



SESSION ANNUELLE DE  
LA CONFERENCE PARLEMENTAIRE  
SUR L'OMC

GENÈVE, 1<sup>ER</sup> ET 2 DÉCEMBRE 2006

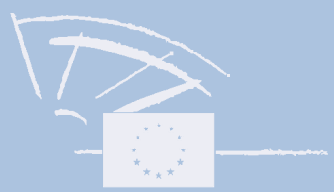
THE PARLIAMENTARY CONFERENCE  
ON THE WTO

GENEVA, 1-2 DECEMBER 2006



INTER-PARLIAMENTARY UNION

2006



EUROPEAN PARLIAMENT

---

Annual session of the  
Parliamentary Conference  
on the WTO

Geneva, 1-2 December 2006

**Inter-Parliamentary Union and European Communities, 2006**

All rights reserved. No part of this publication may be produced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the Inter-Parliamentary Union or the European Parliament.

This publication is circulated subject to the condition that it shall not by way of trade or otherwise, be lent, sold, hired out or otherwise circulated without the publisher's prior consent in any form of binding or cover other than in which it is published and without a similar condition including this condition being imposed on the subsequent publisher.

Photographs : H. Salgado, 2006

ISBN 978-92-9142-325-5

## CONTENTS

<b>ANNOTATED AGENDA OF THE SESSION</b>	<b>5</b>
<b>PROGRAMME OF THE SESSION</b>	<b>6</b>
<b>INAUGURAL CEREMONY</b>	
Mr. Pier Ferdinando Casini, IPU President	8
Mr. Manuel António dos Santos, Vice-President of the European Parliament	11
<b>DECLARATION</b>	<b>14</b>
<b>HEARING WITH THE WTO DIRECTOR-GENERAL, MR. PASCAL LAMY</b>	
Introductory remarks	16
Excerpts of the discussion	19
<b>DIALOGUE WITH MINISTERS AND SENIOR WTO OFFICIALS. WHAT FUTURE FOR THE DOHA ROUND? THE BENEFITS OF A SUCCESS, THE COSTS OF A FAILURE</b>	
Mr. Kamal Nath, Minister of Commerce and Industry (India)	26
Mr. Toshikatsu Matsuoka, Minister of Agriculture, Forestry and Fisheries (Japan)	27
Ambassador Clodoaldo Hugueneu Filho, Permanent Representative of Brazil to the WTO	28
Ambassador Peter Allgeier, United States Permanent Representative to the WTO	29
Ambassador Carlo Trojan, Permanent Representative of the European Communities to the WTO	31
Excerpts of the discussion	32
<b>DEBATE ON SUBSTANTIVE THEME (A): LESSONS TO BE LEARNT FROM THE HISTORY OF MULTILATERAL TRADE NEGOTIATIONS UNDER WTO AUSPICES</b>	
Discussion paper presented by Mr. Shakeel Ahmed Yousuf Abdul Razack Mohamed, MP (Mauritius)	39
Introductory remarks by Mr. Mohamed	42
Introductory remarks by Mr. Robert Sturdy, Member of the European Parliament	43
Excerpts of the discussion	45
<b>DEBATE ON SUBSTANTIVE THEME (B): MULTILATERALISM AND BILATERALISM IN TRADE POLICY</b>	
Discussion paper presented by Mr. Sajjad Karim, Member of the European Parliament	53
Discussion paper presented by Senator Donald H. Oliver (Canada)	58
Introductory remarks by Mr. Karim	61
Introductory remarks by Mr. Oliver	62
Excerpts of the discussion	63
<b>INTERACTIVE PANEL DISCUSSION. SHOULD AGRICULTURE BE WITHDRAWN FROM THE SINGLE UNDERTAKING?</b>	
Ambassador Crawford Falconer (New Zealand), Chairman of the WTO Committee on Agriculture	72
Mr. John Dupraz, MP (Switzerland)	73

## CONTENTS

Mr. Herbert Oberhänsli, Head of Economic and International Relations, Nestlé	74
Excerpts of the discussion	75
<b>INTERACTIVE PANEL DISCUSSION. HOW EFFECTIVE IS THE WTO DISPUTE-SETTLEMENT SYSTEM?</b>	
Ambassador Muhamad Noor Yacob (Malaysia), Chairman of the WTO Dispute Settlement Body	83
Mr. Jean-François Bellis, partner, Van Bael & Bellis, member of a WTO panel	85
Mrs. Debra P. Steger, Professor, Faculty of Law of the University of Ottawa, Director, EDGE Network	86
Excerpts of the discussion	88
<b>CONCLUDING REMARKS BY THE RAPPORTEUR</b>	97
<b>JOINT STATEMENT BY THE CONFERENCE CO-CHAIRS</b>	99
<b>PARTICIPATION</b>	100
<b>RULES OF PROCEDURE</b>	101
<b>COMPOSITION OF THE STEERING COMMITTEE</b>	103

## ANNOTATED AGENDA OF THE SESSION

### 1. Adoption of the agenda

### 2. Dialogue with Ministers and senior WTO Officials

*The 2006 annual session of the Parliamentary Conference on the WTO will be taking place at a time when, in accordance with the initial agreement, the Doha round of multilateral trade negotiations should come to its conclusion. However, the gaps in positions of WTO Members on key questions remain wide, jeopardizing the outcome of negotiations. Participants in the parliamentary session will be able to receive first-hand information on latest developments in the WTO talks, exchange views with top negotiators and put forward their suggestions for possible ways forward.*

### 3. Debate on substantive themes:

#### (a) Lessons to be learnt from the history of multilateral trade negotiations under WTO auspices

*Conference delegates are invited to focus, from a parliamentary perspective, on lessons to be drawn from the past and present of the multilateral trading system, with the WTO at its centre. Special attention is to be devoted to the issue of parliamentary oversight of trade negotiations.*

#### (b) Multilateralism and bilateralism in trade policy

*Regional and bilateral trade agreements have become so widespread that all but one WTO Member are said to be parties to one or more of them. It is estimated that over half of world trade is now conducted under regional agreements and bilateral free trade agreements between countries that are not in the same region. Under this agenda item, Conference delegates will be invited to discuss the consequences of this trend for the global multilateral trading system with WTO at its centre, and to exchange views on the role played by parliaments in overseeing government action in respect of regional and bilateral trade agreements.*

### 4. Panel discussions

#### (a) Should agriculture be withdrawn from the single undertaking?

*The focus of this interactive session will be on reasons for the stalemate in agriculture talks and on a possible way forward, bearing in mind broader implications of these negotiations for the future of the multilateral trading system. The debate should also cover the issue of responsibility of parliaments vis-à-vis demands by pressure groups to withdraw agriculture from WTO talks completely.*

#### (b) How effective is the WTO dispute-settlement system?

*The debate should focus on the relative strengths and weaknesses of the WTO dispute-settlement system, on whether a sustained suspension of the Doha Round is likely to lead to an increase in the number of conflicts referred to WTO dispute-settlement bodies, and on whether the resources of the existing system are suited for such a scenario. Of special interest is the question of whether parliaments should seek to play a greater role in the oversight of WTO litigation process, including the implementation of relevant decisions through national remedial action.*

### 5. 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

### Thursday, 30 November

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

### Friday, 1 December

- 08:00 - 18:30 *Registration of participants*  
 09:30 - 10:00 *Inaugural session*
- Mr. Pier Ferdinando Casini, IPU President
  - Mr. Manuel António dos Santos, Vice-President of the European Parliament
- 10:00 - 10:15 **Adoption of the agenda and other organizational issues**
- 10:15 - 11:30 *Debate on substantive themes*  
*Substantive theme (a)* **Lessons to be learnt from the history of multilateral trade negotiations under WTO auspices**
- Rapporteurs
- Mr. Shakeel Ahmed Yousuf Abdul Razack Mohamed, MP (Mauritius)
  - Mr. Robert Sturdy, Member of the European Parliament
- 11:30 - 13:00 **Dialogue with Ministers and senior WTO Officials. What future for the Doha Round? The benefits of a success, the costs of a failure.**
- Panellists
- Mr. Kamal Nath, Minister of Commerce and Industry (India)
  - Mr. Celso Amorim, Minister of External Relations (Brazil)
  - Mr. Toshikatsu Matsuoka, Minister of Agriculture, Forestry and Fisheries (Japan)
  - Ambassador Peter Allgeier, United States Permanent Representative to the WTO
  - Ambassador Carlo Trojan, Permanent Representative of the European Communities to the WTO
- 13:00 - 14:30 *Lunch break*
- 14:30 - 15:45 **Hearing with the WTO Director-General, Mr. Pascal Lamy**
- 15:45 - 16:30 *Continuation of the debate on substantive theme (a)*
- 16:30 - 18:15 **Interactive panel discussion. Should agriculture be withdrawn from the single undertaking?**
- Panellists
- Ambassador Crawford Falconer (New Zealand), Chairman of the WTO Committee on Agriculture
  - Mr. John Dupraz, MP (Switzerland)
  - Mr. Herbert Oberhänsli, Head of Economic and International Relations, Nestlé
- 18:45 *Reception at WTO*
- 20:00 - 22:00 *Steering Committee (in camera meeting)*

## PROGRAMME OF THE SESSION

### Saturday, 2 December

- 09:30 - 13:00 *Continuation and end of the debate on substantive theme (a), followed by*
- Substantive theme (b)* **Multilateralism and bilateralism in trade policy**
- Rapporteurs
- Mr. Sajjad Karim, Member of the European Parliament
  - Senator Donald H. Oliver (Canada)
- 13:00 - 14:30 *Lunch break*
- 14:30 - 16:30 **Interactive panel discussion. How effective is the WTO dispute-settlement system?**
- Panellists
- Ambassador Muhamad Noor Yacob (Malaysia), Chairman of the WTO Dispute Settlement Body
  - Mr. Jean-François Bellis, partner, Van Bael & Bellis, member of a WTO Panel
  - Mrs. Debra P. Steger, Professor, Faculty of Law of the University of Ottawa, Director, EDGE Network
- 16:30 - 17:30 *Continuation and end of the debate on substantive theme (b)*
- 17:30 - 18:00 *Closing session*
- Adoption of the outcome document**
- Rapporteur
- Mr. Geert Versnick, MP (Belgium)



## INAUGURAL CEREMONY

ADDRESS BY MR. PIER FERDINANDO CASINI,  
PRESIDENT OF THE INTER-PARLIAMENTARY UNION

*Geneva, 1 December 2006*



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

Exactly one year has passed since our meeting in Hong Kong, which was held in conjunction with the sixth WTO Ministerial Conference. Members of parliament specializing in questions of international trade and having a professional interest in the activities of the World Trade Organization have once again gathered together for a session of the Parliamentary Conference on the WTO. This year's meeting takes place in Geneva, the city that hosts both the WTO and the Inter-Parliamentary Union.

It is a great pleasure and honour for me to be addressing you here on behalf of the IPU. Seated in the room, together with parliamentarians, are members of diplomatic missions accredited to the WTO, officials of the WTO and other international organizations, representatives of the academic community, business, NGOs and mass media. A warm welcome to all of them.

Today's audience may be similar to that of the Hong Kong session, but the mood is not. Hope and expectation have given way to concern, apprehension and doubt. The Doha Round is stalled since last July, negotiations are jammed, the main protagonists have taken a costly time-out.

As politicians, we should hardly be surprised. After all, the Doha Round is the most ambitious attempt that governments have ever made to open trade multilaterally. The scope of the Round and the

number of countries involved in it are simply unprecedented, while a good part of the less complicated liberalization opportunities have already been exhausted.

In the next couple of days, we shall analyze reasons for the current unfortunate situation. We cannot hide that many of us are frustrated by lack of flexibility and by a seeming apathy in negotiations. The challenge is not technical, it is political. And, if so, the political cost of failure should perhaps be considered as the most compelling reason for reaching a deal.

We are aware that a number of "quiet exploratory discussions" are currently going on in Geneva and elsewhere and that different private soundings are also taking place. For the moment though, none of the principal protagonists seem to be ready to take the first step out of the impasse. The time factor plays against them of course: as we are often reminded, only a limited window of opportunity exists to achieve a breakthrough and complete negotiations in 2007. This window is between now and next spring.

If the current crisis in WTO negotiations is a consequence of insufficient political will, then members of parliament, elected representatives of the people, must be able to play a role in relaunching the talks.

When the Inter-Parliamentary Union and the European Parliament started to set up the parliamentary dimension of the WTO, our point of departure was the realization that the WTO had

become more than a mere trade organization. Indeed, its rules and rulings extend far beyond the traditional domain of tariffs and trade in goods. They reach into such domestic fields as health, education, employment, food safety and the environment, to name but a few. This extended outreach has broad implications for parliaments.

The public is holding governments and parliaments to account for the expectation of an increasingly wealthy and prosperous globalized world, with the WTO as its central pillar of economic governance. All too often however, parliaments have to ratify the already negotiated trade agreements as an indivisible package, thus obviating parliamentary debate and oversight. If left unchecked, this evolution could cause a serious democracy deficit. We consider it indispensable that trade policies should reflect the full diversity of views and opinions and garner popular support.

It is not uncommon for the WTO to define what kind of laws legislators can and cannot pass, and establish standards that countries must meet. Effective as this system may be for trade liberalization, it imposes limits on the ability of parliaments to forge legislation according to our perception of national objectives and popular aspirations. This leads to tensions, which are further exacerbated when WTO's dispute settlement system is used to challenge national laws.

Let us state it in the most clear terms: bringing parliaments and their members into the international arena does not alter the fundamental equation. It is for governments to negotiate international trade rules and arrangements on behalf of States, and it is for parliaments to scrutinize government action, influence policies pursued in intergovernmental negotiations, ratify trade agreements, implement them through appropriate legislation and budget allocations, and oversee the implementation process as a whole.

In multilateral trade negotiations, parliamentarians should not seek to carry the same kind of state responsibilities as government delegates. Nonetheless, they can, for example, contribute to setting up negotiating opportunities in areas where government officials would normally show reluctance.

Parliament represents a political spectrum which is naturally wider and more diverse than that of government. Members of parliament have particular aptitudes to bring to the negotiating table. They are also uniquely qualified to assist in building consensus through compromise - a skill in which they are well versed. Indeed, parliamentary life is a continuous

round of negotiations in which members of different political factions and persuasions form majorities and alliances that provide the foundations for constructive decisions.

In order for the parliamentary scrutiny of trade policies to be effective and meaningful, it is imperative that parliaments equip themselves with the necessary tools and information. Learning from each other, participating in inter-parliamentary exchanges and debates, engaging in direct discussions with WTO officials and trade negotiators, are all part of this exercise. We are confident that the Parliamentary Conference on the WTO provides a good framework for this.

The Conference Steering Committee has placed a number of important subjects at the heart of this session's agenda. In the course of the next two days, we shall consider the political implications of the stalemate in the Doha Round and try to draw lessons from the past and present of the multilateral trading system, from a parliamentary perspective. We shall also look at the role that parliaments play in overseeing government action in respect of regional and bilateral trade agreements.

Trade in agriculture will once again take center stage in our debates. In fact, this theme is more topical today than it has ever been before. Food production has become such a sensitive sector for both rich and poor countries that an impasse in agriculture talks now keeps the entire Doha Round off track. The main developed countries do not seem to be able to offer reductions in subsidies and tariffs that could satisfy developing countries. Given that the current Round is focused on development and since more than 70% of the world poor live in rural areas, such intransigence leaves a bitter political aftertaste.

We are often told that there is simply no way for WTO negotiations to succeed if the existing agriculture bias against developing countries is not properly addressed. At the same time, voices are heard in favor of withdrawing agriculture from the single WTO undertaking. Can this be done? Should it be? Who would be the winners and losers? We have invited leading experts in agriculture trade to share their views with us. Our interest is not only in naming reasons for the stalemate but also in identifying possible ways forward. The debate will also be an opportunity to address the issue of responsibility of parliaments vis-à-vis agriculture pressure groups that are increasingly active in many countries.

Another topic on our agenda is the functioning of the WTO dispute settlement system. Once again, the

timing seems to be right. The suspension of the Doha Round has shifted much of the attention from negotiations to dispute settlement, perceived as an alternative way of obtaining results. The system has proved capable of decisive rulings that are sometimes more relevant than the outcome of negotiations. The WTO demonstrably has the most effective dispute settlement mechanism in the entire international treaty system, and even allows for implementation problems.

However, the risk of imbalance between litigation and negotiation is real. Our debate should therefore focus on both the relative strengths and weaknesses of the WTO dispute settlement system. Of special interest is the question of whether parliaments should seek to play a greater role in the oversight of WTO litigation process.

We certainly stand to gain from the involvement of trade ministers, top WTO officials and leading experts in our discussions, including a hearing with the WTO Director-General himself. I look forward to this fruitful dialogue and take this opportunity to thank

all invited guests for their readiness to meet with members of parliament at this crucial moment for the continuation of the Doha Round.

The closing sitting of our session, which will take place tomorrow afternoon, will be devoted to questions of follow-up and 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 - for everything they have done to bring this process to a successful finale. We hope that the session will be crowned with success and look forward to a rich and constructive debate, in the true parliamentary tradition.

With these words, I conclude my introductory remarks and officially declare the annual 2006 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, 1 December 2006*



President of the Interparliamentary Union,  
Members of Parliament,  
Ambassadors,  
Delegates,  
Ladies and Gentlemen,

It is an honour and a pleasure to welcome the participants to what is already the fifth annual session of the Parliamentary Conference on the WTO. First of all, please allow me to extend greetings from the President of the European Parliament, Josep Borrell, who unfortunately cannot be with us today. However, he asked me to pass on his best wishes for the success of this session, which is being organised jointly by the European Parliament and the Inter-Parliamentary Union.

For many years, international trade issues were regarded as highly technical subjects which were the exclusive preserve of a select group of negotiators and experts. The conclusion of the Uruguay Round in Marrakech in 1994 marked the beginning of a new era in international trade negotiations.

From the outset, parliaments had to ratify the outcome of the Uruguay Round before the governments of their countries could join the WTO. In addition, unlike in the case of GATT the issues dealt with by this new organisation go beyond the scope of trade policy as it is traditionally defined and all these new issues have a direct impact on the daily lives of ordinary people and on society.

The Marrakech Agreement provided for negotiations to be resumed by 1 January 2000 at the latest. A new trade round was to be launched when the third

WTO Ministerial Conference met in Seattle (United States) from 30 November to 3 December 1999.

The very first formal meeting of legislators from the WTO member countries was held at that ministerial conference. I am sure that those of you who were present can still remember only too well the massive and sometimes violent demonstrations which accompanied the conference. At that time, the WTO was seen as the symbol of a globalisation process which was endangering jobs, the development of poorer countries and, by extension, the survival of millions of people.

It was against this backdrop of revolt that a small number of parliamentarians decided to meet, at the instigation of the US Senator William V. Roth and Carlos Westendorp y Cabeza, the then chairman of the European Parliament's Committee on Industry, External Trade, Research and Energy. That first informal meeting gave birth to the idea that the elected representatives of the peoples of the entire world should make their views heard. A very wide range of topics was addressed and matters relating to the democratic nature of the WTO and the transparency of its decision-making procedures were raised.

Parliamentarians next met in Doha in 2001, when, in a climate of dangerous international uncertainty, the Members of the WTO finally managed to launch a new round of trade negotiations focusing on development problems and the concerns of the poorer countries.

The Doha Round was launched with the aim of correcting imbalances in the multilateral trading

system, on the basis of the shared conviction that only a multilateral system founded on fair trading practices and fair and equitable rules is capable of fostering genuine development.

The negotiations cover a very wide range of subjects, including agriculture, services, market access for non-agricultural products, the environment and the WTO rules. However, despite the definition of a more detailed negotiating framework in August 2004, no agreement was reached at the Hong Kong Ministerial Conference and less progress has been made in the Doha negotiations than many had hoped. It is particularly disappointing that the Members have been unable to secure vital compromises by the deadlines they had set themselves and that the failure to bridge the substantial gulf between the positions of the main players, including the European Union, the United States and the G20, finally led to the negotiations being suspended sine die in July 2006.

Against that background, the representatives of the peoples of the WTO member countries have an important role to play in making their governments grasp the urgent need to resume and conclude these negotiations. In that connection, our conference comes at a particularly opportune moment.

The European Parliament is particularly concerned that the failure to reach agreement on the Doha development programme might undermine the credibility of the multilateral trading system, and perhaps even cause its collapse, and could lead to a proliferation of regional and bilateral trade agreements which would involve lopsided and less transparent negotiations and exacerbate the imbalances between the developed and the developing countries.

The WTO is important because I am convinced that trade can be a powerful force for development and help to reduce poverty. The potential outcome of the negotiations is a source of great optimism, optimism borne out by some of the figures put forward by the World Bank.

The international community set itself a wide range of objectives at the Millennium Summit, the Doha Conference and the United Nations Conferences on development funding (Monterey) and sustainable development (Johannesburg). Trade is not the only solution, but the successful conclusion of the negotiating round could go a long way towards helping us achieve those objectives.

The developing countries and the least developed countries are those which would suffer most, in the short and medium terms, from a prolonged suspension in the negotiations, since the long-

awaited rebalancing of the trade rules in their favour cannot be secured outside the multilateral framework.

I firmly believe that the developed countries should continue to create more favourable trading conditions for developing countries and LDCs, whatever the outcome of the negotiating round. It will be particularly important for developed countries and advanced developing countries to follow the EU's 'Everything But Arms' initiative, by ensuring market access which is totally free of duties and quotas for products from LDCs.

Equally worrying is the fact that the suspension of multilateral negotiations could lead to an increase in trade disputes, as WTO members could seek to obtain through dispute procedures what they would be unable to obtain through negotiation.

WTO members must now have the courage to restart the negotiations, to give them real impetus and to engage in an intensive and constructive dialogue in a spirit of compromise. In that sense it has been encouraging to witness the negotiators showing a willingness, over these last few days, to resume discussion. We hope that new proposals will soon be on the table.

For the Doha mandate to be fully implemented it is essential that the points agreed upon during the negotiations are retained and that the offers made thus far on the various negotiating points form the basis for further negotiation.

The fate of the Doha Development Programme lies today in the hands of those who control it – the members of the WTO. To those members falls the heavy responsibility of establishing positions of principle, negotiating concessions and deciding how far they can go in the various fields.

Parliaments cannot take decisions on behalf of their governments. We cannot impose a consensus. We cannot get things moving again when governments are being inflexible. But we are determined to do our utmost to persuade our governments that the persistent climate of uncertainty now hanging over the future of multilateralism, and of the WTO itself, will further exacerbate global economic and political difficulties and have economic, financial and social repercussions.

As the legitimate representatives of the people who elected them, parliamentarians have a triple role to play in the area of international trade. First, a 'supervisory' role, which consists of monitoring the actions of our governments and ensuring that they are accountable to us. Second, a role in examining

and ratifying international agreements presented to us. And third, a role in drawing up and monitoring legislation to implement international agreements.

Furthermore, parliamentarians can help to explain to the general public how the trade system works and the benefits it brings. They can help people understand and control the mysteries of globalisation, and promote awareness and informed debate on international trade issues. And as legitimate representatives of the people, parliamentarians form an important link between the public, civil society and governments.

Until such time as genuine global governance is set up, centred on the United Nations, we need to use the most effective tool at our disposal for matters of international trade, which is the WTO. It is the most global organisation – having 149 members – and the only one with the means to ensure that international rules are respected, through its Dispute Settlement Body.

It still, however, needs to be made more effective, more democratic and more transparent. And I believe the current structure and workings of the WTO should be reformed as soon as possible to achieve this.

We parliamentarians have come a long way since Doha.

Since 2003 the European Parliament and the Inter-Parliamentary Union have jointly organised sessions of the Parliamentary Conference on the WTO. I mentioned at the beginning that this is already the fifth session. After Geneva and Cancun in 2003, Brussels in 2004 and Hong Kong in 2006, here we are reunited once again in Geneva.

As you can see, there is no shortage of topics for discussion. I have no doubt that our discussions will be fruitful, and I am confident that our formal appeal for a resumption of the Doha Round negotiations will be heard.

Thank you for your attention.



## DECLARATION

ADOPTED BY CONSENSUS ON 2 DECEMBER 2006

1. We, parliamentarians gathered in Geneva for the annual session of the Parliamentary Conference on the WTO, are gravely concerned at the prospect of a real failure of the Doha Round of trade negotiations. Despite the promise of more flexibility, major parties to the negotiations have shown little of it and the talks in the key areas of agriculture and non-agricultural market access have not progressed since the Hong Kong Ministerial Conference. This is a wake-up call for all political decision-makers, not least those of us who, as members of parliament representing the interests of the people, have the duty to oversee government action in the field of international trade and promote fairness of trade liberalization.
2. We reiterate our full commitment to the multilateral approach to trade policy and our belief in the central role of the WTO as the guarantor of a rules-based global trading system.
3. A prolonged suspension of the Doha talks would have a lasting negative effect on the entire multilateral trading system and may result in a proliferation of bilateral and regional trade agreements which often put poorer countries in a disadvantaged position. If efforts to revive the negotiations are not successful, the losses incurred would be immense, both economically and politically. Among the first to be adversely affected would be the least developed countries (LDCs), including cotton-exporting countries in Africa. In this regard, we welcome the decision of the Informal Trade Negotiations Committee meeting of 16 November to engage in a soft resumption of the negotiations.
4. We call for a strong commitment on the part of all major players in the trade negotiations, including the European Union, the United States and the G20 parties, and urge them to reach a balanced agreement on all main negotiation topics of the Doha Round, while placing special emphasis on the need to ensure meaningful and sustainable economic gains for developing countries and in particular for the least developed countries. An agreement on specific quantifiable commitments on agriculture, where trade-distorting practices are particularly widespread, is fundamental for the overall progress in negotiations. As early shoots of neo-protectionism are already in sight, with influential protectionist lobbies being very active we emphasize the need for the parliamentary community to address this problem as a matter of priority. We also underline that, in order to fully implement the Doha mandate, the positive achievements of the negotiation must be preserved and offers made to date on various elements of the negotiating agenda should form the basis of the continuation of negotiation, bearing in mind that the market access process should be accompanied by measures to provide adequate information to consumers.
5. Keeping the focus on development is of paramount importance, particularly in order to con-

tribute to the achievement of the Millennium Development Goals. We welcome the endorsement by the WTO General Council of "Aid for Trade" recommendations on 10 October 2006 and urge all concerned parties to engage actively in their implementation. We also call on both developed and developing WTO member countries to create more favourable trading conditions for the LDCs, without awaiting the resumption of negotiations. The following areas deserve special attention: cotton; trade facilitation including improvement of infrastructure and of procedures and modalities of transactions; granting of duty-free and quota-free access for products originating from LDCs, such as the "Everything But Arms" initiative of the European Union and other relevant initiatives; real technical assistance and capacity-building measures. We call for a refocusing of policy on the needs and interests of developing countries as the starting point for the resumption of talks.

6. In the absence of a successful conclusion of the Round, there is a risk that WTO Members would try to achieve through litigation what could not be achieved through negotiations. The WTO dispute settlement system serves as a guarantee that violations by any country - no matter how big - are no longer beyond the reach of other Members. Therefore, it is important to ensure that the resources of the existing system are suited to the accelerated growth in the number of commercial conflicts referred to the WTO dispute-settlement procedures.
7. More than ever, the WTO is faced with organizational and institutional challenges. Before long, it will need to engage in institutional

reform aimed at improving its functioning, and enhancing its accountability and democratic legitimacy. We are convinced that the negotiations process should be based on a bottom-up, transparent and inclusive approach. Consensus must be preserved as a cornerstone of WTO decision-making. It would be inconceivable to impose on any country trade policies that undermine its development. Moreover, we call for greater coherence between the objectives and rules of the WTO and the commitments made under other international conventions and agreements.

8. The current pause in negotiations should be used for reflection on ways of improving conditions for future talks. It would be particularly important to look at the usefulness of negotiation modalities based on trade-offs between the vastly different negotiation baskets. Under the present system, delegations often wait for the last possible moment to make their offers, which makes it difficult to calculate benefits prior to the conclusion of agreements.
9. We reiterate our commitment to provide a strong and effective parliamentary dimension to the WTO along the lines of earlier declarations adopted by our Conference. As part of this ongoing effort, we believe it is crucial for parliaments to exercise ever more vigorously and effectively their constitutional functions of oversight and control of government action in the area of international trade. Greater attention should be paid to trade-related capacity-building measures targeted at parliaments of developing countries in order to create equal possibilities of participation.



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



### INTRODUCTORY REMARKS BY MR. PASCAL LAMY

Thank you for having invited me here to participate in your work once again, which I am delighted to do. When I became the WTO Director-General in 2005, I took out my habitual subscription to the IPU for a number of years; I may have forgotten quite a few of my previous habits, but that of working with parliamentarians has stuck. As Director-General, it is my task to ensure that work moves forward and that requires negotiations. Other ongoing WTO activities include those of working out new rules and ensuring that rules already negotiated are applied, but the work of updating and changing those rules is in your hands. Those who work in the kitchen must concern themselves with the end consumer of the dishes cooked up at the WTO and I will therefore try very quickly to bring you up to date on the stage reached in the negotiations. Judging by the versions of that stage which you heard in a number of this morning's interventions and which were reported to me in some detail, a general common thread seems to have emerged, despite the few natural differences. I shall attempt to clarify a number of further issues without repeating anything already said then, which should leave us with some time for dialogue, an exercise at which you - parliamentarians - are best.

