialized countries. This tendency threatens to render further reciprocal opening of markets unduly limited and to weaken a valuable instrument of international economic cooperation;
- Ensure that this evolving dispensation - moving from the bipolar global trade regime dominated primarily by the United States and Western Europe to a multipolar alternative - does not lapse into a longer-term stalemate or disengagement;
- In this changing environment, forge a broad-based agreement among the members about the WTO's objectives and functions;
- Ensure that the WTO's many agreements and procedures result in benefits for its weakest members. This requires that the membership addresses the relationships between current trade rules and fairness, justice, and development; and
- Identify what steps can be taken to ensure that the considerable momentum behind the proliferation of preferential trading agreements can be eventually channelled to advance the long-standing principles of non-discrimination and transparency in international commerce.

Sustaining the WTO is the collective responsibility of all its members, in particular both the long-standing and the new poles of power and influence in the world economy.

There is thus a need to lead the world to a more representative global architecture to reflect the ongoing shifts in financial wealth, commodity power and trade flows. This must give the dynamic emerging economies a greater say in shaping the rules of the system while ensuring that they take greater responsibility for it as larger stakeholders. This would entail increasing their role in the International Monetary Fund, the World Bank, and the World Trade Organization, as well as enlarging participation in the Group of Eight (G8) industrialized countries. There are thus major historic challenges before the leadership of the European Union and United States and the enormity of these and the fate of the Doha Round rest in their ability to rise to these challenges. The WTO remains important in terms of implementing the Uruguay Round outcomes, providing oversight for the global trading system and settling trade disputes. However, the failure to conclude the Doha Development Round is likely to see the impetus for trade integration shift to regional and bilateral efforts. Despite this reality, the key challenge for contemporary global economic governance will remain the ability to reconcile trade and development under dynamic conditions of globalization.

Unlike the breakdown in previous Ministerial meetings (Seattle, Cancún), the Doha Development Round breakdown has not been occasioned by acrimony and recrimination. Most members have indicated an interest in resuming the process as soon as possible. Two questions are therefore pertinent: when and on what basis could the resumption occur? On timing, despite some calls for an early resumption, the general view is that this may not be feasible for a year, given the upcoming elections in the US and India, as well as changes in the European Commission in mid-2009.

On the second question regarding the basis for resumption, a key question will be how to preserve and build on work previously done while simultaneously recognizing that in the end there was not consensus on the Geneva package developed in July. Consultations over the coming months may begin to provide some answers as to when and how substantive negotiations could be re-started.

If the Doha Development Agenda is to live up to its name, the fact that country priorities and capacities differ enormously will need to be addressed. The challenge of special and differential treatment is to develop an approach that defines clear and concrete rights and obligations for all members, while at the same time recognizing that the development needs of members are varied and call for differentiated

responses. This is a different task, but shunning it will ensure that special and differential treatment remains an issue of political contention that carries both systemic and developmental costs, the consequences of which weigh on the WTO as an institution and its entire membership.

In conclusion, parliamentary scrutiny of trade policies must remain an important responsibility of members

of parliament, as they have the duty to oversee government action in the field of international trade and promote fairness of trade liberalization.

The multilateral rules-based system under the World Trade Organization remains the most effective and legitimate means of managing and expanding trade and as such, needs the solid commitment of all members as it is a positive force in the world.

## SUBSTANTIVE THEME (A) “LOOKING BEYOND DOHA”



### INTRODUCTORY REMARKS

#### Mr. Carlos Carnero González (European Parliament)

Globalization has to be governed by representative multilateral institutions that are strong, effective and able to maximize its advantages and minimize its disadvantages. This is even truer in a world struggling to cope with such fundamental challenges as overcoming underdevelopment, reducing poverty and fighting climate change, amid an economic crisis that threatens growth and employment in all countries.

We can disagree on other points, but it is hard not to agree that increased trade through multilateralism is a basic component of growth, development and poverty reduction.

In this context, the existence of the WTO is wonderful news. In spite of its youth, the WTO represents a paradigm for multilateralism, a model for international cooperation and an excellent instrument for regulating economic globalization.

First, because the WTO takes decisions by consensus, the strongest countries cannot impose their will on the weakest – this is the opposite of what happens at, for example, the IMF. Secondly, the WTO's ability to establish binding rules makes it possible to liberalize trade in order to promote growth and development. Thirdly, the impartial dispute settlement mechanism guarantees the equality of WTO members, no matter what their weight and influence.

The WTO is therefore the ideal forum for negotiating multilateral trade liberalization on the basis of the

key principles of non-discrimination, reciprocity and transparency. It institutionalizes cooperation between sovereign States that are equal before the law when it comes to establishing rules and procedures for negotiation and dispute settlement, strengthens the voice of the weakest and facilitates the formation of coalitions and the linkage of various sectors in the negotiations, thereby encouraging countries to make reciprocal concessions and limiting protectionism. At the same time, the single undertaking prevents integration from taking place at various speeds. Lastly, the WTO has proven to be a potent means of consolidating the reform process in many developing economies.

In a context that has revealed the waning influence of the Bretton Woods institutions, the WTO, which was established just 13 years ago, has an institutional design that outdoes not just the IMF and the World Bank, but even bodies such as the United Nations. This being so, how is it that the WTO has not managed to conclude even one major global trade agreement since its inception and has suffered repeated setbacks, most recently the Doha Round negotiations of July 2008?

I sincerely believe that we must avoid pointing an accusing finger at one or another country or group of States on specific subjects (be they as relevant as the SSM, bananas, cotton and appellation of origin), even though it may be legitimate to ask (as many analysts do) whether the July talks did not fail because the agreements being discussed were clearly too far removed from the development objective set in 2001, because the anticipated advantages obtained

by the developing countries would have really been too small, because there would have been little or only moderate access to the American and European agricultural markets respectively, and because the reductions in bound tariffs – especially for industrial products – would have required those States to damage or dismantle their domestic industries and brought about a calamitous drop in customs revenues, which in some cases account for more than 50 per cent of the public purse.

There are at least six main reasons the talks failed: the use of different paradigms – development and market access – that are often contradictory; objective economic differences that go beyond the classic division between developed and underdeveloped countries and include a new category of States – the emerging economies; the political obstacles derived from an election context which, in a democracy, legitimately reflects citizen decisions; the commercial interests of the various parties; the WTO's functional problems; lack of political will, as always, on the part of the governments.

All these problems should and indeed can be overcome. The paradigms of development and market access have to be rendered compatible, in keeping with the true spirit of the Doha Round. Economic differences have to be overcome on the basis of the key concepts of equality, progressivity, positive discrimination, solidarity and complementarity. Obviously, we are not identical: the World Bank calculates that the agreement discussed in Geneva would have increased the GDP of the poor countries by a mere 0.16 per cent, and UNCTAD estimates that it would have resulted in a drop of US\$ 60 million in developing countries' tariff revenues. In this sense, the LDCs should logically benefit from free access to all developed country markets, trade assistance, trade facilities and specific treatment for reasons relating to development.

The political obstacles need to be tackled with proactive and positive messages to the people – let us put an end to fear, let us tell the truth without creating myths – that have nothing to do with populism and short-term gain. The commercial interests are compatible in the medium and long term if we all share the goal of sustainable development.

Given the WTO's functional problems, we should revisit the Sutherland Report and apply and adopt many of the measures it recommends. The report is more topical than ever, yet it has apparently been relegated to the backroom.

The lack of political will must give way to clear awareness of the opportunity cost we are paying for this situation. The European Union – with the backing of the European Parliament – negotiated openly and in good faith. It remains committed to the satisfactory finalization of the Doha Development Round as soon as possible. The benefits would be enormous for everyone. The successful conclusion of the Doha Round, providing for further genuine market opening and stronger multilateral rules, could be the robust stabilizing factor needed by a world increasingly shaken by financial and economic crises, and an important parameter in stimulating worldwide economic growth, development and employment; it could make an effective contribution to the MDGs and to the integration of developing countries into the global economy. On the other hand, failure to conclude the Doha Round would entail huge losses, for the alternative to a successful round is not the status quo but rather a serious deterioration in the trading system. Let us consider the costs of such a failure:

- billions of euros would no longer enter the international economy;
- the credibility of the international trade system and of the WTO as an institution would be seriously undermined: the poorest and weakest members, those who draw the greatest benefit from a strong multilateral rules-based system, stand to lose the most; the States would continue to meet their obligations under existing agreements, but would be less confident about using the WTO as a forum for trade negotiations;
- there would be greater emphasis on WTO litigation, for want of an effective process for liberalizing trade: WTO members would increasingly turn to the dispute-settlement process to "litigate" desired changes in the practices of other members, but the major players would have less incentive to abide by adverse rulings;
- the international trade system runs the risk of drifting into the doldrums of bilateralism and regionalism: trust in the principles of multilateralism and in international cooperation would be eroded; the chief trading nations would refocus their negotiating efforts on bilateral and regional trade agreements and the number of such initiatives would rise rapidly; the developing countries would clearly not obtain as much through regional or bilateral agreements as if they were to use the multilateral system;

- greater protectionism: multilateral trade negotiations act as a buffer against protectionist impulses, since new trade barriers or subsidies could disrupt ongoing negotiations; protectionist measures could escalate in future in response to slower growth and rising unemployment;
- the financial markets would suffer;
- multilateral trade negotiations would not have enough influence to trigger domestic economic reform.

Bilateral and regional trade agreements cannot be considered an alternative to the Doha Round in particular or to the multilateral system embodied by the WTO in general. This is why we have to make sure that the multilateral system works effectively and that bilateral and regional trade agreements promote trade liberalization and act to harmonize, complement and strengthen the multilateral system.

Political will is indispensable to bringing the Doha Round to a successful conclusion and ensuring that the WTO is fully effective. But at the European Union we know that good instruments and decision-making procedures help channel the political will in the right direction.

It is in this sense that the debate on WTO reform should be resumed. A report approved by the European Parliament in April of this year underscores a number of points. The WTO must ensure consistency and coordination with the action being taken by other international organizations, first and foremost ILO. This conference should function as a consultative assembly for the WTO. All members, especially LDCs, must be able to participate equally and effectively. Capacity-building and technical assistance activities must be undertaken for developing countries. Decision-making procedures must be improved so as to ensure that the principle of a single undertaking does not preclude the possibility of concluding multilateral and sectorwide agreements.

To conclude, worldwide sustainable development requires the regulated, negotiated and responsible expansion of trade. This means that the Doha Round must be successfully concluded as soon as possible, with due regard for national political calendars. The negotiations must resume on the basis of what has been agreed to date, which must in no case be squandered. We need the WTO as a means of acting on globalization and improving people's lives. Improvements must be made to the way in which the organization functions, without undermining its foundations. The political will of the Member States is key to concluding the Doha Round and strengthening the WTO. This parliamentary assembly

should be a genuine deliberative and consultative offshoot of the WTO.

#### Mr. Benedict A. Martins (South Africa)

Multilateralism, to which most developing and developed countries subscribe, has suffered another setback with the failure to conclude the modalities phase of the Doha Development Round of negotiations. On the one hand, the stand-off over the SSM for small-scale agricultural producers in the developing world proved irreconcilable. On the other hand, more complex issues stood in the way, such as the concerns of cotton producers in the developing world, industrial tariff reduction commitments and rules of trade in services.

The potential gains that may be lost should not be underestimated. They have important systemic implications for development, particularly with respect to agriculture. These include the elimination of export subsidies, lower ceilings for trade distorting support, new disciplines for product support, reduction of subsidies on cotton, duty-free quota-free market access for LDCs, new provisions for developing countries to protect agricultural products for food security and rural development reasons, and a new trade remedy to protect developing countries from surges in subsidized agricultural imports.

Ensuring that trade becomes a true force for development means going far beyond simply improving developing countries' access to developed country markets. It means promoting trade as a meaningful instrument for the effective and



beneficial integration of developing countries into the international trading system. Enabling a fairer trade regime for developing countries also entails a coherent policy approach to promote the creation of productive resources, skills and capacities within developing countries, as a crucial complement to trade liberalization.

In striving to enhance the multilateral trading system, the WTO must continue to reflect on the aspirations and needs of all its members. The emergence of a multipolar global economy must be addressed if the continued viability of the trading system is to be assured. Similarly, the nature, scope and objectives of the WTO need to be resolved.

The numbers of challenges need to be met if the multilateral trade regime is to succeed, namely:

- counter growing opposition to further multilateral trade liberalization in industrialized countries;
- ensure that this evolving dispensation does not lapse into a longer-term stalemate or disengagement;
- forge a broad-based agreement among the members about the WTO's objectives and functions;
- ensure that the WTO's many agreements and procedures result in benefits for its weakest members;
- identify what steps can be taken to ensure that the considerable momentum behind the proliferation of preferential trading agreements can eventually be channelled to advance the long-standing principles of non-discrimination and transparency in international commerce.

There is a need to lead the world to a more representative global architecture that reflects the ongoing shifts in financial wealth, commodity power and trade flows. The dynamic emerging economies must be given a greater say in shaping the rules of the system but must also take greater responsibility for it as larger stakeholders.

The breakdown of the Doha Round has not been occasioned by acrimony and recrimination. Most members have indicated an interest in resuming the process as soon as possible.

If the Doha Development Agenda is to live up to its name, the fact that country priorities and capacities differ enormously will need to be addressed. The challenge of special and differential treatment is to develop an approach that defines clear and concrete rights and obligations for all members, while at the

same time recognizing that the development needs of members are varied and call for different responses. This is a difficult task, but shunning it will ensure that special and differential treatment remains an issue of political contention that carries both systemic and developmental costs, the consequences of which weigh on the WTO as an institution and its entire membership.

#### Mr. Stuart Harbinson (Senior Adviser to the UNCTAD Secretary-General)

The label "Doha Development Agenda" gives the impression that the aim from the outset was to design a development agenda. This is not so. In fact, it was the developed countries that were the main proponents of the round's launch. In doing this, they said that the round would be good for development but naturally also had their own agenda. Nevertheless, the Doha Declaration contains many very important references to development, and clearly the round seeks to place development at the heart of the WTO work programme.

Right from the outset, therefore, the purpose of the round was somewhat ambiguous. Indeed, the force of the development argument sometimes seems to have foundered on the rock of hard commercial realities in the developed countries. In my view, given the current crises relating to food and energy prices, this ambiguity has to be resolved in favour of development.

As concerns institutional reform, I believe it is wrong to think that there is a magic procedural solution



that will unlock the negotiations in the WTO. The variety of interests involved and the complexity of the subjects make that very difficult. It is also fair to say that the WTO has done much to reform itself in terms of transparency and legitimacy since its establishment in 1995. Who can deny, for example, that the Group of LDCs, the African Group, the G20, the G33, the ACP Group and small and vulnerable economies have not had a pivotal influence on the negotiations today? They have transformed the nature of the WTO through much dedication and hard work. Of course, the WTO is not perfect, but it is improving. We need to keep up the effort.

The complexity means that the negotiations are very difficult to organize and carry forward. Now would be a good time to start reflecting in a serious way on possible institutional and procedural reforms in the WTO. Such matters are talked about informally between delegates, but the reform needs to be more systemic. The WTO should establish a standing committee on institutional and procedural matters that would be empowered to engage in dialogue with other interested stakeholders. The Sutherland Report could be a useful initial input for that exercise.

Beyond Doha, what is it realistic to expect from the WTO?

As others have said, it is wrong to believe that a reasonably liberal international economic order can only be constructed by international organizations and intergovernmental negotiations. In fact, much recent trade liberalization has taken place unilaterally, as countries realize that it is in their interests to go down that road if they want to derive benefits from globalization. China is perhaps the best-known recent example.

We also need to bear in mind the mind-boggling complexity of multilateral negotiations in the WTO. In agriculture, the text on modalities comprises 116 pages – and it is not the final outcome of the negotiations, and agriculture is only one subject.

Can we go on like this? Common sense would suggest probably not. The so-called built-in agenda negotiations on agriculture and services alone did not work in 2000 and 2001, when they were launched. That was in fact one of the main reasons that Doha, with its more comprehensive agenda, was launched.

The WTO needs to investigate the possibility of a more gradual, incremental and yet still balanced agenda after Doha. Expectations of economic gains from WTO negotiations may need to be downsized. But even if the WTO can initially just turn unilateral liberalization into a binding multilateral commitment,

that would be well worth doing. The inevitable result would be better rules, because liberalization requires regulation, and that is an important role for the WTO.

By taking smaller steps in future, we may in the long run be able to go further with less anguish and in a greater spirit of international cooperation.

**Dame Billie A. Miller (Barbados)**  
*Former Minister of Foreign Affairs and Foreign Trade*

The Doha Development Round is the ninth round of trade negotiations. The eighth round – the Uruguay Round – ran from 1986 to 1993 and included a two-year hiatus. Why, then, are we assuming that the Doha Development Round, with many more countries around the table, many more, very complex issues on the agenda, and developing countries and coalitions of developing countries fully engaged on all issues, will not take longer and be more challenging?

This may not be the most propitious time for continuing the negotiations. The United States presidential election campaign has moved into top gear, against a backdrop of spiralling food and oil prices accompanied by fears of global recession and economic slowdown. Yet it may also be the best time, if there is an overarching multilateral imperative for the membership of the WTO to conclude the round at this time.

A period of reflection that includes a review of some process issues might be helpful. Indeed, one body of opinion holds that the Green Room process needs to be rethought. One member is believed to have volunteered to give up its place to another in order to bring new ideas and perhaps a different perspective to presently intractable positions. Certainly, the deal-breaking SSM will arise in any new discussions of agriculture, in which event the



case for including the coordinator of the G33 in the G7 will need to be made formally.

At times like these, new ways are needed of dealing with old and even new matters. A number of issues that are of importance in particular to the developing countries remain outstanding and need to be fast-tracked. The WTO Director-General's appeal for re-affirmation of the commitment to the multilateral trading round, not only for the sake of trade but also in the wider interests of multilateralism, must inspire fresh momentum.

The failure of the Doha Round would be the straw that broke the camel's back. The developing world has lived with many broken promises. In 2000 the United Nations General Assembly adopted the MDGs, meant to reduce poverty by 2015. Goal 8 speaks of partnership for development, which cannot be achieved without the Doha Development Round. In 2002, at the International Conference on Financing for Development in Monterrey, commitments were made to help provide financing for the development priorities of poor countries. Later that year, at the Sustainable Development Summit in Johannesburg, an action plan was established to ensure sustainable global development. Official development aid was overtaken long ago by developed country subsidies.

The WTO must ensure that there will be no renegeing on the development agenda of the Doha Round. There has been little or no progress on important subjects of major concern to the developing countries. The issue of cotton subsidies, for example, which is of urgent economic importance to four poor African countries in particular – the C4 – has never been negotiated despite repeated calls from the group's coordinator and despite the fact that the WTO Hong Kong Ministerial Declaration provided in 2005 that cotton subsidies were to be cut deeper and faster than other domestic agricultural subsidies.

The aid-for-trade mandate needs to be fully implemented, with less long talk about aid given in the past and a sharper focus on new aid to be delivered in the near future. The objective of special and differential treatment must also be re-affirmed during these negotiations: it has been eroded as a legitimate, evidence-based right of developing countries.

The developing countries cannot contemplate failure of the development dimension of the Doha Development Agenda. The role played by the small, vulnerable economies, the ACP and the G33 is a fine example of the growing cooperation between the broad spectrum of developing countries. The small, vulnerable economies have been participating actively in the Doha negotiations and have frequently

indicated that, although their miniscule share of world trade means that any concessions they offer could have no impact on international trade, they continue to be willing to contribute to the negotiations in a manner commensurate with their capabilities and development needs. Their organizational methodology – issue-specific priorities, evidence-based arguments, inter- and intraregional collaboration – can be a useful template for how small countries can be effective in international trade negotiations.

In both the developed and the developing world, bilateral and regional trade agreements have proliferated since the turn of the century. For the most part, they tend to be loaded against the interests of developing countries. A stronger, multilateral, predictable and sure rules-based system is of obvious benefit to the international trade regime, as is access to the WTO dispute-settlement mechanism and technical assistance component. Indeed, a multilateral arrangement is the preferred option of the developing countries, the small and vulnerable economies in particular.

That being said, regional trade agreements are important components of the international trade system and they will likely continue to be ever more widely used as trade policy initiatives. One example is the Caribbean Community, with its single market and single economy. There are increasing numbers of cross-border regional trade agreements and free trade agreements which seek to strengthen economic relations for strategic or economic reasons, or a combination of both. There are customs unions, which seek arrangements with other customs unions or with individual countries. The primary mandate of some regional trade agreements is to lower tariffs, while others aim to incorporate non-WTO issues, and others yet to garner greater market access.

What this shows is that a balance must be found between regional and multilateral interests. The WTO should seek to ensure coherence between the rules negotiated at the multilateral level and those negotiated regionally, subregionally and extraregionally.

Parliamentarians, for their part, have a responsibility to maintain constant dialogue with domestic and regional constituents, with the private sector and wider civil society, and with their colleagues from other countries. They can play a helpful role supporting the work of trade negotiators, brokering compromises, including with political opponents, and creating environments that are conducive to agreement in the national, regional or international interest.

