

---

---

# HONG KONG SESSION OF THE PARLIAMENTARY CONFERENCE ON THE WTO

Hong Kong (China), 12 and 15 December 2005

---

*Organized jointly by the Inter-Parliamentary Union and the European Parliament*

Item 3(b) of the provisional agenda

## **COHERENCE BETWEEN TRADE POLICY AND OTHER PUBLIC POLICY CHALLENGES**

*Discussion paper presented by Mr. Helmuth Markov, Member of the European Parliament*

1. This paper has been produced by an individual Member of the European Parliament with the aim of provoking debate by raising questions and providing a perspective which departs from the usual consensus view. The European Parliament's position on the Doha Development Agenda is set out in its report on "the assessment of the Doha Round following the WTO agreement on 1 August 2004" (A6-95/2005) and its resolution on [the Hong Kong Ministerial Conference] adopted on [XX November 2005].

### **Introduction**

2. This paper starts from the premise - recognised in the preamble to the Marrakesh Declaration - that trade is not an end in itself. Whilst trade can make an important contribution to human welfare, a rule-based multilateral trading system is essential. It is against the accomplishment of rights, recognized in national constitutions and international instruments, including the eradication of poverty, the promotion of education, employment, health, sustainable development, social cohesion and the protection of the environment - rather than figures such as the volume of trade - that the WTO as a whole and individual multilateral or bilateral trade agreements should be evaluated.

3. The development benchmarks agreed on in the United Nations framework, as the Millennium Goals, are only a small part of those general national and international obligations. It is clear that, under appropriate conditions, international trade can help development, but it is equally clear that, without appropriate regulation, it can be disastrous, and even flood markets, wiping out local producers. Therefore, the regulation of world trade is a condition for the existence of a stable and fair trade system. International trade rules should aim at enhancing countries' social and economic development.

4. Both developed and developing countries are today facing problems and challenges not imagined when the Marrakesh Agreements were signed: climatic changes that strongly affect even the world's most powerful nation, accelerated disappearance of small farmers, small-scale fishing and other jobs essential for the sustainable development and for food security, desertification, hunger, lack of access to basic services such as water, education and electricity. In most cases women are the first victims of these effects.

5. One of the striking, recent trade policy developments is that some of the strongest advocates of liberalisation are now complaining that it is not possible to compete with Chinese textiles producers. It is important to recognise that, whilst the textiles sector has special characteristics, it is not unique. Instead many other industries will face the same challenges unless there is a willingness to move away from an approach which treats liberalisation and increased trade as ends in themselves.

6. Account should also be taken of the benefits Trans National Corporations received as a result of market opening agreed under the Uruguay Round. A balanced, equitable trading system would require

such benefits to be accompanied by corresponding responsibilities in the form of rules, rather than general commitments to Corporate Social Responsibility.

7. But this is only a small part of the question. It is necessary to establish a better balance of power between the WTO and other international bodies and conventions, including the ILO and Multilateral Environment Agreements, as well as the obligation of development and the respect of Human Rights, including the conventions on the rights of children and the rights of women. An important step would also be to enhance the role which democratic Parliaments can play in giving voice to popular feeling in international fora such as the WTO. For this to work well, national governments must take responsibility for providing detailed information to their parliaments about their WTO commitments.

#### **Liberalisation of services: has it delivered the promised benefits?**

8. Nowadays, many leading institutions and economists see in the State a very necessary tool to solve the major challenges our societies are facing. It was often argued that we would receive many benefits from the liberalisation of services.

9. After much experience, there is no evidence that liberalisation provides the population with better and cheaper access to essentials such as water or energy. Both in the North and in the South, public opinion is concerned about the privatisation of basic services. In addition to questions of access, the obligation for private enterprises to generate immediate returns has caused under-investment. Moreover, most specialists and organisations dedicated to the struggle against major epidemics, insist that it is impossible to tackle them without a strong public health service and a supply of safe water.

10. Industrialised countries have all built their development on strong public services and public investment. The same possibility should be given to the developing countries.

11. A global trade regime must pay due respect to the responsibility of governments to meet the rights of their citizens. In particular the accessibility of services of general interest is of such crucial importance to the well-being of the world's citizens that it cannot be left to the tides of market forces. Providing clean water, education or health services only to those who can participate in a market would mean sentencing to death all those who can not.

12. Here, the significant importance of quality services should be stressed with regard to the development of international trade, particularly transport, telecommunications and financial services. Only 48 of the 148 members have submitted preliminary offers. The Commission has already submitted requests to 103 WTO countries seeking improved access to their markets for services, but the European Parliament has repeatedly expressed its concern about the liberalization of sectors dealing with people's basic needs, such as water supply, health, and education as well as the audiovisual sector.

#### **Intellectual property rights: a help or hindrance to development?**

12. Although the agreement reached in 2003 in the run up to the last WTO Ministerial Conference, to facilitate poorer countries' imports of cheaper generic drugs using compulsory licenses, was welcome, it offers a complicated and too limited solution to the problems. If existing drugs could be made available to tackle the three major epidemics, many of the 5 million people who die every year from AIDS, malaria or tuberculosis could be saved.