I evoked the image of the WTO kitchen working to develop dishes of which you are the end consumers and last July that work had to be interrupted because the chefs disagreed with each other, although not for the first time. In this case, however, they

essentially disagreed on the final outcome and not on the basic ingredients insofar as the negotiations have been ongoing for the past five years and much has already been developed. The disagreement came about when the huge menu of dishes was finally put together and it centred around one issue that was perhaps the most visible dish on the whole menu of agricultural issues on which we are working. In short, that disagreement on agriculture among the main actors - who are not the only actors, but they are the main ones - namely the United States, Europe, Japan, India and Brazil, was so great that together we took this very difficult decision to take a break so that the head chefs around the table could reflect on the matter and consult with their authorities until such time as they were ready to return with more flexible positions in order to conclude the agreement that we are seeking. This interruption consequently gave rise to a considerable amount of thought and discussion among all WTO members and the gradual series of ensuing political reactions led to a very rare full consensus among them for a resumption of the negotiations. In reaching that decision, a role was played by parliaments and the IPU first and foremost assumed the difficult responsibility of making a strong appeal for that resumption.

The outcome was a decision some 15 days ago among members, who indicated to me their strong desire to resume negotiations, which was accepted on the basis of a two-phased approach. The first phase was to involve a technical resumption among experts and ambassadors here in Geneva, meaning that we gradually relit the fires of the various negotiating

groups on agriculture, the dispute-settlement system, environment, rules, anti-dumping and so on. Consequently, all of these different technical ovens are heating up again. What we have not yet decided to do is to come back together around a ministerial table with the main head chefs, from whom we are awaiting general signs that they are ready to come back to that negotiating table with more flexible positions. Naturally, the precondition is that others must do the same. The signs that have so far emerged are too general for a ministerial resumption of negotiations to occur. In order for that to be achieved – and I hope that it will come about shortly – the fairly dense technical work that currently under way must lead to concrete proposals, in particular on agriculture.

The huge ongoing debate concerns the reduction of agricultural subsidies that disrupt trade on the one hand and improved market access for agriculture with the reduction of tariffs on the other. We need the statistics that I hope will produce the necessary balance among the United States, Europe, India, Japan and Brazil, but more technical and political work is required before we reach that stage.

I should also like briefly to mention the lessons learnt from the reflection process that took place between July and the resumption of technical work in Geneva 15 days ago among ministers and in each of the member States. I have had meetings with ministers of the G20 in Brazil, with finance ministers in Singapore at the Annual Meeting of the International Monetary Fund (IMF) and the World Bank, with the Cairns Group, including ASEAN countries, and with the EU. I have also been to Washington and Brussels on several occasions and I will return next week to the ASEAN Ministerial Meeting in the Philippines. Although political decision-makers do not often have the details of the negotiations, all of these contacts and meetings at the political level have led me to two conclusions: first, we need to avoid defeat, and secondly, what is already on the table?

As you know, the negotiations are not yet complete, but much progress has nevertheless been achieved over the past five years. The possibility of failure for these negotiations is no longer simply a distant hypothesis. Talk of that possibility was previously more rhetorical than anything else, and although rhetoric is part of political speak, still no one really believed it. What happened in July, however, showed us that failure was a distinct possibility – not one that anyone wanted, of course, but a possibility nonetheless. This period of reflection has allowed us to think over the issues, as a result of which I believe that the economic, systemic and

political consequences of failure are clearer and would, as we all appear to agree, be extremely serious.

First, the economic consequences would be the loss of potential growth allowed by new openings in international trade, in particular for the developing countries, which are most in need of growth. It is unanimously accepted today that the main economic victims of a failure of these negotiations would be the developing countries; naturally, the more we revert to the law of the jungle in international trade, the better the world is for the rich and the powerful and the worse it is for the weakest and the poorest.

The second probable consequence of failure is more systemic and concerns the erosion of the collective insurance policy, as it were, which WTO members have jointly signed against protectionism. The risk of protectionism in today's world is stronger today than it was five or ten years ago for a number of reasons, primarily globalization, of which international trade is one aspect, and globalization is progressing extremely fast – perhaps too fast for economic, social and political systems at the national level to adapt. Moreover, fears are being expressed at the political level much more so than in the past. Hence, the risk is that these fears and concerns, which are perfectly legitimate because they reflect the reality for billions of people on this earth, will turn from a desire for protection into genuine protectionism, leading very simply to protectionist measures. One only needs to look at the history of the nineteenth century and the worst parts of the twentieth century to see the tragic consequences of protectionism on economies and on the stability of the planet as a whole.

The third political, or more precisely, geopolitical consequence relates to the aim of the current Development Round, so called because one of its purposes was to resolve a number of problems in the international system inherited from the eight previous Rounds. During the last 50 years, the international trade system has been considerably improved through GATT and the WTO. The improvements were gradual, but in some areas we have not yet overcome that situation in which the former balance of power continues, as was long the case in the textile and clothing sector, for instance, where the colonial model persisted far beyond the period of political decolonization. This is still the case in areas such as agriculture, where it is no coincidence that many developing countries undeniably have a comparative advantage. We see protectionism remaining in those sectors much more than in others – cars, tyres or electronic chips, for

example. It is also no coincidence that the tariff structures in developed countries continue to include tariff escalation, which means tariffs of zero on raw commodities exported from developing countries, of 10 per cent on semi-processed commodities, of 20 per cent on commodities in the first stage of processing and of 30 per cent on fully processed commodities. This was among the demands made by developing countries at the beginning of the Round when they wanted to address what, rightly so in their eyes, was a reflection of an economic balance of power that in turn reflected the political balance of power.

Before I conclude, I should like to give a brief overview of the consequences of failure. Naturally, the focus tends to be on what remains to be done in the negotiations, one stage of which, representing up to possibly 30 per cent of the whole, still needs to be completed in order to wrap up the package already on the table. Before returning to that new momentum required for the final stage, however, it would be extremely useful if governments, parliamentarians and WTO members were to turn their attention to what is already on the table. In terms of trade opening and market access, that package is two or three times the volume of what was already achieved during the eight years of the preceding rounds, which ended in 1994. In short, the subsidy reduction in agriculture would be two to three times more than what was on the table 10 or 15 years ago. As for industrial tariffs, the focus is now on the highest level of tariffs, namely those which have the greatest impact on trade and anti-dumping rules, and on entirely new issues, such as the disciplines we are negotiating on fishing subsidies. In many countries, the fishing sector is of considerable significance and plays an increasing role in the food supply. The sector is subsidised to the tune of 20 to 30 per cent and its economic impact is plain to see, as are the effects of overfishing.

Other examples include environmental concerns, development issues and, more broadly speaking, the organization of trade, all of which call for more robust international rules. It is essential to remember that the potential package already on the table will build substantially on what remains from the Uruguay Round and have an impact on trade opening. Naturally, it is vital to conclude the negotiations and it cannot be said that reduction of export subsidies and the extension of duty-free and quota-free market access for LDCs are already a fait accompli. They are on the table but will only materialize if the negotiations are concluded. Now that we are thinking about the final stage, a clear

picture of what is already on the table is essential.

That is the essence of what I wanted to say. During the past year, talks among some of us have led to the development of negotiations on Aid for Trade, or in other words, to a better convergence than in the past between development policies, whether at the multilateral or bilateral levels, and trade opening. These efforts were driven by the simple idea that it is all well and good to provide developing countries with better access to European, United States, Japanese or Australian markets, for instance, but those countries must also be equipped to make the very most of the new opportunities offered to them, which is very often dependent on their capacities. Countries such as Brazil, China, Egypt, India, Indonesia and South Africa have already so equipped themselves more recently and more quickly than others, whereas poorer countries do not have that capacity. This is why it is so important to ensure that what we do in the WTO is also complemented by stronger international coherence and linkage with the work of the IMF, the World Bank and various United Nations agencies, including the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO), as well as bilateral and multilateral donors. I mention these because, although work on Aid for Trade is not intimately linked to the failure or success of the negotiations themselves, it is something that we shall pursue, including the holding of an annual event in 2007. I also mention this now because, as parliamentarians, you are often key players when it comes to receiving or giving instructions on finance and development, for example, sectors at which I believe we should start looking together.

After a year in Geneva in the position entrusted to me as the WTO Director-General, I am much more convinced than I was at this time last year of the need to conclude these negotiations. Failure is possible but the consequences for your own countries will be such that we must fight it as much we can. It is quite true that goal posts may shift within the negotiations themselves, which is a matter for the negotiators. Ratification, on the other hand, is an entirely separate issue that is your responsibility in your role as parliamentarians. I know from experience, however, that all negotiators must operate within the mandates conferred on them, not only by governments, but indeed also by parliaments. Hence, your role in the negotiations is not purely restricted to that of the end consumer of this dish. In many of your constitutional systems, the end user

can go into the kitchen for an inspection and it is for that reason that I would say to you today that it is not just a question of mobilizing at the very last minute. It is also one of keeping close eye on what is happening in the kitchen and we are very much approaching that moment of truth. I certainly hope that you will allow your Governments sufficient margin for manoeuvre here. My message to you today is fairly straightforward, namely that the effort is truly worthwhile.

## EXCERPTS OF THE DISCUSSION

### Mr. Dupraz (Switzerland)

Regrettably, we as parliamentarians have very little to add on the subject of democracy in the WTO. Is it normal and fair that main players such as Australia, Brazil, the EU, India and Japan, whom I believe met recently, should seek an agreement on agriculture, for instance, and that the others should be required merely to go along with it? What kind of say do the LDCs and other developing countries have in this and what kind of democracy is at play in an institution in which the powerful call the shots? The agricultural aspect was the biggest failure of the Uruguay Round in that it led to a minimum access of 5 per cent for agricultural products and retained export subsidies. The powerful countries are consequently able to export to the LDCs and simply destroy their subsistence farming, which is unacceptable. Has that major failure even been taken into account in the Doha Round? While there are ostensibly many aspects to the Round, it is above all, as I understand it, an agricultural round. Very little progress has in



fact been made in the other areas. If the WTO is to have some sort of future, how will the three types of farming, namely subsistence farming in the LDCs, multifunctional farming in the EU countries and Switzerland, and export farming, be reconciled so that there is some hope of survival for all?

### Mr. Menzies (Canada)

I do not envy you your job, but rest assured that Canada will continue to maintain its support for your efforts. As parliamentarians, we are called upon by our constituents to spend their tax dollars wisely, given that worldwide subsidies stand at approximately US\$ 360 billion annually, compared with US\$ 60 billion for worldwide ODA. Does this serve as a good argument for us, as politicians, to put an all-out effort into doing the right thing by allowing developing-country access to developed-country markets through reduction of our domestic supports and our high tariffs that inhibit trade? What can we do to change the mindset of the developed world from one of protectionism to one of inclusion? Our constituents are our masters. How do we convince them that they can, for less money, be part of the solution and in so doing help developing countries climb out of poverty?

### Mr. Van Hecke (European Parliament)

In awaiting and preparing for the resumption of negotiations, the WTO is clearly widening its role to include involvement in the issue of Aid for Trade. The Hong Kong Ministerial Declaration invited you to create a taskforce to provide recommendations on how Aid for Trade might contribute most effectively to the development dimension of the DDA. The recommendations contained in your report require substantial additional targeted resources for trade-related programmes and projects. In your statement at the recent round table in Singapore on Aid for Trade, you also emphasized that Aid for Trade is an area where the WTO can neither deliver nor implement outcomes and that the solution will come only from working with others, such as banks, funds and United Nations agencies at international level and trade and ministries at the national level. My first specific question on this issue is therefore how will you define the responsibility of each organization or agency for the tasks involved in Aid for Trade? Secondly, how will private-sector commitment to this entire process be secured? Thirdly, will beneficiary countries have any responsibilities towards donor countries once Aid for Trade has been successfully implemented?

### Mr. Pirinski (Bulgaria)

You have described as impressive in terms of additional market opening the 70 per cent which you say is already on the table. This morning, however, we heard assessments that what is on the table is very problematic for various developing countries such as India, for example, in that market opening may kill off industry and lead to mass unemployment. The concerns voiced by the delegates from Switzerland and Canada also point in that same direction. How do we therefore assess what is on the table and should more careful consideration be given to the underlying values used to make that assessment? I believe that you commented on the issue of values only a month ago and pointed out that market opening is not the whole story. At this very critical moment in the development of international policies involving such careful negotiations, a major rethink of main policy approaches to the most crucial issues of the day would appear to be in order. In your estimation, is there room for such a basic rethink, bearing in mind also the new make-up of the United States Congress, which is regarded as detrimental to a more liberal approach on the one hand but potentially conducive to a more comprehensive assessment of the current situation on the other?



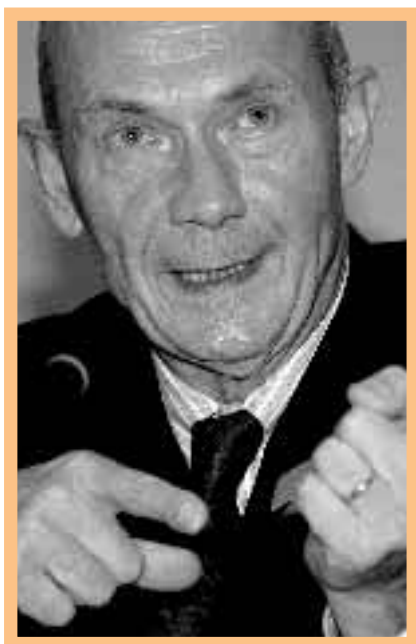
### Mr. Sasi (Parliamentary Assembly of the Council of Europe)

There has been a great deal of change since the demonstrations in Seattle in 1999. Many of those who were critical powers in the WTO at the time now

have a good understanding of multilateral trade agreements, which protect the world's poor, and the mood in civil society is also much more favourable towards the WTO. My first question to Mr. Lamy concerns what we parliamentarians can do to help in speeding up the negotiations. Should we arrange round-table discussions in our own countries and parliaments and explain to farmers, for example, that our futures do not lie in farming subsidies? If so, are you able to offer us support or other assistance in arranging such discussions? My second question concerns environment, which, as we all know, is very high on the international agenda. The Kyoto Protocol is an example of the environmental agreements already in force and there is a very broad consensus that new technology is the way towards a cleaner environment. The Doha Round includes an environmental component, in particular the elimination of tariffs on environmental goods. Is there any possibility of further emphasizing that component and increasing its visibility? Lastly, is there also any possibility of an early harvest in that sector in order to promote cleaning of the environment through the WTO?

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

In response to the first issue raised by Mr. Dupraz, it is to some extent true that parliamentarians have little more to say after negotiations are concluded, that being the fate of the international instruments we know as treaties. One alternative might be to devise a creative system whereby agreements reached in negotiations involving, for example, 150 countries and 20 subjects on the table, are submitted for inter-parliamentary discussion to produce either a yes or a no answer. If each parliament starts to cherry-pick their likes and dislikes in final agreements, they will retain what suits them and throw out whatever does not, thereby negating the very idea of negotiation. To my way of institutional thinking, which may well be inadequate, there is no escaping the fact that a yes or a no option would appear to fit the situation today. Parliamentary intervention before that stage is, however, entirely possible. The WTO operates a form of parliamentary practice; when I go to Washington, for example, I spend one day with the Administration and the remaining three days with Congress on account of the influence which its members have. Parliamentarians exert considerable influence on the day-to-day working and progress of negotiations and it is not therefore impossible to organize your respective institutional systems to enable intervention before the stage of final agreement is reached.



The second point raised by Mr. Dupraz concerned agreements reached among big players to the detriment of smaller ones. It is true to say that the bigger players are more in evidence at the preparatory stages of any negotiations. Over the past 50 years of GATT and the WTO, however, notable progress has been achieved in that the number of those bigger players has increased to five or six and may yet well increase to 10 or 15 in the years to come as a further reflection of changes and shifts in the geopolitical balance of power. Compared with other international bodies, the WTO is quite possibly the forum where the major geopolitical shifts of the past 20 years are most immediately reflected in negotiations and in that balance of power. The WTO has no equivalent to the right of veto which was accorded to permanent Security Council members under the historical circumstances of 60 years ago but which is now problematic for other countries, although WTO members may of course exercise a collective veto. Part of our difficulty may indeed be that we are swifter than others to reflect a substantially changed world. If Switzerland is concerned about which of those six big players will speak on its behalf, the answer is Japan, which is doing an excellent job on the subject of agriculture. Moreover, Switzerland is part of an extremely solid alliance, namely the G10. Its views are therefore duly represented in this very delicate part of the negotiations and it should have no cause to feel concern in that regard.

As for multifunctional farming, I am well aware that countries such as Switzerland are very happy with it. The EU, the Republic of Korea, Iceland and Norway

are also keen on the idea, whereas other countries around the WTO negotiating table have a different view. There is disagreement around that table as to whether agriculture should receive similar treatment to other areas. The simple reality is that, irrespective of the outcome of this Round, there will be important agricultural specificities. The WTO has no green-box subsidies for industry or services but it does have them for agriculture because of its specific nature.

Turning to the remarks of the delegate from Canada, with which I fully agree as a starting point, the financial resource transfers for developing countries and the potential volume of trade created if negotiations succeed are hugely disproportionate, which is why these disciplines and reductions must be negotiated. Although a financial flow cannot be switched to a trade flow, in terms of capacity-building and providing the opportunity for developing countries to grow more through foreign trade, it is crucial to discipline subsidies and increase market access in agriculture and indeed in other sectors. In the effort to balance the various concerns, we are attempting to focus our attention on the trade-distorting subsidies, only 20 or 30 per cent of which account for the OECD figure of US\$ 350 billion mentioned. That is part of the negotiation and I believe your constituents can be reassured that a large potential for developing countries will be liberated if a conclusion is reached.

Turning to the questions posed by Mr. Van Hecke, the fact is that Aid for Trade is nothing new. GATT and the WTO have been involved in it for years; as an organization, the WTO probably spends roughly 20 per cent of its own resources, in terms of head count, on training officials in developing countries in the content and use of the GATT/WTO agreements, including TRIPS, the Agreement on the Application of Sanitary and Phytosanitary Measures and GATT itself. The World Bank, the IMF, UNIDO, UNDP and the World Health Organization (WHO) also run their own similar activities. The question is not whether or not we should pursue Aid for Trade but how we can better do so together. This is the new concept of Aid for Trade whereby international organizations, large bilateral donors and recipients are round the table for purposes of efficiency and also in order to focus the priorities of both donors and recipients on areas that create the most trade. Aid for Trade is not intended to create new machinery but simply to guarantee coherence between the actions of donors and recipients. In many developing countries, the problem is to ensure that the priorities of capacity-building in trade are genuinely addressed, which is a concern for both donors and recipients. This is a

complex matter that will take time, but I am fully convinced that we can do it better. As for additionality, I am in the process of reviewing the figures, particularly those relating to the pledges made at Gleneagles and in Hong Kong by major development donors, and will be reporting to the General Council during the present month of December. The jungle of ODA figures remains a problem, however, although OECD is doing a good job of disciplining them.

In response to the question from Mr. Pirinski, I do not think that the priority, value or relevance of trade opening has changed. Around my daily sounding board of the WTO table, there is still a very strong consensus that trade opening is greatly preferable to trade closing. What has changed is that more attention is now focused on the conditions under which trade opening creates welfare that is widely distributed. Hence, the notion remains that the pile is growing with trade opening. The pain created by this increasing pile is larger than before, however, because trade creation also brings with it some destruction. The more that destruction accelerates, the more political problems are created. It is a fact of life that we all must acknowledge but it puts more onus on the quality of domestic policies. To take one example, the developing countries won a major victory in the Uruguay Round in the textiles and clothing sector as far as greater market opening was concerned, with the result that various developing and importing countries have been doing better than others in using this new opportunity. Sweden, for instance, very curiously has a positive trade balance in textiles and clothing as a consequence of its innovative policy-making from 10 years ago. I do not therefore believe that the difference lies in trade opening, which remains a core value, but in the quality of domestic policies - the difference between what, at the risk of ruffling a few feathers, I call the Washington consensus, in which trade is opened and God takes care of the rest, and the Geneva consensus, in which trade is opened and we have to take care of the rest. Such challenges are very differently addressed by the developed and developing countries. The idea that developing countries need capacity-building and capital formation to benefit from further trade opening echoes the change in this debate.

Lastly, I agree with Mr. Sasi. What parliamentarians can do is first to raise awareness in their political systems about the benefits of trade opening, which creates many winners and some losers. Understandably, the losers are more vocal than the winners because they know that they will lose from

trade opening, whereas the winners do not usually know that they will win. The balance therefore largely lies in your hands and a better job can be done, including by us in the WTO, to make that clear. Secondly, again referring to my response to Mr. Pirinski's question, efforts should be made to improve the linkage between trade policies and other domestic policies in such areas as education, innovation, training, infrastructure and science, which is probably where the pain of creative destruction is actually alleviated. In my view, it is a mistake to consider trade policies in isolation from other policies. A better linkage must be created in both North and South.

On environment, Mr. Sasi is right that the Doha Round negotiations comprise a specific cluster on trade and environment, as well as a review of the linkage between multilateral environmental agreements and trade rules. That cluster is devoted to exploring ways of opening more trade in environmental goods, for which there will be a larger tariff reduction and priority if the negotiations are concluded. This principle is already on the table, but the difficulty lies in the definition of environmental goods. Trade negotiators, however, are very clever and there will be further discussions as to that definition. We are currently aiming for a consensus among 140 members, but can Canada and Bangladesh, for instance, share the same list of environmental goods? The question is not one of principle but one of getting to the fine print.

#### **Ms. Tufail (Pakistan)**

I appreciate Mr. Lamy's assessment of trade negotiations and his emphasis on the consequences for developing countries if the Doha Round were to fail. My question is whether the new formulation of the United States Farm Bill and the EU Common Agricultural Policy (CAP) reforms will produce a fair deal in the Doha Round? If not, what alternatives can be foreseen to bring on track the main players, who hold the key to breaking the political deadlock? As a strong supporter of the WTO community, Pakistan urges all parliamentarians to ensure that the Doha Round delivers its objectives with a view to uplifting the economies of developing countries.

#### **Mr. Cousineau (Assemblée parlementaire de la Francophonie)**

The negotiations for a successful conclusion of the Doha Round are extremely important and the final hurdle in some areas is difficult to cross,

notwithstanding the enormous efforts of ministers and representatives. My delegation would therefore like to suggest that, in cases where an impasse persists, heads of State and Government might be called upon to arbitrate within the framework of the United Nations.

**Mr. Kiljunen (Finland)**

With reference to your remarks about your stay in Washington, let me first say that you are most welcome to spend the best part of your next visit to Helsinki with the Finnish Parliament. My question, however, concerns the usefulness of a broad multilateral trade round. The Doha Round has obviously reached a stalemate and some members are asking if the whole rules-based multilateral trading system is in crisis. Clearly, there have been changes: the WTO has more and more new member countries, new areas have been added to the negotiations and liberalization has been supplemented by regulation. Is it not therefore obsolete to conduct such overall trade negotiations as a single undertaking? Should we instead chose to focus more on a system of continuous negotiations dealing with different subjects? Depending on the issues, there may be success or failure, but the entire multilateral system would not be left in crisis.



**Mr. Daoudi (Morocco)**

My first question relates to the current crisis in the Doha Round. Given that the United States is further undermining the Round by promoting bilateral

agreements, can it be genuinely interested in the success of the negotiations? On another note, the First and Second Decades for Development in the 1960s and 1970s, respectively, produced no tangible results. On the contrary, poverty increased and the divide between developing and industrialized countries grew still wider. The bombs currently being dropped on Iraq and Afghanistan cost more than the amount set aside for ODA. Hence, my second question is to ask whether you believe that the discussions on ODA are sincere and on a scale sufficient to meet the present challenges.



**Mr. Pal (India)**

Mr. Lamy has spoken about the consequences of failure of the negotiations and painted an excellent picture of how developing countries would suffer as a result. Many of those countries have consistently complained of a basic structural flaw in the WTO system. Unless that flaw is addressed, no sort of consensus can be satisfactorily achieved. My question therefore is whether the package on the table referred to includes an element designed to address the structural flaw itself.

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

Ms Tufail correctly drew attention to the specific situation in the United States that is relevant to the timing of the negotiations, namely the five-yearly updating of its farm legislation scheduled for 2007. The interaction between this legislative process and



the negotiations is important. The United States and the EU traditionally adopt a different approach; the latter conducts its own farm reforms and subsequently negotiates how much of that it binds into the WTO, thereby avoiding the risk of taking a backward step, whereas the United States negotiates in the WTO and subsequently translates into its own legislation the commitments thus negotiated. I do not presently know whether the United States will continue that same tactic or whether it will wish to play it the so-called European way. That is its decision. The decision which it takes on the review of its Farm Bill, however, is vital to the agricultural component of the negotiations, which in turn is vital to the remaining negotiations, on which it will have an enormous impact. The position of the United States Administration is that its agricultural subsidy system needs to be reformed. It has very forcefully made the case for reform, particularly through Mr. Mike Johanns, its Secretary for Agriculture. Given the specific nature of the procedure in the United States, I do not know to what extent it is acceptable, but the timing will indeed be crucial. I fully subscribe to the position adopted by Pakistan, which has strongly supported these negotiations and has taken impressive decisions in connection with opening its trade.

Concerning the suggestion of the delegate from the Assemblée parlementaire de la Francophonie that difficult issues could be arbitrated by heads of State and Government, I have tried to be institutionally imaginative. We could, for instance, have a general assembly of 150 members and a smaller group of 10 heads of State and Government, but then we would have to deal with the criticism voiced earlier by our Swiss colleague, given the extremely technical character of the negotiations of the WTO; a single WTO agreement, for instance, comprises 9,000 pages of text and commitments, 1.5 million figures and so forth. My own personal impression that I took away from the G8 summit in Saint Petersburg in July was that heads of State and Government have a limited appetite for the "Swiss formula" for tariff reduction. Do we, for example, have a positive or a negative list for fishing subsidies? Although not keen on the detail, heads of State and Government do have positions insofar as, subject to your control, they give mandates to negotiators. In short, if the right level of political will is expressed without entering into the finest details, then negotiation is purely feasible.

As for the invitation to visit the Finnish Parliament, I gladly accept. It simply happens that Finland is part of the EU and that the negotiating authority in



the European system falls under the European Commission. I therefore spend more time with the European Parliament - the co-sponsor of this Conference - than I do with each and every national parliament within the EU. Ministers in the EU system are like senators and I spend some time with the Senate in the United States and some time with ministers in the EU, although I do sometimes go to Berlin, Paris or Rome. I had a long discussion in Rome not too long ago and I shall be happy to follow suit in Finland when and if the negotiations are concluded.

Turning to the question of whether the single undertaking is a problem, it is true that it seems cumbersome. Any statistician will tell you that if 150 countries are to agree, the topics in question should be tackled individually, rather than in a package of 20. A politician, however, will say otherwise because he or she knows that a trade agreement comprising only one topic will not be easy to sell to parliament. The reason for the single undertaking is that the more topics there are in the bag, the easier it is for a negotiator to gain acceptance of five concessions, for instance, if he additionally has another 15 topics on which he achieves success. Ultimately, therefore, you are responsible for the existence of the single undertaking. I am not sure whether the single undertaking would be my choice. The prevailing view at the end of the last Round in 1994, for example, was that it should be removed; it was too painful, it took eight years and the Uruguay Round was a nightmare. In 1995 and 1996, there were sectoral negotiations on telecommunications,

information-technology goods and financial services that lasted two years, following which they ran out of steam. After 1996, no one agreed to conduct single negotiations step by step or even in parallel. Everyone instead wanted to return to the single undertaking, which is why this Round was launched. It may therefore be difficult, but we are presently stuck with a single undertaking. It took three years to build the architecture of the negotiations and it is not going to change before they end. Any reflection on the issue must be done later.

In response to the first question of the delegate from Morocco, bilateral agreements have always existed. Indeed, Morocco itself has signed bilateral agreements with the EU, the United States, Tunisia, Egypt, Turkey, Jordan and so on. It is no sin to sign such agreements, but they will not resolve the fundamental issues underlying the Doha Round. They can do nothing to address agricultural subsidies, anti-dumping rules or fishing subsidies, for instance, all of which must be tackled at the multilateral level, which is where the priorities of developing countries lie. To replace multilateralism with bilateral agreements would create even greater imbalances in favour of the developed world instead of balancing the system more equally in favour of developing countries. It is therefore a question of proportionality. Bilateral agreements are the pepper, if you will, that we add to the multilateral sauce. Sauce with pepper is a good tasty sauce, but pepper cannot be eaten by itself. That, I think, is our current position on bilateral agreements.

Lastly, the delegate from India is right to say that structural flaws in the system remain, although they are fewer in number than 40 years ago because they are being progressively addressed by the negotiations. To take the example of textiles and clothing, India is now doing formidably well in that sector, the multilateral agreement which India regarded as an unfair system having been eliminated by the previous Round. The Doha Round must similarly seek to eliminate as many of the remaining flaws as possible. The fundamental question is how? Other than war, which is not to be recommended, the only way is through negotiation and these flaws can be addressed now because the balance of forces around the negotiating table has changed and with it the leverage of those who see the flaws. A moralist or economist would opt to get rid of the flaws because they make no moral or economic sense and the only way of doing so is through negotiation – a trade-off in which India must pay something, albeit less than the EU, the United States or Japan, but not least because Senegal will probably be required to pay nothing under the new configuration within which we operate. I am well aware that it is politically incorrect to say so and that the G77 does not like to hear it, but this is a reality which I think we have to face. In terms of tariff escalation, agricultural tariffs and subsidies, fisheries subsidies and anti-dumping, for instance, there is a potentially large package whereby developing countries could transform the system in the direction they wish. If the negotiation concludes, it will happen. If the negotiation fails, it will not.