### Ms. Cristiana Muscardini (European Parliament)

The economic crisis must be fought with sure rules that combat old and new poverty and eliminate global disparities.

I would like to outline some of the recommendations made in the report, "Towards a reform of the World Trade Organization", adopted by the European Parliament in April 2008. The report is very aptly titled, as it represents the European Parliament's commitment to the need to make certain modifications to the way in which the WTO operates, with a viewing to making the organization more effective and democratic at a very difficult time for it.

The list of suggestions contained in the report encompasses a number of points I believe are significant and relevant to our discussion at this conference.

First of all, we must examine the various procedures that serve to facilitate, on a case-by-case basis, consensus on a unanimous basis. This is and must remain the rule by which decisions are made – by consensus and unanimously. The limits to the present formula for the ministerial cycles, which involves the members of the WTO on a broad range of subjects and which very often makes it difficult to reach an agreement, as occurred at the July mini-ministerial talks – are not all organized and modulated in the light of current necessities. Perhaps a multilateral approach by subject or sector would be a more appropriate formula that could be used especially in cases in which a consensus initially appears impossible.



Another suggestion is the creation of a system which would foster more incisive participation on the part of all member countries, through the criteria of geographical representation or according to levels of development or levels of interest. I know this is a difficult problem and that on some issues it is hard to reach an immediate consensus. However, we – the elected representatives of the people – must be candid about this. We cannot put countries that have a strong economic and industrial capacity – such as India and China – on the same footing at the WTO as countries that are still struggling to overcome poverty and to develop. We cannot, within the WTO, merely distinguish between developed and less developed countries. We need a third category. I believe that is the problem we as parliamentarians must resolve. We must have the courage to make the WTO a model for harmonious progress. The WTO must not be just the means by which some countries become more powerful.

The parliamentary dimension of the WTO in strengthening the democratic legitimacy and transparency of WTO negotiations is another matter we must tackle, as is guaranteeing technical assistance to less developed countries. From this point of view it would be good to think about a more appropriate division between developing countries, one that takes better account of the new global economic situation.

The WTO Secretariat needs to be reinforced so that it can take initiatives and suggest compromise solutions. The role and format of the WTO ministerial conference must be redefined, because at present it does not furnish acceptable, speedy or useful solutions.

Lastly, the WTO's actions need to be coordinated and brought into conformity with the principles and decisions of other international organizations, in particular ILO. ILO has repeatedly pointed to the need to define rules that guarantee basic labour principles. The WTO could establish a specific committee along the lines of the Environment Committee, said committee to take account of ILO decisions.

This is a complex debate, given the reluctance of some countries to move in this direction. But I believe that meetings like this provide us with the opportunity to talk about thorny issues. There are other forums in which we can talk about easy matters. Parliamentarians are the elected representatives of the people, and it is not our job to solve easy problems. We must meet the hopes of those who have elected us and tackle the difficult issues.

The European Parliament considers that labour questions are crucial to the economy, production and trade, all of which are topical issues. I believe that in order to create a harmonious society we need to understand each other better, even when we might not agree. If we talk, we get to know each other and we make slow and steady progress towards a better situation for all.

## EXCERPTS FROM THE DEBATE

### Mr. X. MU (China)

The aim of the Doha Round is to establish multilateralism in trade, to prevent protectionism, to reduce trade distortions, to gradually open up markets and thereby to facilitate the achievement of the MDGs. This has not been an easy process. The mini-ministerial conference held in July 2008 represented an attempt by the main members of the WTO to reach agreement on agricultural and non-agricultural issues. The negotiations made progress on many fronts. China played a unique role and demonstrated constructiveness and flexibility. Regrettably, however, because of the conflicting positions of two countries on the SSM, the negotiations collapsed.

To push for an early conclusion to the Doha Round is vital to international trade and the global economy. According to WTO statistics, if the Doha Round is successful there will be a reduction in duties worldwide of over US\$ 110 billion and the global economy will benefit to the tune of US\$ 50 to 100 billion. At the same time, a stable, reasonable and healthy multilateral trade mechanism can play a unique and significant role in creating a more stable international economic development environment.

After the negotiations failed, the WTO Director-General said he would call a meeting of the main players in order to achieve a breakthrough on agricultural products. China appreciates that effort.

### Mr. R. Leon (Chile)

Parliamentarians cannot simply keep saying that they regret the failure of the July mini-ministerial meeting. As the President of the European Commission has said, progress has to be made on the Doha Round, in the interests of the developing countries. Do the parliamentarians here agree? Our role as parliamentarians is to oversee and exert pressure on governments. The meeting should set criteria enabling it to make a positive and concrete

contribution. The world's current food crisis obliges us to have a policy position on this subject.

### Mr. K.R. Rana (India)

The world today is more closely interconnected than before. Collective challenges such as climate change cannot be addressed by one country or even one group of countries alone; they require global solutions. International trade is no different.

For this reason, the leaders of all countries committed themselves to the successful conclusion of the Doha Development Agenda, an essential prerequisite for progress towards development. Trade underpins economic growth and greater prosperity, thereby creating the resources needed to achieve the MDGs. Developed countries represent the biggest potential market for developing country exports, but south-south trade has been growing even faster. It is therefore important for emerging economies in a position to do so to carry a share of the burden.

According to the WTO Director-General, the Doha Round could result, in agriculture alone, in savings of over US\$ 150 billion, with two thirds of the benefit flowing to developing countries. The July mini-ministerial meeting foundered on the issue of the SSM. We cannot allow this single issue, important though it is to some countries, to let the bigger prize slip from our grasp. I welcome the dialogue between the parties that have it within their power to find a way out of the current impasse.

### Mr. J.-C. Martinez (European Parliament)

We are endeavouring to reconcile two conflicting but equally necessary requirements - free trade and the protection of national markets - without falling back on protectionism. Since 1947, free trade has meant the reduction and eventual elimination of tariff barriers. The protection of national markets, however, has not always been given due consideration. Hence the current impasse in the negotiations, which is not only political but also technical: it has not proven easy to lower customs duties. Only one channel has been used to break the impasse, and that is political negotiation.

Those studying tariffs have, however, come up with a new approach that solves the problem: deductible customs duties. Under this approach, the customs duties paid by the exporter is transformed into a customs credit that the exporter can deduct from its purchases from the importing country's economy. The customs credit, which equals the amount of the



customs duty, is redeemable, negotiable and augmentable. It can be redeemed by the exporter in the form of a "drawing right" on the importing economy. Should the exporter not wish to purchase anything from the importing economy, the customs credit is negotiable on the stock market or the credit market. If the exchange takes place between countries of unequal economic strength, such as Zimbabwe and a rich country, the customs credit can be augmented, i.e. Zimbabwe will benefit from a credit of 110 or more per cent.

It is this customs credit that reconciles the protection of national markets with free trade.

#### Ms. T. Bootong (Thailand)

It is high time for parliamentarians to examine their role of oversight in international trade. Trade is indispensable to economic growth and development, and an important means of reducing poverty and improving food security and sustainable livelihoods in the developing world.

The success of the Doha Development Round depends on the progress made in the negotiations on agriculture. Close attention must also be paid, however, to other issues of interest to developing countries and LDCs. In the context of the MDGs, for example, Task Force 9, on open, rule-based trading systems, makes a strong case for a multilateral trading system that is more supportive of economic growth and poverty alleviation in developing countries. It has put forward a set of goals for the ongoing Doha Round and long-term objectives for the trading system.

Trade imbalances derive from different levels of economic development. They are the result of trade-distorting measures such as domestic and export subsidies that enable developed countries to compete more effectively, especially in an area on which most developing world economies are dependent, namely agriculture.

#### Mr. A.A. Atiyah (Yemen)

Forty-three countries are still not members of the WTO. Some of them, including Yemen, are LDCs. This point was raised at the 2006 Annual Session of the Inter-Parliamentary Conference on the WTO, which agreed, in a joint statement issued by the co-Chairs, that the whole question of WTO membership would be on the agenda of this session.

Paragraph 8 of the draft outcome document addresses this question, but not others. We suggest that the outcome document include a paragraph on accession to the WTO by LDCs in particular.



#### Mr. M. Mechahouri (Morocco)

The single undertaking prompts two considerations. First, a positive link is needed between the different areas being negotiated, in order to make progress. But that positive link should not, in my view, make concessions by some countries in certain areas, particularly more complex ones, conditional on concessions by other countries in other areas. This will allow us to preserve what has been accomplished so far.



Secondly, to break the impasse, some results should be adopted soon, no matter how minimal, on certain priority points. This would be a way of sending a strong signal and bolstering confidence in the Doha Round of negotiations, in particular among developing countries and the LDCs. Indeed, it appears to me that the major economic powers negotiating at the WTO do not truly take account of the latter's interests. It is these economic powers – the developed countries themselves – that introduced the concept of development into the Doha Round, but, as we have observed every day, they negotiate much more in favour of their own development than in favour of that of the developing countries.

#### Mr. A.H. Musa (Sudan)

We need to look at the social, economic and development gaps between countries. The developing countries wanted a link between their economies and the developed economies so as to improve the well-being of their populations. They wanted help from the WTO so that they could break into international markets. The failure of the July mini-ministerial meeting should not keep the WTO from achieving specific results for the countries concerned.

The conditions that applied to poor countries acceding to the WTO in the 1990s should apply to all countries.

#### Mr. A. Sugandi (Indonesia)

All countries have accepted the Doha Development Agenda as the means of infusing development into

trade negotiations. This political investment has never, however, been easy to translate into the negotiating process, and the Doha Round has therefore broken down several times. In July 2008, the most recent example, the major players failed to forge a consensus on the modalities for the NAMA negotiations.

This is a disappointment to all of us. The current deadlock poses a serious threat to the credibility of the multilateral rule-based trading system we adhere to and may lead to more bilateral and regional trade agreements. This would be most to the disadvantage of the poorest and weakest members, who stand to benefit the most from a strong multilateral rule-based system.

We are encouraged by calls for the Doha Round negotiations to resume, and think they should restart soon. In that respect, we must emphasize that the SSM was not the only unresolved issue. Other issues, such as cotton, tariff quotas and tariff simplification, also warrant attention. The negotiations should be based on a bottom-up, transparent and inclusive approach and benefit from the genuine political will of WTO members to find a solution.

#### Mr. I. Ichikawa (Japan)

Clearly, agriculture, which is one of the points on which WTO negotiations focus, cannot be judged in terms of economic rationality alone. Every State has a responsibility to ensure a stable supply of food for its people. Indeed, the High-Level Conference on World Food Security held by FAO in June 2008 confirmed that food security is "a matter of permanent national policy". Japan's basic philosophy in this respect is that various forms of agriculture must be able to coexist; it therefore underscores the importance of establishing balanced and pragmatic trade rules. This is in keeping with Article 20 of the WTO Agreement on Agriculture, which stipulates that negotiations on agriculture should also take account of non-trade concerns. It is all the more relevant in that agriculture has a positive impact on the natural, social and economic environments. Efforts should therefore be made to maintain and develop it in each country.

At the WTO mini-ministerial conference in July, Japan adamantly opposed the introduction of tariff caps and argued that there should be flexibility with regard to sensitive products and that it should be possible to establish new tariff quotas. As a result of the recent instability in food supply and demand, many countries have begun imposing export restrictions on agricultural products. Food-importing

countries have to protect their agriculture sector if they are to ensure a stable supply of food for their people. There can be no concessions on this point.

#### Mr. M. El Saied (Egypt)

I wish to emphasize what is stated in the draft outcome document: "the world needs more than ever a fair, equitable and transparent multilateral trade system". The implication of this statement is that the existing WTO rules and practices need to be changed and supplemented. The question now is what changes are needed. Responsibility in this case falls to the developed rich countries. They have to accept rules that make the distribution of the benefits of trade more biased in favour of the developing and needy countries.

Consideration must also be given to the fact that differences of interest exist not only between developing and developed countries, but within those groups as well. It will take a huge effort to find compromises. The core question is not agricultural subsidies, services or market access for non-agricultural products. The most important question is how to help developing countries industrialize and compete effectively without resorting to a high level of protection.

#### Mr. H. Khan (Pakistan)

The Doha Round has lasted seven years so far. Of course, with over 150 countries negotiating and almost 20 items on the Doha Agenda, it is not easy to come to an early conclusion. We must not forget, however, that the developing countries are spending large amounts; I fear that they will not be able to sustain their interest forever.

The negotiations may not result in a perfect agreement: compromise agreements are never perfect. Everyone has to make sacrifices, but unfortunately some of the parties are not yet ready to do this. A good outline, especially on agriculture and industrial goods, already exists. The time has now come to close the remaining gaps and conclude the round. The current trade rules are not fair for developing countries, whose exporters bear at least four times more duties than those of developed countries and whose farmers cannot compete with highly subsidized farmers in the rich countries. We must change the unfair rules.

I urge all my fellow parliamentarians to put pressure on those few countries that are holding up progress in this crucial round.

#### Mr. M.J. Sircar (Bangladesh)

Development is at the heart of the Doha Round. Special and differential treatment for developing countries, in particular LDCs, is a must. Otherwise, those countries will not be able to integrate into the multilateral trading system. In order to integrate, the LDCs need duty-free quota-free market access for their agricultural and non-agricultural products, and special priority for their services sector. They also need technical assistance (aid for trade): because of their supply-side limitations, they cannot take advantage of market-access opportunities.

The progress made at the July mini-ministerial conference must be preserved. Commercially meaningful market access for LDCs is part of the solution to their current problems. The MDGs must be achieved, and the WTO has to ensure that trade can eliminate poverty and provide a better standard of living.

Members of parliament must exercise their constitutional function of oversight and scrutiny of government action, notably as concerns international trade. They must play a far greater role than ever before in overseeing WTO activities and promoting fairness in the trade liberalization process.

#### Mr. A. Couriel (Uruguay)

There is no such thing as free trade, because the developed countries adopted measures that affect the underdeveloped world (subsidies for agricultural exports, internal aids, contingent quotas). When it comes to non-manufactured goods, tariff peaks and tariff escalation undoubtedly affect the underdeveloped world's export possibilities.

The problems relating to the SSM were not resolved because the developed countries did not accept the argument of food security or the position of producers faced with surges in imports - yet do they not act in exactly the same way? Does the developed world not defend its rural producers through subsidies and internal aids? From this point of view, it is harder to understand why the SSM should lead the Doha Round to fail.

In the real world we must have a consensus, and that means that certain issues will inevitably have to be put on the table. There are elections in the United States, but no fast-track; there is a financial crisis. It will be very difficult to make rapid progress. We can only hope that political change will allow some headway to be made in 2009 on the Doha Round and on multilateralism in defence of the underdeveloped countries.

**Mr. S. Dedjel (Algeria)**

Algeria, like the other developing countries and LDCs, has to meet excessive requirements in the process of accession to the WTO. These requirements, set by the member countries, exceed our development capacities and go beyond WTO rules. Parliamentarians should exhort WTO Member States to facilitate developing country accession in conformity with the rules in force at the WTO. Only thus will this multilateral organization become universal.

In this respect, Algeria endorses Yemen's proposal to insert a separate paragraph on WTO accession by the developing countries and the LDCs in the draft outcome document.



**Mr. M. Sawadogo (Assemblée parlementaire de la Francophonie)**

Mr. Carnero González suggested that the Parliamentary Conference on the WTO should be a deliberative and consultative WTO body. What does this mean in practical terms? For Mr. Martins, the interests of both the developing and the developed countries must be given equal weight. What is the best means of doing this: regulation or liberalization?

At the beginning of the negotiations, cultural property was exempted on the grounds of its specific nature. Should agriculture not benefit from a similar exception, since it is not just an economic activity but above all a way of life for much of humanity?

**Mr. S. Jackou (Niger)**

It is imperative for Algeria to be a member of the WTO. It is one of the first five countries in Africa from the point of view of size, population, wealth, participation in international trade and GDP.

Niger attaches great importance to the WTO. It has a university chair and a parliamentary network on the WTO. It wants the WTO to be an organization like all the United Nations agencies, not a body without direction. It wants the main parties concerned – China, India, Brazil and the United States – to explain why the July mini-ministerial meeting failed.

Niger is in favour of liberalizing trade, but the WTO should not be obsessed with liberalization. Liberalism today prevents the State from managing the economy. In Niger, for example, the State has no control over the economy. The Government recently removed the value-added tax on certain products to fight inflation, but unfortunately the business community ignored that move and continued to take in profits. Only business profits from liberalism. How is Africa to train its managers and officials if people of all trades and professions are allowed in? Liberalism should not be unfettered, it has to be limited and managed in Africa's interests.



**Ms. L. Molise (Lesotho)**

Negotiations in the stalled Doha Development Round should be resumed at the earliest opportunity. They should continue to focus on development as reflected in special and differential treatment. They should

remain multilateral, for they have ground to a halt each time they have been left in the hands of a small, exclusive club – witness the G-7 impasse in July.

The time is ripe for a new multilateral trading system. The status quo is stale and out of line with reality. It cannot, and should not, continue.

Once the LDCs have achieved market access, they have to have something to trade. Their current narrow export base and the shallow value added or short value chain of their products make it a top priority to remove these and other supply-side constraints and develop sounder production bases. Aid for trade and an integrated framework are not part of the Doha single undertaking, and work in these areas should therefore be expedited. The difficulties of the net food and net oil-importing developing countries, especially LDCs, have been compounded by the food crisis and high oil prices. The world should join hands to help them overcome those difficulties.

#### Mr. G. Laourou (Benin)

Sustainable development requires a responsible expansion of international trade. Parliamentarians are being called on to play an increasingly important role in encouraging their governments to resume negotiations in the Doha Round. On what basis and how soon will the negotiations resume? I think they should resume immediately, so that the round can continue in 2009. Parliamentarians should be associated in the negotiations, to give them a better understanding of the agreements reached and to enable them to act in the interests of their respective constituencies.

#### Mr. K.R. Rana (India)

Progress on the Doha Development Round has been painfully slow, in particular on the issues that matter most to the developing countries. We must work to find a rapid way out of the current impasse on all issues, but especially those of significance to developing countries, such as agriculture, services, fisheries subsidies, trade-related intellectual property rights, and public health and Convention on Biological Diversity disclosure.

The Doha Development Agenda covers all points requiring negotiation, and no attempt should be made to bring in new issues. When the negotiations resume on the modalities for agricultural and non-agricultural market access, the top priority must be special and differential treatment for developing countries, including the SSM. An operational and

effective SSM is needed to shield against global price dips and import surges; it must be easier to use and more flexible than the existing mechanism, which is available mainly to developed countries. There should be a substantial and effective reduction in the developed countries' domestic support and tariffs for agriculture, and developing countries must be able to protect and promote the interests of their poor and vulnerable farmers. The developing countries must be allowed to make use of flexible arrangements for non-agricultural market access in order to promote their domestic industrial development, and the developed countries must commit to eliminating or significantly reducing their industrial tariff peaks and non-tariff barriers.

#### Mr. M.T. Babikir (Sudan)

Countries that are providing agricultural subsidies do not want to eliminate them, but it is difficult for developing countries to be competitive if such subsidies are maintained. Africa was the main exporter to the United States until that country's cotton subsidies led to a drop in its exports.

The most important countries in the WTO are the industrialized countries. In the 1990s, small countries trying to join the WTO encountered many barriers. Sudan has been trying to join for many years. It meets the requirements, but non-technical and other barriers have prevented it from becoming a full member. We agree with Algeria and Yemen on this point; the WTO risks remaining in the service of the large industrialized countries to the detriment of the small developing countries.



**Mr. A. Kahlil Mitra (Philippines)**

We must fully appreciate the potential positive link between trade liberalization and development, particularly in agriculture. Agricultural trade is of direct benefit to developing country farmers, and increases financial and investment flows to developing countries. A genuine development round will improve agricultural market access, reduce trade-distorting support and provide emergency protection from unexpected import surges or price volatility arising from external factors.

Parliamentary oversight in trade negotiations is of vital importance. It is a fundamental responsibility of parliamentarians and their irrevocable duty as elected representatives of the people.

Many countries, including the Philippines, have drifted towards regional and bilateral trade negotiations, a trend that is likely to gain strength as the Doha Round falters. The Philippines nevertheless remains steadfast in its belief in the openness, efficiency and welfare-enhancing potential of the multilateral approach.

**Lord Taylor of Warwick (United Kingdom)**

Some people argue that the WTO should widen its agenda, while others – more wisely – warn against agenda overload. How could the WTO adjust to meet the new challenges beyond Doha? It could, for example, use more accessible language and terminology. We must remember that we as parliamentarians are trying to improve the daily lives of ordinary people, and that we are often criticized for using words that form a barrier between us and them.

The United States should once again attend this conference. I understand the historical reasons for its absence (it is not a member of the IPU), but it is a major player in global trade and has enormous political influence. Its presence at this level would enhance the WTO. Future member involvement must also be considered. The question of Russia is sure to become an active issue at some stage in the future.

The Internet should be more extensively used to involve the business and trading community, to promote the WTO's causes, to encourage greater dialogue and even to negotiate. E-commerce is a growing reality, and discussions on issues such as cotton – a major stumbling block – could be resurrected using the Internet.