13. Much hope has been invested in the idea that free markets and competition would help lower costs and stimulate research. Whilst this has lowered costs in some cases, the reality is that the companies have concentrated their research into the illness of rich countries, and abandoned research into epidemics affecting the poor. The progress of epidemics requires major public action. The agreement of 30 August 2003 proved to be insufficient to answer to this major crisis. A reform of Articles 30 and 31 of the TRIPS agreement, as promised by the industrialized countries in Doha is more urgent than ever.

14. In addition, TRIPS reform should aim to solve two other urgent public policy problems: the access to traditional seeds for farmers, which is essential for food security but threatened by patents and GMOs; and an acceleration in the transfer of technology to developing countries.

**Agriculture trade policy: give priority to the struggle against hunger and to provide work for small farmers**

15. Agriculture remains the most important activity for the survival of the majority of the poor of the planet. 62 % of the world's population are farmers, but the existing WTO Agreement on Agriculture does not favour them, but instead the interests of large-scale agri-businesses. For small farmers of the North and of the South, exporting is not always the priority.

16. From a public policy point of view, priority should be given to the concept of food sovereignty – the right of nations to determine their food and agricultural policies and put in place the measures required to achieve their objectives, including the protection of environment for future generations. Negotiations on trade in agriculture should include the possibility of introducing a 'development box' for the Least Developed Countries into the agriculture negotiations, so that they can tackle food safety and rural employment, which are major issues when it comes to eradicating poverty.

17. The industrialized countries must accelerate the suppression of export subsidies and unjustified internal subsidies. Poor countries should not be required to provide more market access in agriculture until this reform is completed and developed countries cease exporting at prices below production costs. The current Agreement fails to address adequately the concerns of the poorest countries (the G90), which are hampered by chronic supply side constraints, preventing them from taking advantage of export opportunities, and rendering them vulnerable to losses from increased competition on their domestic markets, as most of the benefits from less distorted agricultural markets will benefit medium or large developing countries (the G20).

18. Fewer exports but at a better price is a part of the solution. Unfortunately commodity prices have collapsed at the expense of producers. The international trading system should therefore focus on the creation of new international mechanisms and the promotion of agreements between producers and consumers, in order to stabilize commodity prices and to reach a better balance between the benefits of producers, international traders and retailers.

19. At the same time, the international trade system should enable individual countries to make their own choices on issues such as food safety standards, the acceptability of Genetically Modified Organisms and policies designed to promote animal welfare. The fair trade movement can play an important role here in promoting products which appeal to consumers whilst ensuring a higher, more stable level of income for small farmers.

**Development requires that every country decides when to open a sector to competition**

20. From the global perspective, there is no question that international trade needs to be refocused so as to make it fairer in both social and economic terms. The legitimacy and credibility of the WTO both unquestionably depend on the extent to which all its members and civil society are able to feel that they are reaping the profits which flow from international trade, and how the objectives of the Millennium Declaration of the UN will be linked to the Development Round.

21. No industrialised country has been able to begin to develop its economic activity in an open market. And the recent growth of India, Korea and China has been possible because those countries have controlled the opening of their markets, and have maintained a wide range of policy instruments.

22. Therefore all conditionality and pressure on developing countries, to open their market and liberalise, exerted by industrialised countries should be questioned. At the same time, there should be more emphasis on measures to promote production for local and regional markets, particularly for industrial goods, even if this requires a relaxation of certain WTO rules. For example article XXIV of the

GATT should be reformed, in order to extend the transition periods developing countries are allowed when assuming commitments under regional agreements.

23. In addition the WTO should mobilize all its experience and know-how to support South-South trade initiatives like the Global System of Trade Preferences Agreement without demanding reciprocal concessions for market stakeholders from the developed world.

#### **Environmental protection as a core value**

24. As the Marrakesh Agreement recognised, trade relations should be conducted with a view to raising living standards while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development. In other words, preservation of the environment is no less legitimate a policy objective than the promotion of economic growth. However, as WTO Agreements are negotiated by trade specialists, the tendency is to make a general environmental reference in the preamble without following this through in the substance of the Agreements.

25. When there has been collective agreement on multilateral standards, these should not be undermined by WTO Agreements or case law. Hence there is an urgent need to clarify the relationship between Multilateral Environment Agreements and the WTO.

#### **Democracy requires WTO transparency and a better hierarchy of international norms.**

26. Although the WTO has become increasingly conscious of the need to appear more open and transparent, in practice many decisions continue to be taken by small groups of countries without the full involvement of all WTO Members, far less that of civil society. Given that WTO Agreements and rulings can have such far-reaching impacts on national legislation, a substantial increase in transparency and implication are required in order to enhance the WTO's public acceptability. In particular it would be desirable to involve appropriate, specialised international agencies in dispute settlement procedures.

27. In addition, ILO standards, reflecting fundamental human rights such as freedom from forced labour, the entitlement to join a free trade union and to bargain collectively, as well as the WHO standards on public health, should be regarded as part of the WTO agenda and given appropriate weight in WTO dispute settlement cases.

#### **Conclusion**

28. This paper has already noted the need to review a number of existing WTO Agreements and to examine the relationship between them and the rights guaranteed, by constitutions, international conventions, and the Universal Declaration on Human Rights. In fact this approach should be generalised by assessing the implications for human development of each WTO Agreement. These assessments should be conducted by a credible, independent research programme, established with the approval of all WTO members, and with the results influencing future negotiations.