## DIALOGUE WITH MINISTERS AND SENIOR WTO OFFICIALS

### "WHAT FUTURE FOR THE DOHA ROUND? THE BENEFITS OF A SUCCESS, THE COSTS OF A FAILURE"

**Mr. Kamal Nath**  
*Minister of Commerce and Industry (India)*



The content of the Doha Round is as important as its conclusion, which begs the question of what that content should be. While it was not the developing countries that demanded the Round, it was nevertheless determined that it would include a development component. What therefore does development mean in the context of the Round? Does it mean greater trade flows from African and Asian countries? Does it refer to countries struggling

with single commodities and a growth of 1 to 2 per cent? Does it mean that such countries will have the opportunity to participate in global trade? The Round is also aimed at correcting the structural flaws in global trade and we, the community of nations, owe it to the global community to move towards doing just that and not towards perpetuating those flaws, which would simply eliminate any further opportunities. Over a 10-year period, the global architecture has changed and there is a lot of writing on the wall. The shortcomings of the Uruguay Round have been recognized and the content of the Doha Round must therefore be considered very objectively in order to determine how to improve the economies of developing countries and LDCs. There is much talk about growth in India, for example, yet with 300 million still living on less than one dollar a day, India has more poverty than all the LDCs combined.

In that context, the global scenario and the discussions of the past few years are indications of the enormous importance that is rightly placed on agriculture insofar as it is the most structurally flawed sector. In the developed countries, agriculture accounts for 2 per cent of trade, which translates into a livelihood for some hundreds of thousands of people, whereas in India, Africa and China, that figure is in the billions. Given that goods, NAMA and services therefore account for 98 per cent of trade in the developed economies, it is puzzling why the developed world should place so much emphasis on an area involving only 2 per cent of its trade, with the result that we are grappling with attempts to correct structural flaws. It is true that all countries

have their political compassions and that developing countries can negotiate commerce, but the point to note is that they cannot negotiate livelihood security and subsistence. Countries in Africa with only one commodity or crop cannot compete on the global market.

The notion of major players is not quite accurate. India and Brazil, for instance, do not speak for themselves alone but from a more global perspective, mindful as they are of the impact on friends in Africa, Asia, the Caribbean and the Pacific. To have a correct view of the picture before us today is therefore important. India wishes to be - and indeed will be - as flexible as possible in order to ensure the success of this Round, in which it has great stakes. The stakes for the poor developing countries are similarly high in that this is their opportunity to see trade flows changing. The mandate of this Round is not to cut the meagre trade flows of smaller countries and reverse North-South trade flows. Parliamentarians the world over need to ensure that the developing countries remain flexible in the light of the changes under way in the global economy. At the same time, however, we must also ensure that equal emphasis continues to be placed on both the content of the Round and its completion.

**Mr. Toshikatsu Matsuoka**

*Minister of Agriculture, Forestry and Fisheries (Japan)*

I have thus far been involved in the WTO negotiations as a parliamentarian from Japan's Liberal Democratic Party. I also actively contributed to IPU activities, in particular the discussions on the WTO negotiations,



in my capacity as the IPU Steering Committee member for Japan until September 2006, when I was appointed as the Minister of Agriculture, Forestry and Fisheries in the new Abe Cabinet. I am now therefore directly involved in the WTO negotiations as the minister representing Japan and it is indeed a great honour for me to participate in that capacity in this annual session of the Parliamentary Conference on the WTO.

In explaining Japan's basic position in the WTO negotiations, I would first like to talk about the result that we are seeking. The WTO is the basis of Japan's trade policy and the suspension of the negotiations at the end of July is extremely regrettable and undesirable, not only for Japan, but for all member countries which are supporting and also benefiting from the multilateral trading system. The substance of what has already been tabled in the Framework Agreement and in the Hong Kong Ministerial Declaration as a result of the Doha Round negotiations by far outweighs the achievement of past trade rounds. It will be a huge loss for the future of the entire world, especially the developing countries, if we lose what has already been accomplished in this Round, to which a successful conclusion must be reached through realistic and ambitious results for the sake of development in the developing countries.

Under its new administration, Japan intends to continue its utmost efforts to ensure the early conclusion of the overall negotiations on agriculture and on NAMA, services, rules and development. With agricultural imports worth over more than US\$ 40 billion against agricultural exports of roughly US\$ 2 billion, Japan is the world's largest net food-importing country and the WTO agricultural negotiations are now a major subject of interest not only for Japanese farmers, but also for the Japanese people, who are increasingly concerned about their future food security. At the global level, the food supply and demand situation is becoming progressively more unstable as a result of population increases, mainly in developing countries, and wide fluctuations in agricultural production, as exemplified by this year's Australian wheat crop failure. Moreover, approximately 4.4 billion people, or 75 per cent of the total global population, live in developing countries, and some 800 million of those people are malnourished. Under such circumstances, the coexistence of various types of agriculture is indispensable for each country to realize food security and overcome starvation and poverty. It is therefore essential, through the WTO agricultural negotiations, to establish trading rules designed to

achieve that goal, in which connection Japan has tabled a number of difficult proposals. I would, however, ask you to understand that it is absolutely vital for the exporting countries, who are on the offensive, to indicate realistic proposals.

As for Japan's contribution to the area of development, it attaches great priority to the subject, which, as already emphasized by Minister Nath, is the objective of this Development Round. It therefore intends to channel assistance to developing countries on the basis of the development initiative announced in December 2005, irrespective of the suspension of negotiations. With regard to duty-free and quota-free market access for products originating from LDCs, the Hong Kong Ministerial Declaration comprised an agreement to implement such access to the tune of at least 97 per cent, defined at the tariff line level, by 2008. Taking into account requests from LDCs, Japan has already started work on implementing that access in 2007, while in the context of Aid for Trade, it is extending assistance to developing countries, including support for South-South cooperation, for the production of highly marketable agricultural, forest and fisheries products. Furthermore, Japan essentially supports the position of the developing countries on special and differential treatment (SND). I believe that we should aim for a realistic solution in order to facilitate the use of SND, including special products (SP) and the special safeguard mechanism (SSM), for those developing countries that are truly in need of development.

Last but not least, I would like to talk about our efforts towards a fully fledged resumption of negotiations. Since November, momentum for revival of the negotiations has been growing. In the informal Trade Negotiations Committee (TNC) meeting of 16 November, for instance, the WTO Director-General, Mr. Pascal Lamy, urged the chairs of the negotiating groups to advance the discussions in each sector, an initiative which Japan intends to support. As he has already emphasized, however, the negotiations must never again be suspended once they have resumed. Moreover, each member country must reflect on the reasons for the suspension in order to avoid any repetition of the discussion which took place prior to that event. Importantly, the first move should now be made by those countries which were demonstrably rigid and inflexible at the time. We expect that discussions will proceed in each negotiating sector in the future and Japan intends to make an active contribution to the process.

In conclusion, the fact is that any prolonged suspension of the negotiations threatens to create

adverse repercussions for the fight against poverty, for the multilateral system and for world economic growth. We must not betray the earnest expectations of the developing countries which are truly in need of development and to which Japan is firmly willing to contribute assistance. We must therefore make a strong appeal to the respective countries for a resumption of the negotiations. At the same time, no member country should make the mistake of throwing away everything currently on the table. We should reaffirm that this is a development round in which the main players are the developing countries, in particular the LDCs, and that all of us will need to compromise. I truly hope that the IPU will play a significant role in the resumption the Round and in its success in providing impetus for development of the world's developing countries.

**Ambassador Clodoaldo Huguency Filho**  
*Permanent Representative of Brazil to the WTO*

As Minister Nath has already indicated, the G20 is committed to resumption of the negotiations and to their successful conclusion by the end of 2007. The Doha Round mandate calls for development and progress in agriculture, which were identified as lagging behind in terms of trade liberalization and the integration of developing countries into the multilateral trading system. That objective is achievable and speculation that the Round is dead is unwarranted. Much was accomplished in previous meetings, as a result of which there are various proposals on the table that can produce substantial results in all areas of the negotiations. I draw attention to the G20 proposals on agriculture, which



are recognized as a good basis for conclusion of the negotiations on the subject. It is now extremely important for us all to acknowledge what is missing and join in the efforts to put those missing elements on the table and arrive at a successful conclusion, the positive implications of which include support for the continuing growth of all trade and consequently of the world economy, with better integration of developing countries into the world trading system. Agricultural reform in developed countries will also be supported and new opportunities for developing countries in the developed-country market will be broadened. The substantial risks of failure to conclude the round include protectionism, signs of which are already emerging, and the strengthening of regional and bilateral agreements to the detriment of multilateralism.

In brief, the need to address the core aspects of the mandate - agriculture and development - is a prerequisite for conclusion of the Round. Agricultural policy must be reformed and markets opened up. To that end, the reduction of trade-distorting subsidies at the domestic level is a must, along with the elimination of export subsidies and the introduction of regulations covering all remaining agricultural subsidies. Market access must also be improved and made more flexible, particularly in the case of developing countries for the reasons indicated by Minister Nath. As highlighted in the debate, development is a strong dimension of this Round. Trade must therefore be linked with poverty reduction and developed-country market opportunities opened up for the developing countries, most notably the LDCs. In that context, Brazil is committed to backing its words with action by implementing duty-free and quota-free market access for the LDCs in 2007, despite its own development situation.

While agriculture and development are central to these negotiations, it is also important to achieve results in the area of NAMA by combining market access with flexibility and recognizing the need for industrial development in developing countries. Rules are needed to govern services and market access, in particular anti-dumping rules designed to eliminate abuses. Another significant area is environment, including not only the relationship between trade and environment but also the environmental consequences of fisheries, for instance, and the new question of bioenergy. Indeed, the liberalization of trade in bioenergy products could create new opportunities for North-South trade and integration of the developing countries into the trading system.

Let me conclude by saying that the machinery is once more starting to function with the resumed meetings of all the negotiating bodies. I nevertheless stress the importance of this meeting, for without political backing, without pressure on governments to make concessions and without your support for changes in agricultural policy and your insistence on the development dimension of the Round, no conclusion will be possible. We now therefore need to support the work that is being done here in Geneva, again with your political backing.

**Ambassador Peter Allgeier**

*United States Permanent Representative to the WTO*

The political task facing us today is to revive the Doha negotiations and we recognize that this will require additional compromises from everyone, including the United States. All countries, but especially the major trading countries, both developed and developing, must step up to our responsibilities and develop ways to break the current impasse, which we essentially see as an impasse over market access. The question therefore is what is needed to restart the negotiations but also to put them on the path to success. We first need to be clear on what constitutes success in the Doha Round. Plainly and simply, the most important requirement is to create the conditions for new trade flows in agriculture, in manufactured goods and in services - and not merely to scoop up what is on the table at the moment and call it success. This is absolutely essential to fulfilment of the development mandate of the Doha Ministerial Conference. Put more



precisely, what is the path to genuine success? In short, the creation of those conditions for new trade flows specifically means that we need commitments in four areas. First, substantial improvements in agricultural tariff cuts must be made by the EU and the Group of Ten, with substantial tariff-rate quotas to provide new access in sensitive products. Secondly, we need deeper agricultural tariff reductions by the major developing countries, with meaningful access for special products and tariff commitments that are not undermined by special safeguard measures. Thirdly, we need deeper reductions in trade-distorting domestic farm support by the United States and the EU. On that point, it is extremely important for us in the United States that the disparity in spending for such subsidies should be reduced. In 2005, the EU paid out 35 billion Euros on amber-box spending, namely the most trade-distorting subsidies, and the United States paid out US\$ 12 billion, which, as we sit here, is becoming less and less valuable in terms of Euros. The point is, however, that we both have to cut more from where we are now. Fourthly, those developing countries that are subject to the NAMA formula need to cut their tariff rates below applied rates, at least across a significant proportion of their tariff schedules.

Many other elements need to fall into place in order to produce a package that works for 150 members. Certainly for the United States, a successful package would require important new commitments in services, in trade facilitation and in such areas as fisheries subsidies. Services in particular are one of the three indispensable market-access pillars of these negotiations. Without a services market-access component that is at least as robust and meaningful as agriculture and NAMA, we will be unable to present an acceptable package to our Congress and nor, frankly, would the package meet the demands and development needs to which we all subscribed at the Doha Ministerial Conference. Others are obviously going to look at other elements that are required for a package, as in the case of Ambassador Huguency, who mentioned the trade-remedy rules, including anti-dumping, for instance. Those elements will have to be brought into the package, but if we are to put the negotiations on the clear path to success, it will be essential to negotiate the details of those four points that I just mentioned.

We must all ask ourselves three questions: where can I pay more, where can I accept less and what other conditions must be in place for that to happen? In the case of the United States, we are being asked to do more on domestic support and have said that we can and will do so if there is substantially more

market access in agriculture and manufactured goods and services than is currently on the table. The July 2000 Framework Agreement provided for substantial improvements in market access for all products. Hence, the question for Europe and Japan is whether they are prepared to make those improvements, including for sensitive products. Clearly, access for the latter will not be as unrestrained as for other products, but significant market-access improvement is nevertheless required. For the major developing countries, the question is whether they are prepared to make substantial improvements in manufactured goods access and services.

An important area of common interest for all of the countries on this panel is Aid for Trade. I think it is now widely recognized that the full impact of trade liberalization is not realized automatically by most developing countries. There may be various supply-side constraints, institutional weaknesses in customs procedures or institutions or in phytosanitary areas, a lack of knowledge about distribution and marketing channels, weaknesses in physical infrastructure and a lack of resources to effect adjustment for dislocated workers and enterprises. Consequently, Aid for Trade is recognized as an essential complement to the negotiations, as well as a development requirement in itself that partly involves finance. At the Hong Kong Ministerial Conference, the Gleneagles summit and elsewhere, the United States, Europe and Japan were among those who declared their commitment to increase finance very substantially. Aid for Trade, however, is also about integrating trade into our development programmes and most importantly into the development priorities of developing countries. Hence, although strictly speaking it is not part of the single undertaking in the negotiations, it is absolutely essential if countries are to obtain the full benefits of these liberalizations. I also believe that countries will be more comfortable making further commitments in the future as they come to realize that they can gain from negotiations.

To conclude, the best response to the many questions concerning the prospects for an extension of the United States TPA under the current circumstances was given by a six-member bipartisan delegation from the United States Congress during a recent visit to Geneva. Although its members differed on the precise odds in favour of an extension, they all agreed that it was likely in the event that a substantial package offering new trade flows were to evolve during the first months of 2007. We must achieve a successful outcome to the Doha Round, not only for the economies of those of us here on the panel, but also for the development and prosperity of all

WTO members. I believe that we can achieve such an outcome, although only if we each take a very hard look in the mirror and ask ourselves what each of us will do to move these negotiations to success.

### Ambassador Carlo Trojan

#### *Permanent Representative of the European Communities to the WTO*

I believe that we are facing a paradox. All well-informed observers would agree that a deal is possible and that the potential package on the table in July was fairly ambitious, not least in the area of agriculture. It went far beyond the Uruguay Round outcome, both on tariff cuts and cuts in trade-distorting subsidies, thus demonstrating a clear perspective in regard to genuine market-access improvement for all products and the elimination of export subsidies. Nevertheless, we appear to be very far from a successful outcome. The fact that the suspension of the negotiations failed to deliver the intended cultural shock to governments and the business community is in itself alarming. Nonetheless, it provided a further opportunity for reflection on the consequences of failure and its implications for the multilateral system.

The main reason that the last mile of the negotiations appears so difficult to accomplish is that there is apparently a wider gap to bridge within domestic constituencies than among negotiating parties. Governments have raised expectations at home in terms of both ambition and defensive interest, while the business community has been largely absent in driving the process forward with both governments and parliaments. I agree with Ambassador Huguency that agriculture needs to catch up with manufactured goods. Nevertheless, I believe that the virtually exclusive focus on agriculture has been to the detriment of what is at stake in far more important parts of our economies, such as



manufactured goods and above all services, and in that I agree with my colleague from the United States. Hence the importance of a meeting such as this with parliamentarians, who are after all our authorizing environment. We are all agreed that the window of opportunity for a successful conclusion of the DDA is narrow and also crucially dependent on a TPA extension, without which the Round is dead. This further entails a particular responsibility for the United States Congress and Administration.

How therefore can we be sure to take advantage of that window of opportunity, which will require political will and huge efforts at the domestic level aimed at not devaluing all that is potentially on the table. It will also require huge efforts on the part of the negotiators in Geneva to bridge existing gaps, not through offering too little and asking too much, but through balanced concessions from both sides of the spectrum. This can be done if we work towards genuine compromises, which can only be reached if partners are sufficiently comforted on essential concerns. Food-exporting countries will need to be comforted by a genuine opening in key markets for their main products, including those that are sensitive. Special products, which have their own particular logic, should not equal complete market closure. On the other hand, importing countries with defensive interests should be sufficiently comforted that the floodgates are not opened wide for such sensitive products with the result that all sectors at risk are eliminated. Further comfort still will be needed in the case of subsistence agriculture, in which respect I acknowledge the arguments advanced by Minister Nath. Exporters of manufactured goods to emerging developing countries should also play their part in these negotiations, along with the powerhouses among those countries, such as Brazil, India and China. Similarly, those same exporters should be comforted that the use of flexibilities will not carve out whole sectors of trade liberalization. In other words, new trade flows are essential and the right balance in comfort levels must be found.

Equally essential is the right balance between NAMA and services, to which end the equation must include rules, as mentioned by Ambassador Huguency, particularly on anti-dumping, as well as geographical indications. Trade facilitation is extremely important and may produce greater benefits than the reduction of custom duties. I also agree that environment must remain a priority. Above all, however, there should be a fair exchange rate between market opening and agriculture and the reduction of domestic support. In that connection, the United States again bears a



particular responsibility; unlike the EU, it has not yet embarked on any farm policy reform given that its current Farm Bill must be redrafted before the end of 2007. Unless it does its part, a successful outcome for the DDA will prove elusive.

Last but not least, we should not forget the point that has already been widely emphasized, namely that the Doha Round is a development round. I believe that a substantial development dividend will be produced as a result of market opening and the reduction of agricultural subsidies through SDN and simultaneous Aid for Trade, on which subject I fully agree with Ambassador Allgeier. A failure of the Round would come at a heavy cost for the weaker members who, moreover, will be out there in the cold if bilateral food and drug administrations (FDAs) take the overhead. In the long term, failure would have far-reaching systemic consequences for the rules-based multilateral trading system and, as Ambassador Hugueney has said, the signs of growing protectionism are already visible. These are the challenges facing negotiators, governments and parliaments in the next few months.

## EXCERPTS OF THE DISCUSSION

### Mr. Crête (Canada)

In talking about the impasse in the negotiations, we should perhaps put ourselves in the shoes of our United States counterparts, who in early 2007 will decide whether or not to proceed with these negotiations, for what is true for them is also true for us as parliamentarians. Our hope is for the negotiations to succeed, although our citizens do not necessarily see the short-term benefit of reaching agreement. They are now, however, much more interested in such matters, as well as much more demanding of their parliamentarians, to whom they look to play an important role in the negotiations. I should therefore like to ask the panellists this: what will be the main results of successful negotiations and what positive consequences will they have for citizens, whether those whom you represent or those elsewhere whom you wish to win over? Secondly, what adverse implications will failure have for all of those citizens?

### Mr. Sugandi (Indonesia)

My delegation also believes that failure will have damaging costs for the confidence and strength of the multilateral trading system. The disappearance of what was already on the table would indeed be

regrettable, given its ability to deliver a potential worth two or three times more than the Uruguay Round. Collapse of the Doha Round would be extremely perturbing, as the WTO would then be unable to remedy the inequalities and issues of concern to developing countries and LDCs that had begun to narrow following the Uruguay Round. Furthermore, a successful, meaningful and balanced outcome to the DDA negotiations represents the only hope of coping with abject poverty in most of those countries and of making a significant contribution to the Millennium Development Goals. A successful result, however, must be reflected through a balanced outcome for both rich and poor countries that fulfils the initial intentions of correcting the existing imbalances and delivering effective and operable SND provisions.

As for the future of the Doha Round, we will be facing the consequences of a true collapse of the negotiations if the brink situation of July persists. Governments, in particular those of major players, must therefore again be urged to move away from entrenched positions, which will be the only way of securing a DDA outcome, let alone a successful and balanced agreement.

### Mr. Karim (European Parliament)

The African Union called for an immediate resumption of the negotiations in order to minimize trade distortions and the soaring economic and human cost that the African people are unable to sustain, a view which is shared by other members and even the Director-General of the WTO. Another view, however, is that the projected benefits for developing countries are small. Indeed, it is estimated that only a few will gain, that the majority will incur losses and moreover that the Doha draft agreements will incur real costs for developing countries in general, the first of which would be tariff-revenue losses produced from NAMA proposals. A further key cost of the WTO agreements is the South-North transfer of patent rents owing to the implementation of TRIPS, of which the United States, Germany, Japan, France, the United Kingdom, Switzerland and Australia were the main beneficiaries. Another major cost to the developing countries is the increase in the loss of their policy space if the Doha proposals are to be implemented. Lastly, the World Bank had originally given high estimates of the gains from the Doha Round. A week before the Cancún Ministerial Conference in 2003, for instance, it estimated that developing countries would benefit by US\$ 539 billion and the whole world by US\$ 852 billion.

However, it has now revised its projections of benefits down to only US\$ 90 million for developing countries and US\$ 539 billion worldwide. Moreover, only eight developing countries would receive over half of the share of benefits for developing countries.

In the face of such conflicting views, how can the WTO improve existing rules to ensure a win-win outcome for both the developed and developing countries? What should the new courses of action be in order to reach the DDA objectives? Finally, is it really still possible to achieve different results to those which I have highlighted?

**Mr. Tabara (Romania)**

Romania emphatically attaches special importance to the DDA. Completion of the Doha Round is vital for sustainable development worldwide and for the credibility of the multilateral trading system built over the past 50 years. At this stage, it is essential that parliaments, as the legitimate representatives of their peoples, reaffirm their support for the Doha Round objectives. Our current meeting must seek to further the political initiatives for the earliest possible resumption of the negotiations. I would be particularly interested to know the opinion of panellists on the current situation and outlook for trade in biotechnological products, in particular hybrid species of cultivated plants, as well as micro-organisms.



**Mr. Nyaga Wambora (Kenya)**

Success of the Doha Round will lead to economic development and stability but its failure will lead to

handouts from developed to developing countries and LDCs, as well as to instability in the poor countries. It will also produce a handful of millionaires in developed countries, while simultaneously creating more and more poor in the poor countries. Progress can nevertheless be made with the goodwill of the developed countries. The best way forward is to remove United States domestic support and EU agricultural subsidies. Special instruments must be allowed for developing countries such as Kenya, meaning special products to insulate the vulnerable among them, as well as a special safeguard mechanism to protect certain local products against imports. With those remarks, I wish to appeal to the developed countries to reconsider the deadlock in the Doha Round.



**Mr. Huguency (panellist)**

In response to the question of the delegate from the European Parliament, I reiterate that agriculture and development are the central issues in this Round, in which connection I would particularly highlight the reform of agriculture and the reduction of subsidies. Both would mean a lot to developing countries, given their lack of resources to implement such trade-distorting policies, which have enormous consequences in terms of depressing world market prices and eliminating the conditions for access to developed-country markets for developing-country exports. This should be a central aspect of the equation for concluding the Round to the benefit of developing countries. I will just briefly mention cotton subsidies, which are of interest to a number

of Central African countries, by saying that the consequences of those subsidies can be explained to them by the countries of Benin, Burkina Faso, Chad and Mali.

### Mr. Allgeier (panellist)

First, in response to the question of the delegate from Canada concerning the positive implications of successful negotiations, it is clear from the record that economic growth has been led by trade expansion. Consequently, these negotiations will benefit the growth of our economies through trade liberalization and trade can only contribute to growth on an ongoing basis if there is continuing liberalization in opening up markets. As for the question of the delegate from the European Parliament concerning the loss of revenue to developing countries through the proposals for cutting tariffs in industrial products, we have all agreed that that the 50 LDCs are not required to cut their tariffs. Hence, there is no revenue loss on that account and most other developing countries have bound rates, meaning that they will have to cut only a small amount. Lastly, 70 per cent of the tariffs in developing countries are paid to other developing countries, Hence, while they may have some revenue loss if they cut their own tariffs, they will gain from having to pay nothing from their treasuries to other developing countries with which they trade.



### Mr. Nath (panellist)

To respond briefly, I think that there is common consensus that the impasse in the Round must be

overcome and the negotiations resumed. Concerning the question of the delegate from Canada, the positive implications for the developing countries will be greater trade flows in their direction and a healthy economy in developing countries is beneficial for developed countries. If African, Asian and Caribbean countries do not have healthy economies and are constantly penniless, how will the EU or the United States be able to sell them anything? It is therefore vital to ensure that trade flows do not lead to unemployment or to suicide. This is a development round not a suicide round and it is thus important to recognize that market access cannot and must not lead to unemployment. Following the Hong Kong Ministerial Conference, for instance, the G90 countries reduced tariffs in deference to the International Monetary Fund (IMF), with the result that they have no industry.

With regard to the figures quoted by the delegate from the European Parliament, I must emphasize that World Bank reports are largely skewed because they are based on false presumptions. I would like to know which developing countries are able to stand up and say that World Bank reports and studies on Africa and Asia in the past 15 years have provided proof of growth in the developing countries. Consequently, the basis and presumptions of such reports must first be taken into account; if they are wrong, then the findings of the entire report are also wrong.

Lastly, concerning the pertinent question on domestic support, subsidies and special products raised by the delegate from Kenya, the fact is that domestic support is a distortion. Developing countries are



being told to pay in order to stop what should not be occurring in the first place, which may be free trade but it is not fair trade

#### Mr. Matsuoka (panellist)

I first wish to stress that the Doha Round is indeed a development round. We must therefore adequately protect the interests of the developing countries. Japan is the world's largest net food-importing country and it has made bold proposals in the Doha Round, including for improvement in market access whereby more products must be imported from developing countries. Our efforts will be meaningless unless that is achieved. As the delegate from Kenya has pointed out, unless the likes of the United States and the EU substantially reduce their domestic support and export subsidies, there will be no benefits for the developing countries. I therefore wholeheartedly agree with him on that point. Secondly, Japan is very keen to provide assistance to the LDCs - so much so that it aims to speed up the timing of the promises made in Hong Kong by providing duty-free and quota-free access to all LDC products in the fiscal year 2007. Thirdly, the bioenergy issue raised by my Romanian friend is a very important one in terms of helping to resolve the problem of global warming. Japan is therefore making great efforts to develop bioenergy, another area in which it also wishes to assist developing countries.



#### Mr. Trojan (panellist)

My colleagues have already covered some of my reaction to the remarks made by the delegate from the European Parliament, which is also my own authorizing environment. First and foremost, market opening is extremely important for developing countries; it means new trade flows, which in turn

mean domestic growth. Duty-free and quota-free market access for LDCs, which will become almost universal if agreement is reached, is important. Supply-side constraints and structural adjustment must, however, be addressed alongside market opening, from which not all developing countries can profit to the same extent. Efficient producers such as Brazil will profit much more than less efficient producers in Africa, for instance, and Aid for Trade is therefore of enormously critical importance. I agree that the reduction of agricultural subsidies will bring benefits to all, including those who operate subsidies.

As far as NAMA is concerned, I disagree with Mr. Allgeier. Most developing countries are either totally or largely exempted from reduction commitment and the NAMA negotiation is essentially a negotiation between the countries of the Organisation for Economic Co-operation and Development (OECD) and emerging developing countries, with marginal input from elsewhere. Lastly, let us not forget the importance of a rules-based system for the weaker developing countries. Our rules-based system is being adapted with the inclusion of much more special and differential treatment, but developing countries must avail themselves of that system. Other kinds of leverage are available to the more powerful countries.

#### Mr. Vitanov (The former Yugoslav Republic of Macedonia)

Equal rules under the multilateral system are of great importance to countries such as mine, which is a relatively small landlocked country striving to strengthen the competitiveness of its economy. Its Parliament therefore fully supports all WTO efforts aimed at resumption of the multilateral trade negotiations and hopes for an early positive outcome. Clearly, the sooner the DDA resumes and concludes, the sooner the positive effects of the increased vibrancy in international trade will be felt. In that context, the advantages are particularly important for the LDCs, which are directly dependent on the development concepts incorporated within the DDA and which consequently stand to lose the most with every additional day of delay.

I would emphasize that there are no alternatives to the multilateral concept of liberalization and trade regulation, while equally underlining the importance of regional cooperation in trade conduct. My country devotes great attention to the development and fostering of economic and political relations in South-Eastern Europe, to which end it has signed



free-trade agreements with all countries in the region. Furthermore, as a candidate country for EU membership, it has implemented full trade liberalization vis-à-vis the countries constituting the single European market. Despite the aggressive endeavours in matters of regional cooperation, however, my Government has never felt any dilemma as to whether the multilateral system could be replaced by that type of cooperation.

#### Mr. Moreno Sanchez (European Parliament)

There appears to be a manifest political will on the part of the major parties to the negotiations to reactivate them. That being so, what else is needed



to ensure that the negotiations are relaunched and when can we anticipate that happening? As already mentioned, time is pressing in view of the deadline for TPA authorization by the United States Congress. We know that Mr. Lamy is engaged in quiet diplomacy concerning the possibility of reactivating the negotiations, but what else is needed? Furthermore, might we be able to accomplish what was agreed in Hong Kong? Is the single undertaking really going to happen? Will we succeed in having a development round? Will duty-free and quota-free market access materialize? I would be grateful for your replies to these questions.