**Mr. J.J. Ekindi (Cameroon)**

Not enough attention has perhaps been paid to the way in which food prices are decided. The prices of basic foodstuffs such as rice and sugar have been affected to a great extent by changes in supply and demand. In the past, when there was a surplus, prices fell; when there was a shortfall, they went up. Now the futures market has opened the door to speculation. When speculators invest in food products, the price of those products skyrockets. When sovereign funds decided to speculate on wheat, the price of wheat doubled or tripled, an increase that was passed on to the consumer. It did not matter to the funds whether the consumers concerned were poor, because wheat is an imported product that they can afford at its current price.

It is therefore up to us parliamentarians and the WTO to find a way of shielding consumers from sudden fluctuations in price that have nothing to do with production capacity. The SSM is essential, for it appears to be out of the question to bar stock markets from speculating on basic necessities. Rural Africa has so far been spared the most serious affects of globalization, but once those effects are felt, the phenomenon will have to be taken into account.

**Mr. C. Carnero González (rapporteur)**

We are all committed to finalizing the Doha Development Round in the light of its overarching principle: sustainable development. This, however, implies agreement between countries that are not equals, each of which must contribute to the round's finalization in terms of its wealth and its economic, productive and trade capacity. We must maintain the criterion of asymmetry. We cannot say: I will give only what I receive in return. It would be outrageously unfair for the United States, the European Union, Japan and other major industrial and economic players to see the round in that light. Not only would they be betraying its underlying principle, they would be acting against their own long, medium and even short-term interests.

Another reason for concluding the Doha Round is the economic crisis affecting all countries. The crisis and its impact on unemployment is a matter of intense discussion in the European Union, for example, but public opinion is barely aware of the potential positive impact of trade expansion on this and other major challenges such as climate change.

A change of language would certainly help. Language that can be understood would enable people to demand accountability, not from the technicians,

but from the politicians who have a tendency to hide, whether intentionally or not, behind jargon.

We should choose our words carefully. "Liberalization" can have very negative connotations for huge swathes of the population in developed and developing countries. What we are trying to do here is to give renewed impetus to trade expansion, which is not the same thing. We do not need the WTO to liberalize trade, but rather to correct the many defects in the international economic system as embodied by the Bretton Woods institutions.

The WTO must keep improving the way in which it functions. In July we reached agreement on many issues, and we would be stupid to turn our backs on that achievement. The Parliamentary Conference on the WTO – perhaps the future Parliamentary Assembly of the WTO – has a key role to play in this respect, because it allows parliaments of countries that are not yet WTO members to make their voices heard.

Parliaments have a dual responsibility. National parliaments and the European Parliament need to oversee trade negotiations ex ante, while they are being conducted, and ex post. We can do this separately or together. It is not logical for us to try to maintain a global parliamentary vision on global issues rather than focusing on overseeing the actions of a particular government whose hands may well be bound by the domestic political situation. Parliaments can sometimes represent a boarder vision than governments, and they can call governments to task.

**Mr. B.A. Martins (rapporteur)**



How are we to balance the interests of developed and developing countries? The objective reality is that developed and developing countries are not on the same economic footing. Ideally, we should seek to balance the interests of all members as equitably as possible within the current WTO framework. Country priorities and capacities differ enormously, however, and this will need to be addressed on an ongoing basis. The challenge of special and differential treatment is to develop an approach that defines clear and concrete rights and obligations for all members while at the same recognizing that the development needs of members are varied and call for differentiated responses.

**Dame B.A. Miller (discussant)**

The WTO should establish a standing committee on procedural and institutional reform, whose work should be highly consultative, and adopt a more gradual agenda for implementation.

The time has also come for further categorization of WTO member countries. The reality is that there is a broad spectrum of developing countries. Barbados, on the one hand, has a small, vulnerable economy. Its only natural resources are sun, sand and sea. Its future, and that of many similar countries, lies in services and the human capital it has built up over the years. Brazil, on the other hand, is one of the world's biggest countries and is richly endowed with resources. By no stretch of the imagination can Barbados be compared to Brazil, and yet at the WTO it is. It would be impossible for all the small, vulnerable economies that are members of the WTO



to distort another country's economy, even as a group, because their percentage of world trade is so minuscule. They would form a perfect third category of countries, as would the highly industrialized developing countries.

Increasingly, objections to the positions put forward by middle-income countries are coming from other developing countries. The SSM is but one example.

**Ms. C. Muscardini (discussant)**

The WTO could become a potent force for the future, with international trade a means and not a problem. E-commerce is interesting in this respect, because it is governed by no rules and may fall prey to speculation and poor quality control. It is a matter the WTO should look into. The process for accession to the WTO should be streamlined, and additional categories of countries would be useful in this respect.

**Mr. S. Harbinson (discussant)**

The agreements reached so far under the Doha Round may not be perfect, but they have remained true to the basic principle of development. Let us not make the perfect the enemy of the good. Let us conclude the negotiations as soon as we can. This means concluding talks on the modalities in 2008, and concluding the round proper in 2009.

The risks of not concluding the Doha Round soon may be quite serious. Failure to conclude would not be a death blow to the WTO as a whole, which would retain its dispute settlement functions and continue to review trade policy and monitor existing agreements. It would, however, be a blow to the credibility of the WTO as a negotiating forum.

The real risk is that the Doha Development Agenda could unravel. The world is not getting any simpler. New issues are cropping up – related to labour standards, to the environment – that may need to be put on the agenda at some point in the future. This cannot be done until the old issues – of equity - have been dealt with. The status quo is just not acceptable, but if the Doha Development Agenda is not completed that is what we will be left with.



## CAN INTERNATIONAL TRADE HELP MITIGATE CLIMATE CHANGE?

*Discussion paper presented by Dr. Khunying Kalaya Sophonpanich (Thailand)*

It is an honour for me to address a topic that is becoming an immediate concern for all of us. In the past few years, we have all witnessed dramatic climate change and grave disasters around the planet.

But first let me tell you something about what has happened in my country, Thailand.

Thailand is an agriculture-based country. It is one of the six top food-producing and exporting countries in the world. Traditionally, we grew rice, fruits, herbs and vegetables mainly to satisfy local demand and export some surplus. Gradually, our food production became export-orientated. After the Second World War, more land was made available for irrigation and gradually we embraced the so-called "Green Revolution", where the practice of monoculture, the cultivation of field crops such as corn, sugarcane, and cassava became increasingly popular and lucrative.

Roads were constructed to open up the country and to link the hinterland to global market.

The farmers earned a good income and the country earned foreign exchange to pay for infrastructure investment. With increasing prosperity, not many were concerned that expanding areas of cultivation was destroying forests and watersheds. In the past, 70 per cent of our land was covered with forests. Today, that figure has dwindled to about 26 per cent.

We also embraced industrialization about 50 years ago; it was the trend of the day. We made efforts to attract foreign investment by offering tax incentives, tariff reductions (monopolistic licenses), industrial estates and many other benefits. These new industries

also created a greater need for more infrastructure such as dams, power plants, transportation and communication networks, etc. Therefore, more forests were destroyed.

Not many people were aware of the consequences, such as pollution, carbon emission, slums and soil erosion, so we were destroying our environment as we raced towards economic growth. We took from the land but we did not conserve it.

It is due to the deterioration of our forests that I was inspired to initiate a reforestation project under the Rajapruerk Institute Foundation, of which I am Secretary. The sole objective of the Foundation is to increase forest areas in the country, while at the same time heightening environmental or green awareness in the hearts and minds of all Thai people. The motto which we use to guide our work is: "Each and every Thai hand can help make our land green again".

Throughout the past 21 years, the Foundation has devoted itself to increasing public awareness of our collective responsibility to our natural environment and has promoted the planting of perennial or evergreen trees in the country in cooperation with Thai citizens from all walks of life to give back what we owe to our land. Through various projects we have been able to plant more than 20 million trees.

One of the projects of which I and the Foundation are most proud of is the reforestation project honouring His Majesty the King of Thailand on the occasion of the 50th anniversary of His Majesty's coronation in 1996.

In 1994, the then coalition government led by the Democratic Party initiated a reforestation project in various watershed areas in Thailand. The aim was to plant about 2 million acres of forest in ten years to commemorate the 50th anniversary of His Majesty's accession to the throne. The government requested the cooperation of public corporations, the leading private companies, banks, civil servants, as well as the general public to help realize this reforestation project in honor of His Majesty. Because the King is revered in Thailand, Her Majesty the Queen made a public appeal to the people and the government, and the leading institutions in Thailand have thus far contributed about US\$ 500 million over a 15-year period.

For the first time in Thailand's history, we were able to reverse the steady trend of deforestation. We were able to increase our forest areas by 10 per cent to the current level of 26 per cent.

It was only logical that the Foundation should become a contractor of the leading companies in the reforestation endeavour as it had already completed several reforestation projects from the donations it had received. From 1994 to this date, the Foundation has planted and nurtured more than 10 million trees in watershed areas on about 33,000 acres of land under the royal project.

We engaged local villagers to plant the trees and nurture them. The villages planted the seedlings, nurtured them and took care of the trees. As the trees grew they saw the benefits of forests again. The birds, the animals and the crabs returned. The land became moist and fertile again. Water became plentiful and cleaner. The forests also provided herbs and medicines. After three years, the forests were handed over to the Forestry Department and we were able to arrange for the villages to continue to look after the forests.

It was a win-win solution! Thailand was able to reclaim much land for forests. The local villages were paid for rebuilding their environment. They did not have to leave their land to work in the cities or overseas. Some people who were working in cities came back. They also learned to appreciate the value and importance of these forests to the environment and the meaning of sustainable development. In other words, trees are the answer.

Allow me to return to a very brief history of Thailand's economic growth over the past 50 years. Our history has shown us that trade, and especially international trade, affect negatively the environment and the climate. Trade does bring more material wealth and more income, but each country has to

understand the possible effect on its society, cultures, environment and climate. In short, we should understand the benefit to the people, the possible adverse effects and the structure and policies that we have to implement to reduce the possible adverse effects to an acceptable level.

Too often we forget that benefits to the people have to come first and that sustainable development is a close second, otherwise any benefit will be short-lived.

Let me give you an example. We have a very attractive island in southern Thailand called Koh Lanta. It has a population of about 20,000 inhabitants. It has become a popular destination for Scandinavians during the winter months because the climate - albeit cool - is warmer than Scandinavian summers. It has lovely beaches. The people are friendly, helpful and charming. Two ferry trips were needed to reach so there were not many tourists. The Scandinavians came with their families and stayed for many months during the winter.

The central government built a road around the island to cater for the tourist trade and soon many hotels and guest houses were built by foreign investors along the beaches. As many did not understand the need for conservation and the need for a proper sewerage system, very soon the waterways became blocked. The garbage dump became too small for the increase in rubbish. The forest area was reduced by more than half. The locals found that their cost of living had increased while their income from their traditional fishing activities did not. The better jobs for the growing tourist industry were filled by more sophisticated and better educated mainlanders from other parts of the country. Only recently, a junior high school was added to the primary school.

Soon, we will no longer have a tropical paradise. The tourists will no longer find the island attractive and we will have social discontent. So even without major factories and toxic waste, we can destroy our precious environment.

Nevertheless, from my past political experience, as a member of parliament, I have discovered that trade and investment have and will continue to become more globalized, and in an increasingly intensive manner, both through multilateral and bilateral means.

I believe that the multilateral trading system under the World Trade Organization can play a vital role in mitigating climate change. The current Doha Round of trade negotiations in which one of the main goals is to considerably reduce trade-distorting agricultural

subsidies, mostly meted out in rich countries, could potentially have a very positive effect on reducing the stress on the environment and our climate. Achieving this goal of overhauling trade-distorting agricultural subsidies would mean increased opportunities for countries, especially in the developing world, to compete on food production on a level playing field where world prices are not distorted by subsidies. There would then be a higher incentive to engage in sustainable agriculture, as was our traditional mode of production in agricultural practice. In addition, under the Doha Round, WTO members are negotiating the liberalization of environmental goods and services, the result of which could help to further facilitate and widen the scope of market access for these goods and services, and as a result help to indirectly mitigate climate change. It is also important to mention that under the current Doha Round, there are several other negotiations that could be very beneficial to the environment as a whole, such as the negotiations to reduce fish subsidies to mitigate the problem of overfishing and depletion of natural resources.

Nevertheless, it would still be difficult to answer the question *Can international trade help mitigate*

*climate change?* unless the following vital issues are properly addressed: transparent processes, public accountability, public participation, and transparency.

The most important factor is to have a clear understanding of which economic activities under the trade and investment realm should or should not be undertaken, or what are the parameters under which they should be undertaken, for example, the construction of large dams, etc. These are all problems which essentially need political decisions, based on adequate knowledge and information. These are crucial challenges that developing countries are facing and will continue to face in the future.

I am certain many countries share experiences similar to that of Thailand. Today we have greater awareness and knowledge of the effect of economic growth and trade on climate change and the environment. We also have the recommendations and guidelines contained in the United Nations Framework Convention on Climate Change (UNFCCC) and the Intergovernmental Panel on Climate Change (IPCC) and a wealth of knowledge and experts for guidance. We need to track, monitor and protect our world and our heritage.

# CAN INTERNATIONAL TRADE HELP MITIGATE CLIMATE CHANGE?

*Discussion paper presented by Mr. Paul Rübigen and Mr. Alain Lipietz (European Parliament)*

## A common fight against climate change

The temperature of our planet has risen by 0.7°C since 1800. The Intergovernmental Panel on Climate Change (IPCC) scenario limiting future global warming to between +2 and +2.4°C assumes that greenhouse gas emissions will have decreased by 25-40% by 2020 in all the developed countries and by 80% in 2050. If the early deadlines are not met, global warming will inexorably exceed 3°C, at a cost that the Stern report estimates at €5 trillion.

### 1. Common but differentiated responsibilities

Obviously, responsibilities and costs differ from country to country.

Although the Northern countries are responsible for most of the carbon dioxide gas in the atmosphere, they have (with the exception of the United States of America) begun a process of reducing emissions (though there is still a long way to go).

On the other hand, the developing countries remain for the most part below the threshold of what the earth's ecosystem can absorb per inhabitant. However, the 'emerging' countries are on the way to exceeding this threshold. Although the countries that extract fossil fuels have already gone beyond this limit, it would actually be legitimate to count local emissions caused by the extraction process or primary transformation of fossil fuels in the 'ecological footprint' of the countries that consume them.

Because agriculture plays a more important role in the Southern countries, they are the particularly

exposed to climate change, while their limited resources make it more difficult for them to adapt.

To sum up, those principally responsible for past climate change are in the North, and increasingly the emerging countries, while the principal victims are also the poor countries in the South. That is why the Earth Summit in Rio and the Convention on Climate Change (CCC, 1992) speak of 'common but differentiated responsibilities and respective capabilities'. Accordingly, the developed countries (Parties) should take the lead in combating climate change and the adverse effects thereof. All policies must be permeated with this common objective.

### 2. International trade and the greenhouse effect

For the last 20 years, international trade has grown more than twice as fast as global production. This reflects an international redistribution of work to optimise payroll and tax costs, yet transport costs do not include the cost of the resulting greenhouse gas emissions. Furthermore, for products that generate large greenhouse gas emissions (such as cement), relocation of industry sometimes provides an escape from national climate protection regulations. There is therefore a need for a global agreement to prevent this type of movement ("carbon leakage") and establish a level playing field.

In certain cases the international distribution of work has positive effects: it is essential for the production of raw materials where geography determines the location.

The cost of transport in terms of greenhouse gas emissions should be reduced, the "climate cost" should be integrated into the price, and intermodal platforms should be built for forms of transport that produce low greenhouse gas emissions (sea, river and rail transport).

However, transport is just one source of greenhouse gas emissions. Emissions should be evaluated over the entire chain, from the subcontractors to the final producer, and from the producer to the consumers. It is therefore the greenhouse gas emissions associated with a product, rather than the distance it has travelled, that needs to be evaluated. From an educational point of view, it would be desirable for consumers to know the amount of these emissions which can be translated into costs.

### 3. Appropriate policies

In order to promote a courageous fight against climate change, decision makers should seek direct all policies, including trade policy, towards this aim.

This requires diplomatic efforts to encourage all the Annex B countries to ratify the Kyoto Protocol, and all the countries in the world to ratify a post-Kyoto protocol from 2013.

In addition to this multilateral effort, countries can act bilaterally and unilaterally. Those countries that are quick to invest in clean technology and energy-efficient production, transport and building technology are likely to gain an important competitive advantage. However, can we rule out the possibility of a few large greenhouse gas-producing countries still refusing after 2012 to commit themselves to this common effort of humanity?

To make trade policy work for the environment and against climate change, positive measures should be preferred to negative ones. Examples of positive discrimination have already been given by the WTO in article 31 of the Doha Declaration (additional liberalisation for environmentally friendly goods and services) and by the EU in its GSP plus scheme. Negative discrimination (higher tariffs, import restrictions etc.) would encourage trade policy instruments to be used for protectionist purposes, which would ultimately undermine the credibility of trade and environmental policies.

### 4. Seeking a global agreement

There is a broad scientific and political consensus on the seriousness of climate change. The ideal would

be to secure a long-term agreement involving every country on the planet, following the Bali Conference where all countries, including the United States, made a commitment to reach a comprehensive and ambitious post-Kyoto agreement.

It would be necessary to bring the other multilateral agreements (WTO, International Civil Aviation Organization, World Intellectual Property Organization) into conformity with the post-Kyoto agreement, which would require some adjustments.

Close cooperation between the WTO and the United Nations Environment Programme (UNEP) and the Climate Change Convention will be needed.

It will also be important to promote swift progress in updating the WTO's definition of environmental goods and services, in order to reduce or remove tariff and non-tariff barriers to 'green goods and services'.

### 5. Regional trade agreements

Regional and inter-regional trading arrangements must include the climate dimension, in accordance with the letter and the spirit of the CCC. The same goes for the lending policies of regional and multinational financial institutions, which should grant loans taking into account the targets to combat climate change defined by the IPCC's '+2°C' scenario, which would imply phasing out support for fossil fuel-based projects. The same guidelines should be applied by national export credit and direct investment agencies.

Many developing countries, whether or not they are themselves producers of fossil fuels or biofuels, are among the first victims of climate change. It would be undesirable to contribute ever larger amounts to solidarity funds that might be required to fund adaptation to climate change under the 'cooperation' heading of the association agreements if the trade heading of these same association agreements were helping to make the greenhouse effect worse and not better.

### 6. Promoting an autonomous policy to combat climate change

Unilaterally, major trading powers should concede a zero tariff on 'clean' products (very low energy bulbs etc.), following the rules laid down by the WTO. At the same time, and in line with the CCC, they should make clean technologies available at 'concessionary rates', taking inspiration from the 'compulsory licence' principles adopted in Doha for medicines.

Furthermore, WTO Members could ban the import of exotic timbers where this contributes to climate change through their transportation or the reduction of greenhouse gas absorbing ecosystems. The Forest Law Enforcement, Governance and Trade agreements governing this problem should be made compulsory.

Ideally, the targets a country or customs union sets itself should be based not on the emissions caused by its manufacturers, but on the mass of products it consumes (known as the 'ecological footprint'). But this is very difficult to do at present. The most effective way of controlling emissions is by acting at the time of production and by using emissions trading schemes.

The European decision to include aviation in the European quota scheme, including for aircraft coming from third countries unless these countries have an equivalent scheme, is a first step towards including the total carbon emissions cost in the price of goods and services at destination.

In case a post Kyoto agreement is not accepted by all significant greenhouse gas producers, signatories to the post-Kyoto agreement may need to consider introducing measures that would ensure fair competition between firms subject to limits on their greenhouse gas emissions and those producing in countries that are outside the agreement and which would otherwise enjoy a competitive advantage.

Investment in industry must also be optimised to prevent unnecessary transportation as far as possible. Multimodal platforms, providing access to waterways and the rail network, would encourage the most environmentally friendly forms of transport. Industrialised countries should cooperate with developing countries concerning the selection and financing of such 'clean' intermodal systems.

As regards standards of operation for consumer goods (vehicles, domestic appliances), all WTO Members are free to impose ambitious standards for energy efficiency on their domestic markets, provided they follow the WTO's 'domestic product' rule (i.e. the same standards apply regardless of where the product originates).

Within this perspective, we should remember that paragraph 17 of the European Parliament's resolution of 31 January 2008 on the outcome of the Bali Conference on Climate Change (COP 13 and COP/MOP 3), 'welcomes the decision to launch a strategic programme to scale up the level of investment for the development, transfer and deployment of both the mitigation and adaptation technologies to developing countries, as well as the allocation to the Expert Group on Technology Transfer of the task of assessing the gaps in and barriers to the use of, and access to, financial resources'.

## SUBSTANTIVE THEME (B)

### “CAN INTERNATIONAL TRADE HELP MITIGATE CLIMATE CHANGE?”

#### INTRODUCTORY REMARKS

##### Ms. Pikulkeaw Krairiksh (Senator, Thailand)

After the Second World War, Thailand's economy grew rapidly. The country developed its agriculture and constructed roads to link the hinterland to external trade. We destroyed forests to do this. We also embraced industrialization. The new industries created a greater need for infrastructure such as dams, power plants and roads. More forests were destroyed.



We have only recently realized the adverse side effects of economic development. We were destroying our environment in the rush for economic growth. We took from the land but did not give back to the land.

Our priority should have been benefits for the people. Instead, the priority of national development plans was always economic development. The result is great inequality. About one million Thais can no longer make a living in their homeland, either on their farms or in industry, and have to work overseas as migrant workers. International trade allowed us to achieve economic growth, but we failed to protect ourselves from the adverse side effects.

We have to accept that our economic growth was based on cheap fossil fuels. In the future, energy costs will only increase. We will have to change our mode of production to one based on expensive energy. Most people are acutely aware of the new reality, but do not know how to change. Secondly, we need to protect our environment and make sure that only development that meets strict environmental criteria is allowed. Otherwise we will not be able to attract both tourists and good foreign investment, or to have clean air, clean roads, clean water, clean garbage dumps and a congenial environment with many trees and forests for our own children.

Third, we need to invest more in human development and only allow development that will directly benefit our people in a way that we can see and nurture, and not only improve our national economic statistics.

The world has achieved economic success because of cheap and abundant fossil fuels. We need to change quickly by improving our living standards without destroying our future.

Let me give you an example. In 1986 a reforestation project was launched under the name Rajapruek Institute Foundation. It engaged local villagers to plant and nurture trees. It was a win-win solution. Thailand was able to reclaim much land for forests. The local villagers were paid to rebuild their environment. They did not have to leave their land to work in the cities or overseas. Some people who were working in cities came back. They also learned to appreciate the value and importance of forests and most importantly the meaning of sustainable development. In other words, trees are the answer.

My political experience as a member of parliament has taught me that trade and investment have and will continue to become more intensive and interdependent. I believe that the multilateral trading system under the WTO can play a vital role in mitigating climate change. The current Doha Round of trade negotiations, in which one of the main goals is to considerably reduce trade-distorting agricultural subsidies, which are given out mostly in developed countries, could potentially have a very positive effect, reducing stress on the environment and our climate.

Under the Doha Round, WTO members are negotiating the liberalization of environmental goods and services, which could help to further facilitate market access for these goods and services, and thereby indirectly mitigate climate change. It is also important to mention that several other matters being negotiated under the current Doha Round could be very beneficial to the environment as a whole, such as the negotiations to reduce fishery subsidies and alleviate the problem of overfishing and depletion of natural resources.

It would still be difficult to gauge whether international trade helps mitigate climate change unless the following vital issues are properly addressed: transparent processes, public accountability and public participation. The most important thing is to have a clear understanding of which economic activities in the trade and investment realm, for example, the construction of large dams, should or should not be undertaken, and under what parameters.

### Mr. Paul Rübige (Member of the European Parliament)

The temperature of our planet has risen by 0.7°C since 1800. UN experts forecast an average change over the next 100 years of 1.8 to 4°C. On the one hand, we should be prepared for a changing world; on the other, we should think about what we can do to hinder the negative effects of global warming and what the impact is of our political efforts to obtain a sustainable environment.

We are all familiar with the Stern Review,<sup>4</sup> which told us that if we do nothing the cost of the damage to the environment will amount to 5 trillion euros. It is therefore very important to think about what can be done. I am very glad to see that the Parliamentary Conference on the WTO is for the first time taking steps to do something.

Yesterday, the European Parliament voted on the emissions trading scheme. This is very important because Europe wants to go forward, it wants to set an example. It has drawn up the proper legal instruments for this. Of course, the scheme is the subject of much debate and quarrelling, but as in any democracy the majority gets its way.

Yesterday the European Parliament also voted on the renewable energy directive. The WTO will be pleased to learn that a strong majority of European members of parliament voted for free trade in this field. We



<sup>4</sup> Nicholas Stern, The Stern Review: The Economics of Climate Change, Cabinet Office, HM Treasury, January 2007.

know that some years ago the United States liberalized climate-friendly goods. We think that does not go far enough. We have to look at what areas require greater international cooperation within the WTO frame for a sustainable future.

The European Council has proposed a 20 per cent reduction in CO2 emissions – an ambitious target. The top level in the European Union is now starting to act, not only working to reduce greenhouse gas emissions, but also to increase efficiency in energy production and consumption. To that end, the European Parliament has in the last two years hosted the Energy Globe Awards, rewarding the best and simplest out of over 800 ideas from at least 60 countries for what people can do every day to save energy. This year the ceremony was attended by Kofi Annan, Mikhail Gorbachov, José Manuel Barroso and Hans-Gert Pöttering, and broadcast worldwide.

Best practice is a very important means by which we can learn from each other.

The European Parliament, in discussing the emissions trading scheme, came out in favour of the Clean Development Mechanism and joint implementation, which means that 50 per cent of the 60 billion euros earned at auction should be given to LDCs and enable them to enhance their consumption patterns.

The developing countries nevertheless remain for the most part below the threshold of what the earth's ecosystem can absorb per inhabitant. However, the emerging countries are on the way to exceeding this threshold, as are those that extract fossil fuels. It would actually be legitimate to count local emissions caused by the extraction process or primary transformation of fossil fuels in the ecological footprint of the countries that consume them. Action, we can see, is required in all parts of the world.

Agriculture has also changed hugely, because of the growing demand for food and feed. Some parts of the world are very good at producing, but they need to give careful consideration to water management and sustainable growing practices. They must take care not to waste energy. It was in this respect that the 1992 Earth Summit in Rio de Janeiro and the UNFCCC referred to common but differentiated responsibilities and capabilities.

International trade is also responsible for the greenhouse effect. In the past 20 years, trade has grown more than twice as fast as global production. Europe and the United States together run approximately 450 million cars, whereas China at present drives about 50 million cars. If development in China goes the same way as in Europe and the United States, the possibilities for getting the right

cars and the right gasoline will very quickly dry up. New approaches are needed, as well as investment in new ideas.

This is why the European Parliament, in the course of the debate on the 2009 budget, is considering doubling the amount allocated for research on climate change. It has also established the competition and innovation programme (4 billion euros), one section of which deals with "intelligent energy". This is one of the most important avenues for greater efficiency.

Efficiency also means looking at climate costs and integrating them into the prices of goods and services. In the area of transportation as well, less greenhouse gases should be produced and consideration given to river, rail and sea transports. ICTs are key here.

Appropriate policies also require diplomatic efforts. All Annex B countries should be encouraged to ratify the Kyoto Protocol, and all countries worldwide to ratify a post-Kyoto protocol, hopefully next year. It is becoming increasingly important to ensure that countries act not just bilaterally, but also unilaterally.

We have to look at countries that are quick to invest in clean technologies and energy-efficient production methods and which have efficient transport systems and building technologies. Small and medium-sized companies play a crucial role here; family businesses in particular should be more heavily promoted because they set the pace for learning in the home and for getting connected with knowledge sources.

The WTO's definition of environmental goods and services must be updated in order to reduce or remove tariff and non-tariff barriers to green goods and services. The WTO should consider how the lending policies of regional and multinational financial institutions could do more in terms of home credit and guaranteed schemes. In short, consumption is the target, and we should look where we can change consumption patterns.

**Ms. Vesile Kulacoglu (Director of the Trade and Environment Division, WTO Secretariat)**

Both climate change and trade figure high on the international agenda today, along with the food crisis and the credit crunch. Intensive negotiations are taking place to conclude an international agreement on climate change in Copenhagen in 2009. On the trade side, there is a well-established international system with a 60-year history of negotiations and rule-making.



This has fostered growing debate on the impact of trade on climate change and the impact of climate change on trade policies. Basically, trade is seen in this debate as a challenge and as an opportunity in the fight against climate change. The challenges come in a number of areas where trade and climate change interact. These relate mainly to the proliferation of domestic measures to mitigate climate change. Another important challenge for trade is the effect of climate change measures on competitiveness and the growing tendency to use trade measures to avoid carbon leakage. At the same time, the Doha Round provides a unique opportunity to harness trade to facilitate access to climate-friendly goods and services.

What are the effects of trade on climate change? Some people argue that trade openings can contribute to rising greenhouse gas emissions as more fossil fuels are used in the process of producing, transporting and consuming traded goods and services. This is intuitively right. But the overall impact of trade on greenhouse gas emissions cannot be determined intuitively and a priori. We need studies on the CO<sub>2</sub> embedded in trade. One concern about the contribution of trade to greenhouse gas emissions is linked to transportation services. This is a good example of an area that needs more study.

According to International Energy Agency estimates, different modes of transport account for varying amounts of CO<sub>2</sub> emissions. Maritime transportation accounts for 3 per cent of CO<sub>2</sub> emissions, yet 90 per cent of traded goods are transported by sea. It is therefore easy to calculate the carbon footprint of transporting traded goods.

In terms of domestic policies, in the past ten years many countries – from the United States to China and a number of developing countries - either have developed or are in the process of developing a host of adaptation and mitigation measures and national programmes to combat climate change. Regulatory activities are being carried out principally on three fronts.

First, regulatory steps have been taken to increase energy efficiency and reduce carbon emissions. This is not new. It is not the first time that regulations have been used to control pollution. Second, measures have been introduced that set a price on carbon emissions. This is new. It comprises a whole new series of measures. Thirdly, measures have been adopted to promote innovation in clean technologies and their development.

The regulatory measures taken to increase energy efficiency and reduce carbon emissions have been used to pursue all manner of other environmental objectives in the past. In terms of climate change, they have been commonplace for some time. They aim to reduce the CO<sub>2</sub> emissions of cars and of the production process, for example, of cement.

Debate has flared on carbon taxes, a form of price-based measure. Energy taxes have been used in many countries, and carbon taxes have been applied basically in the Nordic countries. This process has accelerated under the Kyoto Protocol, and more sophisticated instruments in the form of market-based mechanisms have been introduced, one example being the European emissions trading scheme. Norway has a similar scheme, and New Zealand and Australia are in the process of finalizing theirs. The climate change bill currently working its way through the United States Congress has generated the most talk, however.

Lastly, climate-friendly technologies are promoted through government support in the form of subsidies, for instance in the renewable energy sector and for biofuels.

The primary objective of climate change measures should be to protect the environment and combat climate change. However, all these different types of measures are essentially economic. They alter production and consumption patterns and therefore have an impact on conditions of competition between domestic and foreign producers. This is where trade kicks in.

What are the trade measures being envisaged? As Mr. Rübiger said, the WTO and the European Parliament should work more closely to see what impact the international trading system could have on the fight

against climate change. But not all the signals are positive, because some people would like to see the trading system offset any disadvantage they suffer because of climate change mitigation measures. More specifically, they would like to impose an economic cost on imported products at their borders equivalent to the cost incurred by domestic producers in curbing their own emissions. In other words, they want the playing field to be levelled, on the basis of the importing country's perception of how this should be done.

It is also argued that climate change measures give rise to environmental efficiency concerns, because there is a risk of carbon leakage. It is argued that carbon leakage can undermine some of the environmental efficiency gains resulting from reduced emissions. This is a particular application of the pollution haven effect: that the environmental policy differences between countries may lead to relocation of industries. Here again, my personal view is that the true risk of carbon leakage needs to be studied in greater depth.

Negotiations are currently being conducted at the WTO on access to environmentally friendly goods and services. These negotiations are important because they dovetail with current international discussions on climate change. When considering what international trade can do for climate change, this matter should top the list. As you know, however, the negotiations have been stalled.

**Ms. Elisa Ferreira (Member of the European Parliament)**

It is important for parliamentarians from around the world to concentrate today on the discussion of how much they can do for climate change control. This is a problem that affects everyone and that cannot be solved by one country alone. It is also a fact, however, that any solution always has winners and losers, costs and benefits. This is why it is important to engage in frank and open dialogue and to raise public awareness, so that public awareness will generate the political will to move from words to action.

Having said this, I would like to compliment Senator Krairiksh for giving practical examples of reforestation, of how to prevent environmental destruction and of the positive and negative impact tourism can have on the environment. All these issues could benefit from the exchange of experiences.

Today I would like to tell you what the European Parliament is trying to do in this context. It can be



argued, of course, that the European Union is not really a leader in terms of pollution, although it certainly tries to play a leading role in the fight against climate change. In fact, the European Union only accounts for about 14 per cent of polluting gas emissions. It nevertheless believes that because it is a political and not just an economic institution, it has to address issues that have an impact on human beings and the quality of life.

We believe that technology has a paramount role to play in combating climate change. If we invest now in technologies, knowledge and good practices, we are bound to create our own competitive advantage later on. This is another question we should all examine: in what direction is the world moving in terms of sources of comparative advantage and competition?

Because this is such a critical and complex issue, the European Parliament has established an ad hoc group of parliamentarians from various political groups and technical commissions to discuss cross-cutting themes of climate change control. This ad hoc group, of which Mr. Rübiger and I are members, represents the rationale for everything being done across the European Parliament on this issue.

The environment is one area in which most decisions cannot be taken just by national governments; they have to listen to the European Parliament, and agreements on environmental matters have to be reached within the European Commission, the European Council and the European Parliament.

In January 2008, the European Commission and the European Council set a clear agenda for Europe. The

European Union has adopted the following binding targets: to reduce CO2 emissions by 20 per cent by 2020, to use 20 per cent less energy by 2020, and to ensure that 20 per cent of energy comes from renewables (wind, sun sea) and that 10 per cent of all fuels used are biofuels. It will go even further, and cut CO2 emissions by 30 per cent, if all its major partners worldwide agree to make a similar, balanced effort.

All these efforts come at a high cost and require great commitment. Two things have to be borne in mind. First, the developed countries have to take the first steps, but the emerging countries, although they may not be able to reduce their total emissions, should be able to propose a new balance between growth and emissions. They can also agree on sector benchmarks and sectoral compromises in sectors in which they have a huge comparative advantage, such as steel and cement. Second, we know that most of the costs will be borne by countries that have contributed little to the problem. It is therefore also our responsibility to contribute 50 per cent or more of the proceeds from the market-based mechanism to help less-endowed countries improve climate conditions and adapt to climate change.

### EXCERPTS FROM THE DEBATE

#### Ms. E. Papademetriou (Greece)

We were probably all very disappointed to hear the WTO Director-General admit that the Doha Round would not be completed by the end of the year. This is a serious setback for efforts to mitigate climate

change. Climate change remains a serious and urgent problem, one whose causes and consequences are both global. Climate and trade issues have largely evolved separately, despite their mutually supporting objectives and potential synergies. Only the Kyoto Protocol provides opportunities for aligning development and energy policies in such a way that they could stimulate production, trade and investment in cleaner technology options.

The WTO trade negotiations must resume immediately. Trade is the most important channel for the spread of climate mitigation technologies and goods. Only a small number of countries possess the domestic capacity and know-how to produce what they need. For developing countries, it is particularly true that trade liberalization can furnish rapid access to key technologies. Whether through negotiations at the WTO or elsewhere, the costs of environmental goods can be lowered by allowing consumers (industries or households) to purchase them at world market prices.

We must distribute low-carbon goods and technologies through an open multilateral system of trade. We must also sit down and decide what and how to liberalize.

#### Mrs. X. Chen (China)

Climate change is a major global issue. The UNFCCC and its Kyoto Protocol, the international community's response to climate change, identify the principle of common but differentiated responsibilities. In addressing climate change, the international



community should adhere to the framework and principles laid down in the UNFCCC.

The conclusions of the IPCC Third and Fourth Assessment Reports point to the causal link between climate change and the use of fossil fuels. They also identify who should be held accountable for climate change.

As a responsible developing country, China upholds the scientific concept of development and is actively addressing climate change. It is willing to strengthen its cooperation with the international community in this regard.

Indeed, environmental problems require concerted efforts by all countries. The Doha Round is intended, to the extent possible, to help solve global environmental problems and promote sustainable development. Trade and development policies should be mutually supportive, not antagonistic, and developed and developing countries should shoulder common but differentiated responsibilities.

#### Mr. T. Shinohara (Japan)

We have to reduce the CO<sub>2</sub> emissions caused by unnecessary transportation. In Japan the slogan, "produce locally, consume locally - produce seasonally, consume seasonally", has prevailed rapidly throughout the country. Japanese consumers are more likely to select agricultural products produced by nearby farmers.

We have also introduced the criterion of "food mileage" to measure the distance between farm and table. One of our consumer groups plans to label food with the food mileage, in addition to additives and place of origin. As expected, Japan has the highest per capita food mileage. The result is high CO<sub>2</sub> emissions and abandoned farmland at home. It can thus be said that excessive trade liberalization of food products has had a negative impact in the case of Japan.

The idea of "goods mileage" is diametrically opposed to the concept of international competitive advantage. However, we are all obliged to promote an environmentally friendly way of life by reducing transportation of goods as far as possible. I hope the WTO will discuss new ideas like this in the foreseeable future.

#### Mr. R. Pal (India)

Climate change is a matter of grave concern to the international community. The UNFCCC recognizes



that countries have common but differentiated responsibilities, and various capabilities and social and economic conditions. It sets an overall framework for the reduction of greenhouse gas emissions. Developing countries like India have a great responsibility: to reduce poverty. The international community has to take into account the fact that developing countries and LDCs face particular problems of that kind.

I believe that climate change issues are best dealt with within the UNFCCC, not within the WTO, at least not in the near future. The availability of clean technology on conditional and preferential terms is one of the main ideas to be pursued. There are problems in areas like dual-use environmental goods, intellectual property rights pertaining to clean technology and the establishment of venture capital firms that enable developing and poor countries to have access to funds and technology.

#### Mr. D.H. Oliver (Canada)

Ms. Krairiksh said that the multilateral trading system under the WTO can play a vital role in mitigating climate change, but in what ways? What action should parliamentarians take in relation thereto?

The current international climate change negotiations are to be concluded in Copenhagen in December 2009. Canada strongly opposes any measures that would re-impose by other means higher tariffs than those negotiated at the WTO. When countries engage in climate change negotiations, are they forgetting their obligations under the WTO? What should parliamentarians be doing to maintain the delicate

balance between WTO obligations and the requirements of climate change mitigation?

**Mr. C. Kakoma (Zambia)**

Developing countries like Zambia are not serious contributors to pollution, but they feel the effects of climate change: the consequent floods and droughts destroy the crops of small-scale farmers, resulting in food insecurity. The international community has responded by providing food aid, a welcome and necessary measure in the short term but in no way a long-term solution. The lasting solution lies in providing agricultural inputs in addition to food aid, enabling people to grow their own food in the wake of a disaster. It also lies in providing trees to plant.

The provision of free food appears to be the solution most favoured by developed countries and other donors, as it is considered to be a form of agricultural subsidy. I submit that assisting vulnerable small farmers with inputs is an investment. Small farmers need fertilizer, seed, pesticides and agricultural implements such as ox-drawn ploughs. They also need infrastructure such as dams. This would allow them to ensure their own food security. Such assistance is not a "subsidy" that would distort international trade.



**Ms. T. Boontong (Thailand)**

Thailand established the Thailand Greenhouse Gas Management Organization in 2007 in order to meet the Kyoto Protocol's objective to combat climate

change by reducing greenhouse gas emissions. It believes that the Protocol's Clean Development Mechanism will also help achieve that goal.

The WTO can play a role in ensuring that international trade helps mitigate climate change, directly and indirectly. The Doha Round could considerably reduce the strain on climate directly, by minimizing trade-distorting agricultural subsidies and thereby levelling the playing field for developing countries. Prices would not be unfairly distorted by subsidies, and sustainable as opposed to intensive forms of agricultural production would therefore be more viable. The liberalization of environmental goods and services, many of which are relevant to air pollution control, would promote efforts to mitigate climate change indirectly. Climate-friendly goods and services need to be more widely disseminated.

In short, whether or not international trade can help mitigate climate change depends on developments in green technology and whether such technology is transferred to other nations, especially developing countries. It also depends on whether we can ensure that international trade is conducted as resource-efficiently and fairly as possible. A robust and swift conclusion to the Doha Round would be a big step in the right direction.

**Mr. J. Kawanga (Uganda)**

The LDCs face a particular predicament. For example, Uganda is a founder member of the WTO, to which it is committed. But certain pending issues remain unresolved. In the meantime, the people in the villages face famine – they are unaware of the decisions taken at the WTO at ministerial level yet they suffer from the effects. The LDCs cannot even attend meetings such as this. I therefore ask the WTO to make sure that it reaches out to the LDCs and helps people understand what is going on.

Uganda has now struck oil. The situation will change. How will the change affect agriculture?

**Ms. E. Ferreira (discussant)**

This raises the need to address problems of adaptation, especially in LDCs, which must figure high on our agenda. Another issue is the transfer of technology. Climate change is probably the main driver for new technology and research. It is very important to find mechanisms for transferring and spreading the benefits of technology.

It is true that the international community has to complete the Doha Round before moving on to

another stage of discussions, which will include climate change. We must nevertheless bear in mind that we cannot create systems now that will stand in contradiction to what we want to do in terms of liberalized trade worldwide. We have to do things step by step, but we also have to work for coherence, and articulate the positive connections between environmental constraints and trade. We have to consider the sustainability criteria for biofuels. We must all work on sector-by-sector benchmarks for the most energy-intensive industries. This is the only way to introduce a minimum level playing field and extend the emissions trading scheme internationally. If we do not do this, we are bound to create serious disadvantages, which will have to be compensated by barriers to trade. The WTO's objectives have to be made compatible with climate and environmental objectives.