#### Mr. Bedoui (Tunisia)

Although it is economic issues that are at stake, the matter is essentially a political one and the main requirement is therefore one of political will. Tunisia believes that the Doha Round negotiations cannot be separated from the need for solidarity in the area of development. Indeed, it was in that context that Tunisia submitted its proposal to the United Nations for establishment of the World Solidarity Fund. Solidarity for development is instrumental to the creation of a climate conducive to increased trade flows and the liberalization of international trade, as well as to peace and security. In that light, my question concerns the role of solidarity in the Doha Round with a view to creating that climate.



#### Mr. Menzies (Canada)

Canada is fully and wholeheartedly committed to a successful outcome of the Doha Development Round

and shares the belief of most other countries represented here that future and further trade liberalization has tremendous benefits. We in the developed world owe it to our neighbours and friends in the developing world to make the difficult decisions now that will provide a sustainable future for developing countries by allowing them the opportunity to participate fully in the multilateral trading system. I cannot stress enough that we, as parliamentarians, will face the shame of our future generations if we fail in this opportunity. We must reach an agreement, simply because those of us in the developed world cannot put any higher emphasis on the opportunities of others than on protection of our own sensitivities. My question to both the United States and the EU is whether they can elaborate on what constitutes the attainable elements of the Doha Development Round mentioned by Mr. Allgeier so that we as parliamentarians can share that information with our constituents at home.

#### **Ms. Fubbs (South Africa)**

South Africa certainly supports issues and principles such as the achievement of consensus in decision-making. As one panellist has said, however, the Doha Round should be focused on developing countries. We are all aware that agriculture is the major GDP factor for developing countries and so for them to even contemplate putting agriculture on the back burner is a very serious matter. One might ask whether the billions would have been made if today's free and fair trade practices had been in place at that time. We are not, however, seeking a return to



that period in which good governance and human rights in economics and finance were lacking. Instead, we are asking the developed world to take this Development Round very much on board and to review domestic subsidies. We are not asking it to embark on a suicide mission but rather to take cognizance that it is part of the international arena and can no longer remain in its isolationist boxes, whether in Europe, Japan or elsewhere.

#### **Mr. Trojan (panellist)**

In response to the question of the delegate from Canada, I believe that a Doha Round agreement will produce huge long-term benefits for the trading system, for increased trade flows and consequent economic growth and for poverty reduction in developing countries. I reiterate, however, that those benefits will be produced only through trade liberalization combined with a dynamic Aid for Trade policy. The EU, the United States and Japan are among those who have pledged their commitment to do substantially more, both in Aid for Trade and in official development assistance (ODA). I also believe that it is important to maintain a rules-based system. Failure of the Doha Round would exact a heavy price on the multilateral trading system, particularly where developing countries and poor developing countries are concerned.

As for bilateral FDAs, the subject must be addressed but I do not advocate them with any enthusiasm; they demand a vast amount of human resources and produce no immediate returns - only jet-lagged bureaucrats. More importantly, it is not so easy for medium-sized companies which lack the reserves at the disposal of big multinationals to cope with differences in levels of customs duties, rules of origin, standards and dispute-settlement mechanisms. I therefore greatly favour the multilateral system, possibly complemented only on occasion by bilateral FDAs.

#### **Mr. Matsuoka (panellist)**

I wish to emphasize the results and the merits of these negotiations. The first positive advantage to stem from their successful conclusion will be new outcomes that build on the social, economic and cultural developments achieved throughout history as a result of trade and other exchanges. To that end, it is of paramount importance to remember that the interests of developing countries must be prioritized in all circumstances in what is above all a development round, as reflected in Japan's basic

position of support for those countries, whether through SMD, SP or SSM.

As for the question about what is lacking in these negotiations, all countries must first reflect on the cause of the suspension. In that connection, it is important for the United States to make the first move and to strike a balance between ambition and reality, bearing in mind that what is already on the table far outweighs the achievements of past rounds. A balance must also be struck between exporting and importing countries. Lastly, agriculture, NAMA, development, rules and services must all form part of the single undertaking.

#### Mr. Allgeier (panellist)

In response to the question put specifically to me about the role of parliaments as legislators in contributing to the Doha Round, I earlier mentioned the need for each of us to ask ourselves how we can pay more and accept less. I think I am well aware of the extent to which we would have to change our offers to please Ambassador Hugueney, but that can only happen with support from home. Collectively, therefore, our hardest job is to convince our people at home why it makes sense to pay more for less.

#### Mr. Hugueney (panellist)

I agree with Ambassador Allgeier that we should all ask ourselves how to ensure a successful conclusion to the negotiations. We all agree that there is already a lot on the table, but the missing balance between market access and domestic support remains fundamental nevertheless. Without that balance, particularly in agriculture, but also including other areas such as NAMA and services, I do not believe that a successful conclusion will be possible. Political will is therefore involved but in trade terms political will is expressed as money on the table. The political will needed to take the Doha Round to a successful conclusion consequently means putting your money where your mouth is. In a final word, I wish to thank the delegate from South Africa for her final appeal for the reduction of domestic support in agriculture because I believe that the reduction of such trade-distorting support is the central issue on which we should focus in order to make this Round work.

#### Mr. Nath (panellist)

The key message to take from here today is that all countries understand the need for and importance of the Doha Round. The challenge is how to retain the centrality of the development component within the Round. In that regard, the question is whether payment negates or defeats the development objective. If payment leads to unemployment and dislocation, there will be no development component. I am very happy to hear from the United States and the EU of their intentions to convey to their authorizing environments that more must be paid and less accepted. Provided that expectations remain reasonable, I am sure that developing countries such as India are willing to be flexible. With reference to bound and applied rates, the proof lies in the increase in trade and exports from the United States, the EU and developed countries to developing countries. In the case of India, imports from the EU are increasing by 24 per cent annually and from the United States by 30 per cent annually. Why? Because India, as a growing economy, can afford such imports. That annual figure of 30 per cent is fair and should be retained. It already provides access and finding a way to sustain that access will prove to be the success of the Doha Round.



# LESSONS TO BE LEARNT FROM THE HISTORY OF MULTILATERAL TRADE NEGOTIATIONS UNDER WTO AUSPICES

*Discussion paper presented by Mr. Shakeel Ahmed Yousuf Abdul Razack Mohamed (Mauritius)*

1. Until the Second World War, the analysis of what shaped relations among states was relatively straightforward. Nations needed military power to exert influence and security was achieved through military alliances. In the second half of the twentieth century, however another system of relationships with economic rules governing international relationships has emerged. It was based on dialogue, negotiations and collective decisions.
2. The years preceding World War II was characterized by absence of a strong rule-based trading system. This resulted in a surge of protectionist measures from both developed and developing countries, discriminating against each other. It is widely agreed that such protectionist policies, especially from the United States and other major economies precipitated the Great Depression. This is one case where the international community appears to have learnt the lessons of history, since the cost of protectionism proved to be too high. The creation of a multilateral trading system was felt necessary to prevent a recurrence of market disturbance. In retrospect, the more significant handover of power in that immediate, postwar period was therefore economic, with the establishment of a rules-based system to regulate trade, the General Agreement on Tariffs and Trade (GATT). In parallel with establishment in 1945 of the new UN institutions to enforce peace, economic institutions to create a new global system for trade, payments and finance were also negotiated at Bretton Woods. The IMF and the World Bank were established. The ambition to create an International Trade Organization (ITO) however failed. The failure of the ITO to see the day in 1947 has another important lesson for Parliamentarians. It showed to what extent the US President could not get the support of his congressmen to ratify the ITO Treaty. The idea of setting up an ITO was in fact the brainchild of the US President. The US officials were instrumental not only in the drafting of the Treaty, but also in getting the acceptance of other countries. But when it came to the internal process of getting the approval of the Congress, the US President became helpless. The Congressmen criticized the ITO as they alleged that it would erode the sovereignty of the US in international trade relations. This gave a death-blow to the ITO. The other countries which were ready to ratify the Treaty thought that it would be futile to pursue with the ITO without the largest and the most dominant trading partner. They, therefore, settled in having an interim arrangement in the form of the General Agreement on Tariffs and Trade which came into force in 1947.
3. The extent to which leading Western economies were prepared to apply the rules of the GATT was striking. Successive US Administrations and Governments in Western Europe, led by the UK, regularly negotiated collectively to reduce trade barriers under the rules of the GATT. During successive rounds of negotiations, the scope of



liberalization expanded to include non-trade barriers as well. Each time that a round of negotiations was completed, it became a tradition for the entire GATT membership to look towards the US Presidency for ratification. In order to avoid the embarrassing situation of 1947, it became an important consideration for GATT members to ensure that the US President was invested with a fast-track Trade Promotion Authority. This Authority spared the US President from the obligation of sending an internationally agreed Treaty to the Congress for endorsement.

4. There is a strong case to be made that the contribution made by the GATT to increases in prosperity and to stability in the global order in the second half of the twentieth century exceeds that of the United Nations. On reflection, one can understand why governments were willing to cede authority to an international system to regulate economic activity but not to a system regulating international political activity. When economic authority is shared it is easier for governments to demonstrate the benefits of such cooperation.
5. Almost fifty years of extensive negotiations ultimately led to the creation of the World Trade Organization (WTO) in 1995. The idea of ITO was finally vindicated. Unique among international organizations, it administers several international agreements, including the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS), the Trade-Related Intellectual Property Rights Agreement (TRIPS). The basic principles underlying the WTO promote free and fair trade without discrimination, in a predictable and competitive environment, which is more beneficial for developing countries, giving them time and flexibility as well as special and differential treatment to adjust.
6. Trade policy has tremendously evolved over the past fifty years. It goes beyond the conventional market access issues at the border and now encompasses a wide range of issues that have direct bearings on domestic regulations and national sovereignty. It is a passionate debate on to what extent the WTO must have its grip on all trade-related issues and even on some non-trade concerns. The Uruguay Round brought two new subjects on the trade agenda – services and intellectual property rights. While many developing countries were still grappling with these new subjects, the Singapore Ministerial Conference and subsequently the Doha

Declaration expanded the scope of the negotiations further including environment, public health, investment, transparency in government procurement, competition policy and trade facilitation. An attempt to bring in labour standards at the Singapore Ministerial Conference was foiled at the very outset. These new subjects were imposed upon the WTO by developed countries. But following the widespread opposition from the developing countries at Cancun, the three "Singapore issues", namely Competition Policy, Investment and Transparency in Government Procurement were dropped from the Doha Development Agenda. This shows to what extent the boundaries of the WTO agenda are fluid and dynamic: they are heavily influenced by the rapport de force between the developed and developing countries.

7. The old practice of determining the rules of the multilateral trading system by a handful of powerful economics is no longer possible. Developing countries are becoming more and more assertive and want to ensure that the rules are just and fair. Experience has shown that rules which are negotiated on the basis of economic power fail to instill confidence and credibility in the system. The emergence of groups of alliances, like G20 and G90, is in reaction to the decades of domination of the multilateral trading system by the developed world.
8. The decision-making process in the WTO needs to be reviewed. Although the WTO provides for voting-system, there is a long established tradition in the WTO to take decisions by consensus. While the consensus approach provides an assurance to the smaller and weaker members that they cannot be sidelined, it has recently given rise to situations where the entire negotiations have been held hostage by few members. The recurrent feature of withholding consensus, at times when a silent majority wants to move forward, is in fact paralyzing the WTO.
9. Critically linked to the decision-making is the consultation process which actually shapes the nature and substance of the decisions. Although the WTO provides for universal participation of all members in all meetings, there is an entrenched practice of "cooking" decisions through the "Green Room Process". Despite the outcry of protests against this "Green Room", it seems that WTO cannot do away with this malady. With 150 members wrangling over a wide range

of issues, it has been found difficult to manage the consultation process. There is now a tacit acceptance of the "Green Room" concept which manifests itself in form of the mini-Ministerial meeting or the Informal Consultative Group. In whatever circumstances, the main challenge of the WTO is how to make consultation and decision-making processes really open, transparent and inclusive.

10. It is now generally accepted that "one-size-fits-all" approach will not work in the WTO. Different countries are in different stages of development and, therefore, one prescription for all of them would not help achieve the basic objective of economic progress of developing countries. Special and Differential treatment remains the core of the development dimension of the WTO. However, there has been little progress on this front as the S&D clauses are merely best endeavour measures. The considerable efforts deployed during the Doha Round talks to make the S&D provisions clear, enforceable and mandatory have miserably failed. The final outcome of the Doha Round runs the risk of being development deficit.
11. The constituency of developing countries itself has witnessed drastic changes in the recent years. It includes the emerging economies, the middle-income developing countries and the LDCs. Among the middle income developing countries, there are many of them which are small, weak and vulnerable economies and are exposed to external shocks. Just like the LDCs, this group of countries also deserves special treatment in the WTO to enable them to integrate the global economy.
12. Market access, howsoever generous, is meaningless to developing countries if they do

not have the capacity to produce and supply. There is now a general agreement that aid for trade can be an effective instrument to complement the development agenda and to provide means and resources to developing countries in addressing their supply-side constraints and in building their trade-related infrastructure.

13. Trade liberalization incurs adjustment costs that become huge burden for many developing countries to bear alone. Donor funds are necessary to mitigate the short-term losses and to sustain the reform process and the industrial restructuring.
14. Trade negotiations are driven by experts and technocrats. It is important to understand how to deal with technocrats in order to give political impulsion to the negotiations. Parliamentarians and NGOs can provide the connections between the WTO and their constituencies by passing information to the grassroots and by ensuring better public understanding of the workings of the trade regime.
15. With the advent of globalization, economic relationships are becoming increasingly complex. Although international relations will still be governed by traditional notions of military and political power, economic diplomacy (multilateral, regional and bilateral) is likely to play an increasingly important role. And this trend is likely to continue with the recent deadlock in negotiations in Geneva. In fact, regional and bilateral arrangements may increasingly be used to denote close political relationships and, where appropriate, to enhance security, the latter being secured by the deeper economic interdependence created by the trading arrangement.

## SUBSTANTIVE THEME (A) “LESSONS TO BE LEARNT FROM THE HISTORY OF MULTILATERAL TRADE NEGOTIATIONS UNDER WTO AUSPICES”

### INTRODUCTORY REMARKS

**Mr. Shakeel Ahmed Yousuf Abdul Razack Mohamed (Mauritius)**

The word “history” in the title of the discussion paper underlines the importance of evolution and movement forward in the process of trade negotiations, but I note with concern that there has recently been little such movement, which must be of a sort that is seen and experienced for the sake of posterity. I am, however, very happy that positive movement has occurred on one issue; paragraph 57 of the Hong Kong Declaration adopted at the Sixth

WTO Ministerial Conference invited the Director-General to create a task force that would provide recommendations on how to operationalize Aid for Trade. It is therefore gratifying that, in October 2006, the WTO General Council endorsed those recommendations, consequently giving rise to some movement of interest to developing countries with respect to at least one aspect of the negotiations.

Another issue I should like to address with reference to the discussion paper is the common assumption that many developing countries are disadvantaged in negotiations involving powerful counterparts. Over the years, the lessons learnt are that, in certain situations and despite their apparent lack of bargaining leverage, developing countries have successfully achieved a positive outcome vis-à-vis those powerful trading nations. Evolution through history has therefore taught us that the rules of the General Agreement on Tariffs and Trade (GATT) and of the WTO apply to rich and poor countries alike. Indeed, the enforcement of those rules through a third-party adjudication process for dispute settlement has frequently been positive. The present system comprises important mechanisms guaranteeing the right to negotiate and a common standard for evaluating outcomes, as well as the option for several countries to join a dispute and incentives for States to change policies that violate trade rules. In the context of the negotiation process, these mechanisms are potentially enabling for the developing countries.

The existing systems would nevertheless benefit from reform. Criticism is easy, but it is the proposal of a



sound alternative that matters. Meanwhile, in the absence of any such alternative that also has consensus, the existing system that has evolved over history provides an excellent mechanism for use by developing countries. The only problem per se is that, following an adjudication, compliance with rulings given is elective. Enforcement is therefore an issue that merits serious consideration insofar as trade processes and negotiations would no doubt be fair and equitable if compliance were not an elective matter.

#### Mr. Robert Sturdy (European Parliament)

The suspension of the Doha Round following another failed attempt by the main G6 negotiating parties to find an agreement on crucial modalities is an event of major political importance. While it remains unclear if and when negotiations will resume, the suspension provides an opportunity to look back at events following the launch of the Round and reflect on key areas that must be resolved in order to process those events and maintain future progress.

The name of the Round was always set to cause difficulties, for although it was easy to agree on a general idea of boosting development, it quickly became clear that different participants had very different understandings of what that meant and how it would be achieved. Most developed members believe that the Round should consist of increased efforts to grant favourable treatment to products from developing countries, combined with Aid for Trade, which is to say the provision of trade-related technical assistance and financial support in order to build and strengthen the export capacities of those



countries. The benefits of greater market access without the means to take advantage of that access are, however, uncertain. Furthermore, fears that Aid for Trade would not offset losses caused by liberalization in developing countries and mistrust of the ability of developing countries to deliver on their promise combined to increase suspicion that the Development Round would be nothing of the sort.

A main cause of the current stalemate is the failure of the negotiators to agree on what is meant by the Doha Development Agenda (DDA) and to reconcile conflicting objectives. The desired impact has not been achieved by European Union (EU) efforts to improve this situation through, for instance, duty-free and quota-free treatments for products from least developed countries (LDCs), the "Everything But Arms" initiative, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and derogation to facilitate access to medicines, which is particularly important for sub-Saharan Africa. The issue should therefore be further considered, with emphasis on special consideration for cotton and, even more fundamentally, the acceptance of a concept of a Round for Free for the majority of G90 developing countries.

Those efforts, moreover, have been perceived as insufficient to counterbalance the feared negative effects of a new multilateral trade deal. Earlier this week, Tony Blair said that the Doha Round negotiations could achieve more on non-agricultural market access (NAMA) from the G20, that the EU should be significantly bolder with its offer on agriculture, albeit within the negotiation limits, and that the United States should cut agricultural subsidies by more than it is presently offering. While this is a plausible statement with some truth in it, it nevertheless glosses over fundamental problems. The EU negotiation limit is not great and some member States would like to veto any proposals that went further on agriculture. Since the launch of the Round, there has been a great upturn in protectionist sentiment in both the United States and Europe. A Democratic Congress is not going to push for a Doha settlement; many recently elected Democrats won on an anti-China platform aimed at protecting jobs in the United States and even Republicans are unwilling to promote free trade because it is so politically unpopular in many key swing states. There is plenty of rhetoric in Europe about the importance of openness, but Europe has too often failed to practice what it preaches.

Although I believe in free trade, I also recognize that liberalization can be harmful for developing countries

if handled badly. A Doha agreement will be difficult to accomplish without greater commitment from developed countries genuinely to reduce both agricultural and indirect subsidies. Moreover, unless the concept of differentiation among developing countries is also accepted by the majority of WTO members, progress will be similarly difficult to achieve. Countries such as Brazil and Sierra Leone clearly face different needs and challenges and to describe them both as developing serves the interests of neither. At the present moment, the category of developing countries is neither defined nor differentiated. Rapidly developing countries such as India and South Africa, for instance, undeniably still have major development needs, with very different challenges from those faced by European and other developed countries. Nonetheless, it should be recognized that certain sectors of these countries are extremely competitive.

There is no monopoly on blame in the current stalemate. All major players have to move and a lack of trust concerning the fulfilment of pledges by developing countries has not been the only key problem; throughout the process, WTO members have proved themselves collectively and repeatedly unable to set and adhere to realistic deadlines, with no perceivable consequences, which portrays the WTO in a bad light and reflects a poor management process. Furthermore, the failure of ministerial meetings to achieve their intended results merely fuels the growing cynicism among negotiators, stakeholders, press and the public at large. Effective deadlines must be based on a genuine collective commitment and a realistic assessment of what can be achieved and when.

The problem lies not only in the deadlines themselves but in the political unwillingness of negotiators to accept the consequences of failure to meet those deadlines. WTO members appear unable to agree to disagree, preferring instead to continue postponing decisions. The indefinite adjournment of the negotiations by Mr. Lamy on July 24 was in fact the first official recognition since the launch of the Round that negotiations had failed and that no agreement was in view. It is worth noting, however, that this decision was not linked to any deadline collectively set by WTO members but to the forthcoming expiration of the United States Trade Promotion Authority (TPA). A multilateral process that is ultimately dependent on the domestic agenda of one single member is fundamentally unhealthy and it is counter-intuitive that the WTO is now so big that one country should dictate the completion of talks. In that sense, the WTO has become a victim

of its own success insofar as any kind of agreement benefiting more than 150 countries is always going to be difficult. When the Doha Round was launched, WTO members made a strong public commitment to inclusiveness and internal transparency, as well as a promise to involve all countries in all stages of the process. From the outset, however, and most markedly since the failure of the Cancún Ministerial Conference in 2003, the natural trend whereby the real bargaining is conducted among a restricted number of members re-emerged.

Since the conclusion of the July 2004 Framework Agreement, the process has boiled further down under a tacit understanding that everything would hinge on an agreement on key subjects among the G6. Even in this format, consensus has proved impossible to reach and it seems unlikely that the stated aims of inclusiveness and internal transparency would have been achieved in the event of a settlement. A problem common to all international organizations, this weakness must be recognized and addressed with a view to future improvement.

One answer might be some form of representation by a board or council where negotiations can take place with a view to preparing decisions among the whole membership, although this would inevitably prove unpopular with countries excluded from the process. Nonetheless, it is clear that a new mechanism must be found to make negotiations more inclusive in the future if they are ever to succeed. WTO ministerial conferences are top-heavy instruments that are inadequate for the conduct of such complex negotiations. In fact, the only meaningful step forward in the Doha talks took place within the much more discreet framework of an ad hoc committee meeting of the General Council in July 2004.

As concluded by the Hong Kong session of the Parliamentary Conference on the WTO in December 2005, the achievement of a positive outcome in the Doha Round is clearly in all our interests. Ministerial conferences may not be the best forum in which to move negotiations forward but they do provide an opportunity for stakeholders to make their voices heard. As the WTO grows more flexible and in tune with the needs of its members, the role of our Parliamentary Conference should be considered. It is perhaps the only forum that allows a global debate on multilateral trade issues among parliamentary representatives of the people directly affected by decisions taken within the WTO framework. The Doha Round has been characterized by a general lack of transparency, formal parliamentary involvement and effective interaction by civil society. Our Parliamentary Conference should be part of the

solution to the problem, a feeling that was echoed among colleagues attending the Joint Parliamentary Assembly of the African, Caribbean and Pacific Group of States (ACP) and the EU in November. I believe that there is an opportunity to make the system work and that we should be involved in that opportunity.

## EXCERPTS OF THE DISCUSSION

### Mr. Wu (China)

A fair and rational multilateral trading system is an important guarantee in building international trade activities and creating a level playing field for the healthy and stable development of global trade liberalization. The evolution of that system, to which GATT and the WTO have contributed substantially, shows that consultation and negotiation among countries with varying cultural, social and economic backgrounds and interests can produce consensus. As rightly pointed out by Mr. Mohamed, however, the process of trade liberalization incurs huge adjustment costs for developing countries, whose interests are much less taken into account under the multilateral trading system than those of developed countries. To correct this imbalance, the Doha Round should promote the establishment of a new international economic order that is fair, just and equitable. Developed countries should, for instance, reduce trade-distorting support and agricultural tariffs at the domestic level and assist developing countries through technical support and capacity-building. Only then can multilateral trade negotiations facilitate economic globalization and enable its benefits to be shared by all countries alike.

### Mr. Van der Berg (European Parliament)

The Committee on Development of the European Parliament, of which I am Vice-Chairman, believes that the Development Round has been obstructed by the inadequacy of the United States and European responses to the difficulties in the agricultural sector, in which connection it endorses the requests for support from the developing countries. It also believes that the G20 could demonstrate more flexibility, bearing in mind the differences between middle-income countries and LDCs, and that greater joint efforts should be directed towards achievement of the Millennium Development Goals for LDCs.

On the question of fair competition, the fact is that the effects of international trade are locally felt as a result of globalization, producing a very strong worldwide reaction which indicates that fair

competition and social standards are issues that must be addressed in the interest of agreement. Social standards have in the past been rightly regarded by developing countries as a form of Western protectionism. Today, however, all workers have the right to fight for decent working conditions that should in turn lead to fair competition. Unfair competition occurs where prisoners and children, for instance, are involved in labour and where there are state subsidies, to which the reaction is protectionism. Multilateralism should instead prevail over bilateralism and the system should be open and fair, failing which there will be no Development Round and no justly deserved gains for the developing countries.

### Mr. Ota (Japan)

Japan supports the multilateral trading system and indeed is one of its major beneficiaries. Following on from the conclusion of the Uruguay Round Agreements, tariffs have been reduced, agricultural trade has been further liberalized and agricultural exports have surged dramatically in the case of some developed countries, while export volumes have fallen in the case of others. The latter have not therefore necessarily benefited from the trade liberalization in agriculture. Despite the many efforts for agreement since the DDA was first launched in November 2001, the United States in particular has failed to show flexibility, with the result that the free and smooth expansion of trade under the WTO is now hampered by the suspension of talks, which has a negative impact on all members and in particular on the trade and development prospects of developing countries. Having caused the breakdown of negotiations, the United States should take the initiative to rectify this unfortunate situation. In terms of agriculture, it is important to keep in mind the goal of the current Round, which must remain fair and equitable in order to establish equal competition for developing countries, to which end trade-distorting domestic support must be dramatically reduced and export subsidies eliminated. The three pillars of the agriculture sector, including market access, must also be improved with a view to striking an overall balance with NAMA and other sectors.

### Mr. Matlou (Algeria)

While welcoming the call for revival of the Doha Round, we are concerned by the ongoing divergence in the positions of the main players, which is an obstacle to any smooth resumption of the negotiations. I would like to ask what plans are in place to ensure that the Round culminates in a fair

and balanced agreement, including full modalities for integration of the development dimension and the avoidance of any need for acceding countries to negotiate concessions that go beyond the WTO rules already agreed.



#### Mr. Jaitley (India)

The recent history of the WTO provides five important lessons to be considered in the interest of breaking the recent deadlock in the Doha Development talks. The first is that free trade should also be fair, to which end the obstacles to market access must be removed. Secondly, the deadlock is rooted in the agricultural negotiations insofar as a large number of countries are unable to provide market access in the face of unfair subsidies, which must therefore be ended. Thirdly, in the wake of its increasing democratization since the Cancún Ministerial Conference in particular, the WTO is now additionally driven by important groups such as the LDCs, the G33 and the G20, which play a key role in its balance of power. The developed world must therefore recognize the significance of these players. Fourthly, a special effort must be made to end the go-slow in NAMA and services. Lastly, we as national parliamentarians have an important role to play inasmuch as the talks may eventually have serious political ramifications at the domestic level, particularly in the context of agriculture.

#### Mr. Oliver (Canada)

It is important to maintain a clear focus when considering lessons to be learnt from the history of

multilateral trade negotiations under the WTO. As a parliamentary conference, we must remain focused on parliamentary matters; we are neither governments nor the negotiators and the two rapporteurs have highlighted the importance of stressing that fact, even in the draft outcome document. Indeed, as representatives of the citizens of our countries, we parliamentarians must demonstrate that we are holding our Governments accountable on trade issues. We must also play a central role in holding accountable the international institutions that make and enforce the rules of the multilateral trading system. We must be constantly engaged in ensuring that rights to public information, access and participation are addressed if adequate accountability is to be exercised over decision-makers involved in the negotiating process. Furthermore, we must ensure protections for the least powerful stakeholders and possibly even recommend the establishment of specialized committees in our parliaments or legislatures. These points were very amply brought out this morning by Mr. dos Santos in his emphasis on our supervisory role and our monitoring of legislation. Indeed, paragraphs 3, 5, 6, 7 and 8 of the draft outcome document could each benefit from the inclusion of a parliamentary component in order to highlight our role as parliamentarians in the WTO process.

#### Mr. Kudo (Japan)

As the world's largest net food-importing country, Japan has contributed to the development of agricultural trade and believes that the coexistence of various types of agriculture is a very important aspect of the negotiations, in which food security and non-trade concerns must also continue to be clearly reflected. Japan will be actively involved in the efforts to relaunch the talks, collaborating with other countries and ensuring that its concerns are clearly reflected in the outcome. With its scarce natural resources, it is keen to see the establishment of a stable free-trade system through the WTO. In Japan itself, public interest in food security is now heightened as a result of the threat posed by serious diseases, such as bird influenza and bovine spongiform encephalopathy (BSE), and there is a move towards the consumption of locally produced food. Stimulation of the global trade in agricultural products through WTO negotiations is vital for the developing countries. In that respect, the major challenge is to ensure that food security, public health and the conservation of land and natural environment remain uncompromised, failing which the human race will pay the price. That is a

responsibility which we as representatives of the people share with governments.

#### Mr. Zaleski (European Parliament)

A general lesson of history is that the consensus rule is extremely difficult to meet, particularly when partners desist from talking in order to pursue means of self-managing trade issues that are often at odds with WTO concepts. My first suggestion aimed at countering the resulting lack of constructive progress is that partners should agree to continue talking, regardless of difficulties, and my second suggestion is that silent pauses should be limited to a necessary minimum.