#### Mr. S. Jackou (Niger)

*Le Monde* of 11 September 2008 contains a brief article on the impact of biofuels in Latin America as assessed by Friends of the Earth. Friends of the Earth calculates that the investment plans for the coming three years will result in the production of 4 million tonnes of biodiesel. To do this, 9 million hectares of land will have to be converted or cleared, the equivalent of 60 per cent of the surface area currently used to grow soya. This is an example of how the shift to biofuels destroys the environment.

Can international trade help mitigate climate change? Of course it can, on condition that every country, every region, every continent becomes aware of climate change and has the political will and means required to combat it. On the other hand, international trade may not be able to help mitigate climate change in today's world, given the growth in population worldwide.

#### Mr. A. Sugandi (Indonesia)

Indonesia has experienced many climate change-related disasters, and protecting its population from the dangerous effects of climate change is therefore a critical issue. It recognizes trade as an important means of securing the resources needed for environmental protection, which also requires large financial and technology transfers, especially from developed to developing countries. Trade liberalization is therefore fundamental to helping developing countries achieve sustainable development. Indonesia believes that a balanced

conclusion to the Doha Development Round, combined with a package to facilitate the transfer of low-carbon or environmentally friendly technology to developing countries, capacity-building and technical assistance, will lead to sustainable economic growth in a win-win situation for trade, the environment and development.

There is a potential conflict between trade, development and climate change objectives and policies. The linkages between them must be properly understood and analysed, or the measures taken to mitigate climate change may result in distortions in international trade flows or excessive costs. This is not in the developing countries' interests.

At the United Nations Climate Change Conference held in Bali in December 2007, Trade Ministers discussed how trade could best help mitigate climate change. The ideas mooted include managing carbon footprints, reducing barriers to environmental goods and services, and transferring technology to developing countries.

#### Mr. R. Leon (Chile)

The evidence for climate change is more intense droughts, torrential rainfall, extremes of cold and heat, more frequent hurricanes and typhoons, and the rapid melting of glaciers and polar ice. We have to take account of the varying extents to which developed and developing countries contribute to climate change, as brought to light by per capita as opposed to absolute values. Indeed, we tend to think that global warming is chiefly the "fault" of China and India, whereas, according to the *Human Development Report 2006*, the average American is responsible for producing six times as much greenhouse gases as the average Chinese or Latin American citizen, and 16 times as much as the average Indian.

Trade liberalization on its own has not managed to consolidate sustained and even economic growth for all peoples. If the current trends are not reversed, the poorest and least developed countries will suffer the worst consequences. The Doha Development Agenda aims to liberalize trade in the environmental goods and services that can help control climate change, but unfortunately the negotiations seem to focus more often on commercial aspects instead of the environmental and/or development benefits.

In some circumstances, fighting climate change will require trade restrictions. The Montreal Protocol on Substances that Deplete the Ozone Layer, for

example, limits trade in certain products. We are not suggesting that trade in certain goods be limited, or that such measures are the solution to all environmental problems; rather, we wish to recall that multilateral decisions have to be coherent.

#### Mr. M. El Saied (Egypt)

The threat of climate change is not receiving the attention it deserves from the international community. It is closely linked to the nature of each country's economic growth, type of industrialization, the technology it uses and the consumption patterns of its population. International trade is a means of enhancing economic growth. It therefore has an important role to play in promoting the kind of growth that can help mitigate the negative effects of climate change, for example by reducing trade-distorting subsidies, liberalizing environmental goods and services and encouraging negotiations on matters pertaining to climate change mitigation, such as fishery subsidies and transportation.

As parliamentarians, we have a duty to urge our governments to adopt policies for growth and international trade that are consistent with this goal. In Egypt we are aware of this responsibility and act effectively to meet it.

#### Mr. A. Maouche (Algeria)

One thing is certain: climate change attenuates the positive effects of international trade. The current food crisis, which is in large part due to climate conditions, is evidence of this: it has led to export restrictions on foodstuffs and higher prices, blocking international trade.

Prices are also affected by speculation. In a pure liberal economy, prices are established by demand and supply; today, however, speculation has led to fluctuations in the price of oil that have upset the price structure of agricultural products.

These "external" factors – climate change and speculation - have restricted the WTO's role, all the more so since the developed and developing Member States do not always share the same objectives. For the developed countries, the priority is to mitigate climate change; for the developing countries, especially the poor countries, the priority is food security for their peoples, which climate change is making harder to guarantee. I feel it is this that is blocking the successful outcome of the Doha Round.

#### Mr. H. Khan (Pakistan)

How sure are we that the climate change of the past two decades is the result primarily of greenhouse gas emissions, and not of a natural process? What are we to do in the face of mounting concern that replacing fossil fuels by biofuels will not help the environment, as some biofuels are more polluting than fossil fuels?

Pakistan faces a serious energy crisis. Its natural gas reserves are dwindling and 50 per cent of its energy comes from fossil fuels. The answer lies in nuclear energy. Unfortunately, Pakistan cannot import the nuclear technology required to generate power because of international sanctions. I urge my fellow parliamentarians to help Pakistan achieve its energy goals and import nuclear technology.

#### Mr. M. Soubar (Jordan)

Climate change is influencing the way of life of people everywhere, and may give rise to considerable economic and social problems (lack of drinking water and arable land, desertification and drought, the spread of disease). The wealthy industrialized countries have to shoulder their responsibilities in this area. The world's States should unite to enact laws that would put an end to the greenhouse gas emissions produced by the factories of the industrialized world. This should also be a key concern of the WTO's Member States.

Environmental protection and access to the requisite information are also priorities. The United States' 2008 initiative on greenhouse gases could be useful in this respect, but countries nevertheless need to heed their undertakings under the Kyoto Protocol.

#### Mr. M.T. Babikir (Sudan)

Climate change, which is caused by the industrialized countries, has an impact worldwide, including in the developing countries. These countries are trying to attract investment so that they can improve their economies. They have to monitor foreign direct investment within their borders to ensure that it respects environmental legislation.

I am surprised that no one has mentioned the moral and social responsibility of multinational corporations, whose activities should not cause climate change. Indeed, the developing countries have to impose regulations on such corporations to prevent them from affecting climate. Such regulations could also cover rich and industrialized

countries, but should not be imposed on poorer countries. Countries should adopt environmental legislation and regulations that promote energy sources that respect the environment.

We must also strive to put an end to deforestation, especially in places like Niger, where land is being cleared to grow biofuel crops.

#### Mr. M.J. Sircar (Bangladesh)

Global warming has an impact on agriculture. Since agriculture plays an important role in the countries of the south, the developed countries should take the lead in combating climate change. The ideal policy would be to reach a long-term post-Kyoto agreement with all countries.

Bangladesh, which suffers calamities such as storms and cyclones, needs help in the aftermath. One fifth of its territory risks disappearing under the sea, destroying crops, housing and livestock, and causing serious unemployment. Those affected will need food and medical care to survive, and many will have to migrate to developed countries. The developed countries must stand ready to take them in, in keeping with the human rights set out in the MDGs.

#### Mr. A.H. Musa (Sudan)

Climate change could cause development to fail if we do not take the requisite measures. Steps have to be taken to reduce greenhouse gas emissions. Scientists have confirmed that arid and semi-arid regions of Africa risk suffering even more from drought, while other parts of the continent will experience heavier rainfall and floods. We believe we are going to lose large drinking water reserves, observe large-scale land erosion, watch the spread of pollution and disease and be unable to grow crops as in the past. The United States, the European Union and the Russian Federation must shoulder their responsibilities in this respect.

#### Mr. H. Masala Loka Mutombo (Democratic Republic of the Congo)

Climate change is causing problems for humanity, and countries with large swaths of forest have a role to play in maintaining climate stability. In the light of the concerns expressed today, the WTO should be involved in raising funds to enable such countries to stop destroying the forests and turn to alternative means of wealth production.



#### Ms. I. Akimova (Ukraine)

It is important to draw a clear line between the reduction of environmental pollution and the fight against climate change. We might be able to reduce pollution, but we are unlikely to be able to stop climate change because human activity is very probably not the most important factor of global warming.

At the same time, many economists are pointing out that substantial reductions in carbon emissions in the developed world may well have little impact on climate change but might have prohibitive economic costs.



Has the time therefore come to shift the focus in the environmental debate from the fight against climate change to the struggle to adapt to a changed climate? It might be wise to think about new international mechanisms that could provide financial support for adaptation measures, especially in countries that bear the brunt of climate change.

**Mr. C.B. Hamilton (Sweden)**

As concerns carbon leakage, I find it unfortunate that the European Parliament is considering slapping countervailing duties on imports from countries that do not have carbon taxes or emission trading systems. First, it would be counterproductive to introduce such duties. How could Europe negotiate an agreement in Copenhagen in 2009 with the very countries – India, China - on which it has imposed such duties? Secondly, the disadvantage of carbon taxes is enormously exaggerated. Sweden has very high carbon taxes yet its steel industry is flourishing.

We must also be alert to the risk of the Common Agricultural Policy being "kidnapped" for biofuels. The support traditionally provided for food production is being transformed into subsidies for biofuel production.

**Ms. P. Krairiksh (rapporteur)**

Environmental goods can make a positive contribution to the fight against climate change. Reducing or eliminating the tariff and non-tariff barriers applied to such goods will lower their prices and make them more accessible. The same logic applies to the liberalization of environmental services.

The annual Parliamentary Conference on the WTO could consider introducing a mechanism, perhaps in the form of a small ad hoc group, for looking in depth at environmental aspects of trade.

**Ms. V. Kulacoglu (discussant)**

Climate change is the paramount sustainable development issue. Framed that way, any discussions, be it within the WTO or on the UNFCCC, will follow coherently.

The issue of food mileage is related to the carbon footprint of international transportation and is very complex. Companies such as WalMart and Marks and Spencer are now using various schemes to include transportation on product labels. However, when looking at the transport of food products, we should consider the total amount of energy used from

production to plate. What is the life cycle analysis? How do Kenya's agricultural constituencies react to the debate in Europe about flowers flown in by air and the barriers that might be imposed on their import? We need to analyse whether flowers grown in greenhouses in Europe have a larger carbon footprint than flowers flown in from Kenya.

The WTO has two means of fighting climate change. First, it has its toolbox of rules that can be applied whenever a climate change-related trade matter arises. It also has the negotiations on environmental goods and services.

**Mr. P. Rübiger (rapporteur)**

Our discussion has shown that none of us has a complete answer to the issue of climate change. One of the most important things is to use the positive discrimination set out, for example, in Article 31 of the Doha Declaration, which speaks of additional liberalization of environmentally friendly goods and services.

We should not take the road of negative discrimination – we have all suffered from higher tariffs and input restrictions. It is more important to have incentives. For the past two years the European Parliament has invited the best researchers from around the world to post their reports on issues such as water, energy production, food and forestry on its website. Part of the solution is on the table, but more meetings are needed for everyone to learn from each other.



## PANEL DISCUSSION

### “DEFUSING THE THREAT OF CONFLICTS OVER FOOD AND ENERGY THROUGH TRADE”

**Ms. Esperanza Duran (Executive Director, Agency for International Trade Information and Cooperation)**

The world markets for food and energy are both in crisis. Over the past two years, but particularly in recent months, prices have soared to unprecedented heights after at least two decades of price stability at lower levels. Although the record peaks of early July 2008 have since eased, crude oil prices are likely to stay relatively high and risk increasing again in the short and medium term, whereas food and commodity prices, although not as simple to gauge as the price of crude oil, do not seem to have fallen



as sharply. In short, price volatility in both sectors seems to indicate that high prices for both food and energy are here to stay in the foreseeable future.

How can trade defuse the threat of conflict over food and energy? I will tackle this thorny question from three points of view: first, the causes of the recent price hikes and the close links between these two, apparently dissimilar sectors; second, how international trade rules contribute, if at all, to defusing the price crisis in these two essential components of livelihoods in both rich and poor countries; and third, the areas in which the WTO could defuse the time bomb of food and energy prices.

The food and energy price crises have multiple roots, many of which are common to both sectors. Steep increases in consumption in developing countries, in emerging economies in particular, have raised demand and set world markets on an upwards spiral. Other causes are underinvestment in research and development in agriculture, and the failure to increase oil exploration during decades of low prices. These omissions have resulted in reduced productivity gains and have narrowed our options today. Consequently, the supply of agriculture products – or of fossil fuels – has not kept pace with demand, triggering the current record prices in both sectors.

Making up for lost time will not be easy, because today's efforts may not immediately bear fruit. Indeed, changes in marketing and production in both sectors require long-term investment which will not see immediate returns.

Food price increases were to some extent triggered by the energy price crisis. These two sectors cannot be dissociated. Fertilizers and chemicals, of which oil is an important input, have made it more expensive to produce food. This has been aggravated by the fact that, as with any other activity, higher energy costs have made storage and transportation of food more costly. The remedy – replacing oil with biofuels – has paradoxically helped push the cost of food higher. The pernicious effects of diverting cereals from world food markets to ease energy costs have been illustrated by the numerous riots to protest rising food prices in developing countries. At present, one quarter of the annual maize harvest of the United States – the world's largest producer – is being used to produce biofuels.

What role do international trade rules play? High food and energy prices are threatening international trade flows. In a number of food-exporting countries, governments have taken the political decision to levy heavy taxes on agricultural exports, in order to keep food prices at home at affordable levels. High energy prices lead to significant increases in the cost of transport, eroding the competitiveness of food production in distant areas. For example, the United States imported 6 per cent less from Europe and Asia in the years immediately following the 1973 oil shock, but almost 6 per cent more from its close neighbours.

High food and energy prices are an additional challenge for many developing countries, whose economic growth they are likely to slow, with negative impacts on poverty reduction strategies. Increased levels of poverty and hunger create fertile breeding grounds for conflict.

Can international trade, and hence the WTO, play a role in defusing such threats? The WTO is one of a number of international organizations that could help find long-term solutions. Short-term fixes such as food assistance, subsidies, stock management and so on, should be worked out elsewhere.

Having insisted on the similarities between the food and energy price crises, let me highlight one crucial difference between these two sectors. Fossil fuel products such as oil, diesel and gas are among the most heavily traded commodities on world markets. Countries holding less than one third of world reserves consume two thirds of all oil and gas production. To put it differently, the level of fossil-fuel self-sufficiency of most countries is very low. This is particularly true of most developed countries, whose economic model has been built on the existence of cheap fossil fuels. Maybe the time has come to change the model.

In contrast, food self-sufficiency has been at the heart of most economic development models around the world, since subsistence farming remains accessible even to those countries least endowed by nature. As a result, trade in food commodities remains marginal. For example, in 2006 only 20 per cent of the world production of wheat was traded internationally. The proportion is 13 per cent for maize, 8 per cent for meat and 7 per cent for rice.

This difference between food and energy matters, since the relative importance of trade in the food and energy sectors means that the potential impact of the WTO and its rules will not be the same.

What about the role of the WTO, Doha and the accession negotiations? Historically, the WTO and its predecessor, the GATT, have been mainly concerned with restrictions to imports (quotas, tariffs, etc.) and not with exports. The traditional reason for not dealing with exports was that the harm a country did to its economy by penalizing its own exports was self-inflicted. Most barriers to imports in the form of tariffs have been drastically reduced. The main obstacles to trade are export restrictions, or the production quotas, in the case of energy, imposed by the OPEC cartel.

Current WTO rules are ill-suited to deal with such situations. Attempts during the Uruguay and Doha Rounds to address some of the practices of exporting countries, such as double pricing systems, very low prices at home, high prices for exports, export restrictions and taxes, and export monopolies, have so far not been very successful. But this does not mean that more cannot be done in the WTO to help ease the current tensions in the food and energy markets.

The WTO's possible contributions are to be found in several main areas.

- The trade facilitation agreement that would result if the Doha Round is concluded successfully would have the greatest practical and short-term impact on trade in and distribution of farm and energy products. Because trade facilitation would help reduce transaction costs, developing countries would derive a disproportionate benefit, as they have the highest such costs.
- Discipline in farm subsidies would stimulate the development of domestic farming in many developing countries that have suffered from dumped imports. It would also lead to lower subsidies for the production of biofuels.

- The accession to the WTO of the Russian Federation and Kazakhstan, two major producers of cereals and energy products, and of oil-producing countries such as Algeria, the Islamic Republic of Iran, Iraq and Libya could have a significant impact on supply in both sectors and contribute to more efficient worldwide allocation of these resources.
- Negotiation on trade in services within the Doha Round could help make distribution and transport services, whether for food or energy, more competitive around the world. This could help importing countries reduce the risk of high commodity prices for their populations.
- Previous attempts to discipline export bans, restrictions and taxes have failed. WTO rules in this domain would certainly provide greater security to international markets and much needed relief to countries that are neither energy nor food self-sufficient. However, such discipline is not likely to be accepted in the current round of negotiations.

I think we need time to reflect. There are no easy answers to our question today. The conclusion of the Doha negotiations has been pushed forward to 2009. This may not be an entirely bad thing. The negotiations should be guided by what governments and parliaments want from the WTO. This is something that has become less, not more, clear in recent years.

#### Senator Luis Alberto Heber (Uruguay)

The first thing we have to do is identify the threats. The paramount concern today for the developed and above all the developing world is the increase in food prices, which threatens the food sovereignty of many countries. Superficial consideration of that concern might lead one to conclude that food-producing countries like Uruguay benefit from higher food prices. We do not believe this. Higher food prices hurt everyone, especially developing countries. We have not forgotten that 50 million people in Latin America do not have enough food. In the developing world, the rise in food prices generates a much more dire situation that is more difficult to remedy.

What are the causes of this? Many people say that prices have risen because of shortfalls in the supply of food. Those of us who come from food-producing countries do not think this is the reason. Nor do we believe that food prices have risen because of growing demand in emerging countries like China



and India. Quite the opposite. We believe that more than 50 years of food subsidies in the developed countries furnish much of the explanation for rising food prices. The world market has speculated on raw materials, on energy and on food. The production figures for our countries do not reveal huge profit margins. Indeed, energy costs have done away with substantial profit margins.

We must continue to speak of market protection, of the unfair competition that is the root cause of price increases.

How does this relate to the WTO? The WTO Director-General asked whether the SSM was a taxi or an ambulance. I believe the SSM is an ambulance. It is there to help those who cannot walk, not to help those who can walk to run. It is there to provide help to those who are not in a position to compete.

As the Executive Director of the United Nations World Food Programme said, we have been hit by a silent tsunami of hunger. We hope that ultimately this giant wave will serve to bring all of us closer to the coast, not just a privileged few while the rest founder offshore.

#### Mr. Olivier De Schutter (Special Rapporteur on the right to food, United Nations)

There is a consensus on the causes of the recent surge in food commodity prices. We are discovering that the policies pursued since the 1980s are failing. These policies led to artificially low prices on international markets, as a result of which a number of developing countries became addicted to cheap



prices and the farming sector was destroyed in countries that could not support it. The crisis today is the result of dumping of agricultural products by many OECD countries and the consequent absence of investment in agriculture, particularly in sub-Saharan Africa.

What we have is not a tsunami, but rather a man-made disaster resulting from policies that need revising. The crisis has illustrated the failure of the food and agriculture system as it has been functioning. It has revealed two things: the dangers of net food-importing countries being dependent on cheap food dumped on international markets, and the unfortunate inability for producers in certain developing countries, particularly in Africa, to respond to price signals by increasing the supply of food on international markets as a result of the lack of investment in the agricultural sector for the past generation.

In order to reverse those policies, the specific nature of food has to be recognized. Food is not a commodity like any other. First, it corresponds to a human right, like water, health and education. Access to food is essential for the enjoyment of human rights. States have the obligation to respect, protect and fulfil this right, and to ensure that all persons under their jurisdiction have enough food of sufficient quality. Second, agriculture is more than just another economic sector. In my country, Belgium, 3 per cent of the population lives off agriculture; in many developing countries the figure is 60, 70 or even 90 per cent. As a result, we must consider agriculture not just as a means of putting food on the market, but also as a means of providing a large

segment of the population with an income. Agriculture is a way of life. It is the livelihood of farmers in developing countries and the foundation of whole social structures.

What role can international trade play in revitalizing agriculture, particularly in sub-Saharan Africa, where productivity growth in agriculture is potentially much higher than in places where productivity per hectare has reached a ceiling?

There are those who say we should return to self-sufficiency, to having each country provide for itself. As much as food security is desirable, self-sufficiency is probably unrealistic given the difference in each country's endowment. Indeed, the International Covenant on Economic, Social and Cultural Rights, on which my mandate as United Nations Special Rapporteur on the right to food is based, contains an explicit reference to the need to take account of the concerns of both food-importing and food-exporting countries. International trade in food commodities is but one means of ensuring the objective of food security.

Others consider that food sovereignty should be ensured by developing regional markets that can protect themselves from dumping from abroad while providing sufficiently remunerative prices to producers. The model for this is the original European Union Common Agricultural Policy; it is being pursued by West Africa, for example, in the form of the West African Agricultural Policy (ECOWAP).

The third view is to pursue the reform programme under the WTO, improving market access and lowering domestic supports and export subsidies to the extent that they have market-distorting consequences. This reform programme, which the Doha Round of trade negotiations seeks to implement further, should be discussed in the light of the fact that 900 million people go hungry in today's world, not because not enough food is being produced – there is enough food – but because food must be not just available, but also economically accessible, affordable, for the hungry. Even if more free trade resulted in better specialization and more food on the market, this would not help those who do not have the purchasing power to acquire the food. We would fall short of our objective if we focused exclusively on how to produce more and did not ask the real question: for the benefit of whom?

Free trade is a desirable objective in that it leads to gains in productivity, but it also has dangers. It puts countries with very different purchasing powers in competition for certain commodities. It has producers

from different countries with highly divergent productivity competing with each other. Therefore, free trade is absolutely desirable, provided certain safeguards exist that allow countries to protect agricultural producers from being ruined by dumping and import surges, and to protect consumers from price increases that might result in balance-of-payment problems and create unsustainable situations for households.

I am currently preparing a report on the impact of WTO agreements on the right to adequate food, and am therefore trying to assess what risks the WTO reform programme and the current round of trade negotiations entail. This is a difficult assessment to make, for four reasons.

- Many of the problems I have mentioned – dumping, ruin of the agricultural sector in many developing countries, hunger as a result of agriculture being destroyed by distorted competition – are not the result of free trade but rather of distorted markets. Within the Human Rights Council there are those who challenge the existing distortions and those who challenge the idea of free trade itself.
- To a large extent, the vulnerability of countries to import surges is not an outcome of a WTO agreement. It is the outcome of the structural adjustment programmes imposed on developing countries in the 1980s and 1990s. Many developing countries do not use the flexibilities they have under the WTO agreements. They have lowered import tariffs below what the WTO requires. This has put them in their current vulnerable situation.
- What matters from the point of view of human rights is not just equity between countries, or a fair international trading system. What matters also is equity within each country between different segments of the population. Sometimes these objectives conflict. For example, for Brazil, which has a very clear natural competitive advantage in agriculture, better access to high-value markets, the lowering of domestic support in OECD countries and the abolition of export subsidies would be an excellent thing. It would improve access to OECD markets for Brazilian producers. But the result would also be higher prices for Brazilian consumers. There would be both winners and losers. The same applies to a food-importing country, which, as a result of the reform process, would witness an increase in prices and would have to develop social safety nets to insulate the population from the impact of higher prices. It would be a serious mistake

not to ask what means the State concerned has to redistribute the costs and the benefits of the reform programme.

- We have to consider the situation from the dynamic perspective. There will always be winners and losers, but producers may adapt and consumers may adapt. There will be investment in agriculture. Some food-importing countries might become food-exporting countries if the distortions are removed. Do we evaluate the short or the long-term consequences? Human rights are there to make sure we do not always think in aggregate terms, in terms of the country as a whole rather than of the various sectors of the population. They make sure we take into account not only the long-term objective of undistorted markets but also the short-term losses and victims of the reform process. Human rights are there, not to prescribe a specific trade regime, but to define the outer limits that those negotiating trade agreements have to keep in mind and that national policymakers should hew close to when they develop policies to cushion the impact of the reform process.

When the Uruguay Round was being completed, the fear was that improved market access and lower domestic support and export subsidies would lead to higher prices on international markets. As a result, the agreement establishing the WTO included the Marrakesh Ministerial Decision on measures concerning the possible negative effects on LDCs and net food-importing developing countries. The Decision's objective was to protect food-importing countries from the risks of price increases. It has been dormant, for a well-known reason: instead of being too high, prices were artificially depressed by the dumping practices of OECD countries. Things are changing now. In the future, we will have to deal with a world of higher, more volatile prices. The Decision must therefore be revitalized. The four tools it includes - food aid, compensatory IMF financing facilities, agricultural export credits, technical assistance - are not satisfactory. The current food crisis has shown how ineffective the protection for food-importing countries is.

We need to work on making the Marrakesh Ministerial Decision operational, because I suspect that in the future net food-importing countries in the developing world that do not have the means of protecting their population from price increases will have to be helped in the short term, until their agriculture is revived by the removal of trade distortions.

**Mr. Maximo Torero (Director, Markets, Trade and Institutions Division, International Food Policy Research Institute) (USA)**

The sharp increase in food prices observed in the past few years has raised serious concerns about the food and nutrition situation of people around the world, especially the poor in developing countries, about inflation, and in some countries also about civil unrest. The triple link between energy security risks, political security risks and food security risks has forged what has been called a "silent tsunami". I would prefer to call it a "challenge", because it presents both opportunities and risks, especially for the poor.

Rising food prices have sparked mass protests in more than 50 countries, including 19 low-income and 15 low-middle-income countries, since January 2007. The poorest suffer most and do so silently. The number of protests has risen sharply since February 2008, peaking in May 2008 at 29.

What exactly has happened to food prices? Wheat prices have doubled. The price of rice has jumped to unprecedented levels, doubling in the past four months alone. Dairy products, meat, poultry, palm oil and cassava, among other agricultural commodities, have also experienced price hikes. Between January 2000 and January 2008, the price of a nominal tonne of wheat in US\$ rose 240 per cent; the price of a real tonne rose 172 per cent, and the price in euros rose 134 per cent.

What really matters for the poor, however, is the effect this has on their purchasing power. One such effect is the declining ratio of wages for unskilled labour to food prices.



I wish to focus on two main issues: biofuels and a specific policy response, namely the export restrictions some countries have imposed.

Energy prices have always affected agricultural prices through inputs such as fertilizer, pesticides, irrigation and transportation. Now the formula has changed. Energy prices also affect agricultural output via opportunity costs: there is stiff competition for land and water.

One key factor in the rise of food prices is the much increased price of energy. Energy and agricultural prices have become increasingly intertwined. Oil prices reached an all-time high of more than US\$ 120 per barrel in May 2008, and the United States Government and the European Union are subsidizing agriculture-based energy, prompting farmers to move massively into crops for biofuel.

In the United States, as much as one third of the corn crop is used to produce ethanol, up from 5 per cent a decade ago, and biofuel subsidies range between US\$ 11 and 13 billion each year. The large subsidies in developed countries have also long distorted markets and eroded the competitive advantage of developing country farmers.

The growth in new biofuels such as ethanol and biodiesel has a strong effect on prices, since biofuel production largely draws on agricultural products. The increased biofuel demand between 2000 and 2007 is estimated to account for 30 per cent of the weighted average increase in cereal prices. Incorporating new developments in supply and demand as well as actual biofuel investment plans, IFPRI's IMPACT model projects that the real prices of maize and oilseed in 2020 will be 26 and 18 per cent higher compared to a scenario that keeps biofuel production at 2007 levels. These are conservative estimates. We know that prices have fallen in the past few months, but basically they are down from the huge spike of three months ago. The trend will continue to be positive.

At the same time, high energy prices have made agricultural production more expensive by raising the cost of inputs like fertilizers, irrigation and transportation of inputs and produce. We have seen huge increases in fertilizer inputs: around 300 per cent. While the share of energy in the cost of crop production is around 4 per cent in most developing countries, it is between 8 and 20 per cent in some large countries such as Brazil, China and India.

The important thing to understand is that biofuels will hardly contribute to energy security. The share of biofuels in road transportation will be only 3 to 4 per cent in 2030, so essentially subsidies for biofuels are like a regressive tax on the poor.

Many countries are taking ad hoc steps, introducing export restrictions and price controls, to mitigate the crisis and minimize the impact of higher prices on their populations. These steps can add up to policy failures. As of April 2008, 15 countries, including major producers, have imposed export restrictions on agricultural commodities, thereby narrowing the global market. These are very concentrated markets: net food-exporting countries control the production of cereal commodities, and a restriction by any one of them spurs an immediate response in terms of prices, as we have seen. The most serious example is rice, the price of which skyrocketed in early 2008. In addition, export bans stimulate the formation of cartels, undermine trust in trade and encourage protectionism.

Other countries, however, have contributed to the expansion of global demand for food. Some net food-importing developing countries, for example, have reduced import barriers – in principle a welcome move toward more open trade, but adding to the upward pressure on prices.

Policy responses such as export bans or high export tariffs can reduce the risks of food shortages in the short term for the country concerned, but they are likely to backfire by making the international market smaller and more volatile. At the country level, price controls rob farmers of the incentive to produce more food and divert resources away from those who need them most. Export restrictions have harmful effects on import-dependent trading partners. For example, Indian export restrictions on rice affect Bangladeshi consumers adversely and also dampen the incentive for rice farmers in India to invest in agriculture, which is a long-term driver of growth.

The restrictive national agricultural trade policies adopted by several developing countries also undermine the benefits of global integration, as they add to the distortions already created by the longstanding trade policies of rich countries. Agricultural globalization is put in "reverse gear", with adverse effects for the poorest nations. The Doha Round still needs to be completed, and it would be a shame if the current crisis were to divert attention from that goal. Rule-based fair and free international trade is particularly needed in times of crisis, as the export ban problems underline.

What is needed to defuse the threat of conflict over food and energy through trade? First, we must eliminate agricultural export bans. A new trade policy theatre has been created by the export bans of developing countries. Let us have no illusions about this: this problem cannot be addressed country by country, as governments have a legitimate interest

in caring for their citizens first. The new wave of export restrictions requires urgent international attention. It should not be added to the Doha Round. Instead, it should be addressed by an ad hoc consortium of global players with a code of conduct and mutual trust-building in political negotiations. As a minimum, export trade for humanitarian purposes should be resumed now.

The elimination of export bans will stabilize current price fluctuations, reduce price levels by as much as 30 per cent (we have simulated all the effects of export bans using our general model, called MIRAGE, and found that 30 per cent of the changes in prices in the early part of this year were due to export restrictions), and enhance the efficiency of agricultural production.

Secondly, it is crucial to complete the Doha Round. This is even more relevant in times of high food prices, in order to strengthen rule-based trade. A world short in supply and facing regional and country-specific fluctuations needs to have more trade options, not less.

It should be easier for countries to agree to lower agricultural tariffs when market prices, especially of sensitive commodities, are high. With high global food prices there may not be a need to provide substantial domestic support to farmers in developed countries, or for any export subsidies. The European Union has already eliminated its applied tariffs on cereals, but it has not yet decreased its bound tariffs, which means there is no certainty about their levels in the long term. In the United States, farmers are holding tight to low loan rates and counter-cyclical payment programmes, despite the fact that they are projected to benefit little from them in the coming years. This means that policymakers in developed countries want to keep their options open in case prices fall. The current food situation should be viewed as an opportunity to introduce major changes in the agricultural negotiations pertaining to market access, domestic support and export subsidies.

What can we expect from these measures? If these opportunities are realized, they will lead to fairer and more open trade and help enhance efficiency in resource use as well as improving the welfare of people in developing countries. They will also have a stabilizing effect on agricultural prices and play a role in preventing future crises.

Lastly, the benefits LDCs can draw from multilateral trade reform as designed by the modalities made public in May 2008 are negligible, and some countries may even suffer adverse effects. WTO negotiators should make a supplementary effort in favour of the

poorest countries. The duty-free quota-free initiative is a move in the right direction, but it should be extended not only from a product point of view, with a 100, not 97 per cent application, but also in terms of geographic coverage. This initiative has to be supported both by the OECD and by Brazil, India and China. It is in the interests of Asian LDCs to prioritize the full opening of OECD markets (a 100 per cent duty-free quota-free regime) and full access to the United States market in particular, while African countries will draw greater benefit from a geographical extension of this regime to Brazil, India and China.

## EXCERPTS FROM THE DISCUSSION

### Mr. A. Sugandi (Indonesia)

In tackling the food crisis, we cannot ignore the millions of poor farmers in the developing countries, who are mostly net consumers – soaring food prices do not necessarily benefit them. In addition, up to 80 per cent of the labour force in developing countries is employed in the agriculture sector. Unfortunately, most of them live below the subsistence level.

The distortion in the world agricultural market wrought by huge developed country subsidies has harmed poor farmers; merely opening markets would probably only do further harm, which is why we need special products. By the same token, sudden import surges or price declines are also harmful for vulnerable farmers, especially in the absence of social safety nets. This is why we need the SSM.

We believe the WTO can and should play a pivotal role in any endeavour to tackle the food crisis. Indonesia stands ready to re-engage for the successful conclusion of the Doha Round.

### Ms. M. Okawara (Japan)

Japan is the world's largest net importer of agricultural products. Food security and trade are matters of great interest to its people. Recent events have heightened public uncertainty about food safety.

Trade negotiations are the exclusive domain of governments and trade experts. Parliaments are left to deliberate on trade agreements that have already been negotiated by governments as a package. Even though international trade policy may reflect the opinions of producer organizations and industrial circles, the voices of the public and consumers are

not really heard. For example, the WTO has regulations relating to quantities of agricultural products, but none relating to quality. It would be important to establish a global quality assurance system that makes it obligatory to trade only agricultural products grown in conformity with certain environmental and agricultural standards.

Trade rules should be adopted that free all people from hunger. The sharp rise in the price of cereals is causing food anxiety in developing countries. The G-8 Summit held in Japan in July called for stimulating world food production. Unfortunately, however, the issues of food security and stronger discipline on export regulations received almost no consideration at the WTO mini-ministerial meeting in July.

### Mr. R. Cullen (Canada)

Are any benefits accruing to small-scale farmers in poor countries as a result of higher food prices? What are the constraints currently limiting expansion of the supply of food in terms of agriculture land? To what extent are higher energy costs already priced into higher food costs?

Mr. Torero's model projects substantial medium and long-term increases in the price of food. What does this mean in terms of Mr. de Schutter's statement on economically accessible food for all? How long will it take to bring food prices back into equilibrium, even if it is a new equilibrium? And how will we deal with that new equilibrium?

One would think that the food price crisis would give added impetus to efforts to complete the Doha Round and deal with trade-distorting practices. Has there been any evidence of this in the negotiations?

### Mr. R. Khuntia (India)

Trade can play an important role in addressing the challenges of high foodgrain prices and food security. The mandate of the Doha Development Round is substantially to reduce the trade-distorting subsidies of some developed countries. Such support has depressed foodgrain prices in the international market, robbing developing country farmers of the incentive to improve foodgrain productivity and of the ability to compete with developed country farmers. If the current bound levels of trade-distorting subsidies are not substantially lowered, foodgrain prices might be further depressed.

Market access opportunities for developing countries would be considerably improved if developed

countries reduced their tariff protections. Other elements of the trade negotiations – maximum liberalization for tropical products, tariff simplification, tariff capping, and so on – would also help farmers increase their earnings through greater market access. The two measures being negotiated, special products and the SSM, are key to addressing food security, livelihood security and rural development concerns in developing countries and to protecting poor and vulnerable farmers in developing countries from the shock of import surges or declining import prices.

The recent frequent fluctuations in international crude and gas prices have affected economies across the globe. In developing countries, the slightest disruption in supplies has massive ramifications for growth and the welfare of the people. Energy security rests on two principles: to use as little energy as possible in providing services, and to secure access to all sources of energy.

#### **Mr. G. Mitchell (European Parliament)**

The European Parliament recently issued a draft regulation that involves taking one billion euros from agricultural price support for European farmers and spending them in the developing world. The draft regulation is controversial because fertilizer prices have already increased by 300 per cent, and certain European lawmakers are fearful that it will cause a further increase. Are we indeed adding to the problem?

If the draft regulation is adopted, where should the expenditure be targeted? Sixty countries have asked for aid, leaving each country with a relatively small amount. What targets should the European Parliament set for the spending?

#### **Mrs. P. Krairiksh (Thailand)**

Recent soaring energy prices have forced us to turn to renewable energies. Biofuel would lower our dependency on imported fossil fuels and provide an environmental benefit in the form of "cleaner" fuel. However, increased production of biofuel crops has been linked to rising food prices: greater economic incentives to grow biofuel crops have led to the planting of palm and sugarcane on large areas of arable land that would otherwise have been used to grow food crops. This has had a profound effect on global food prices and food security, especially in net food-importing developing countries.

The need to minimize market and price distortions

for agricultural products has never been greater. Trade is key to achieving food security, but only if it takes place in a fair and market-oriented world trade system. The efforts of WTO members to ensure robust tariff reductions and meaningful market access will help facilitate unhindered international trade in agriculture and contribute to greater food security.

#### **Mr. O. Bilorus (Ukraine)**

I have a problem with the traditional approach to the problems we face. The current situation is extraordinary, and calls for innovative strategies and policies, new methods and approaches. I propose that we create a global food reserve bank for all countries. Such a bank would allow us to balance the rise in food and other prices.

#### **Mr. C. Kakoma (Zambia)**

The granting of improved market access should trigger increased exports from LDC agriculture, industrial and service industries. This is not a matter of balancing trade flows, but rather of drawing the line between life and death.

Any outcome of the Doha negotiations that does not secure the current and future interests of our people in terms of guaranteeing commercially meaningful market access for our exports in a manner that will stimulate increased production and investment flows, lead to the re-industrialization of our economies, create jobs and raise the standard of living will be deemed to fall short of the round's aspirations. For any improved market access to translate into tangible benefits for us, the current distortions and technical barriers must be addressed. What we observed at the talks in July 2008 was a weak response to achieving those objectives.

Africa, as a stakeholder in the WTO negotiations, is not sufficiently involved in the Doha Round. As a parliamentarian, I find it awkward that my government will soon be asking me to ratify a WTO agreement which it was not actively involved in negotiating. The current agenda does not adequately address the supply constraints facing agriculture in Africa. For example, fertilizer prices have shot up by 300 per cent in one year, but the WTO negotiations do not appear to address such supply-side constraints.

#### **Mr. J. Hussain (Bahrain)**

There seems to be a strong correlation between rising food and energy prices, on the one hand, and

inflationary pressure in many parts of the world, on the other. It is therefore wrong for the WTO to maintain its practice of not including oil in its discussions, on the pretext that oil is a strategic product. High oil prices have caused food prices to rise.

There is evidence that some food-producing countries that are also oil-importing countries are restricting exports in order to cause prices to increase. There is also evidence that countries like Saudi Arabia and the United Arab Emirates are now buying farmland in places like Sudan, Pakistan and Turkey to ensure supply. Bahrain is buying farmland in Thailand and the Philippines. The issue now is supply, rather than price.

The time has come for the WTO to show leadership on the issues of oil and food, or its credibility will be further undermined by this trend.

#### Mr. M.J. Sircar (Bangladesh)

The WTO does not deal with food security, which is nevertheless affected by negotiations on agriculture. Reduced subsidies will increase food prices. The LDCs that are net food importers will be vulnerable when they import food.

The Uruguay Round resulted in a decision on net food-importing developing countries that considered the food security issue as a short-term dilemma and attempted to resolve it by increasing the supply of food. Food aid accounts for 2.3 per cent of total food consumption in net food-importing developing countries, but destroys production capacity in the long term unless the countries receive technical and financial assistance to enhance productivity. No LDC has as yet received support to enhance productivity. If subsidies are granted to increase productivity, the LDCs will soon be self-sufficient. Otherwise, heavily populated, relatively small countries like Bangladesh will never achieve higher standards of living.

#### Mr. C. Yilmaz (Turkey)

Globalization should be more inclusive, it should promote greater equity worldwide. If the Doha Round is completed with a strong sustainable development agenda, the world will be a more equitable, more inclusive place.

In terms of crisis management, what we are discussing are reactions to crisis. The crisis exists, and we are talking about how to react to it. Can we also increase our capacity to predict and be more proactive about global crises? Of course, in the

current crisis we can promote trade, increase productivity and supply, spread technology for better production and transportation, but these are all reactions. We need to intensify dialogue between international organizations and countries so as to be more proactive.

#### Mr. J. AL Matrook (Bahrain)

Parliamentarians need to define their exact role in the trade negotiations. They are not on the negotiating teams, but they can influence governments. What is their role from the human rights perspective? What direct responsibility do they bear?

What does the future hold for the WTO if the negotiations fail? What should parliamentarians do in that case?

#### Mr. M.A. Al-Wajih (Yemen)

The world is in the throes of a serious crisis. It is very difficult for countries to reach agreement within the Doha context. As the representatives of the people, parliamentarians should take part in the multilateral negotiations.

The Doha Round has failed to find solutions. Will we achieve the round's goals? What can we do to stabilize rising food prices? Food security is fundamental. All developing countries find it difficult to ensure adequate supplies of food for their people, especially of basic commodities such as rice and corn. We have to prevent a reoccurrence of the situation by adopting clear measures within the Doha framework.

#### Mr. A. Couriel (Uruguay)

There are many reasons why food prices have increased: the depreciation of the dollar, greater demand in countries like China and India, subsidies for biofuel crops in the United States that propel cereal prices upwards, and the rise in speculative investment from US\$ 5 to 260 billion.

Speculation has also played a role in the rise in the price of oil, as has the political and military uncertainty that has prevailed since the invasion of Iraq.

Food is part of the broader issue of global development. Today financial investment takes precedence over productive and social investment. Both the WTO and the IMF share responsibility here.

The structural adjustment plans of the 1990s affected the underdeveloped countries. Are the IMF, the World Bank and the WTO truly working in favour of the poor countries? And let us not forget ILO's proposals for employment. Once the employment problems of the underdeveloped world are solved, there will probably be no more hunger and no more food problems.