#### Mr. Alorayer (Saudi Arabia)

While altogether necessary, Aid for Trade is in itself insufficient to enable developing-country access to developed-country markets. I therefore suggest that a WTO-approved numerical target should be set for such access. The target should not only be meaningful but also enforceable, thereby duly rewarding developing countries and LDCs for the measures taken to liberalize their economies.



#### Mr. Sugandi (Indonesia)

The Indonesian Parliament acknowledges the great importance of international trade liberalization in promoting higher and sustained economic growth. It is also aware that the establishment of the WTO

stemmed from the desire to increase the international flow of goods and services. The WTO membership, however, comprises a vast number of countries at varying levels of development, each of which should fundamentally recognize the development needs of all developing countries. In that context, trade is a means of achieving the Millennium Development Goals and international trade in particular should play a part in the efforts aimed at poverty alleviation, food and livelihood security and rural development. The Indonesian Parliament also gladly supports the move towards resumption of the DDA negotiations, following which the Doha Development Round should live up to its name by aiming to achieve greater development and rectify historical imbalances. The true lessons to be learnt lie in these imbalances, which currently favour developed countries. As well as seeking wider market access and new trade flows, the Doha Round should address the core problems of a multilateral trading system geared to eventually delivering beneficial results to the WTO membership as a whole.

#### Mr. Daoudi (Morocco)

The many statements made in support of LDCs and developing countries should ideally be followed by concrete aid proposals when national budgets are discussed in the industrialized countries. I therefore hope that parliamentarians will take steps to that end at their own domestic levels for the benefit of the former. We hear a constant refrain that free trade is conducive to the well-being of all and yet it is the very people repeating that refrain who appear to be hindering genuine free trade. European and United States agricultural subsidies prevent developing countries from promoting their products through international trade. Parliamentarians should therefore follow words with deeds by recommending an end to all subsidies.

#### Mr. Mohamed (rapporteur)

The only thing I would add at this stage is that the non-advanced developing countries feel caught between two blocs, namely the EU and the United States on the one hand and the advanced developing countries on the other, with no cushioning from either side. I nevertheless hope that each bloc will bear in mind what I have gathered from today's interesting suggestions and comments, which is that such cushioning is very important. I would also like to thank the non-advanced developing countries here today for their very amicable and noteworthy expressions of support.



### Mr. Sturdy (rapporteur)

Concerning the question of current plans raised by the delegate from Algeria, it is my view that great care must be exercised. I advocate multilateral discussions because the risk with bilateral discussions is that individual partnerships will very quickly be set up, with a consequent loss of the real context and feeling of what world trade is about. As for the comments by the delegate from India, free and fair trade is universally supported but everyone has a different opinion of what constitutes free trade. I feel that consideration should perhaps be given to removing agriculture from the negotiations altogether and to placing the focus instead on non-agricultural products.

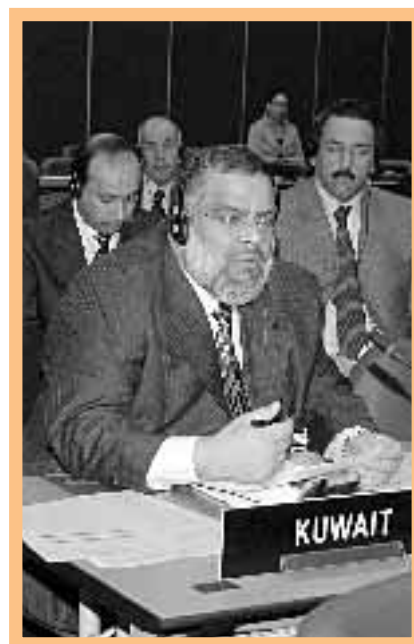
Turning to the very pertinent points raised by the delegate from Canada, it would be regrettable if, as parliamentarians directly elected by the very people affected by our decisions, we were to have no input, because we do indeed have a greater role to play. We may not be engaged in the direct negotiations but we must at least be able to promote and put forward ideas to those who are heavily involved in them. Concerning the question of Aid for Trade mentioned by the delegate from Saudi Arabia, I am currently the rapporteur on economic partnership agreements (EPAs), the whole point of which is to ensure that the developed world is more accountable for its public spending on donations or assistance for developing countries. We must be accountable to the very people who elect us and Aid for Trade therefore must also be accountable and proved to work. In that regard, I think EPAs offer an opportunity, albeit an extremely difficult one.



The discussion thus far leads me to create a few ripples by asking if you believe that the WTO is working and whether we should perhaps go right back to the drawing board and the initial formulation. Is it just the developed countries that are benefiting from the WTO or are we in fact genuinely trying hard to help the developing countries? I ask these questions because I think that we may well have gone awry.

### Mr. Al-Sar'awi (Kuwait)

The discussion papers clearly reflect the view that the relationship between the WTO and the Governments of its members is problematic. They also highlight the desirability of parliamentary support for the work of the WTO. In most cases, however, those Governments hold a parliamentary majority, meaning that the attitude of members towards the WTO is simply mirrored in the attitudes of their own parliaments. The true problem consequently lies in the relationship between the WTO and the public within its member States insofar as many of those States, in particular those without food security, harbour legitimate fears that higher subsidies and weaker exports will affect their food prices at home. Consideration must therefore be given to the introduction of a price-control mechanism. In short, I endorse the view that street-level concerns must be heeded in order to alleviate the current tension and narrow the gap between the WTO and the general public.



### Mr. Cho (Republic of Korea)

The Republic of Korea has actively participated in the DDA negotiation process, in particular through the submission of numerous proposals relating to the agricultural sector. It believes that non-trade interests and the multifunctions of the agricultural sector must be taken into account. The market opening in that sector should therefore be gradual. As for Korean exports, the scope and depth of the market opening should be substantial, with some guarantee of flexibility in the case of sensitive items such as marine and fishery products. With regard to trade norms and regulations, as a member of the Anti-dumping Friends Group, the Republic of Korea supports a revision of the current Anti-dumping Agreement in order to curb abuse of the measures now in place. Lastly, the success of multilateral trade negotiations is vital to world economic growth, to which end it is hoped that the major players will demonstrate their leadership with a view to the earliest possible successful conclusion of the DDA negotiations.



### Lord Paul of Marylebone (United Kingdom)

The lesson we are learning is that a conclusion is preferable to postponement of the problem. Agriculture is a very substantial issue that must be settled and it would be preferable if governments were pushed into a conclusion and if we then learnt from the ensuing difficulties, which we could attempt to solve one by one. By opting for free trade and free investment, including very strong outsourcing,

the British economy has made such enormous gains that it is now among the world's best. I therefore stress the need for efforts to reach a conclusion, which would produce a win-win situation for all countries.



### Mrs. Rehman (Pakistan)

The two discussion papers indicate that ambitious rounds of multilateral trade negotiations have contributed to world economic growth. The time and energies that we as parliamentarians have invested in negotiating the Doha Round should not go to waste. We strongly favour multilateralism and suggest that the IPU should unanimously recommend the early finalization and conclusion of the Doha Round.

### Mr. Oueslati (Tunisia)

Our current meeting comes at a delicate point in the WTO round of negotiations, which are particularly important for agriculture. A vital sector in the economy, agriculture is also the starting point for the negotiations and has a significant role to play in the Doha Round. We were obviously disappointed when the talks were suspended earlier this year and we are well aware of the adverse affects that would ensue from the failure of the negotiations. We are also well aware of the importance which WTO members place on their resumption and we must therefore make the utmost effort to ensure that talks are revived.

### Mr. Angwenyi (Kenya)

We have apparently learned nothing from history. When the idea of WTO was mooted in 1994, hopes were raised in the developing world that development could be realized through multilateral trade. Instead, as the first and only negotiations aimed at addressing the needs and interests of the developing world, the Doha Round has been characterized by failure upon failure to meet deadlines. This failure is due to the inflexibility of the United States and the EU in the matter of negotiating domestic support and export subsidies. Why is there so much inflexibility on their part? Is it because of the issues and needs addressed by the current Round? This question must be answered because no real progress will be achieved without a show of flexibility on their part and the lifting of their imposed blockade on these negotiations.



### Mr. Sanoussi (Niger)

There is a proverb which says that yesterday's truth is today's lie. In times past, trade was sometimes imposed in order to open markets and find outlets for finished goods and raw materials. In other words, trade was initiated through gunfire, followed by the colonial era and now global liberalization. The very people who rejoiced in the collapse of the socialist bloc and the spread of capitalism, however, are now hindering the process by seemingly advocating interventionism and setting up the WTO negotiations for failure. We are parliamentarians – not members of the executive or negotiators – and we have a duty to exert pressure on our Governments at home to do

their utmost for the success of these negotiations. How many of us have had occasion to bring such pressure to bear since the Doha talks were suspended? How many have done so and how many intend to do so? It is vital that we urge our Governments to ensure the success of these negotiations.

### Mr. Sturdy (rapporteur)

The delegate from Kuwait mentioned the issue of food security, to which I would add that energy security is set to become a key question in the developing world throughout the coming years, which will have a very substantial effect on agriculture. The United States is already turning corn into energy and the price of corn has increased dramatically as a result. The delegate from the United Kingdom was among those who mentioned that agriculture has been the big issue. In that regard, I should say that the WTO took the important decision to eliminate export restitutions, albeit not until in 2013, but at least a decision has been taken. Knee-jerk reactions are worrying because a clear and long-term understanding of the decisions taken is important. The conspicuous effects on trade produced by the Helms-Burton legislation, for example, must be avoided. I leave you with a last thought: those of us with food face many problems, whereas those without it have only one.

### Mr. Mohamed (rapporteur)

Following on from the very interesting remarks made by the delegate from Niger, the DDA is obviously the essence of the Doha Round, which was framed with



a view to development, equity, fairness and a restoration of balance for various countries. As he indeed intimated, certain countries appear to have forgotten the essence and origin of that DDA. It also appears that we, as parliamentarians, must prevail upon our Governments to ensure that focus is resumed on the DDA with the aim of bringing development to those countries which need it. It is therefore time for all of us to put the required amount of pressure on our respective Governments to return to the important and seemingly forgotten issue of the DDA.

#### **Mr. Moreno Sanchez (European Parliament)**

I would initially like to thank the two speakers and attempt to draw some conclusions from our discussions. The first concerns the need to ensure continuation of the Doha Round and defend the WTO as a multilateral trading system with clear and binding rules designed to ensure fair trade and counteract discrimination and protectionism. In Hong Kong, the WTO was likened to a bicycle that will fall over if pedalling stops. We are the cyclists and the public even more so in the sense that everyday life is affected by trade, particularly in developing countries.

Extreme care must be taken to ensure that the current period of reflection does not lead to inaction. To avoid that possibility, a clear indication of the desire for the early resumption of negotiations must be promptly given. This morning, ministers urged the need for rapid progress and for flexibility, notably on the part of the EU, the United States and emerging developing countries. To that end, it is crucial to bear in mind the impact of successful negotiations, not only on development in developing countries, but also on one of the main challenges facing us in the early twenty-first century, namely immigration. One of the key conclusions of the EU-Africa Ministerial Conference on Migration and Development, held last week in Tripoli, was that the current Development Round must be completed so that countries can export their products and not their citizens. Consideration of the potential impact of international trade on issues such as immigration, development and the environment is therefore vital.

#### **Mr. Wu (China)**

After five years of twists and turns, it is disturbing that the Doha Round is now in deadlock, unable to continue because the major negotiators are too divided to reach consensus and too reluctant to

compromise on agricultural issues, which are therefore regarded as a stumbling block. In my view, to suggest that agriculture should be dealt with as a separate issue is to take a dangerous path towards undermining the commitment to development. Agriculture is crucial to economic growth and livelihoods in developing countries, particularly the LDCs, where it accounts for 60 per cent of GDP and provides a livelihood for 70 per cent of the population. Given the subsidies and protection of domestic markets in developed countries that create low prices for agricultural products, it is virtually impossible for developing countries to compete on the world agricultural market. With a view to progress in the negotiations, top priority should be devoted to addressing major issues, including a substantial reduction in those subsidies and the removal of high tariffs, tariff peaks, complicated tariff structures and other market-access barriers. Flexibility for developing countries is also a key priority.

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

I have three questions. First, could the rapporteurs make a brief comparison between negotiations conducted under WTO and GATT auspices, respectively? Secondly, was the Doha Round suspended for political, economic or systemic reasons? Thirdly, if the reasons were indeed political, could not heads of State and Government be called upon to arbitrate from within the framework of the United Nations?

#### **Mr. Soulé Adam (Benin)**

It is essentially parliamentarians who, through legislation, provide governments with the wherewithal to implement policies, including those involving subsidies for agricultural products. The distortions produced by these subsidies are well known; Africa's 36 cotton-producing countries, for instance, are losing US\$ 1.2 billion annually. My question is to ask what commitment parliamentarians from developed countries can make to compel their Governments to abandon subsidies and allow the free market to reign. It is my view that the situation would improve with the involvement of parliamentarians. I would also appeal to the Director General of the WTO to ensure that our proposals echo the cries of those whose only hope lies in having the physical strength to cultivate a single product that they are then obliged to sell on a world market where trade is unequal.

### Mr. Adu (Ghana)

Contrary to my expectations, this meeting is in fact proving to be beneficial. It must be said that the somewhat rocky history of the WTO has also had its smooth parts. I believe that Mr. Lamy answered the question about our role as parliamentarians when he said that we must not simply be the end consumers but must also go into the kitchen to see what is cooking. It is our duty as parliamentarians to ensure that we are consulted by our executive branches in advance of discussions or treaty signings so that our constituents will be well represented. As for our oversight role, the question is how to make our Governments accountable to the people through us, their parliamentarians.



# MULTILATERALISM AND BILATERALISM IN TRADE POLICY

*Discussion paper presented by Mr. Sajjad Karim, Member of the European Parliament*

## Introduction

Irrefutably, trade does inspire growth. Indeed, import liberalisation has the potential to replace comparatively costly domestic production, reallocate resources more efficiently, and spur capital accumulation, economies of scale as well as long-run dynamic gains such as the transfer of technology and skills. While a country's trade policy shall determine the means by which trade benefits are realised, sound domestic policies constitute a prerequisite to ensure these indeed translate into economic growth.

Participation in the rule-based multilateral trading system, the purpose of which, as defined in the Preamble of the General Agreement on Tariffs and Trade (GATT) 1947, is *'the substantial reduction of tariffs and other barriers to trade and elimination of discriminatory treatment in international commerce'* so raised standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand are attained by all parties to the agreement, emerges as the preferred trade policy choice. Indeed, the European Community has been explicit regarding its commitment to strengthen the current trading system and as such, views the recent suspension of the Doha Development Agenda (DDA) negotiations as a major missed opportunity, with serious systemic implications for multilateral trade that needs to be rectified in due course.

Undeniably, the potential gains from a substantial multilateral liberalisation can be much more pronounced than those attained by alternative trade liberalisation scenarios, namely bilateral or regional arrangements. The OECD estimates gains in terms of increased economic activity and hence prosperity in the region of \$100 billion if full tariff liberalisation for industrial and agricultural goods was to be attained. The figure pertaining to services, the fastest growing sector of the economy is five times as high, estimated at \$500 billion, whereas an additional \$100 billion has been attributed to a Doha agreement on trade facilitation that shall remove procedural barriers.

## The rationale for Regional Trade Agreements (RTAs)

Nevertheless, the proliferation of bilateral and regional trade arrangements (hereafter referred to as Regional Trade Agreements (RTAs))<sup>1</sup> has been considerable. (Figure 1)

In fact, a combination of geopolitical developments most of which date back to the late 1980s or early 1990s is often believed to have instigated the move towards regionalism. These would include the uncertainty concerning the fate of the Uruguay Round (1986-1994), the fragmentation of the former Soviet Union, the policy of 'additive regionalism' pursued by countries such as Chile, Mexico and Singapore, the more favourable stance towards

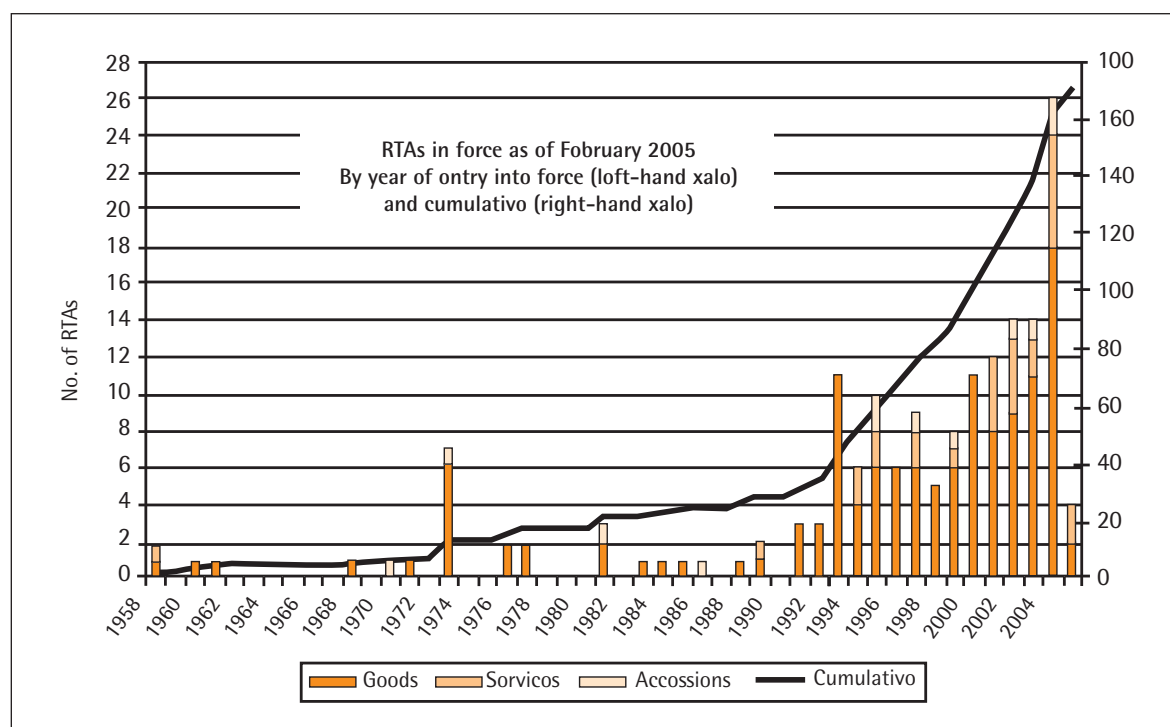
---

<sup>1</sup> Regional Trade Agreements (RTAs) shall mean bilateral, regional and plurilateral agreements

preferential agreements of countries such as the United States, and the expansion of the European RTA network to incorporate new acceding countries from Central and Eastern Europe, the Balkans and the Mediterranean. Indeed, 21 RTAs coming into force within a period of 1990-1994 demonstrate a fivefold

increase when compared to only 4 within the preceding 4 years. (Table 1) The number of notified agreements currently in force surpasses 190, while approximately a further 70 are being negotiated or indeed considered.

Figure 1 The proliferation of Regional Trade Agreements (RTAs)



Source: WTO

Table 1 Notified RTAs in goods by the date of entry into force and type of partner

	Developed-Developed	Developed-Developing	Developed-Transition	Developing-Developing	Developing-Transition	Transition-Transition	Total
1958-1964	2	0	0	1	0	0	3
1965-1969	0	0	0	1	0	0	1
1970-1974	5	1	0	2	0	0	8
1975-1979	0	3	0	1	0	0	4
1980-1984	2	1	0	2	0	0	5
1985-1989	1	1	0	2	0	0	4
1990-1994	3	3	4	5	1	5	21
1995-1999	3	7	0	4	2	16	32
2000-2002	0	11	4	8	2	5	30
2003-2005	2	9	0	4	2	16	33
<b>Total</b>	<b>18</b>	<b>36</b>	<b>8</b>	<b>30</b>	<b>7</b>	<b>42</b>	<b>141</b>

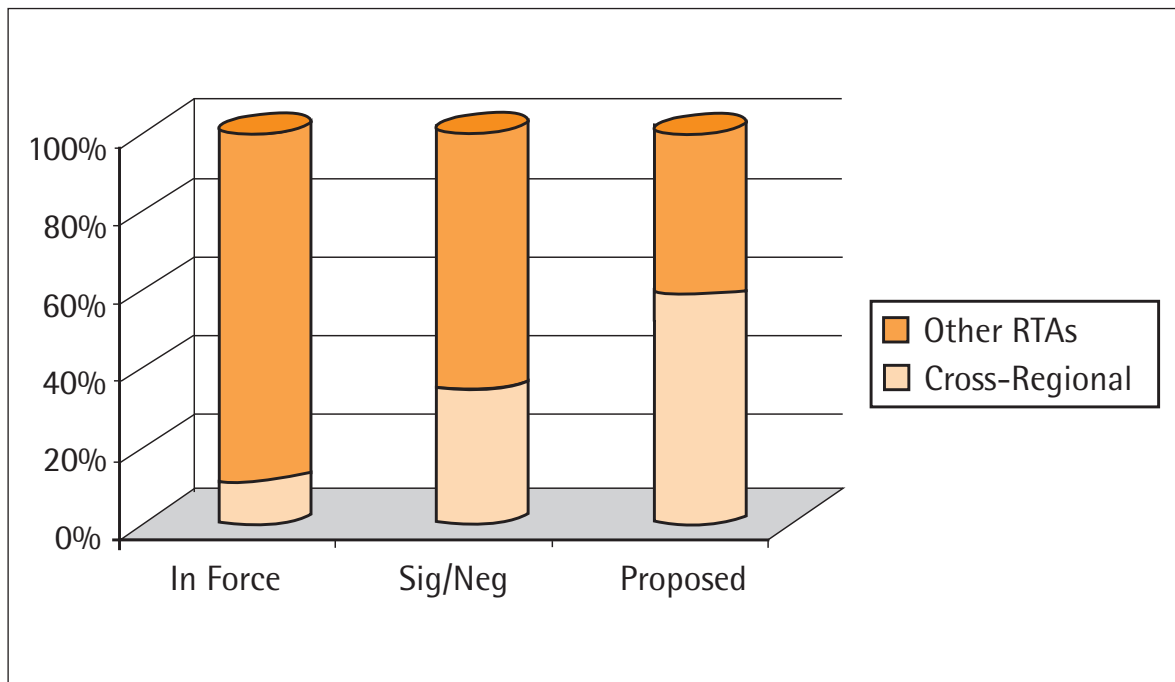
Note: developed economies include Canada, the United States, EU, EFTA, Japan, Australia and New Zealand, transition economies include the former Soviet Union, Eastern and Central Europe, the Baltic States and the Balkans; the remaining countries are classified as developing

Source: WTO (February 2005)

Traditionally, RTA formation occurred between geographically contiguous countries with already well established trading patterns. Australia and New Zealand, the NAFTA countries, the EC, EFTA, and CEFTA would serve as good examples of such arrangements. Irrefutably, most countries sign their initial RTAs with one or several neighbouring or regional partners and this has indeed been the case with South East Asian countries and ASEAN, sub-

Saharan African groupings such as CEMAC or SACU, or the Western Hemisphere grouping of CARICOM, the CACM and MERCOSUR. Concurrently however, once strictly regional prospects are exhausted, a country may begin to seek preferential partners beyond the boundaries of its geographical proximity. This trend is most evident in countries of the Western Hemisphere, Europe and increasingly Asia-Pacific. (Figure 2)

Figure 2 Cross-Regional RTAs as a percentage of total RTAs



Source: WTO (February 2005)

With such a substantial number of RTAs it is not uncommon for a country to be a signatory of several such agreements. Though this may be viewed as primarily advantageous, differing rules of origin, tariff schedules and period of implementation complicate customs administration and thus may result in an increased cost of trade.

Frequently, the apparent preference in a country's trade policy for RTAs as opposed to multilateral liberalisation may be due to the following reasons:

- **Market access.** Countries often seek an improved market access when compared with that of WTO MFN treatment. As such, the prospect of obtaining a first-mover advantage by signing bilateral trade agreements with major trading

partners before others can do so may often constitute an incentive for pursuing regionalism. However, though such gains could have indeed been plausible at the onset of the move towards regional agreements, the proliferation of RTAs around the world has surely reduced if not eliminated them. Nonetheless, this strategy tends to trigger a chain reaction of bilateral arrangements, as other nations in order to ensure a more level playing field opt for comparable solutions.

- **Broader economic and political goals.** RTAs may often be driven by geopolitical considerations. In fact, regional trade arrangements encompassing a number of parties within a geographic region or regional groupings



(region to region agreements) though primarily concerned with integrating markets, may also aim to increase regional political stability, enhance relations between the parties and bring together countries at different levels of development and with divergent institutional structures and capabilities.

- **Development goals.** Certain trade arrangements, such as the North-South agreements often aspire to accomplish development objectives. Industrialised countries by opening their large markets where consumers retain a high purchasing power, and allowing for an asymmetric reduction of trade barriers with transitional periods for the benefit of the disadvantaged countries may indeed assist them to attain the intended development goals.
- **"WTO-plus" liberalisation.** RTAs may additionally have the flexibility to pursue trade-expanding policies not addressed well in multilateral trading rules. As such, they may go beyond the reduction of tariffs to include measures that mitigate trade impediments associated with standards, customs and border crossings, services regulations and broader rules that can improve the overall investment climate. Moreover, these agreements may serve as a leverage to facilitate domestic reforms, particularly with respect to nations undergoing acute transformation of their economies, as has indeed been the case with the countries of Central and Eastern Europe and the Europe Agreements.
- **Pace and political gain.** Irrefutably, reaching a consensus among the members of the WTO can be a lengthy process and as such governments might be prompted to turn to regionalism as a means to achieve their trade objectives more swiftly. However, while this may have indeed been formerly viable, with bilateral negotiations becoming increasingly complex this incentive is likely to cease.

### The WTO compatibility of RTAs

Article XXIV of GATT 1947 defines the modalities under which WTO members are allowed to derogate from the principle of Most-Favoured-Nation treatment (Article I), a foundation of the multilateral trading system. As such, providing certain conditions are met, the formation of Free Trade Areas (FTAs) and Customs Unions (CU) has indeed been allowed for. Accordingly, parties to the agreement that endeavour to form an RTA are required to eliminate duties and other restrictive regulations of commerce

within a 'reasonable length of time' on 'substantially all the trade between the constituent territories'. Though a 10 year period has been generally accepted as the reasonable time for such arrangements to take full effect, admittedly the phraseology, employed to prevent sector and product-specific favouritism and to limit trade diversion effects, does not constitute a precise definition and as such its interpretation left to individual WTO members may vary considerably between agreements. The European Commission interprets 'the substantially all trade' provision as a liberalisation of around 90% on average of the total value of trade between the parties and thus allows for a certain degree of asymmetry. Nonetheless, given the complexity and specific nature of problems in various regions, particularly those pertaining to development and environment that RTAs attempt to address, the rules governing their formation shall be undeniably more flexible. As such, article XXIV of GATT may indeed need to be amended to allow for the protection of vulnerable sectors, particularly among unequal trading partners.

In fact, trade between developing countries represents a significant exception to the somewhat stringent rules of Article XXIV. In accordance with the Enabling Clause (Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries 1979) the disadvantaged countries may accord differential and more favourable treatment to each other and this indeed may be product specific.

Similarly to Article XXIV of GATT, Article V of GATS, governing the conclusion of RTAs in the area of trade in services, requires a substantial sectoral coverage from both developed and developing nations although still does not provide a precise definition of the term.

### Consequences for the Multilateral Trading System

By drawing on or replicating underlying WTO approaches or indeed other existing international agreements, fostering cooperation and technical assistance among regional partners and, in some instances, by helping to forge model approaches for possible subsequent adoption in a WTO setting, RTAs may assume a harmonising role and complement the multilateral trading system. Furthermore, with the import-substitution industry gradually becoming accustomed to higher competitive pressures, liberalisation with respect to the rest of the world could subsequently be more readily enforceable

politically, while given the reduced number of participants as a direct result of the establishment of trading blocks, a consensus regarding the extent of such process more attainable.

Conversely, RTAs being discriminatory by nature depart from the basic principle of the multilateral system, namely the MFN treatment. Moreover, though designed to the advantage of the signatory countries, their expected benefits may be undercut if distortions in resource allocation as well as trade and investment diversion are not minimised, or indeed eliminated. In fact, as opposed to amplified trade flows, increased transaction costs for businesses, most evident in the area of rules of origin, are often an unavoidable consequence of RTAs for countries with multiple memberships. Furthermore, such agreements may strain the institutional capacity of governments when those are involved in parallel negotiations at multilateral, regional and bilateral levels and diminish the political pressure for more extensive liberalisations, as interests in new markets by the export industry might already be partially satisfied.

### RTAs – their design to maximise benefits

A regional agreement to complement a non-discriminatory multilateral trading system would need to strive towards 'open regionalism', namely low external barriers to trade, non-restrictive rules of origin, liberalised service markets and an acute focus at reducing transaction costs at borders. Low external tariffs and wide coverage shall minimise the risk of trade diversion, while non-restrictive rules of origin shall allow for an increase in trade flows.