#### Mr. S. Jackou (Niger)

We all agree that trade can be a factor of growth and development. However, the internal conflicts being waged today in many parts of the world are having a serious impact on the production and exchange of foodstuffs and energy products. There can be no trade or production in a climate of insecurity. The liberalism in food trade imposed by the WTO and the Bretton Woods institutes has also dangerously exacerbated the food situation in Africa.

The subsidies granted by the United States and the European Union, for example, cannot be compared to those that exist in Africa, which subsidizes the purchase of agricultural inputs, certain foodstuffs and domestic production. What else can African countries do when their people riot because they are hungry?

Why have prices increased so much? Because the World Bank and the IMF have obliged the poor countries to pay their debts rather than buy their domestic products. The solution must come from those institutions.

#### Mr. H. Masala Loka Mutombo (Democratic Republic of the Congo)

Climate conditions play an important role in food production. The Democratic Republic of the Congo, with its extensive forest cover, is one of the world's lungs. It should receive compensation for preserving rather than exploiting its forests.

The Democratic Republic of the Congo produces food in rural areas, but often lacks the means of transporting it to urban markets. City dwellers therefore tend to rely on imports. This aspect should also be considered.

#### Mr. A. Bencheikh El-Houcein (Algeria)

How can the WTO influence energy prices, given that energy is not covered by WTO rules?

#### Mr. H. Khan (Pakistan)

FAO estimates that there are over 850 million chronically undernourished people in the world, a figure that is likely to increase this year. Why is that number increasing rather than decreasing? One obvious reason is that investment in agriculture has been falling for many years. Another is that the trade rules governing agriculture are greatly distorted. In addition, foodstuffs are being used to produce ethanol for energy purposes. What is not known is that developed countries discourage developing nations, which have a natural advantage in the production of ethanol, from exporting it to other markets. A case in point is Pakistan, which has a comparative advantage in ethanol production using cane molasses. Pakistan was the largest exporter of ethanol to the European Union when such exports were duty-free. But then the European Union not only slapped a high duty on Pakistan, it imposed an anti-dumping duty as well. As a result, a substantial part of Pakistan's ethanol industry shut down.

In conclusion, much needed staple food items such as corn should not be converted into ethanol; instead, developing countries should be allowed to convert their surplus raw materials, like cane molasses, into ethanol.

#### Mr. M. Torero (panellist)

Smallholders do not necessarily immediately benefit from changes in international food prices, because they face significant transaction and higher input costs. In some countries, smallholders benefit by less than 70 per cent from any increase in the international price, depending on how disconnected they are from the main markets. This points to the need to reduce transaction and transportation costs.

Biofuels and food production are competing for two major resources: land and water. In a competitive market, the most competitive product would edge the others out. Unfortunately, however, biofuels are being produced using inefficient technologies that require subsidies. For example, the cost of producing 100 litres of corn-based biofuel in the United States is 39.47 euros (if subsidies are included, that cost drops to 24 euros), but it costs only 14.48 euros to produce 100 litres of sugar cane-based ethanol in Brazil. The problem is not the biofuels themselves, but rather that the market is not being allowed to compete.

Biofuels produced using cereals do not necessarily benefit the environment, nor, I repeat, will they

reduce our dependency on oil. The subsidies applied therefore have to be rethought, especially since they continue to be paid at times like this, when prices are high.

Growing demand in China and India has often been mentioned as the cause of rising food prices. In fact, the problem is not so much increased demand – demand from China and India has been growing for several years - but that food reserves are now dwindling.

The one billion euros recently voted by the European Parliament would best be linked to productivity. If the money is split between 60 or 70 countries, each country would receive a relatively small amount, with the consequent loss in economies of scale. The IFPRI is not in favour of creating physical food reserves: it is inefficient to store and transport them. Rather, it proposes a virtual reserve that uses financial resources to give positive signals to the market and stop speculation. Development domains are another idea. In sub-Saharan Africa, for example, what are the major development domains and where do they overlap with infrastructure needs to maximize returns from value chains? The idea here is not to focus on each country, but rather on regional issues.

#### Mr. L.A. Heber (panellist)

The one billion euros recently voted by the European Parliament will certainly be helpful, but there can be no greater aid than the elimination of 80 per cent of subsidies, as established by the Doha Round. That would mean that developing country producers would no longer be competing with the treasury departments of the developed countries, but rather with producers in those countries. The developing countries do not necessarily want aid, they want fair competition.

Employment is another key factor, as is its corollary, migration. The developed world needs no reminding on this score. Employment issues are part and parcel of the negotiations on what I would term fair trade.

The G7 set up at the July mini-ministerial meeting did not, it is true, comprise representatives of all countries, but countries that did not attend were represented in some way, as Chile was by Brazil. The G7 should not set a precedent for future meetings, but I find it was an intelligent means of bringing together a number of countries to find a solution to the problems that had arisen – albeit, unfortunately, to no avail.

#### Mr. O. De Schutter (panellist)

Before the trade negotiations are taken any further and any agreements are ratified, it is absolutely crucial for national parliaments to ask their governments to conduct impact assessments of the potential losers and winners. It is extraordinary to see that many national parliaments ratify agreements without being aware of the consequences, yet they are the guardians of social justice in their respective countries. Even though a country may benefit as a whole from a particular agreement, even though the friends of those in office may benefit, there may also be losers. It is therefore each national parliament's duty as a minimum to inform itself about the consequences of any agreement and insist on the adoption of compensatory measures and national action plans so that all segments of the population benefit, in particular the poorest.

One might think that the current increases in food prices – from the historical perspective, in many ways a return to a more "normal" situation – would necessarily benefit all producers, including the smallholders who make up the majority of the hungry in the world today. Some may indeed benefit, but it must be remembered that most poor smallholders are net food buyers and face higher costs as fertilizers and pesticides become more expensive. In a country like China, smallholders may benefit from higher prices because they are well-connected to markets and because the gap between farmgate and consumer prices is narrower. This is not the case in Africa, where the gap between farmgate and consumer prices is large and even widening.

How much more food can the system produce for the world's population? Agronomists differ widely on their estimates. Some say that the land area being cultivated could be expanded by 70 per cent. However, much of the land that is not being cultivated now is poor or is being used by pastoralists or indigenous people. The cost of starting to cultivate it might be very high for certain groups of the population. Other agronomists say that climate change, desertification, salt depletion and the growing scarcity of water will actually reduce the amount of land available. What needs to be done is to develop methods of agricultural production that are sustainable from the environmental point of view. It does not suffice simply to produce more.

It is estimated that average food prices will continue to be higher than in the past. Adapting to this new situation means providing adequate social safety nets for net food buyers (food-for-work programmes,

social programmes). However, many countries are reluctant to develop such social safety nets because they fear the fiscal consequences of sudden price increases. I have therefore proposed, in a report to the Human Rights Council<sup>5</sup>, a global reinsurance fund that would insure countries against the fiscal consequences of sudden price surges on international markets. Affirmative action must be taken to ensure that smallholders benefit from price increases as well.

As to the one billion euros voted by the European Parliament, they should be spent in accordance with national priorities, not with outside diktats. They should also benefit smallholders. The "green revolution" in Asia and Mexico, for example, is now criticized for having rendered agricultural producers dependent on expensive foreign inputs and therefore benefiting only large-scale producers.

### Ms. E. Duran (panellist)

What to do with the one billion euros voted by the European Parliament is indeed a fascinating question. I would certainly agree that the most important thing is to take into consideration national development plans. The money should also be spent in line with national poverty reduction strategies and in the light of the principal goals of the European Union. Is the priority food security, to invest in sustainable agricultural production in very poor areas where returns may be lower, or to help countries achieve export-led growth?

It is certainly true that Africa's participation in the July negotiations did not extend to small groups such as the G7, but African representatives were present

in the Green Room, for example. In addition, one of the round's main issues, cotton, was brought to the table by four African LDCs, raising awareness of how subsidies in rich countries can affect the livelihoods of farmers in poor countries. The African Group has also made huge strides forward in understanding and in defending its interests.

Parliament's role is basically to follow the deals being negotiated by the government more closely and to gauge how they will affect the population. In particular, developed country parliaments should observe how development aid is effectively spent and hold the government accountable for taxpayers' money. In countries receiving aid, parliaments should monitor how the assistance is being used – is it reaching the people who are most in need?

While it is true that energy is not one of the areas covered by the WTO, the accession of countries such as the Russian Federation and Kazakhstan, which are important players on the energy scene, would oblige them to adapt to WTO rules. Trade facilitation may also help lower transaction costs for energy products as well as for foodstuffs.

We should not stake the WTO's future on the success of the Doha Round. The WTO has worked for many years to create a stable framework of internationally agreed and respected rules. It needs to be consolidated independently of the Doha Round. In short, the WTO's credibility depends not only on the successful outcome of the Doha Round, but on whether it can continue to provide a forum for the small countries to take on the rich and for multilateralism to work in defence of the weak.



<sup>5</sup> Report of the Special Rapporteur on the right to food, "Building resilience: a human rights framework for world food and nutrition security", A/HRC/9/23, 8 September 2008 (<http://www2.ohchr.org/english/bodies/hrcouncil/docs/9session/A.HRC.9.23.doc>).

## PANEL DISCUSSION

### “TRADE IN THE ERA OF DIGITAL REVOLUTION”

**Ms. Martine Julsaint-Kidane (Trade Negotiations and Commercial Diplomacy Branch, Division on International Trade in Goods and Services and Commodities, UNCTAD)**

I would like to speak about how countries can reap the development benefits of new digital opportunities, in particular through outsourcing.

The Accra Accord, the declaration adopted by UNCTAD XII earlier this year, recalls that ICTs are particularly useful in helping to drive globalization by lifting enterprises into the knowledge based economy and contributing to the fragmentation of added value chains. It goes on to say that access to

low-cost ICTs is therefore crucial to the development of a competitive business sector, particularly in developing countries and particularly in activities traditionally of importance to them, such as tourism. The Accord gives UNCTAD a mandate to undertake research and analysis, technical assistance and capacity-building in a number of related areas.

The 2004 World Investment Report already underscored the shift in foreign direct investment towards services, essentially towards firms that were engaged in business process outsourcing. It highlighted the importance of business process outsourcing as a development opportunity for developing countries in particular, and listed the types of services that are typically offshored (those that require no face-to-face interaction, have a high information content, are telecommutable, benefit from a high wage differential between countries, or have low set-up barriers and low social networking requirements).

The 2005 Expert Meeting on Trade and Development Aspects of Professional Services and Regulatory Frameworks highlighted that outsourcing today concerns not just IT but also IT-enabled services, and that more and more professional services (health, tediagnosis, accounting, legal, management) are being traded across borders.

UNCTAD, together with a number of other international organizations, is involved in measuring the information society. We know that in the area of services, and services trade more particularly, one of the main problems is that it is very difficult to measure services being provided over the Internet.



How are we to know exactly how much is being traded in this manner? We know that services can be provided when a person, like a doctor, temporarily moves abroad, but how do we measure that service? Developing countries in particular are putting a great deal of effort into increasing their capability to measure services and the information society as input for their national policymaking process.

The literature on outsourcing generally suggests that it is a win-win phenomenon. Both the outsourcing and the destination country can benefit when a company moves part of its operations to a location in another country that has lower wages, a large pool of qualified workers or a favourable regulatory environment. This allows the outsourcing company to lower its costs and provide more efficient services. In some cases, companies take advantage of time-zone differences to provide around-the-clock services.

A new trend in the outsourcing business is social responsibility. Because of the concerns that outsourcing has raised in developed and developing countries, the companies involved are under growing pressure to engage in socially responsible outsourcing. This means that the outsourcing company has to ensure that the companies it works with elsewhere abide by ethical standards, contribute to the communities in which they are established, work to improve the environment and expand career and employee training opportunities. It also means that the sending country cannot escape its social responsibilities and must ensure that the receiving company applies the same standards and procedures.

Outsourcing has sparked a number of concerns. In the sending countries, these have to do mainly with loss of jobs (especially as other, possibly more vocal, categories of workers, such as white collar employees, are being affected) and consumer protection (data security, privacy). In the main market for outsourcing, the United States, these concerns have led to a backlash against the practice and prompted some states to adopt legislation restricting it.

The host countries are concerned about footloose behaviour on the part of investors. Investment in services like call centres may be less stable than investment in manufacturing, as it is easier to move the call centre to a second country when wages start rising in the first. The host countries wonder about the linkages between the mother company and its outsourcing partners and whether they contribute to positive spillover between established and local firms. They have also realized that the establishment of new local firms leads to stiffer competition for skills.

What are the links between trade and outsourcing? The GATS is the agreement that has a direct bearing on IT-enabled services. In the Doha Round of negotiations, WTO Member States are engaged in liberalizing their services in a manner that will have an impact on outsourcing. I refer here to Mode 1 and Mode 2 supply of services, or liberalization of cross-border supply of services (Mode 1), whereby a country allows a foreign firm to provide its nationals with a service via the Internet or the telephone, and consumption abroad (Mode 2), where the country's nationals travel abroad to consume a service. It can be difficult to distinguish between the two – to tell whether a national is consuming a service on the Internet or the service coming to the national – and in that sense Mode 1 and Mode 2 can overlap.

Liberalization of services has been approached from two different angles within the WTO. Under the broad horizontal approach, countries are willing to liberalize Mode 1 and Mode 2 for all service sectors so as to promote practices such as outsourcing and e-commerce. Under the narrower approach, they target specific sectors and allow outsourcing only in accounting, for example; they then liberalize Mode 1 and Mode 2 for that specific sector.

In addition, a plurilateral request for liberalization of the cross-border supply of services as it pertains to the outsourcing market has been put forward by a group of countries coordinated by India, which is at present the largest provider of outsourced services. The request targets about 15 developed and developing countries (United States, European Union, Malaysia, the Philippines, South Africa Canada), which were asked to allow outsourcing to take place.

The liberalization of cross-border supply of services was discussed at a meeting in July 2008. A number of countries signalled an interest in liberalizing this mode, but they have not yet circulated their final offers. The developing countries are waiting to see what they will be offered in terms of Mode 4 (movement of persons) and Mode 1.

Governments can adopt a variety of policies to further outsourcing. In the home countries, the role of government is to minimize the adjustment cost of a number of jobs going abroad. This involves taking measures relating to unemployment insurance and job retraining, and implementing programmes that encourage education and training in services that require physical interaction.

In the host countries, governments can promote knowledge creation and the spread of technology by adopting measures relating to subsidies, intellectual property rights and human capital

development. We have seen that countries that have managed to enter the outsourcing market, such as India, the Philippines, South Africa and Ghana, have a qualified work force, good infrastructure and good regulations.

Outsourcing is an inevitable trend. The potential gains for developed and developing countries are huge, but not automatic. Outsourcing is a win-win phenomenon at the macroeconomic level, but it does have adjustment costs. Governments need to focus on helping the sectors of the economy that need to adapt. They need to take action not just nationally, but also internationally, and provide technical assistance to help developing countries improve their infrastructure, upgrade their workers' qualifications and enhance their understanding of how best to use ICTs.

**Ms. Aarti Holla-Maini (Secretary General, European Satellite Operators Association)**

I would like to give you some insight into the experience of European satellite companies in trade negotiations.

Satellite services are part of the wider telecommunication sector, even though the part they play in that bigger sector is very small. Although tremendous progress has been made in liberalizing and opening markets in this sector in general, unfortunately the same cannot be said of the specific field of satellite communication services. This is probably because of the complex technical issues those services involve.



Satellite operators, at least the members of the European Satellite Operators Association, find that they make greater headway in gaining market access if they engage in direct dialogue with the administrations and regulators of the countries in which they seek access rather than depending on a multi- or bilateral political negotiating process. Indeed, even though some of the world's largest markets are still closed to foreign satellite services, some satellite operators are able to be active in those markets, thanks to their ability to negotiate agreements and conditions for access directly with the administrations concerned.

Even though satellite communications are part of a very competitive commercial sector – telecommunications – they are also, and perhaps more importantly, part of the space sector, which, like defence, is a strategic sector for every country active in this field. Satellite communications are therefore often associated with national pride and prestige, and countries around the world are investing in their own satellites, building, launching and operating them to provide services for the country. Countries that have made such strategic investments then go one step further and close their markets to foreign operators in order to nurture their new national industry. While this is understandable in the short term, the citizens of all countries stand to benefit in the long term when open markets, competition and non-discriminatory access are fostered and encouraged.

In seeking access to national markets, satellite communication services often encounter security concerns. This is by no means an illegitimate concern: it is raised by many countries and has blocked many discussions to open markets to satellite communication services. This is another area in which individual satellite operators have engaged in direct dialogue with the administrations of the countries concerned and have been able to obtain a clearer understanding of where the concern lies (for example, the ability to intercept signals). They have worked to introduce innovative solutions that give the countries raising such concerns a good level of comfort. Indeed, there are many success stories that illustrate that innovative solutions can be found to security concerns and that markets do not need to be closed to satellite services. Parliamentarians should consider this: if security is a concern when it comes to opening a national market, they should engage in dialogue to see whether that concern can be addressed. If it can, they will be making it possible for a host of other benefits of satellite communications to be delivered to the citizens of their country.

In the European context at least, satellite communication services are perhaps not given appropriate priority in trade negotiations. They may be only a small part of the wider telecommunication sector, but they are nevertheless uniquely placed technologically to deliver on key public policy objectives such as climate change, development, the digital divide, security and emergency communications and disaster response. Governments worldwide face these challenges, and satellites are uniquely able to address them because of their global reach (one satellite can cover a third of the earth's surface) and because they are based in space and therefore not susceptible to terrestrial vulnerabilities (manmade and natural disasters). In fact, it is unfortunately only when disaster strikes that people everywhere are suddenly made aware of the ability of satellite communications to reach people anywhere.

Satellites are an invisible infrastructure that is present in all of our lives – witness the recent coverage of the Olympic Games.

#### Mr. Fredrik Erixon (Director of the European Centre for International Political Economy)

I am pleased to see that the interest of parliamentarians in world trade issues is undiminished, for trade policy begins at home. Trade policy is today largely a matter of domestic policy, and it is therefore very difficult to negotiate in international forums if countries do not have proper domestic policies.

Digital trade has to be discussed in the context of trade facilitation and facilitation of trade. This is particularly relevant when talking about the WTO, which, like its predecessor the GATT, is primarily seen as a tariff-cutting body occupied principally with manufactured goods.

A recent World Bank study on trade facilitation<sup>6</sup> suggests that raising the capacity in trade facilitation of 75 countries halfway to the global average would increase world trade by US\$377 billion, an increase of about 9.7 percent in global trade. The welfare gains to be made through trade facilitation are huge - higher than the welfare gains that are going to emerge from tariff-cutting and trade liberalization measures.

Trade facilitation is an important area, but it tends to be neglected. What exactly is trade facilitation? One area that is of tremendous importance to the



facilitation of trade concerns the distribution chains of goods, or retail sectors on world markets. The past 20 years have seen incredible disinflation and falling consumer prices worldwide, in the countries that have participated in the global division of labour, so to speak. Several studies point to the benefits brought about, not only by reducing trade barriers, but also by heightening competition within retail sectors, improving the way goods are distributed to consumers and enhancing competition between marketplaces and different sorts of distribution chains.

This is an area that is often overlooked. A recent study of food prices in the United States shows that the expansion of WalMart's market share alone has had a greater influence on the falling price of food than all other tariff-liberalizing measures. This is not to suggest that trade liberalization is not important, but it does demonstrate the importance of the retail sector and of more competition in the facilitation of trade.

One of the most interesting patterns to emerge in recent years is competition between marketplaces: where is business done? This brings me to e-commerce, or online commerce, one of the greatest facilitators of trade in the past ten years. E-commerce has helped revolutionize the retail sectors in most of the countries participating in one way or another in globalization, and led to greater competition and falling prices.

<sup>6</sup> J. S. Wilson, K.L. Mann and T. Otsuki, "Assessing the Benefits of Trade Facilitation: A Global Perspective", *World Bank Policy Research Working Paper 3224*, 2005.

Online commerce is a global business. In 2007 eBay had revenues of roughly US\$ 10 billion. Google had revenues of US\$ 5.19 billion in the first quarter of 2008. The earnings forecast for iTunes in 2008 is in the region of US\$ 2 billion. Half of EMI's record sales now take place through iTunes. Two thirds of Microsoft's sales are currently online. Particularly in the professional services, much of the business being done today is based on e-commerce. There are three aspects to consider in this regard.

First, historical trade patterns clearly show that the true explosion in trade came with the rise of intra-industry trade, when firms started to delocalize and trade with their sister companies in other parts of the world. This is exactly what is going to happen with e-commerce as well.

Second, online commerce helps countries, firms and people exploit comparative advantages. It lowers transaction costs. It reduces the cost of doing business, for example thanks to outsourcing. I came across an interesting figure recently: by 2010, South and South-east Asia will be able to screen 600,000 x-rays per day, or the equivalent, in market value, of roughly ten Microsofts. This is a good example of how online commerce helps slice up the added value chain in services and use the comparative advantage of other countries to provide better and more affordable services.

Lastly, technology is going to be spread much more rapidly. Other trade agreements pertaining to information technology have had a tremendous impact on the speed at which new technologies like computers and the Internet are propagated. The same will happen with online commerce: technology will make it possible to reach new consumers at an unprecedented rate.