In fact, provided prerequisites such as political stability and sound domestic policies are in place, RTAs most likely to have a positive effect on the signatories may be those designed with:

- Low external MFN tariff
- Few sectoral and product exemptions
- Non-restrictive rules of origin that build towards a framework common to many agreements
- Measures to facilitate trade
- Large regional markets
- Measures to promote new cross-border competition, particularly in services
- Rules governing investment and intellectual property that are appropriate to the development context
- Appropriate sequencing of liberalisation and an efficient monitoring mechanism to oversee implementation

### The European Union and its approach towards RTAs

Undeniably, regionalism has been a means of harmonising the domestic and external policies of Europe's complementary economies, and the trade aspect of regional integration has been an essential component of this political and economic union. Consequently, in its regional and bilateral trade agreements the EU considers the inclusion of deep integration elements, nontrade issues and social concerns such as labour standards, environmental concerns and human rights as particularly important. Furthermore, the Community fully supports the philosophy that regionalism and multilateralism may indeed be mutually supportive and recognises that regional agreements can provide the basis for identifying specific, regional, political and economic interests that could boost deep integration efforts, especially in areas that go beyond the elimination of tariffs and include regulatory initiatives and non-tariff barriers.

Consequently, by opting for bi-regional accords and those with high coverage in terms of tariff lines, trade volumes and sectors, the EU believes the excessive fragmentation of the international trading system can be avoided while trade diversion minimised. Moreover, driven by the development needs of the disadvantaged countries, the Community promotes a 'NorthSouth-South' model (Economic Partnership Agreements with the ACP countries) which combines the benefits of development aspects such as asymmetric market opening and transition periods with those of a successful regional integration model, notably larger markets and stabilisation of the economic and political landscape.

### The EU's commitment to the open and liberal multilateral trading system

As previously noted at the Sixth WTO Ministerial Conference in Hong Kong (December 2005), RTAs that are WTO compliant can indeed '*foster trade liberalisation and promote development*'. Concurrently, they should never be viewed as a substitute for coherent multilateral rules and progressive multilateral liberalisation.

In fact, the multilateral rule-based system under the WTO is the most effective and legitimate means of managing and expanding trade and as such the EU has been explicit about its commitment to strengthen it by *inter alia* increasing its transparency and oversight of inherently discriminatory RTAs.

Concurrently, the Community recognises that to ensure such agreements do indeed assist the disadvantaged countries in their development efforts and encourage participation in the multilateral system, the "substantially all the trade" requirement as well as that pertaining to transition periods (Article XXIV of GATT and Article V of GATS) will have to be revised.

The EU deeply regrets that despite significant flexibility on its part, the DDA negotiations have been suspended. Undeniably, the costs of this breakdown are high and have the potential to ascend if it becomes permanent. Doha will certainly remain a central priority of the European trade policy and the Community efforts will irrefutably be directed at bringing it back to life and success.

---

### *Discussion paper presented by Senator Donald H. Oliver (Canada)*

The global trading system has become increasingly uncertain and quite complex. The World Trade Organization's (WTO) Doha Round of multilateral negotiations has stalled, with the prospects for a restart of these trade talks in the near future dim. Meanwhile, there continues to be a flurry of activity on the bilateral and regional trade-deal front, with only a handful of countries now not having some sort of preferential trading arrangement as part of their overall trade structure. As the Canadian government's Senior Trade Policy Advisor observed, "No corner of the world is without some regional or bilateral trade dynamic as various countries seek to be their own hubs rather than someone else's spokes – implicitly therefore securing their place at the expense of others in what seems to be an increasingly uncertain global trading environment."<sup>(1)</sup>

There is no question that the game today in international trade is occurring at the bilateral and regional levels. There has been an enormous proliferation of regional trade-related agreements after the completion of the Uruguay Round of the General Agreement on Tariffs and Trade in the early 1990s.

Given the slow pace of WTO negotiations on a new Round of negotiations, the United States has been very active in finalizing bilateral trade agreements with countries from all over the world. Some fifteen of these agreements have been finalized. In East Asia, new interest in regional arrangements followed the onset of the Asian Financial Crisis, which demonstrated that markets considered East Asia a region. Europe, which has long been the standard bearer for regionalism, has been active in both deepening and widening the European Union's (EU) common market. Moreover, to the EU's efforts to integrate regionally must be added the extensive

web of bilateral and plurilateral agreements that the Europeans have entered into with Eastern European and non-European partners. For Canada's part, this country has only entered into one bilateral trade agreement in the past five years, a relatively poor performance compared to that of other trading nations.

This paper presents the arguments in favour of both bilateralism and regionalism (hereafter called regionalism since most of these trade arrangements are occurring at the regional level), and multilateralism in trade policy. It ends with a brief discussion of Canada's interests in the world trade system.

### **The case for regionalism**

What are the arguments for regional trade agreements (RTA)? Are these arrangements, in the terms that many trade specialists use, "building blocks" or "stumbling blocks" to global liberalization?

The first argument in favour of RTAs is that they result in net trade creation as opposed to trade diversion. RTAs do enable members to enjoy gains from trade. Members of such agreements will increase imports of goods and services which their partners can produce more efficiently, and increase their own exports which they themselves can produce more efficiently than their partners. This increase in trade is known as the "trade creation" effect of a free trade area.

Unfortunately, the gains from trade creation in a preferential trade arrangement can be partly or wholly negated by an effect referred to as "trade diversion," which does not arise in the case of non-discriminatory liberalization. Trade diversion occurs when the preferences created under the arrangement

---

<sup>1</sup> This paper draws extensively from John M. Curtis, "The Importance of Being Multilateral (especially in a regionalizing world)," in John M. Curtis and Dan Ciuriak, eds., *Trade Policy Research 2003*, Department of Foreign Affairs and International Trade, 2003, [http://www.dfait-maeci.gc.ca/eet/research/TPR\\_2003/TPR\\_2003-en.asp](http://www.dfait-maeci.gc.ca/eet/research/TPR_2003/TPR_2003-en.asp).

in question cause imports to be switched from non-partner to partner countries, even though they are available from the non-partner countries at a lower cost. This can happen because the higher-cost goods from the partner country enter free of duty or other restrictions under the free trade agreement. There is some evidence of reasonably significant trade diversion, especially where there are high external tariffs applied to goods from third parties. Trade experts have advocated concepts such as "open regionalism" that would try to ensure that the implementation of RTAs would not unduly harm the trading prospects of nonparticipating countries.

The question then is whether the economic growth that is generated from this increased trade exceeds any trade diversion and associated inefficiencies in the allocation of resources arising from the preferential trade arrangement. "The evidence suggests that, while trade diversion has probably occurred as a result of RTAs, trade creation on balance has dominated leading to welfare gains."<sup>(2)</sup>

Second, the main motivation for reciprocal trading arrangements appears to be simply to generate a more sure access to foreign markets, not to build "fortresses" around geographical areas as was initially feared when these RTAs first materialized. One could even imagine that this panoply of non-multilateral agreements is causing a race to the bottom in protectionism as more and more liberalized market access occurs.

Third, RTAs are considerably quicker to negotiate. Given the smaller number of players involved in the negotiating process, it is easier to overcome negotiating hurdles. One can add to this negotiating speed the slow and intermittent pace of multilateral trade liberalization.

Fourth, RTAs can be of particular use to developing countries in that they typically lock in domestic economic reforms. In other words, these free trade arrangements prevent bad previous economic policies from reappearing. The RTAs can also serve as a learning experience to help these poorer countries prepare for multilateral negotiations.

Fifth, bilateral and regional trade agreements, properly constructed with due respect to WTO obligations, can complement and assist the WTO. Indeed, many of the provisions found in RTAs (e.g., NAFTA) have either made their way into multilateral agreements or are serving as models for future deals. Examples include rules on investment protection, intellectual property, services, and trade-related investment.

Finally, the creation of RTAs can help advance negotiations on multilateral agreements. For example, it has been argued that the signing of the NAFTA spurred on a quicker completion of the above-mentioned WTO Uruguay Round.

### The case for multilateralism

What is the case for multilateralism in a world trading system that is increasingly being characterized by a spaghetti bowl of intertwined RTAs? Several factors in support of multilateralism can be mentioned.

The first is the inability of RTAs to deal with complicated agricultural trade issues. The divisive agricultural trade issues between the major industrialized economies of the world (i.e., the United States, the European Union, Japan) will only be resolved in a multilateral setting.

Second, complex trade and development issues in poor countries are best handled in Geneva for they often require a multilateral approach. For example, the current discussion surrounding the richer countries of the world providing "aid for trade" (i.e., technical assistance to help developing countries trade more effectively) to poorer ones is occurring at the multilateral level. It also bears mentioning that for most of the developing countries of the world, the bulk of the benefits from a successful completion of the Doha Round will come from agricultural trade liberalization.

Third, trade disputes are best resolved through the use of an effective dispute settlement mechanism at the multilateral level. The WTO remains the best framework yet devised to mediate the disputes that arise from global economic activity.

Fourth, as was alluded above, non-participants in RTAs can suffer if trade is diverted to within the borders of the trading bloc.

Fifth, the plethora of sometimes overlapping trade agreements adds considerable administrative cost and confusion to the trade system. There are costs involved in both negotiating the agreements, and in administering and policing the various trade provisions that they contain.

A final point to make is that the diversion of scarce negotiating resources towards regional and bilateral trade pacts that is occurring in many countries may be draining away the resources required to successfully complete the WTO Doha Round. Emphasis on building bilateral and regional alliances

---

<sup>1</sup> *Ibid.*, p. 4.

could be diluting the momentum that is required for the multilateral trade talks.

### Where do Canada's trade interests lie?

The WTO continues to be the cornerstone of Canadian trade policy and provides a forum to advance our relations with both established and potential trading partners around the world. These would include the emerging markets as well as other developing countries.

Canada is one of the most open economies of the industrialized world. Trade is the lifeblood of the Canadian economy and our continued well-being rests on having excellent access to global markets for our goods and services. It is also extremely vital that Canada continue to benefit from the importation of inputs, technology and expertise to improve the productivity and competitiveness of Canadian firms in both domestic and global markets.

However, given Canada's small size relative to the United States and the European Union, a rules-based system of international trade is critical to ensure that larger economic powers do not take advantage of their superior economic clout in the event of a dispute. This provides security for Canadian businesses trading and investing abroad.

Only a multilateral rules-based system can provide the predictability and security that Canadian

businesses need in order to flourish both at home and in the global economy.

Given the obvious benefits of the WTO to Canada, it is surprising that we have allowed our credibility at this international trade organization to be significantly reduced, largely as a result of our protectionist stance on certain defensive interests that we continue to hold (e.g., supplymanaged agricultural products, certain services).

Despite the importance of the multilateral trading system, the slow pace of WTO negotiations has caused the federal government to try to join the trend in evidence elsewhere and explore potential bilateral and regional trade agreements. It is working to deepen cooperation under the NAFTA and it is attempting to complete negotiations on several bilateral trade and investment agreements.

However, as was previously mentioned, its recent performance in this area has not been strong. Historically, Canada has benefited greatly from bilateral free trade agreements with the United States and Mexico. Both the Canada-U.S. Free Trade Agreement and the NAFTA have shown how trade liberalization can stimulate economic growth and create employment. There is no reason why this country could not benefit from liberalization at all levels, and therefore it should use all possible levers to drive progress: bilateral, regional and global.

## SUBSTANTIVE THEME (B)

### “MULTILATERALISM AND BILATERALISM TRADE POLICY”

#### INTRODUCTORY REMARKS

##### Mr. Sajjad Karim (European Parliament)

My report begins with the statement that trade irrefutably inspires growth. While you may agree or disagree that free trade has impoverished many countries, it cannot be denied that autarky has caused only poverty and underdevelopment, whereas trade can, in the right circumstances, bring growth and development. Nor can it be denied that a prime achievement of the twentieth century was to lift millions out of poverty, a feat in which China and India continue to play a huge role in leading the



developing world by example. The challenge is far from over, however; 49 per cent of the population in LDCs still live on less than a dollar a day and 471 million of them will be living in extreme poverty by 2015. Trade liberalization is therefore vital to lift those people out of their devastating poverty.

Nevertheless, trade is not a panacea and does not necessarily bring growth per se. Neither inherently good nor bad, it is no more than a means to an end and not an end in itself. The critical challenge is how to promote poverty reduction in a newly liberalized open economy without leaving the majority of LDCs galloping in the darkness, as it were. Free trade is not the same as laissez-faire. Openness and competitiveness will be beneficial for LDCs in that they will count on greater capital accumulation and technological progress, which will form the engine of growth. International trade will fuel that engine and together we can accelerate towards achievement of the Millennium Development Goals. It must be recognized, however, that free trade produces few winners and too many losers in the absence of macroeconomic strategies that integrate trade in a way that effectively supports poverty reduction. It is therefore essential in managing trade that the chosen formula increases the number of winners against losers. There is no single universal formula for success and no “one size fits all”, but a multilateral trading system, while not perfect, has the characteristics to better address and deliver results acceptable to most. Under the WTO, the multilateral rules-based system is in fact the most

effective and legitimate means of managing and expanding trade. As such, the EU has not been shy in explicitly expressing its commitment to strengthen trade.

The potential gains from a substantial multilateral liberalization can be much more pronounced than those attained by alternative trade liberalization scenarios, namely bilateral or regional agreements. A shift to unbalanced bilateral or regional agreements could lead to unequal and less transparent negotiation, often putting poorer countries at a distinct disadvantage. Why then is the world so attracted to bilateral and regional agreements? The fact is that they already exist and with good reason, provided that they are properly drafted. Over 190 notified agreements are currently in force and a further 70 or so are being negotiated or considered. As discussed in my paper, such agreements are globally favoured today for a variety of reasons, including market access, broader economic and social goals, development goals, liberalization and political gains.

The global aim should be to ensure that regional and bilateral agreements are complementary to the multilateral rules-based system. They should pave the way for more ambitious trade agreements, to which they are not an alternative. Indeed, bilateral agreements could include forward-looking issues not currently covered by the WTO, as well as social and environmental concerns, which in any case require global solutions. All such agreements, on which the EU has been working for a considerable time, must be WTO-compatible and contribute positively to furthering trade development, rather than serve as an excuse for avoidance of the multilateral forum. Regional trade agreements (RTAs) should be seen as a step towards establishing an effective multilateral trading system. The overall goal of EU agreements is to widen the EU market while gradually integrating developing countries into the world economy.

In conclusion, I will briefly comment on the EU-India free trade agreement currently under negotiation. As made clear yesterday by Mr. Nath, growth in India is advantageous for those wishing to trade with it. The economic world order is changing at an unprecedented pace. As our trade and investment helps India to develop, the millions of wealthy households accompanying that growth will provide perfect markets for EU businesses. It is therefore a win-win situation. The global community must consequently find a way of putting that approach into practice.

### Senator Donald H. Oliver (Canada)

Canada is committed to more liberalized trade and the rules-based multilateral trading system, as well as to the objectives of the Doha negotiations, in which context it welcomes the steps under way to move those negotiations softly forward. The WTO remains the cornerstone of the multilateral trading system through which trading rules are negotiated and enforced. It is also the best forum through which to liberalize trade, settle disputes among its 150 members and discuss trade-related issues in the interest of enabling trade to flow freely, fairly and predictably. As a small country of only 35 million inhabitants, Canada seeks the elimination of all forms of export subsidies, as well as a substantial reduction of trade-distorting domestic support and real and significant improvements in market access. Its economy is based on its capacity to trade. Its daily trade with the United States, for instance, is worth US\$ 1.3 billion.

RTAs enable members to enjoy gains from trade through an increase in imported goods and services which their partners can produce more efficiently and in their own exports which they themselves can produce more efficiently than their partners. In other words, these are the trade-creation effects of a free trade area. Unfortunately, the gains from trade creation in a preferential trade agreement can be partly or wholly negated by the effect of trade diversion, which does not arise in the case of non-discriminatory liberalization. Trade diversion occurs when the preferences created under the arrangement in question cause imports to be switched from non-partner to partner countries, even though they are available from the non-partner countries at a lower



cost. This is a major drawback owing to the fact that the higher-cost goods from the partner country enter free of duty or other restrictions under the free trade agreement. There is some evidence of reasonable significant trade diversion, especially where high external tariffs are applied to goods from third parties. Trade experts have advocated such concepts as open regionalism in an effort to ensure that the implementation of RTAs does not unduly harm the trading prospects of non-participating countries. As to whether the economic growth generated from this increased trade exceeds any trade diversion and associated inefficiencies in the allocation of resources arising from the preferential treatment, the evidence suggests that trade diversion has probably occurred as a result of RTAs and unbalance has dominated, leading to welfare gains. The second main motivation for reciprocal trading arrangements is quite simply to generate greater and certain access to foreign markets and not, as was initially feared when RTAs first materialized, to build fortresses around geographical areas.

In regard to the case for multilateralism, my first point concerns the inability of RTAs to deal with complicated agricultural trade issues, as mentioned yesterday by Mr. Lamy with reference to the difference between multilateral and bilateral agreements. Secondly, agricultural trade issues that divide the major industrial economies, such as the United States, the EU and Japan, will be resolved only in a multilateral setting. Secondly, complex trade and development issues in poor countries are best handled from Geneva in that they often require a multilateral approach. The current discussions surrounding the provision of Aid for Trade and technical assistance by the richer countries with the aim of helping developed countries trade more effectively to poorer ones are occurring at the multilateral level. It also bears mentioning that, for most developing countries, the main benefits from the successful completion of the Doha Round will come from agricultural trade liberalization. Thirdly, trade disputes are best resolved through the use of an effective dispute-settlement mechanism at the multilateral level, where it can be done much better than at either the bilateral or regional level. Fourthly, non-participants in RTAs can suffer if trade is diverted to within the borders of the trading bloc. Lastly, the diversion of scarce negotiating resources in many countries towards regional and bilateral trade pacts may be draining the human and other resources needed for successful completion of the Doha Round. In other words, another problem is that many smaller countries, such as Canada, are directing efforts towards seeking more bilateral agreements, which

is diminishing their initiative for putting this important Doha Round back on track.

## EXCERPTS OF THE DISCUSSION

### Mr. Lin (China)

RTAs complement rather than contradict multilateral agreements in a number of aspects. First, they aim to promote trade liberalization through mutual tariff reduction and elimination of non-trade barriers among constituent members in preference to setting new trade barriers along regional borders. They therefore help global trade liberalization to grow in depth. Secondly, RTAs may serve as models for subsequent multilateral agreements on the basis of the experience which they provide in exploring ways and means of coordinating the positions of all parties. Thirdly, the disadvantages entailed in negotiating multilateral agreements are avoided; with fewer parties, simpler procedures, a faster pace of negotiation and lower costs, RTAs have facilitated faster liberalization of trade in smaller scopes. Fourthly, RTAs contribute to regional economic and political integration, which may in turn consolidate achievements of developing members in their economic reforms and make assistance and help available to LDC members.

A sober awareness of the limitations of RTAs is nevertheless essential. First, they are discriminatory to non-signatory parties, create higher administrative costs and cause greater management difficulties for the parties involved. They also undermine the will and determination to participate in multilateral negotiations. Secondly, RTAs cannot successfully address the complex agricultural issue or development concerns that have a bearing on the immediate interests of developing members. Moreover, they lack effective dispute-settlement mechanisms.

In conclusion, I re-emphasize that China is a firm advocate of the multilateral trading system and its centrality to fair trade. Bilateral and regional trade arrangements provide no enduring solutions but merely complement that system, for which they are no substitute.

### Mr. Van der Berg (European Parliament)

No one denies the usefulness of bilateral and regional trade agreements, subject to their quality and the benefit for the parties concerned, although some are less happy with them than others. In the light of the current discussion, however, the danger of a failed outcome is that bilateral agreements will



increase. In that such agreements are often politically motivated, they would no longer serve as building blocks but rather as stumbling blocks. Rules are essential to eliminating inequalities, creating stability and addressing the need for sustainable security. A return to bilateral agreements between stronger and weaker partners, however, would stymie development for the latter, defy the international order and lead to cries of double standards. The only fair opportunity forward for Africa, for instance, given its low trade figures of roughly two per cent, is via the multilateral route. The new world architecture in which the voices of Europe, the G90 and the G20 are also heard in addition to that of the United States will not work unless a political investment in multilateralism is made, for which I make a strong plea. We are at a decisive moment. If the wrong path is chosen, the profits to be gained for some through regional and bilateral arrangements will be at the expense of a safer, fairer and more humane world, which is a far bigger consideration.

#### Mr. Houed Mouissa (Algeria)

I should like to take this opportunity to talk briefly about the case for Algeria's accession to the WTO. The process of economic reform under way in Algeria is evidence of the political will to overcome all obstacles to trade and guarantee market access and transparency. Algeria therefore calls upon those of you here today to use your good offices concerning the conditions required for its accession, which it first requested in June 1987 and again in February 1995. Those conditions go beyond our development capacity and beyond WTO rules. The same is true for all developing countries seeking accession and it is therefore no coincidence that no African country has acceded to the WTO since 1995. I should also like to call for more fairness and understanding as far as the situation of developing countries is concerned. In that context, I propose that paragraph 5 of the outcome document should include the question of accession for developing countries as a key element of the Doha Round. We fully support the proposal of the Norwegian delegate and look forward to its acceptance.

#### Mr. Iwanaga (Japan)

Japan is in favour of maintaining and strengthening the multilateral trade system, centred on the WTO, and is also actively engaged in promoting bilateralism, which plays a complementary role. Under the WTO agreements, bilateralism is regarded as an additional bilateral trade facilitation measure. Neither regional

nor bilateral agreements, however, can be a full alternative to the WTO function. In particular, they cannot resolve important agricultural issues such as domestic support. The fear is that many WTO members will begin to rely on bilateralism if the DDA negotiations are not resumed. Economic alliances among mainly developed countries and regions might consequently be strengthened through the creation of protectionist blocs, leaving behind the developing world. Moreover, distrust of the extremely difficult multilateral trade negotiations may harm WTO credibility and even call into question its very *raison d'être*. In response to the suspension of negotiations, efforts for the conclusion of RTAs are in fact being stepped up in many parts of the world. Consequently, in face of the rapid expansion of bilateralism and regionalism, the DDA negotiations must be put back on track for an early conclusion with a view to preventing fragmentation of the world economy and to strengthening the multilateral trading system. Japan therefore calls for efforts aimed at the early resumption of negotiations and will continue to play its part in attempting to achieve their successful conclusion.

#### Mr. Paparizov (Bulgaria)

As a small country, Bulgaria has always believed that the multilateral trading system is the best way to ensure most-favoured nation treatment and non-discrimination. Having acceded to membership in 1996 following a 10-year negotiation, its trade policy is based on WTO principles. It also believes that the multilateral system is the best way of guaranteeing the interests of developing countries. Since 1986, it has been both preference-giving and preference-receiving insofar as its economic development mirrors that of many developing countries. It is therefore widely experienced in development issues and believes that the Doha Round can be a success story if it appropriately tackles those issues. Bilateral agreements may be useful only to the extent that they substantially cover all issues and produce a trade-creation effect. Bulgaria's forthcoming accession to the EU has brought it investment and allowed it to run a trade deficit amounting to almost 13 per cent of its GDP, which is offset by 30 per cent of GDP investments. This provides a practical example of how trade-liberalizing bilateral and regional agreements can create trade, rather than divert it. It is very important that delicate multilateral issues are not resolved by attempting to find bilateral solutions. Another challenge for the negotiations is to ensure that labour standards, although a potential trade issue, are not used for protectionist ends.

### Mr. Oliver (rapporteur)

The delegate from China indicated that his country favoured some of the advantages to RTAs, such as simpler procedures, speedier decision-making and lack of the downsides associated with multilateralism. Nevertheless, his conclusion was that RTAs merely complement major multilateral agreements and cannot serve as their substitute. No reference was made to the importance of agriculture in this matter, however, whereas the negotiations were in fact suspended owing to the so-called triangle of reasons in the dispute, namely domestic support for agriculture, market access in agriculture and non-agricultural market access problems, which no bilateral or regional agreement can overcome.

The second point I should like to make to the delegates from China and the European Parliament is that the suspension of the negotiations brought a huge cloud of increasing uncertainty over the global trading environment. Various countries, including Canada, therefore began seeking new bilateral agreements as a way of addressing some of that uncertainty. Ultimately, however, global governance, global transparency, global security, global predictability and global sanctions from international institutions are the way forward to resolving these major agricultural problems.

As for the comments of the delegate from Algeria, I am informed that they can be dealt with in our afternoon session. Lastly, I would say to the delegate from Japan that the importance which his country clearly places on this issue leads me to believe that its help and assistance in promoting multilateralism is even more vital than it already is.



### Mr. Karim (rapporteur)

The underlying theme of the welcome remarks made by the delegate from China is fully consistent with my earlier arguments concerning the need for more investment in the multilateral structure and his points about the complementary function of bilateral agreements are absolutely crucial. I also wish to underline his comments about the limitations of bilateral agreements, using as an example the East-Asian trading area, which would have little significance without the United States or, for that matter, China, whose trade with South-East Asia has been growing rapidly. Moreover, its free trade agreement with ASEAN is one of the few that may prove to have some substance. The protectionist arguments currently flourishing in Washington, however, seem to rule out any substantive regional trade pact including both China and the United States, clearly demonstrating the limitations to the bilateralist/regionalist agenda to be pursued, which is where multilateralism comes in. Mr. van der Berg is right that among the biggest challenges is to ensure greater investment in the multilateral structure for the simple reason that, in the current vacuum, bilateral agreements have the potential to fall to the lowest common denominator, which must be avoided at any cost or the price will be unimaginably huge. Fair trade, however, demands equality in the rules of that trade, something that only the multilateral fora can provide for the reasons outlined in the two discussion papers. This brings me to the comments of the delegate from Japan, with whom I agree that the DDA must be placed back on track as soon as possible; continuation of the current vacuum for any longer than avoidable is in the interest of no one. I therefore repeat my very initial comment that we need to do more to invest in the multilateral fora.

### Ms. Ferreira (European Parliament)

Given the current suspension of the negotiations, is it still possible to pursue bilateral agendas and should we as parliamentarians be putting pressure on governments to ensure that the Doha Round reaches a conclusion? At the moment, the pressure appears to have diminished owing to lack of public pressure, yet the multilateral agenda needs to be strengthened. Should we therefore be more aware of the damage that might be caused to the multilateral agenda by pursuing bilateral agendas? In my view, this is an additional required step linked to Senator Oliver's comments on trade creation and trade diversion. It is essential to calculate the distribution of trade benefits among the different parties and to determine



the countries that suffer as a result of trade diversion, which is extremely worrying for those with few alternatives for development. What influence can we therefore bring to bear in that connection? Lastly, if the Doha Round fails, what international agenda should be adopted to direct more attention to development, particularly in African countries, and should further efforts still be made to achieve the intended objectives of the Round?

#### Mr. Kurde (Iraq)

As you know, the democratic federal Government of Iraq is facing a genuine crisis, the most significant aspect of which in the context of this meeting is the massive unemployment resulting from the total economic standstill brought about by the political situation and the foreign intervention in our domestic affairs. On behalf of the Iraqi people, our fledgling Parliament wishes to appeal to the developed countries for help in enabling Iraq to overcome its economic difficulties and the problems of reconstruction in particular. We respect the multilateral approach to trade as a solution to the economic problems of developing countries and endorse yesterday's statement by the delegate from Kuwait. We also hope that the DDA negotiations are relaunched with a view to attainment of the Doha Round objectives.

#### Mr. Daoudi (Morocco)

The economic theory behind regionalism does not appear to have greatly evolved since the late 1960s insofar as economies that are similar in nature remain

the only beneficiaries. Competition is clearly inappropriate in the case of countries that are poor or cultivate only a single crop. Consideration of this issue is therefore essential in order to take account of the situation on the ground in developing countries. The major players, namely the United States and the EU, are defending their own interests more so than liberalization, an area in which they focus on high-technology products where they have comparative advantages, while rejecting what is more beneficial for other countries in the area of agriculture. The wealthy countries are able to find money for war, but it is a different matter when it comes to fighting poverty. There can be no winners on all counts and the time has come to put a stop to the self-interest of the rich.

#### Mr. Menzies (Canada)

Once again, I remind everyone here that the DDA began in 2001 when 146 countries agreed by consensus that developing countries would be critical beneficiaries to a multilateral agreement. Furthermore, WTO membership is voluntary and is growing every year because countries want to be part of the process. We each harbour some hypocrisy in making that claim while still trying to protect our sensitive products and issues and forgetting the greater goal to which we are aspiring. Bilateral agreements have been and will be done between partners who so wish and the less attractive options, namely the LDCs, will be sidelined. Bilaterals pick the low-hanging fruit and ignore the thorny issues that multilaterals can and should address. How then can bilateral agreements bring these benefits to the LDCs, which are most in need of them?

#### Mr. Sugandi (Indonesia)

As a developing country, Indonesia's international trade strategy is aimed at promoting economic development, raising living standards, creating employment and alleviating poverty. In its view, a triple-track strategy could be pursued to that end, comprising a multilateral track under the WTO, a regional track focused on ASEAN plus 1, and bilateral agreements. All three tracks could and should be harmonious and complementary. At the regional level, ASEAN remains the hub for further expansion of Indonesia's regional trade agreement modelled on ASEAN plus 1, which is one of the most important strategies for wider market access to Indonesian products. ASEAN has established a free trade agreement with China and is negotiating separately with other partners.

Bilateral free-trade agreements are relatively new for Indonesia, which hopes to secure and increase market access, investment and capacity-building as a result. To that end, it adopts a cautious approach in selecting its bilateral partners and negotiating the content of such agreements, with a further view to boosting economic growth, employment and further reform in domestic policy-making. Nevertheless, the multilateral approach will continue to remain central to Indonesia's international trade strategy. Indonesia believes that the multilateral trade system will also best serve the trade interests of all WTO members. The system encompasses a relatively well-established dispute-settlement mechanism and improves the bargaining position of developing countries aimed at ensuring fair and balanced trade agreements. In the context of multilateral trade negotiations, developing countries – including LDCs – are better placed to secure their interests and reject proposals or rules with which they feel unable to comply. The two features of the dispute-settlement mechanism and improved bargaining positions appear to be less developed in the context of regional and bilateral free-trade agreements, particularly between developing and developed countries. Developed countries tend to pursue non-trade conditionalities or specific agreements that are not yet truly in the interest of developing countries.