Several existing WTO agreements have implications for online commerce, notably the traditional GATT (a goods agreement) and the GATS (a services agreement). There are important differences between the two. The GATS is generally a much weaker agreement than the GATT; it has lower coverage and fewer participating countries. Both agreements have one shortcoming, however. It must not be forgotten that online commerce often involves establishing the marketplace, rather than trade in goods or services per se. Today there is great competition between marketplaces, and the marketplace can be a telephone, a TV set or a search engine. This implies making investments and obtaining market access in other countries. With e-commerce, it is not tariffs and other traditional barriers that tend to be a problem as much as the regulations and non-tariff barriers in force.

A second problem is the actual flow of data. About 40 countries presently try to control their citizens' access to websites that combine commercial ingredients with freedom-of-speech considerations, such as YouTube. When governments shut down such websites in their entirety, they also erode the platform for commerce. Because online commerce now represents so much value, this is tantamount to a highly discriminatory trade barrier. No WTO agreement really addresses this problem.

## EXCERPTS FROM THE DISCUSSION

### Mr. G.L. Peiris (Sri Lanka)

Sri Lanka is an example of a developing country that is making extensive use of ICTs for the purposes of social upliftment. It is not an LDC – its per capita income is too high – but it does have significant income and resource distribution problems. It is using ICTs to alleviate these problems and work towards social equity in three main areas: education, agriculture (IT is used to make available to farmers the information they need to access markets without having to resort to middlemen) and the legal system.



### Mr. N. Toure (Senegal)

The digital divide exists not only between developed and developing countries, but also within developing countries. In the face of this problem, Senegal put forward the concept of digital solidarity as embodied

in the Global Digital Solidarity Fund. One of the Fund's first contributors was the city of Geneva, followed by Senegal – charity begins in the home – France and other countries. The idea is to volunteer 1 per cent of the revenue generated by any digital product. Is this of interest to the WTO?

IT is obviously very useful, but it also opens the door to cybercrime. What measures have to be taken in this regard?

#### **Ms. T. Boontong (Thailand)**

E-commerce is the corollary of the digital revolution. In recent decades it has become a means of trade for multinational corporations and an enabling tool for small and medium-sized enterprises. At any time of the day, people around the world can sell or buy products and services by a simple "click". Services, including the ensuing payments and transfers, increasingly take place online.

The developing countries still have to overcome a number of challenges to benefit fully from these developments. In Thailand, for example, many consumers and end users still regard transactions conducted electronically with distrust, despite the existence of a comprehensive package of e-commerce laws. Inadequate legislation is therefore not the issue.

Trade is multijurisdictional by nature. National e-commerce laws cannot offer the degree of international protection the consumer desires. Without international coordination and cooperation, the questions of standards, civil liability, fraud, privacy and security will never be properly addressed. I encourage my fellow parliamentarians to think about this. We need an international legal instrument that facilitates and guarantees international electronic transactions. Such a law would encourage more productive and wider use of e-commerce, particularly in developing countries.

#### **Mr. R. Pal (India)**

How can international trade be extended to cover effective use of ICTs? This is a matter of capacity-building: education, training and access at low-level cost. The biggest hurdle is the digital divide. A number of countries need capacity-building support if they are to benefit from e-commerce. We have yet to hear from certain quarters how the poor countries are to bolster their capacity to access ICTs.

A global consensus is needed. How can international organizations like UNCTAD and the WTO help bridge the digital divide as soon as possible?

#### **Ms. K. Sinnott (European Parliament)**

What are the chances that Internet neutrality will survive the digital market and greater regulation?

#### **Mr. A.H. Musa (Sudan)**

E-commerce needs the help of the international community and the developed countries. Many developing countries do not have a developed banking system, and their intellectual property laws also have serious shortcomings. They need technical assistance to help them handle the new technology.

#### **Mr. K. Sasi (Parliamentary Assembly of the Council of Europe)**

The Internet is a freedom driver. We all know, however, how difficult it is to control. Can trade rules be applied to the Internet world? Does any country try to apply trade rules to online purchases of music? Anyone selling services within the European Union has to register and pay value-added tax. Large companies do this, but not necessarily small companies and individuals. Would companies be willing to register for and abide by worldwide trade rules in respect of e-commerce?

#### **Mr. D.H. Oliver (Canada)**

Protection of personal data and privacy are important issues, because we as parliamentarians have an obligation to protect the rights of the people who elected us. How do the GATT and the GATS apply to personal data and privacy? What should parliamentarians be recommending at home, and what multilateral approaches should they consider?

#### **Mr. F. Erixon (panellist)**

We must remember that the WTO is not an aid organization. Aid issues are dealt with by its Member States and other organizations. The Doha Round's aid-for trade discussion has shown that some trade agreements can cover financial assistance or aid between countries, but not to the same extent as multilateral donor organizations. The WTO can help with knowledge, expertise and capacity-building, but investment in physical infrastructure of the kind needed to bridge the digital gap is outside its remit.

We must be careful not to overemphasize the role of aid and donor investments in telecommunications when we talk about the digital divide and trade facilitation measures that give access to online

commerce. There has already been a high level of investment, but it has not necessarily borne fruit. This implies that the problem lies elsewhere, perhaps in how the domestic telecommunication market is organized.

Internet neutrality can be defined in various ways. It depends for the most part on investment in infrastructure capacity. If investment is insufficient at a time when the total volume of digital content is increasing at a tremendous pace, the ambition to have as neutral a system as possible will be disappointed. Both public and private mechanisms – pricing, regulations – will interfere.

As concerns privacy, the WTO has a working party on online commerce that also deals with rules and regulations applying to privacy. However, the working party has yet to come up with material everyone can agree to. It is not sure what form that material should take: an annex, like IT, or a separate agreement? It will be difficult to find an approach that satisfies all the parties. More than just online commerce, this is a problem relating to cross-border e-communication in general.

#### Ms. A. Holla-Maini (panellist)

Even closed economies fostering their own national satellite industries have huge digital divide issues. They remain closed to satellite communications because they fail to see the development benefits of satellites (tele-education, telemedicine), and use their systems only to broadcast television programming.

The Global Digital Solidarity Fund views satellite operators as huge companies that do not need aid. It overlooks the unique ability of satellites to reach people everywhere. Unfortunately, most of the funds made available for aid are directed at research or pilot projects; they are not used to help those projects become sustainable.

Satellites are primarily associated with broadcasting and television; development practitioners tend to think that people need food first, not television. Yet many case studies of countries around the world, notably in Africa, reveal other aspects of satellite communications. Malawi, for example, uses them to make its banking system work and to run microfinance programmes. Satellite communications are also part of early-warning systems that alert people to the risks of drought, locusts, floods, etc. When Mozambique was hit by devastating floods, for example, Save the Children used satellite communications to coordinate distributions of food and clothing.

Satellite operators provide the "tube" through which signals are transmitted. They can secure those signals to an extent that inspires confidence even in the military sector.

#### Ms. M. Julsaint-Kidane (panellist)

What is the WTO's role in respect of the digital divide? In principle, the WTO deals with market access, not cooperation issues. We know, though, that countries are not on a level playing field. Therefore, while it is important to negotiate market access within the WTO, it is first and foremost supply capacity that has to be addressed. What is the point of negotiating market access if the country does not have the capacity to supply the market? Supply capacity-building is dealt with by other organizations, by bilateral donors and in regional forums. UNCTAD, for its part, is researching and analysing what some countries are doing right to develop their ICTs and the industries based on them, and how their experiences can be replicated by other countries.

Measurement and data are key. Each country has to start by establishing the indicators it uses to define its domestic situation, before it can move on to policymaking. UNCTAD is working with other organizations on this aspect as well.

WTO trade rules already apply to one small area of e-commerce. Under the GATS, countries must allow cross-border supply of services. Because the GATS approach is sector-based, however, each country can decide sector by sector where the rules apply.

In terms of privacy, it might be interesting for parliamentarians to follow the services negotiations. Under the GATS, countries retain the right to regulate. This means they can regulate to ensure data protection and privacy. However, the WTO is also negotiating disciplines so that the regulations adopted are not more burdensome than necessary. The idea is to prevent countries from using what may be legitimate policy concerns to restrict trade unnecessarily. Currently, the only requirement of countries is that they must apply any measures affecting their commitments under the GATS impartially and transparently.

At present, therefore, countries are free to regulate privacy and data protection matters. The concern may now be whether national companies that follow such regulations at home require the companies they outsource work to follow them as well. One country's regulations do not apply in another country, of course, but companies do have the responsibility

to ensure that when they outsource work they request their partners to comply with minimum standards.

Indeed, it is in the interest of the companies vying for outsourcing business to implement such

standards: their reputations are at stake, and information travels fast. Indian companies, for example, swiftly realized that it was in their interests to meet international data protection standards, and this helped them get the business they wanted.



# GUIDELINES FOR RELATIONS BETWEEN GOVERNMENTS AND PARLIAMENTS ON INTERNATIONAL TRADE ISSUES

ADOPTED BY CONSENSUS ON 12 SEPTEMBER 2008

The purpose of the adoption of guidelines for relations between governments and parliaments in international trade issues is to provide all the national parliaments with the opportunity to scrutinise and have an influence on governments' trade policy. These guidelines apply to international trade negotiations in the broader sense, i.e. both to multilateral and bilateral frameworks. It is up to each parliament to decide the extent to which the guidelines should be implemented.

Three elements in relations between government and parliament can be pointed out which will help to ensure that the national parliaments gain an influence on trade policy.

These three elements are the quantity and quality of information to the parliament, the timing of information exchange, and finally the opportunities that the parliament has to use the information it has received to gain an influence on trade policy.

The following basic principles can be recommended on the basis of the above:

- The parliament shall receive relevant information on trade initiatives from the government in good time so that the parliament has an opportunity to take them into consideration before decisions are made;
- The parliament shall have a real opportunity to use the information received to gain an influence on its own country's trade policy;
- The parliament shall have an opportunity to follow up on its government's decisions.

## Recommendations on general guidelines

The following general guidelines can be recommended on the basis of the basic principles above:

1. A country's government should ensure that the parliament has easy access to all information regarding legislation and other trade initiatives as soon as it becomes available. This rule should apply to all international trade negotiations;
2. The government should provide the original documents and prepare easily accessible, clearly worded material on draft trade agreement, legislation, etc., for the parliaments;
3. Opportunities should be provided for meetings with ministers in the parliamentary Committees well in advance of international trade meetings such as the WTO meetings but also of regional or bilateral trade negotiations. The government should give an up-to-date account of the current position and its attitude to the different proposals at such meetings;
4. The parliament should be informed by the government well in advance as regards positions in the negotiations and decisions to be made at international trade organisations. Regarding the WTO, this concerns particularly ordinary meetings of the WTO General Council, WTO Ministerial Conferences, and, if necessary, meetings of WTO Negotiating Committees or Groups. The parliaments should also subsequently be informed of any new decision;
5. Members of parliament specialising in international trade should be included, as a matter of rule, in their country's official national delegations to international trade events including WTO Ministerial Conferences.

# RULES OF PROCEDURE

ADOPTED ON 26 NOVEMBER 2004, AMENDED ON 12 SEPTEMBER 2008

The days when foreign policy, and more specifically trade policy was the exclusive domain of the executive branch are over. The WTO is rapidly becoming more than a trade organisation, having an ever growing impact on domestic policies and the daily life of citizens.

The Inter-Parliamentary Union and the European Parliament are therefore jointly organising a Parliamentary Conference on the WTO (hereinafter the Conference) that will meet at least once a year and on the occasion of WTO Ministerial Conferences. The Conference is an official parliamentary event that is open to the public.

## ARTICLE 1 - Objectives

- 1.1 The Conference is a forum for the exchange of opinions, information and experience, as well as for the promotion of common action on topics related to the role of parliaments and the organisation of parliamentary functions in the area of international trade issues.
- 1.2 The Conference seeks to promote free and fair trade that benefits people everywhere, enhances development and reduces poverty.
- 1.3 The Conference will provide a parliamentary dimension to the WTO by:
  - (a) overseeing WTO activities and promoting their effectiveness and fairness – keeping in mind the original objectives of the WTO set in Marrakech;
  - (b) promoting the transparency of WTO procedures and improving the dialogue between governments, parliaments and civil society; and

- (c) building capacity in parliaments in matters of international trade and exerting influence on the direction of discussions within the WTO.

## ARTICLE 2 - Composition

- 2.1 Participants in the Conference are
  - delegations designated by parliaments of sovereign States that are members of the WTO;
  - delegations designated by IPU Member Parliaments from countries that are not represented in the WTO; *and*
  - delegations designated by the European Parliament, the Parliamentary Assembly of the Council of Europe, the Commonwealth Parliamentary Association and the Assemblée parlementaire de la Francophonie.
- 2.2 Observers to the Conference will be
  - Representatives of international organisations and others who are concerned by issues of international trade and specifically invited by the Steering Committee on the basis of a list that has been approved jointly by the co-organisers; *and*
  - representatives of governments of sovereign States that are members of the WTO.
- 2.3 The event will also be open to other persons with a specific interest in international trade questions. These persons may follow the work of the Conference without intervening in its proceedings and will have no speaking rights. They will be issued a security badge bearing their name only. They will not receive an official invitation or be accredited to the event.

### ARTICLE 3 - Presidency

- 3.1 The Conference is presided over jointly by the President of the Inter-Parliamentary Union and the President of the European Parliament, or their substitutes.
- 3.2 The Presidents shall open, suspend and close the sittings, direct the work of the Conference, see that the Rules are observed, call upon speakers, put questions for decision, make known the results of decisions and declare the Conference closed. The decisions of the Presidents on these matters shall be final and shall be accepted without debate.
- 3.3 The Presidents shall decide on all matters not covered by these Rules, if necessary after having taken the advice of the Steering Committee.

### ARTICLE 4 - Steering Committee and Secretariat

- 4.1 The Steering Committee is jointly established by the Inter-Parliamentary Union and the European Parliament and is composed of representatives of parliaments of sovereign States, of the IPU and the European Parliament as the Conference co-organizers, of selected other regional and international parliamentary assemblies and structures, and of the WTO Secretariat.
- 4.2 The Steering Committee is responsible for all matters relating to the organisation of the Conference and shall take decisions on the basis of consensus. All decisions taken by the Steering Committee shall, as appropriate, be circulated in writing and approved before the end of each meeting.
- 4.3 Membership in the Steering Committee shall be institutional, with every parliament or organization having the right to choose its representative(s). In the interest of consistency in the work of the Steering Committee, parliaments and organizations shall endeavour to ensure that, as far as possible, the person(s) who represented them in previous sessions of the Committee continue to take part in subsequent sessions.
- 4.4 When more than one representative of a national parliament takes part in a session of the Steering Committee, only one member of parliament per delegation shall be part of the decision-making process.
- 4.5 Changes in the composition of the Steering Committee shall be proposed jointly by the IPU

and the European Parliament, as the Conference co-organizers, subject to approval by the Steering Committee as a whole. Where possible, equitable geographical distribution shall be taken into consideration.

- 4.6 National parliaments shall hold a seat on the Steering Committee for a period of four years. However, the Steering Committee may invite a given parliament to hold its seat on the Steering Committee for another term. The rotation shall be scheduled in such a way that no more than half of the parliaments representing a given geographical region shall be replaced at any one time.
- 4.7 The definition of geographical regions for the purpose of rotation shall be established by the Steering Committee.
- 4.8. The Conference and the Steering Committee are assisted in their activities by the secretariats of the Inter-Parliamentary Union and the European Parliament.

### ARTICLE 5 - Agenda

- 5.1 The Conference decides on its agenda on the basis of a proposal from the Steering Committee, which shall be communicated to the participants at least one month before the opening of each plenary session.

### ARTICLE 6 - Speaking rights and decisions

- 6.1 Participants and observers have the same speaking rights.
- 6.2 Priority to speak shall be given to participants wishing to make a procedural motion which shall have priority over the substantive questions.
- 6.3 The Conference shall take all decisions by consensus of the delegations of participants. Conference decisions shall be taken after due notice has been given by the President.

### ARTICLE 7 - Outcome of the Conference

- 7.1 The draft outcome document of the Conference shall be prepared by the Steering Committee with the assistance of one or more rapporteurs and communicated to the participants sufficiently in advance.

7.2 Amendments to the draft outcome document shall be presented by the delegations as defined in Article 2.1 or by rapporteurs in English or in French with the amended parts clearly marked. Amendments shall relate directly to the text which they seek to amend. They may only call for an addition, a deletion or an alteration with regard to the initial draft, without having the effect of changing its scope or nature. Amendments shall be submitted before the deadline set by the Steering Committee. The Steering Committee shall decide on the admissibility of amendments.

## ARTICLE 8 – Adoption and amendment to the Rules

- 8.1 The Conference shall adopt and amend the Rules.
- 8.2 Any proposal to amend the Rules of the Conference shall be formulated in writing and sent to the Secretariat of the Conference at least three months before the next meeting of the Conference. The Secretariat shall immediately communicate such proposals to the members of the Steering Committee as well as to the delegations of the Conference. It shall also communicate any proposal for sub-amendments at least one month before the next meeting of the Conference.
- 8.3 The Conference shall decide on any proposal to amend the Rules after hearing the opinion of the Steering Committee, including on their admissibility.

## PARTICIPATION



### PARTICIPANTS

#### Parliamentary delegations

Afghanistan, Algeria, Angola, Austria, Bahrain, Bangladesh, Belgium, Benin, Bolivia, Bosnia and Herzegovina, Brazil, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Democratic Republic of the Congo, Denmark, Dominican Republic, Egypt, El Salvador, Estonia, Finland, France, Germany, Ghana, Greece, Guinea, Hungary, India, Indonesia, Iran (Islamic Republic of), Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Lesotho, Lithuania, Luxembourg, Madagascar, Mauritius, Mexico, Morocco, Namibia, Niger, Nigeria, Norway, Pakistan, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Rwanda, Saudi Arabia, Senegal, Serbia, Slovenia, South Africa, Spain, Sri Lanka, Sudan, Suriname, Sweden, Switzerland, Syrian Arab Republic, Tajikistan, Thailand, The former Yugoslav Republic of Macedonia, Togo, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay, Yemen, Zambia.

European Parliament, Assemblée parlementaire de la Francophonie, Commonwealth Parliamentary Association (CPA), Pan-African Parliament, Parliamentary Assembly of the Black Sea Economic Co-operation (PABSEC), Parliamentary Assembly of the Council of Europe (PACE).

### OBSERVERS

#### Governments of sovereign States members of WTO

Afghanistan, Austria, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Chile, Croatia, Cyprus, Denmark, Dominican Republic, Estonia, France, Germany, Israel, Italy, Kenya, Latvia, Lithuania, Madagascar, Niger, Philippines, Republic of Korea, Republic of Moldova, Romania, Slovakia, Sri Lanka, Sweden, Thailand, Tunisia, Ukraine, Venezuela, Viet Nam.

#### Intergovernmental Organizations

Agency for International Trade Information and Cooperation (AITIC), European Commission, Food and Agriculture Organization of the United Nations (FAO), International Monetary Fund (IMF), United Nations Conference on Trade and Development (UNCTAD), World Bank, World Trade Organization (WTO), International Trade Center.

#### Parliamentary Associations and Assemblies

Assembly of the Western European Union, EFTA Parliamentary Committee, Inter-Parliamentary Assembly of the Eurasian Economic Community.

## COMPOSITION OF THE STEERING COMMITTEE

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The Steering Committee of the Conference is currently composed of representatives of the following parliaments and international organizations:

Belgium, Canada, China, Egypt, Finland, France, Germany, India, Iran (Islamic Republic of), Japan, Kenya, Mauritius, Mexico, Morocco, Namibia, Niger, Nigeria, South Africa, Thailand, United Kingdom, United States of America, Uruguay, Commonwealth Parliamentary Association, European Parliament, Inter-Parliamentary Union, Parliamentary Assembly of the Council of Europe, World Trade Organization



## ACRONYMS

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|--------|---|
| ACP    | African, Caribbean and Pacific  |
| GDP    | Gross Domestic Product  |
| FAO    | Food and Agriculture Organization of the United Nations   |
| GATS   | General Agreement on Trade in Services  |
| GATT   | General Agreement on Tariffs and Trade  |
| G33    | Group of developing countries   |
| G7     | Group of seven leading industrial countries: Canada, France, Germany, Italy, Japan, United Kingdom, United States |
| ICT    | Information and communication technology  |
| ILO    | International Labour Organization   |
| IMF    | International Monetary Fund   |
| IPCC   | Intergovernmental Panel on Climate Change   |
| IPU    | Inter-Parliamentary Union   |
| IT     | Information technology  |
| LDC    | Least developed countries   |
| MDG    | Millennium Development Goals  |
| NAMA   | Non-agricultural market access  |
| NGO    | Non-governmental organization   |
| OECD   | Organization for Economic Co-operation and Development  |
| SSM    | Special safeguard mechanism   |
| UNCTAD | United Nations Conference on Trade and Development  |
| UNFCCC | United Nations Framework Convention on Climate Change   |
| WTO    | World Trade Organization  |