Lastly, in pursuing a multi-track approach, the consistency of all trade agreements in terms of structure, framework, schedule of commitments, rules and standards is critical in order to avoid unmanageable overlaps that will increase the cost of doing business and erode the promised benefits.

#### **Mr. Adu (Ghana)**

As always, free and fair trade will continue to be the way forward in the rules-based or multilateral trading system. Regardless of their advantages, regional and bilateral trade agreements are inimical to the growth of LDCs owing to such effects as the erosion of tariff revenues. Moreover, the dominant partner more often than not tends to pass on its uncompetitiveness to the other partner's market. Promises of market access and development aid have never paid off and never will. In exchanging views, however, it is important not to lose sight of the fact that politics and economics have always been bedfellows, with politics as the dominant partner. As legislators, we must tell our Governments that the multilateral trading system, despite its weaknesses, is the best way forward, in particular for the LDCs. I hesitate to say it but bilateralism bears the hallmarks of colonialism in a new guise. The conventional theory

that bilateralism creates trade may hold in a level playing field, but how can LDCs have level playing fields with China, the EU or the United States? The LDCs always stand to lose. Lastly, I should like to ask Mr. Karim how he reconciles the EU agenda of pursuing economic partnership agreements (EPAs) with the need for compromise with a view to successful completion of the Doha Round.

#### **Mr. Zaleski (European Parliament)**

My concern is that multilateralism will be based entirely on prices, with a resulting loss of communication and social values. With that in mind, I would like to ask whether multilateral trade is likely to destroy long-standing historical links. Is there a wish to maintain such links or are they seen as a burden, in which case are there expectations of new and enriching links?

#### **Ms. Tufail (Pakistan)**

Pakistan maintains the philosophy that bilateral and regional trade arrangements promote trade growth, which, together with development, is the objective to be achieved by international trade as a significant part of globalization. The reality is that the powerful trading nations choose their own partners to the disadvantage of developing countries with low incomes and low trade. The preferences are artificially created and trade imbalances further marginalize the poor. In the context of whether RTAs are aimed at strengthening the multilateral trading system, my question is whether a sunset clause might be added to such agreements in order to multilateralize preferences agreed among RTA members to the entire WTO membership after a specified number of years.

#### **Mr. Karim (rapporteur)**

Ms. Ferreira from the European Parliament is absolutely right in her comments, which touch on the complications inherent to bilateral systems. The intrinsic problem with regions comprising a variety of economies and political systems is that, whether the aim is to cut tariffs or avoid regulatory protection, bilateral agreements will tend to sink to the lowest common denominator in the short and medium terms unless there is very strict policing. Moreover, without the safeguards of the multilateral fora, reliance has to be placed in the goodwill of the dominant party to safeguard the interests of the weaker party to the agreement. The three-track approach mentioned by our colleague from Indonesia fits in very well here and

I fully agree with him on the need for total consistency in the approach taken to each track because to apply different standards will create the inequality inherent to the bilateral system. As for ASEAN, given the diversity of its members, which include the rich and globalized Singapore and the desperately poor Myanmar, is it likely to serve as a basis for a serious trade deal? In my view, no agreement in any part of that trading area can comprise any radical agricultural liberalization for fear of alarming its rice farmers, who are heavily protected. Korean insistence on excluding rice from talks on a free trade agreement, for instance, prompted a refusal to participate from Thailand, one of the most efficient rice producers. The key therefore lies in a consistent approach.

Also from the European Parliament, Mr. Zaleski made a very interesting point that I have frequently heard argued about a new mode of collaboration under the multilateral agenda. As Mr. Lamy very clearly said yesterday, however, the challenges of living in an era of globalization must be faced. Changes such as the Internet and new forms of trading cannot be undone. In that context of moving with the times, multilateral fora come very much into play in that bilaterals alone cannot fulfil the necessary function.

I agree with the interesting comment of Ms. Tufail from Pakistan that the issue of the sunset clause should be considered very much more closely. Pakistan's positive contribution to the WTO Round has been well noted and I believe that the question will be appreciated as one that should be brought to the table for negotiation. Sunset clauses are not in themselves the be-all and end-all of the problem but they certainly go some way towards bringing in a degree of finality for bilaterals in order to progress them to the next stage at the WTO level.

### **Mr. Oliver (rapporteur)**

Ms. Ferreira from the European Parliament raised a number of truly excellent questions that lie at the very heart of the discussions on trade agreements. On the issue of whether parliaments should be exerting pressure to ensure resumption of the Doha Round, I agree with her that regional and bilateral agreements have a role to play. I again remind you that, in 2001, it was agreed at the Fourth WTO Ministerial Conference in Doha to launch negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applicable to regional and bilateral trade agreements. Ministers specified that the negotiations should take into account the developmental aspects of such agreements, which they therefore clearly

regard as playing a very important role in the development component of the Doha Round.

As for the second issue, I pointed out earlier that the diversion of scarce negotiating resources for regional and bilateral trade pacts being pursued by many countries, including Canada, may drain resources needed for successful completion of the Doha Round. Similarly, emphasis on building bilateral and regional alliances could be diluting the momentum required for these multilateral talks. These are real possibilities. However, if the Doha Round fails, small countries which curtailed their negotiations for those trade pacts in favour of promoting multilateralism will be left behind those who chose to continue negotiating such pacts. Parliamentarians also face a similar predicament in terms of which of those two courses they should advise their governments to take. In that regard, I thoroughly endorse the view of the duty and obligation of parliamentarians set forth in the excellent paper presented and circulated yesterday by Mr. dos Santos, which best defines their role in promoting advancement of the Doha Round.

Concerning the question of what would happen if the Round fails, many speakers have already emphasized that we, as parliamentarians, must very importantly ensure that the gains already achieved in the negotiations are captured and retained. We should therefore have a mechanism in place in order to avoid going back to square one.

Lastly, I respectfully beg to disagree with the remarks of the delegate from Ghana concerning the neo-colonialist aspects of bilateralism. The WTO Institute for Training and Technical Cooperation provides the LDCs with a great deal of Aid for Trade and technical assistance for capacity-building, an area in which other bodies such as the IPU and the Commonwealth Parliamentary Association are also active. I support that approach and believe that it is working.

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

With a view to improving the prospects for a successful resumption of the WTO negotiations on multilateral trade, my question is whether it might be more appropriate to address the issue by facilitating the implementation of three types of sectoral agreement, namely South-South, North-North and North-South.

### **Mr. Musa (Sudan)**

The Sudan very much supports multilateral trade agreements. Since 1996, it has participated in

every conference on international trade and responded to over 500 questions from the United States and the EU concerning its accession to the WTO, to which end it has done its utmost to update its trade legislation. It therefore hopes that its request for accession will be given serious consideration, not least bearing in mind the number of States which have been granted accession over the past decade. It is currently one of 32 observer States, which I suggest might constitute their own parallel institution of States whose applications for WTO accession are denied for political reasons. Such factors must be taken into account in the interest of a successful international trade system.

#### Mr. Crête (Canada)

I endorse the need for support from parliamentarians, who must further their knowledge of the very complex multilateral process in order to follow trends and play an oversight role in the context of the negotiations. Bilateral and multilateral agreements generally attract greater interest from the public, for whom parliamentarians are the source of information on the subject. We therefore have the challenge of ensuring that the public is in a position to understand the differences between the two. Irrespective of the economic development rate in certain countries, other issues must be taken on board, which would also serve as a useful tool for development. It is similarly very important that countries are aware of the advantages and disadvantages of such agreements, failing which the capacity to ensure that rules are respected and enforced may be adversely affected. As parliamentarians, we have a responsibility to ensure that any such negotiated agreements respect the essential margin of manoeuvre required for the success of multilateral agreements.

#### Mr. Martins (South Africa)

Regional agreements undoubtedly have their place but should not dislodge the WTO multilateral system. The current impasse in the Development Round bears testimony to the importance of the multilateral system. Further, given the differing levels of development in African States, a rules-based system of international trade remains critical to ensuring that developed and large economic powers, such as the United States and the EU, do not abuse their dominant economic status. Only a multilateral rules-based system can provide the predictability and security that developing countries need in order to



progress economically and play their rightful role in the global economy.

#### Mr. Halaigah (Jordan)

I endorse the comments of our two rapporteurs. Mr. Lamy's pessimism concerning the consequences of a failed Doha Round casts doubt on the credibility of the WTO and its internal democracy, given the ability of major players to abuse their dominance in order to halt negotiations. Failure of the negotiations may well exacerbate that doubt and also promote the spread of bilateral and regional trade arrangements, through which Jordan has in fact gained a number



of economic benefits, including higher investment and exports. Nevertheless, it remains committed to the multilateral system and WTO principles. It also supports the prompt accession of countries such as Algeria and the Sudan to WTO membership.

#### Mr. Soulé Adam (Benin)

RTAs have advantages but their maximum gains are only accessible to the parties with adequately performing economies. A case in point is the agreement being negotiated between the EU and Eastern and Southern Africa. Given that the contribution of African economies to international trade currently stands at no more than 4 per cent, the result will be a flood of European products onto those African markets, with no possibility of reciprocity. This will have huge economic and social costs, including the elimination of national industries, unemployment and loss of customs revenue. I therefore appeal to our European partners to support capacity-building in Africa so that it can gain from such agreements and also become better integrated into the multilateral trade system.

#### Mr. Cousineau (Assemblée parlementaire de la Francophonie)

Multilateralism is the best way of ensuring equal treatment for all trade partners. Specific regional and bilateral agreements appear to afford greater protection to the cultural diversity that determines identity. Culture cannot be negotiated like a simple consumer commodity. Should we not therefore promote that more protectionist route in the particular case of cultural diversity? How is multilateralism able to protect cultural identity?

#### Ms. Zrihen (Belgium)

It is essential to identify the complementarity of the various forms of agreement. Pragmatically speaking, it would appear that some countries are uninterested in a resumption of the Doha Round owing to their pursuit of bilateral agreements. On the evidence here today, however, interest in continuing the negotiations is universal. If they are not continued, then transitional solutions will be needed to ensure that existing agreements are not regarded as obstacles to more uniform or progressive views in which multilateralism is seen as the guarantor of security and global economic balance. Eyes are turned on a decisive partner known to be involved

in bilateral agreements with the Russian Federation. Can we, as a parliamentary union, send out a loud and clear message of the interest shown in resuming the negotiations?

#### Mr. Radman (Yemen)

Our meeting coincidentally offers a significant opportunity to pursue the issue of the resumption of negotiations, not least because many IPU members do not have WTO membership, as in the case of Yemen, which has been striving for WTO accession. It is extremely important that the countries concerned should be able to accede to the WTO and take part in the negotiations, in accordance with the relevant international treaties. It would therefore be helpful if the outcome document were to include a statement along those lines.



#### Mr. Sanoussi (Niger)

Nothing appears to have changed from either the multilateral or bilateral points of view insofar as unequal terms of trade persist. An unprecedented process is under way that is impeding the development of LDCs such as Niger and whether anyone would question the need for agriculture to remain within the single undertaking is doubtful. The LDCs, however, are under constraint from the World Bank to eliminate all State subsidies and support for farming and yet no similar constraints are placed on the developed countries. The World Bank also encourages LDCs to

cultivate export crops while simultaneously encouraging rampant privatization of their industries, including in agriculture, which they consequently no longer own. Do Africa's privatized cotton industries, for instance, fall under multilateralism or bilateralism? Are its Nestlé-owned coffee and cocoa factories producing for the benefit of African countries or for that of Switzerland? These are inescapable facts that reflect a form of neo-colonial domination. Imperialism may be losing steam, but the unequal terms of trade deny countries the freedom to determine their trade policies and their futures, which prevents the WTO from making progress.

#### Mr. Oliver (rapporteur)

The delegate from South Africa raised a very important concern about United States and EU abuse of their dominant positions, but just as there are noticeable changes in the Fortune 100 list over time, as mentioned yesterday, other noticeable changes are also occurring. If, for instance, the growing economies of China and India continue to expand as rapidly as they are today, both countries will play an important role alongside the United States and the EU. South Africa should therefore bear in mind that all of us, as parliamentarians, should urge the immediate resumption of the multilateral negotiations so that we are ready to meet the changes ensuing from the growing power and influence of those two countries and others such as Brazil. More equilibrium for all of us, particularly relatively small countries like Canada, will then be added.

I fully appreciate the comment of the delegate from Benin that, despite the advantages offered by multilateral agreements, the economies of smaller countries are unable to benefit from their provisions in the form of new development. Given the focus of the Doha Round, more intensive definitions of the meaning of development in that context could be considered, including ways of subsuming those concerns over failure to benefit.

Again, the points raised by the delegate from Yemen will be discussed this afternoon. Meanwhile, the extremely passionate and interesting remarks of the delegate from Niger on the effects of World Bank practices are very perturbing. In my view, the answer does not lie in the further promotion of regional or bilateral trade agreements. The real answer is for countries such as Niger and Canada to work in conjunction with others for a major resumption of the negotiations. Mr. Lamy indicated yesterday that talks had been resumed on a soft level but that a

number of technical arrangements required attention before they could move on to full speed. We as parliamentarians, however, should be encouraged to continue to exert pressure from home for the completion of those arrangements so that we can immediately move into a higher gear, since multilateralism is the only thing that will help such countries as Niger and Canada.

#### Mr. Karim (rapporteur)

I underscore Senator Oliver's response to the delegate from Niger, who made the very striking comment that nothing has changed. From a certain perspective, that comment is one which bears weight, although from another perspective of where to go from here, there is no choice other than to invest in the multilateral fora and the opportunities thus provided. Neither regional nor bilateral trade agreements can assist with any of the points mentioned by the delegate.

Concerning the issue of potential abuse of the rules-based system raised by the delegate from South Africa, my simple message is that a level playing field under that system is the surest way of avoiding such abuse. The United States and the EU naturally have a particular responsibility and the IPU is in negotiations with South Africa, all of which are factors to be built in. Parliamentarians are duty-bound to feed a requirement for a level playing field into our EU systems and to ensure parity on all important issues, as well as deliver on that basis. This ties in with the comments of the delegate from Benin, as we must also support capacity-building in the LDCs and consider such measures as Aid for Trade in order to deliver the necessary goods. I strongly re-emphasize that it is in our interest to ensure that the countries with which we trade are developing, opening their markets and growing in strength; the more the growth, the more the opportunity for all to trade, which is a win-win situation. It is true that bilateral and regional trade agreements are proliferating to the point of confusion on the world map. As mentioned yesterday by Mr. Trojan, the only outcome in the short and medium terms will be jet-lagged bureaucrats. The point is a serious one because if every country pursues the path of bilateral and regional agreements, the danger is that at some stage they will begin to cancel one another out in one way or another. Consequently, the only way forward is via the multilateral system.

Lastly, the simple answer to the question posed by our colleague from Belgium is that parliamentarians have no choice other than to make their voices heard.



## PANEL DISCUSSION

### “SHOULD AGRICULTURE BE WITHDRAWN FROM THE SINGLE UNDERTAKING?”

**Ambassador Crawford Falconer (New Zealand)**  
*Chairman of the WTO Committee on Agriculture*

I should like it to be understood from the outset that I am officially the representative of New Zealand only in the sense that I am here at the cost of the New Zealand taxpayers, as I am no longer in a position to represent New Zealand for obvious reasons relating to my chairmanship of the agricultural negotiations. I would be very grateful to be relieved of that task, but the regrettable fact is that there is no prospect of agriculture being withdrawn from the single undertaking, which exists only because agriculture is part of the negotiations. The real question is whether the negotiations as a

whole will produce an outcome, which is largely dictated by whether there is a satisfactory agricultural outcome. In other words, if the agricultural outcome is not acceptable to all players, there will be no round at all. That is not to say, however, that some aspects could not be salvaged were the Round to fail substantially. My intention today is to try and convey my own perspective on the situation as it now stands from what I hope is an objective point of view.

I again reiterate my view, which I have expressed many times publicly, that these negotiations are likely to fail in securing an outcome, the evidence being that none of the political moves required for success are under way. It should not be assumed that rounds always automatically succeed. The failure of this Round is a very real prospect that can only be avoided through a significant change in positions, which I believe to be intrinsically important not only for the agenda, but also for a healthy multilateral system in the years to come. A substantively postponed round is effectively a failed round, meaning essentially an erosion of that system over a three- to five-year period and with it an erosion of parliamentary confidence in the capacity of the system to perform its function. This is another reason why the Round must succeed and comprehensively so.

Despite that prognosis, I continue to cling to the view that underlying the political mismanagement is the technical reality that a deal can still be done. While the political difficulties are undeniable, the gaps are not impossible to close. In the real world,



we are a long way ahead of where we were in the Uruguay Round in that Europe and Japan have already significantly reformed their agriculture and the United States Administration is clearly keen to achieve reforms so that the steps taken under the 2002 Farm Bill would be, if not reversed, then significantly changed in 2007. Although it is not within the power of the Administration to deliver that change, there is a very significant declared alignment of policy direction, in addition to which the drift towards sensible policies in the developing countries is clearly well in advance of the position at the time of the Uruguay Round. The problem has been the failure to match the political alignment in the negotiating sense in Geneva with what is happening in the real world. The short-term challenge is therefore to achieve that alignment, which is not technically impossible in that the degree of liberalization in Europe allows considerable room for consolidation at the multilateral level, with the right political will. If the United States can successfully convert its political will into a technical negotiating position in Geneva, its spending limits will also have room to move further, for which there is clearly the capacity. The developing countries are greatly reluctant to make certain market-access commitments in the WTO. At the unilateral level, however, the level of liberalization is probably well in advance of what would be necessary in a negotiating sense, were there to be the right kind of political deal.

I have attempted to give a brief account of why I am positive about what is technically possible. The situation is completely different from the Uruguay Round, where prior to the MacSherry reforms, we were not confident of any significant liberalization. The world has since moved on enormously and the environment is now much more propitious from the political standpoint. As I have already said on other occasions, however, we have been fairly inept at taking advantage of the alignment of the planets to secure a negotiated outcome. Some tough negotiations remain in order to secure an agreement but the problems are not so monumental as to be technically impossible to overcome, nor are they such as to turn the world of agriculture upside down for any WTO member. I believe that it is possible to consolidate the gains made since the Uruguay Round and thus positively maintain the momentum forward to the future. The clock is genuinely ticking, however, for these negotiations, which are therefore seriously in jeopardy. An extremely high level of political engagement is required, along with a great deal of technical work, which at least is already under way, in order for us to reach the point of securing a deal.

In that context, I wish to underline the importance of our responsibility to ensure that any decision not to pursue the negotiations is made in the light of the remaining additional steps to be taken and weighed against the overall damage that would occur in the multilateral system over the next five or ten years in the absence of an outcome. A sober assessment must be made and any decision made rightly or wrongly against taking those additional steps because of short-term political difficulties must be thought through by consciously acknowledging the significant longer-term cost. Personally, I am sceptical that such a calculated decision to give the Round away on that basis will be taken, although so be it if that is the case. It is my feeling that this vitally important calculation has not yet been made, which is why I remain cautiously positive. Time, however, is running out.

**Mr. John Dupraz**  
*Member of Parliament (Switzerland)*

An understanding of what happened during the Uruguay Round is essential to a full understanding of the situation today. In 1990, I was lobbying in Brussels with my colleagues from the Swiss farmers' union in an attempt to influence the negotiations between the United States and the EU, in which the African countries were not represented. Since Cancún, the emerging countries have become aware of and begun to use their negotiating clout. The Uruguay Round was a monumental failure in the agricultural area insofar as the first duty of farming is to provide food for the domestic market rather than to export it. While most countries have



subsistence farming, many are obliged to import food in order to meet the needs of their inhabitants. Since the Uruguay Round, export subsidies have been maintained, wiping out the emerging industry in the LDCs, for which such subsidies are very destructive. One example often quoted is the export of subsidized frozen chicken to Africa. This is simply unacceptable and we need to show solidarity with the farmers in those countries by rectifying the shortcomings of the Uruguay Round.

In 2005, it was decided in Hong Kong to do away with all agricultural export subsidies. The bigger players, however, in particular the United States, must understand what is meant by those subsidies. Unlike others, for instance, the United States does not categorize food aid as an export subsidy. It is therefore a question of semantics. It is simplistic, however, to question the point of the WTO from an anti-globalization stance, because globalization is here and cannot be ignored. The worst possible move for farming, at least in Switzerland where farmers are among the poorer, would be to remove it from the remit of the WTO, which would lead to the law of the jungle and a free-for-all. With or without bilateral agreements, the strongest countries would simply impose their will on the weakest, thereby worsening the situation for farmers. The anti-globalizers are frequently happy to talk, but I question their sincerity. In these circumstances, what can be done? I have always endeavoured to support a WTO agreement that will be fair for all parties. In terms of agriculture, there are three types of farming: subsistence farming in the poorer countries, which is in need of development; export farming, as in the case of New Zealand; and multifunctional farming as in Switzerland and the EU. Some farming also now has environmental and social components. On that basis, it is unacceptable to me that those in favour of a certain type of farming should impose their solution on others.

While no easy task, the key lies in striking a balance and reaching a compromise acceptable to all. It is inadmissible for a supranational body to lay down an agricultural law in another country. Every country is entitled to pursue farming policies in its own general interest but not in a selfish and protectionist manner. In emerging countries such as Brazil and India, the situation is quite distinct from that in some of the developing countries in Africa and Asia. Agriculture is the catalyst for development; let us not forget that economic growth and development in the Western countries was initially based on farming and only later moved on to the secondary and tertiary sectors, although in some cases this has

led to unemployment problems. The international trade rules should allow the poorest countries to develop their farming, failing which they will never get off the ground and will remain in a state of post-colonial dependency. Parliamentarians therefore need to bring pressure to bear on their Governments in order to avoid that scenario and I will fight to achieve that.

I should like to see a balanced agreement within the agricultural dossier but also across all of the other dossiers. To that end, the WTO must give reasonable consideration to all interests in all sectors, not least as one way of enabling it to pursue its vital task and also of increasing its public acceptability by growing closer to the daily lives of individuals. Many fail to grasp that jobs and companies are sacrificed to the altar of globalization and it is therefore vital for the WTO to improve its global image.

**Mr. Herbert Oberhänsli**  
*Head of Economic and International Relations, Nestlé*

I should first point out that Nestlé is not in fact greatly involved in trade, as it mainly produces food for local consumption and buys its raw materials locally for that purpose. In that context, it makes direct purchases from over 500,000 farmers worldwide, although much less so now in Switzerland, and regards its relationship with those farmers as a partnership. From the long-term perspective of liberalization beyond the WTO, we believe that efforts should be directed towards a future that includes a continuous partnership with farmers in a very much free open market. When



taking a long-term view, it is sometimes useful to look back; 150 years ago, for example, when our company was first established, Switzerland had many isolated villages that enjoyed what we now call food sovereignty. Their economies were closed, stagnant and consequently dependent on stability, which demanded strict control of the village environment to counteract such risk factors as population growth. Switzerland was at that time one of the poorest countries in Europe, with a child mortality rate of roughly 30 per cent, which compares with a rate of 10 per cent in the LDCs today. Change then came about with market opening; Switzerland began to import cereals and to specialize in milk production, as well as export condensed milk, which was cheaply produced by its labour force. Large-scale cheese-making also began at the same time, again on the basis of open markets, which were a first step in helping Swiss farmers to climb out of their severe poverty. This brief account of Switzerland's early experience provides cause to believe that developing countries should be availed of the same opportunity.

My second point concerns the consumer, bearing in mind the high cost of farm policies for consumers in most industrialized countries through taxpayers' money. An indirect cost of today's policies is that they often stifle innovation and that emphasis on product quality is reduced in the absence of an open market. Studies also show that the high cost of certain food items has an impact on their consumption and a negative impact on the consumer. Oddly enough, consumers are never mentioned here as part of the equation - only exporters.

My third point concerns water, which is now recognized as an increasingly important factor in production, particularly in some of the developing countries of the South. It is estimated that agriculture uses roughly one litre of water per calorie of food produced. In concrete terms, this means that, in addition to the daily household consumption of water by the average person, a further amount of 3,000 litres is needed to cultivate the daily amount of agricultural produce that he or she consumes. Water is also the subject of transboundary trade. The main problem is that water is so heavily subsidized that it never enters into OECD calculations. In the United States, the cost of water is less than 2 per cent of the cost in Southern Europe, for instance, and water itself is hugely wasted and overused, with the result that the water table is falling. This is relevant to Nestlé because of our relationship with farmers. Our factories in over 80 countries are dependent on farmers for the food which they process and any unsustainable production therefore

causes problems. According to OECD estimates, the overall liberalization of agriculture, even excluding water subsidies, would decrease water consumption by some 10 per cent and this is where the WTO comes in. Although it might complicate issues, the question of water subsidies should also be urgently addressed within the overall context of the negotiations, possibly in a fourth round. While not denying that this would help Switzerland's own negotiating position, it remains that water is an issue of concern now that global water consumption in agriculture is reaching the point where it considerably exceeds the natural replenishment of readily available sources.

Those are my three points concerning the urgent need for agricultural reform. I have not directly answered the question of whether agriculture should be withdrawn from the single undertaking, but I believe that it should remain. It is imperative to press ahead on the multilateral level but it is ultimately difficult for an outsider from the business world to see where the figures would be best placed in what has been described as a chess game. All in all, however, openness is essential and matters. It also matters to food manufacturers that the food market should be very much different in 10 or 20 years' time. Closed markets administered by agricultural ministries will not respond to the challenge posed by such changes. One thing of which I am convinced is that, even in fully open markets, up to at least 80 per cent of products will be locally supplied for the local consumer.

## EXCERPTS OF THE DISCUSSION

### Mr. Ó Neachtain (European Parliament)

Delighted as I am that this issue is being discussed, I am bewildered that no negative or affirmative answer has been given to the question of whether the single undertaking should be withdrawn. It is my view that it should be withdrawn because it is causing a great deal of confusion. I believe in world trade talks and in trade liberalization, although not as presently constituted in that agriculture is about trade, albeit a small percentage overall, but it is also about local communities and their tradition, and about food security. We in Europe do not want to outsource our food security thousands of miles away. My failure to be convinced by the argument of damage to developing countries is backed up by recent studies. The major beneficiaries would be the large ranch farms of South America which are being built at the expense of the rain forest. The EU has

reformed its agricultural policy, unacknowledged, on the basis of WTO rules and on the understanding that the agreement would suit the WTO and last to 2013. Our negotiators, however, are chipping away at the very agreement that we put in place. The EU is the largest importer of agricultural goods into its countries and of farm produce from developing countries, to which we give the highest level of preferential access. We are a net importer of food while the United States is a net exporter. We are doing our best, but the way agriculture is handled at the moment, within the single undertaking, is unsatisfactory and has to change. It is not that it should be taken out completely to make way for free-for-all development. It is that food security is very important to communities all over Europe, as all over the world, and if that is taken away and the floodgates are opened, we shall be unable to guarantee that very basis of our farming which is food security.

#### Ms. Lee (Republic of Korea)

The probability of stalled negotiations over the agricultural issue has frequently been raised. Although only a small part of international trade, agriculture is central to the DDA negotiations as a whole and without it we cannot proceed further in other areas. First of all, farmers have greater political leverage than other producers in virtually every country. Secondly, the gap in the positions of exporting and importing countries is too wide to be easily bridged. Lastly, non-trade concerns in agriculture must also be properly addressed. To withdraw agriculture from the single undertaking would severely damage the authority and role of the multilateral trading system. Moreover, it could lead to the rampant proliferation of free trade agreements. I should like to ask the panellists what they believe should be tackled first in agriculture in order to rescue us from the current difficulties. What will the consequences be if we fail to forge any concrete convergence during the very small window of opportunity available to us between now and March 2007? Lastly, as chairman of the Negotiating Group on Agriculture, does Ambassador Crawford have any indication of what might constitute plan B?

#### Mr. Crête (Canada)

It is a special moment for me to have this first opportunity to represent the newly recognized Quebec nation, particularly on such an important subject. We understand the concerns of Canadian farmers, the difficulty of supply management and

the problems facing the farming community. The negotiating round is full of possibilities and opportunities, however, and I do not therefore believe that the question should be answered in the affirmative, which would cause further delays and make it very difficult to continue. It would also eliminate the chances for countries that accept negotiations on agriculture to gain advantages elsewhere. There is agreement on technical issues, for instance. Negotiations between countries that culminate in bilateral agreements provide a telling example. Canada's bilateral negotiations with the United States are an illustration of the mouse taming the elephant, but that situation cannot easily be applied to all countries. For these reasons, I believe that it is very important to see the negotiations through to completion and voice our local concerns in the interest of a successful outcome. If the negotiations fail, we shall have to consider a new approach. As it stands, however, it would be premature to end a process that is already under way.



#### Mr. Sugandi (Indonesia)

The disturbing lack of progress in the agricultural negotiations is primarily rooted in the gap between domestic support and market access, which must therefore remain the chief focus. In this Development Round, WTO members must also continue to focus on attainment of the DDA objectives, to which end joint efforts are critical to ensuring that these negotiations live up to the



commitments under the Doha Mandate. This would guarantee a substantial reduction of trade-distorting support, as well as the disciplines needed to prevent box-shifting and product-shifting of support. It would also considerably improve market access and expeditiously eliminate all forms of export subsidies. SND for developing countries and LDCs should be paramount, to which end SP and SSM must remain integral to the negotiations. Only then can the development needs of those countries, including food and livelihood security, be taken into account. The Indonesian Parliament believes that all members, in particular the major players, must show the requisite political will to make tangible contributions for the full resumption and successful conclusion of the negotiations. Lastly, my delegation shares the view that agriculture must remain part of the single undertaking. For most developing countries, agriculture is the key issue in the Doha Round that should be addressed as a priority and the current imbalances in agriculture will not be effectively addressed in the interest of achieving the DDA objectives other than through a single undertaking.

#### **Mr. Falconer (panellist)**

First of all, negotiated outcomes cannot be imposed on sovereign governments, which will each decide in the negotiations whether or not they wish to conclude a deal. If they do, it will be for the classic reason that, on balance, the benefits outweigh the costs for them individually. As in any negotiation, a variety of factors weigh in, but political tolerance can be judged at the national level. Outside those limits, there will clearly be no deal. No one can

impose anything against that approach because the negotiation operates by consensus, which is the most effective safeguard possible. Similarly, the negotiation encompasses an element of international responsibility to deal with and manage the impact of sovereign governments' policies on other sovereign governments, as with the Kyoto Protocol or the transboundary effects of national policies, for example. The same applies to trade; export subsidies and domestic support policies can affect third countries by distorting markets and depressing prices, one case in point being West African cotton producers who suffer lower incomes because of the subsidies in international markets. Those subsidies may be given with the best of national policy objectives in mind but they still have transboundary effects on third parties. An attempt is therefore made to negotiate an outcome that meets the needs of all parties. In a political environment, the outcome must be sold by getting something back, even in an area such as market access, which is a good enough, albeit not perfect, reason for doing it. It only works, however, if the political balance allows.

The concern about food security is an abstract discussion that goes way beyond what I would consider to be the very relatively modest impact of multilateral negotiations. Food security necessarily involves trade because it is through trade that autarky and famine are avoided. That is an oversimplification but it is also an oversimplification to say that autarky is the only way to food security. I am much more confident that access from food suppliers where otherwise unavailable, or supply diversification, is generally a smarter option. I do not wish to give the impression of a crusade but what I am trying to convey is that the floodgates will not be opened if these negotiations succeed. The EU domestic reforms already far exceed anything that will be additionally achieved in these negotiations. Similarly, most national policies will probably consolidate what has already happened and been relatively accepted at the national level, although not with full unanimity. The extent to which the multilateral system will push beyond that at the macro level is relatively marginal.

At that level, however, there are some very important safeguards. As indicated by our Indonesian colleague, for instance, these negotiations should include particular provisions relating to the food and livelihood security and rural development needs of developing countries. Measures will be built in to ensure that such considerations in those countries are not jeopardized by pressures of adjustment, which are more complicated for them to manage.

Irrespective of the outcome on market access and the feeling of so-called exporting countries, there will always be sensitive products that are not liberalized to the extent of others in this negotiation, be it for reasons of food security or for other reasons of a purely political nature. The percentage of domestic consumption in relation to which they might be liberalized must be negotiated but it will not be a double-digit figure. I therefore very much doubt if the capacity of developed countries to provide for themselves will be affected.

Thirdly, it is extremely important for these negotiations to consider support for rural sectors. If the negotiations succeed, there will be no serious limit to the capacity of taxpayers to send money to rural communities through the green box, which is categorized as non-trade-distorting domestic support, and the WTO would never interfere. The only support that will be disciplined relates to export subsidies, which will be eliminated in the event of success, because they essentially steal markets and destroy the incomes of genuinely vulnerable people in developing-country markets, such as the producers affected by imports of subsidized frozen chicken mentioned earlier. The requirement is to maintain legitimate food security in a situation where local economies and small developing countries could have genuinely commercial markets but are precluded from having their own food security by the subsidy policies of rich countries that distort their markets. It is the reduction of such trade-distorting domestic support that will make an additional difference at the global level. The difference will not be massive but it will provide worthwhile help at the margins by allowing food security for a number of developing countries, without detriment to richer countries. In short, none of these considerations will be turned upside down by what happens in Geneva. Instead, there will be a marginal but valuable improvement in the situation.

In response to the question from the Korean delegate, I have no solution and nor is it for me to offer one but I would say that all over-negotiating must stop. The available range of numbers, however, is not unrealistic. There is still room for the offer on domestic support already tabled by Europe to go down even further if it chooses to commit. Given the falling internal prices in Europe, there is also a readiness to eliminate export subsidies, which would require reciprocal export measures from the United States, Canada, New Zealand and Australia. All the signs are that such measures are imminent. The United States, however, must do more on domestic support. It is spending considerably less than what

it is presently proposing in the negotiations and the question is how much it will be prepared to go in order to get down to the spending level, if not further. It is not beyond the realm of possibility to imagine what that might be, once negotiated, but in political terms it would have to be reciprocated by market access from developed and developing countries. The degree of commitments being foreshadowed has already gone beyond those of the Uruguay Round but it will need to go much further to a level still to be negotiated. It will not, however, result in the absence of special products but in a reasonable commercial opportunity that will move the world in the right direction. I cannot be more precise than that and nor is it my role to be. In negotiating terms, however, it signals that there is not much further to go. In political terms, it is the very last significant step that needs to be taken. Until now, that prospect has appeared too difficult, but if my perspective is even marginally correct, it would be a pity to miss the opportunity, not least given the alternative of nothing but bilateral deals which, as has been pointed out, involve asymmetric relationships of big against small. The multilateral system is not perfect but it is a lot less imperfect than the world of bilateral deals.

#### Mr. Oberhänsli (panellist)

First, I am convinced that agriculture must remain part of the single undertaking. I do not believe that developing countries will flood the European market with their products. A liberalized market would, for instance, increase milk prices for the 130,000 dairy farmers in Pakistan by up to as much as 20 per cent,



which for them would be tremendous. Any Pakistani milk exports, however, would go to the Middle East, although it is an area that receives subsidized milk exports from elsewhere.

Secondly, on my pet subject of water, in view of the huge unused potential for rain-fed agriculture in Africa, a long-term signal should be sent to the effect that agricultural development there would be very welcome - not in order to serve European or industrialized markets, but rather areas such as southern Asia and China, where the problem of water shortage is increasing. The market must be opened up in order to convey such signals, which are currently lacking.

#### Mr. Dupraz (panellist)

Neither food security nor food sovereignty are new ideas, as every country needs to be self-sufficient to some extent. In catering to the needs, interests and concerns of local consumers, it is easier to obtain food locally than from the other side of the world, which involves such issues as traceability and follow-up hygiene. Another aspect, however, is that 80 per cent of agricultural produce on this planet is sold and consumed in the region where it is produced and international trade rules might destroy or severely disrupt such regional trade, an idea that is difficult to convey to net food-exporting countries. As mentioned only last night by the French presidential candidate Mr. Sarkozy, agricultural products have never been so cheap and nor have producers ever received so little as under the Uruguay Round Agreement. Consumers have not benefited from the agreements still in force and we must go no further along the road of liberalization and opening up borders. Trade is not an end in itself but should be a tool for humanity that provides economic benefits for all and not simply more profits for multinationals. Political decision-makers must exercise great care and maintain a balance among the products of labour, capital and companies, a balance that international trade should take into account.

#### Mr. Oberhänsli (panellist)

I regret to have to disagree with a possible future president of France. In 1866, Nestlé introduced its first product, an infant formula. At that time, an unskilled female worker would have to work for 24 hours in order to buy the necessary amount of formula for her baby. By contrast, an unskilled female worker today needs to work for only 40

minutes in order to buy the same amount of a massively improved product, a situation to which open markets and liberalization have undoubtedly made an enormous contribution.

#### Mr. Cusumano (Italy)

I generally endorse the rationale that we have heard expressed here. We need to have a global proposal and to restart the Doha Round, in which a final outcome for agriculture must be included, as agricultural issues cannot be dealt with in isolation. Given the lack of relevance to local markets, geographical indications should be considered and I therefore propose the establishment of an international register for those indications, which would also ensure trade stability for products, thereby safeguarding consumers and enhancing food security. Those involved in the Doha Round negotiations should feel ever more motivated and any tendency to fall prey to neo-colonialism or neo-protectionism should be avoided, which would take us back to the era of global governance. Focus must be placed not only on the economies of the weaker countries but also on the role and function of the EU. The right economic agreement will be a challenge for the United States, which will therefore perhaps be encouraged to rethink its position. Support for resumption of the Doha Round must essentially have the backing of a strong political will.

#### Ms. Bank (Norway)

It would have been instructive to hear the views of those who benefit from agricultural liberalization policies, but it nevertheless remains that we should unite over the concerns of net food-importing developing countries. As Mr. Falconer made clear, the EU and United States agricultural reforms still have a considerable way to go before they fulfil their promise. One EU-funded study on the CAP reform stated that the export orientation of the Lisbon Strategy would still function for the EU with green-box subsidies. Is it not therefore the right time now to look at the dumping effects of subsidies of whatever colour rather than at the colour of the boxes? If not, then the G33 demands for SP and SSM are even more valid.

#### Mr. Kabore (Burkina Faso)

To withdraw agriculture from the single undertaking would be an appalling decision because many countries would then be excluded, in particular those





in sub-Saharan Africa, which are dependent on agriculture to the tune of 80 or 90 per cent. The first of the three key values to be considered in connection with international trade issues is that of fairness and justice. Trade liberalization was apparently ignored as long as protectionism was in the interest of rich countries and now it is as if we are being tricked. It would appear that double standards are at work when free trade and market forces are being sold to us at the same time as we are having subsidies thrown at us. While we stand talking and making speeches at the WTO, people are dying and suffering as result of the decisions taken. These people are our fellow human beings, but they are not receiving a fair price for their products. It is therefore a human issue and also one of common sense. Africa is the only continent that possesses every single known underground resource but it is also the only continent to which we refuse to give genuine help for development. Justice and a lack of humanity and common sense combine to create a lack of peace. Trade cannot be globalized unless peace is also globalized; as long as part of humanity suffers from the injustice in international trade, the comprehensive global peace needed to enable trade will never be achieved.

### Mr. Sanoussi (Niger)

Parliamentarians are in a difficult position where the WTO is concerned insofar as they have no key role or input in its functioning. Whenever I return home after a WTO meeting, I discover that the legislative branch ultimately wields no real power. We have been engaged in a stimulating discussion here today, for

instance, but the problem is that no government or organization other than the European Parliament subsequently pays any attention to our activities and comments. In our own national settings, the WTO has a low profile; it is not mentioned by politicians or journalists and is unknown to trade unionists and civil society. If, as parliamentarians, we therefore wish to be useful, we must bring pressure to bear on our governments, as well as raise awareness and disseminate information concerning the WTO. In that context, senior WTO officials and the IPU President also have a vital part to play by sensitizing our heads of Government to the need to involve parliamentarians in WTO affairs, failing which there is no point to our discussion. If presidents and ministers were here, crowds of journalists would also be here with their camera crews. Instead, there is neither. I myself, for instance, have never seen anything on Niger television about either the WTO or the IPU.



### Mr. Martinez (European Parliament)

Our debate has so far lasted 90 minutes, during which time six farms have disappeared from each of Spain, France and Italy. Every European country loses 90 farms a day and the same is undoubtedly true for countries such as Burkino Faso and Mexico, for instance, as a result of free trade agreements, as well as for members of the Southern Common Market (MERCOSUR), including even Brazil, which is a huge exporting country. Whether in the North or South, farmers are all in the same difficult situation owing to nonsensical agriculture policies that allow land to

go to waste and Amazon forests to be destroyed while land in Europe is left undeveloped. The question is not whether agriculture should remain as part of the negotiations but rather whether agricultural issues worldwide should be rethought in the interest of equal distribution. With China fast developing and India involved in intensive irrigation, their products will be globally widespread by 2020 and many farmers will be entering the market. The disappearance of more farmers now would therefore be a tragedy because by that time all of the world's farmers will be needed, which provides a message of hope.

#### Mr. Lubinda (Zambia)

In the LDCs, over one million children will go without food today and they are suffering as a result of the neo-liberal policies that we are sitting here and debating. In those countries, 60 to 70 per cent of people are dependent on agriculture for their sustenance, livelihood, medical treatment and children's education. The LDCs have been giving ever since liberalization and globalization first appeared on the agenda. How much more should we ask them to give? To argue that agriculture should not remain within the single undertaking is tantamount to saying that the LDCs must always get the raw deal. For them, what is the effect of domestic subsidies in developed countries? The impact of food aid on their agricultural production is very clear. Where there is starvation and famine, the World Food Programme (WFP) supplies them with food, yet the developed world never once considers buying food from other LDCs to enable other countries to survive. I agree with Ambassador Falconer that this is not the time to start shifting the goal posts simply because the developed world has realized that its economies are not benefiting. No one disputes the desirability of food security. The plea is that all farmers should be given an even ground from which to develop their own economies. For the sake of the developing world, those of us sitting here today should therefore be advocating the continued inclusion of agriculture in the single undertaking.

#### Mr. Pal (India)

The withdrawal of agriculture from the single undertaking would spell disaster for the whole process of negotiations. The bundling of issues is vital to the progress and success of multilateral negotiations, particularly in the Doha Round where the focus is on development. In stand-alone negotiations, all major participants hope to gain from all agreements. To abandon the single

undertaking approach would simply further enable the developed countries to define the agenda and support negotiations only on those sectors which they believe to be beneficial to them. Moreover, it would be unacceptable in view of the progress already made. The main difficulty is that certain powerful developed countries are uncompromising on the matter of their contribution to furthering the negotiations.

#### Mrs. Rehman (Pakistan)

We appreciate the support expressed for the concerns of developing countries to ensure that agriculture remains part of the multilateral trading system. We nevertheless fear that the present system is dominated by bigger developed countries driven largely by their own agenda on agricultural exports. The development needs of highly populated countries such as Pakistan must be taken into account; most of our agricultural products are imported and an offensive agenda in agricultural negotiations would be unsuitable from our point of view. My question is whether those who advocate the withdrawal of agriculture from multilateral system have any alternative to propose and also how an agricultural trade balance can be achieved without the multilateral system.



#### Mr. Khoshchereh (Islamic Republic of Iran)

In most developing countries, agriculture plays an important part in the GDP and employment stakes. The removal of trade-distorting subsidies and

protectionist measures by developed countries is therefore essential. It is similarly essential to maintain the degree of protection needed to ensure the vitality of the agricultural sectors in acceding developing countries. Realistic consideration should be given to this issue, bearing in mind the influence of agricultural lobbies. Paragraph 4 of the draft outcome document refers to influential protectionist lobbies in parliaments. In most developing countries, however, such lobbies are too weak to have any influence on international trade in agricultural products, whereas in developed countries they are substantially stronger, serving as a main political tool for the promotion of trade-distorting practices. I therefore hope that this fact will be reflected in the outcome document.



#### Mr. Dupraz (panellist)

I should like to re-emphasize my view that the agricultural dossier must remain firmly within the WTO. It most categorically cannot be dealt with separately or be removed from the single undertaking, which allows for the negotiation of all interests and for a balance to be struck within the agricultural dossier itself and also among the other dossiers. I similarly believe that no marked progress will be made towards resuming the negotiations unless there is a substantial change in United States domestic policy, which I very much doubt that the Bush Administration can bring about at this stage.

With respect to the green box, which is a dumping instrument, I would say to the delegate from Norway that it is a vital way of preserving the social and environmental role of farming. Under the Swiss

Constitution, for example, agriculture has a role to play in environmental conservation and the protection of flora and fauna, all of which has a cost and should be afforded green-box protection.

Concerning the comments of the delegate from Burkina Faso, I would reiterate my view that it is unacceptable for WTO trade rules to jeopardize the subsistence farming so instrumental to economic growth in African countries. In that crucial context, the removal of export subsidies is vital to their agricultural and economic development. As for the disappearance of farms, it is regrettably an inevitable fact of restructuring in any country. The important thing is to ensure that the WTO internal and supranational rules allow that structural change to be managed in such a way as to avoid any real crisis.

Lastly, it is my firm belief that agriculture constitutes a social pillar of life and forms a vital part of history. WTO trade rules that allow the harmonious coexistence of the different types of farming are therefore a must.

#### Mr. Oberhänsli (panellist)

I will react to three comments in particular. First, concerning the question of the delegate from Norway, I believe that all subsidies should be considered in the context of long-term development. Where there is multifunctionality, progress can still be made in terms of clearly defining the necessary compensation.

As for the question of balance posed by the delegate from Pakistan, the major balance must start at home insofar as the main market access for farmers is through their own local market. Again, I reiterate that trade-distorting subsidies must be eliminated because they impede access for local farmers to their own consumers.

As for farms, it is not just they who are disappearing; records show that major firms on the Fortune 100 list also have no guarantee of survival. Disagreeable as it may be, it is an essential part of competition. I very much concur, however, that we must think about the future – not only in terms of water but also in terms of products of varying type and quality. The only way forward is therefore through an open market. I do not imagine that any overall negotiation or ministry is capable of resolving such a complex issue. It is up to companies, farmers and other stakeholders to join in finding solutions and responses to the enormous challenges of the future, as opposed to attempting to tackle the problems of the past 20 years.

## PANEL DISCUSSION

### HOW EFFECTIVE IS THE WTO DISPUTE-SETTLEMENT SYSTEM?

#### INTRODUCTORY REMARKS

**Ambassador Muhamad Noor Yacob (Malaysia)**  
*Chairman of the WTO Dispute Settlement Body*

A political body composed of all 149 WTO members, the WTO Dispute Settlement Body (DSB), which I have had the honour of chairing for the past year, oversees operation of the WTO dispute-settlement system. It authorizes the establishment of panels to adjudicate disputes; adopts reports of panels and the Appellate Body, thereby giving them legal effect; authorizes the use of trade retaliatory measures when countries fail to comply with the rulings and



recommendations of WTO adjudicatory bodies; and serves as a forum for WTO members to make known their views on WTO dispute-settlement decisions and compliance with those decisions, and, as appropriate, to resolve differences of interpretation regarding procedures and processes to be followed under the Dispute Settlement Understanding (DSU), the multilateral treaty that forms the legal basis for the system. The DSB normally has one regular monthly meeting for the conduct of its business but it may, where necessary, also hold special sessions in order to establish panels or adopt reports at the request of any member.

The WTO dispute-settlement system has been described as the crown jewel of the WTO multilateral trading system and the general consensus among WTO members is that it has thus far worked remarkably well. As embodied in the DSU, it is largely a codification of prior GATT dispute-settlement law and practice, with some important changes, such as the automatic establishment of panels and adoption of reports, as well as the establishment of an Appellate Body.

Our first area of discussion today concerns the strengths and weaknesses of the system. The biggest strength of the system to date has probably been the acceptance and legitimacy accorded to it by all WTO members, who have shown equally great respect for the decisions emanating from it, even where they disagreed with those decisions. It is nothing short of remarkable that, in all 103 cases for which the DSB has hitherto adopted panel and Appellate Body decisions, 90 per cent of which have found WTO

violations, the responding party has indicated an intent to comply with those decisions and has largely already carried out that intent. A second strength of the system is the mandatory 60-day consultation period before the complaining party is entitled to have a panel adjudicate a case. This mandatory consultation period has frequently led to bilateral solutions to disputes that might otherwise have ended in litigation. Indeed, only slightly fewer than one half of the 351 disputes initiated in the WTO thus far have come before the WTO adjudicatory bodies because solutions were found during the mandatory consultation period or before a panel was composed. A third strength is the general efficiency of the dispute-settlement machinery and the timely issuance of decisions, which normally occurs within less than a year in the case of panels and consistently within the 90-day time frame set forth in the DSU in the case of the Appellate Body. A member who decides to litigate in the WTO system can therefore be fairly confident of a decision from the adjudicatory body within a reasonable period of time.

Two weaknesses of the system are frequently raised by certain WTO members, particularly developing countries. First, given the complexity of WTO litigation, countries without in-house governmental legal expertise on the WTO are obliged to hire outside counsel, which is expensive. Many smaller WTO members consequently complain that the dispute-settlement system is less accessible, if not wholly inaccessible, to them. Secondly, while the compliance record of members having lost WTO cases has generally been very good, there are frequent complaints about the length of time taken to achieve such compliance. It can often take more than four years, for instance, to remove a WTO-inconsistent measure if one takes into account all the stages of the process – mandatory consultation, panel, Appellate Body, reasonable period of time for implementation and compliance panel. This matter is under consideration in the context of the ongoing negotiations on dispute-settlement reform.

Our second area of discussion centres on the likelihood of an upsurge in new dispute-settlement cases if the Doha Round fails to move forward. In view of the recent decision for the "soft" resumption of the negotiations, however, the impact of suspension on the dispute-settlement system may now be a moot question. The historical annual averages for new cases brought, new panels composed and appeals lodged – excluding appeals against decisions of compliance panels – stand at 30, 11 and 7, respectively, including during the first

three years of the Doha Round between 2002 and 2004. In 2005 and 2006, however, the level of new dispute-settlement activity was below those averages, perhaps owing to the intensified pace of the Doha negotiations in 2005 until July 2006 and the hope that such matters as agricultural subsidies might be resolved through negotiation rather than dispute settlement.

If the Doha Round flounders in the coming months, the conventional wisdom seems to be that new disputes hitherto forestalled by the negotiations will be brought, particularly in the area of agricultural subsidies. Only time will tell if this is the case, given the many factors involved in the determination to initiate formal dispute-settlement proceedings in the WTO, including, for example, the fate of the United States Farm Bill in 2007 and the implication for future disputes concerning agricultural subsidies.

Our third area of discussion concerns the adequacy of resources to handle any increased litigation that may occur. Present resource levels for dispute settlement can comfortably support up to 20 panel and compliance proceedings simultaneously. Currently, there are 14 original panels in operation or in the process of being composed; 3 compliance panels in operation; and 3 or 4 new panels potentially on the horizon. The Secretariat is therefore already operating at almost full capacity with respect to normal staffing patterns in supporting existing litigation proceedings at the panel and compliance panel levels. The Appellate Body, which had one of its busiest years ever in 2005, has only one appeal currently pending before it.

A major new influx of cases leading to new panel proceedings before conclusion of the current case load might require an internal reallocation of resources by the Secretariat to support such proceedings. With the regular conclusion of panel and compliance panel proceedings, however, Secretariat resources are released to support new panel and compliance panel proceedings. On the basis of past experience and current staffing patterns, the Secretariat believes that it could probably support a marginal increase in new proceedings without the need for internal resource reallocation. Any such short-term reallocation of resources is therefore dependent on the speed with which existing litigation proceedings are concluded, which is in turn dependent on the complexity of the proceedings.

On another note, I believe that it would be advisable for national legislatures, especially in the case of the 12 or so members which are consistently active in WTO dispute settlement, to develop and maintain some institutional knowledge about how the system

operates. Legislatures of members which are currently responding parties in WTO dispute-settlement proceedings should be aware in particular of the claims being brought against them and whether, if they were to lose such cases, they would be called upon to pass remedial legislation. While members may frequently comply with adverse WTO rulings through administrative means, the changes sometimes needed in a country's laws demand the active involvement of national legislatures.

To date, 17 WTO members have had adverse decisions rendered against them by WTO panels and the Appellate Body. Of those members, 10 have had such decisions against them in more than one case. Some national legislatures have already passed the remedial legislation required for compliance purposes in several of those cases; the United States Congress, for instance, has done so in at least four cases. The willingness of national legislatures to pass remedial legislation in such circumstances is absolutely essential for the long-term legitimacy and sustainability of the WTO dispute-settlement system. National legislatures therefore have a vital role to play in determining the longer-term success or failure of the WTO dispute-settlement system, to which end their ongoing monitoring and support of the system is essential.

**Mr. Jean-François Bellis**

*Partner, Van Bael & Bellis, member of a WTO panel*

Now in place for almost 11 years, the WTO procedures designed to assist its members in settling their trade disputes have proved their effectiveness and have a



remarkably important impact on the functioning of the world trade system set up by the WTO. My personal perspective on the subject is that of a European lawyer who was already practiced in the workings of the EU before acquiring any first-hand experience of the WTO dispute-settlement system and I believe that is relevant to our discussion today in view of the similarities of the dispute-settlement procedures available to members of the EU and the WTO, respectively. Like the EU, the WTO is a rules-based organization that also shares the EU's lack of enforcement apparatus; in both systems, compliance is largely dependent on the members' voluntary cooperation. In the case of the EU, however, there is a much deeper integration among the member States and an involvement of member-State courts that is largely absent from the WTO system.

In discussions about the effectiveness of judicial institutions in general, concern is often expressed over the length of judicial proceedings, which leads to the familiar complaint that justice delayed is justice denied. In that respect, the WTO dispute-settlement system compares somewhat favourably with other domestic and international systems. A relatively short time of under two years is the average required for a WTO case to proceed from initial consultations to final adoption of the report by the DSB. The appellate process is especially swift, averaging no more than three months, which is much shorter than the time taken for supreme courts to issue their rulings. On this score, the WTO dispute-settlement system is very effective.

Speed, however, is only one aspect of effectiveness. Another equally, if not more, important aspect is clearly the quality of the relief provided by the process. The limitations of the WTO dispute-settlement system are well known: the obligation to bring the infringing measure into conformity is only prospective in that the WTO system does not provide for retroactive relief. In the event of non-compliance, compensation in the form of additional concessions in favour of the winning party is only voluntary. The ultimate sanction is an authorization from the DSB that allows the winning party to "suspend the application to the member concerned of concessions or other obligations" – or, in other words, retaliation. This relief is in keeping with the fundamentally mercantilist and intergovernmental nature of the WTO system. The drawback is that, by imposing restrictions on exports from the losing party, the winning party ultimately penalizes its own consumers. In addition, if the market of the winning party is small, the retaliation may not have sufficient impact on the losing party to induce it eventually

to opt for compliance. Retaliation works only for the larger members, which begs the question of whether the remedies available under the DSU are insufficient. Some high-profile cases involving significant national interests have raised serious implementation questions. In fact, some cases brought to the WTO have been described as “wrong” because compliance is either never achieved or achieved only after a very long time. I do not believe, however, that such cases should be seen as a failure of the WTO dispute-settlement process, which at the minimum allows sensitive issues to be aired and discussed in a rational legal framework and steps to be taken towards their resolution. In such cases, the likelihood is that nothing could have been achieved through the use of traditional diplomatic mechanisms.

Implementation issues of a different nature also arise in connection with the myriad of low-profile cases involving mainly the use of trade remedies, namely anti-dumping, countervailing and safeguard measures. One problem in those cases is that the WTO litigation process can only start after final measures have been imposed, meaning that WTO-inconsistent measures can continue with impunity for a relatively long period of time.

As to whether the DSU could be redesigned, many suggestions for improvement have been made. One suggested alternative to the suspension of concessions by the winning party, for instance, is that the losing party should be required to furnish monetary compensation to the winning party. Another proposal is that the DSB should be empowered to impose compensation on the losing party. While these solutions would undoubtedly provide better relief to the winning party, they may raise compliance issues of their own and turn out to be equally ineffective. A further suggestion is that of organizing retaliation on a collective basis and allowing members other than the winning party to apply retaliation measures to exports from the losing party, which would certainly put additional pressure on the latter to comply. In the interim, however, it would also introduce additional restrictions on international trade, which is clearly a regressive step.

While the system can be improved, effective compliance is not solely dependent on the specific remedies that are or may be contained in the DSU. It is only recently that the Treaty establishing the European Community was amended to provide for the imposition of fines on non-complying member States, prior to which a relatively high level of compliance was achieved simply through voluntary cooperation enforced through peer pressure, thus

providing an important lesson for the WTO dispute-settlement system. Such action would be effective as long as WTO members succeed in persuading one another that it is in their mutual interest to preserve the credibility and fair operation of the WTO as a whole.

My personal belief is that the WTO dispute-settlement system will assume more importance in the future. The WTO has long operated on the basis of the bicycle theory whereby it is constantly required to make further trade liberalization advances lest it collapses. As the Doha Round shows, it is becoming increasingly difficult to expand the substantive coverage of the WTO system. In some senses, the end of the road has perhaps been reached for the time being. I do not feel, however, that the WTO would be made irrelevant as a result. It is a formidable task in its own right to enforce and implement the considerable body of existing WTO rules and the responsibility for overseeing compliance with the dispute-settlement results could be shared with new bodies outside the traditional WTO architecture. In that context, it would be extremely useful if parliaments could find a way to work together to create peer pressure in support of the WTO dispute-settlement system.

**Mrs. Debra P. Steger**

*Professor, Faculty of Law of the University of Ottawa, Director, EDGE Network*

The WTO dispute-settlement system is undoubtedly the most active and prolific dispute-settlement system in the world today, as evidenced by its very impressive statistics. Since 1995, over 350 requests



for consultations have been made and approximately 25 per cent of cases have been resolved early by diplomatic means. Some 130 cases have gone to panels and there have been approximately 80 appeals from panel reports. In addition, there have been over 40 compliance proceedings, including arbitrations on suspension of concessions or retaliation.

While countries of the developed world, in particular, the United States and the EU members, remain the most active parties in WTO dispute settlement, approximately 40 per cent of complaints have been brought by developing countries, with similar figures for respondents, approximately 60 per cent of which have been developed countries and 40 per cent developing countries. In 2005, the number of requests for consultations fell significantly and levelled off between developed and developing countries. The sheer volume of cases would imply, however, that WTO members have tremendous confidence in the dispute-settlement system, which has been a remarkable achievement, particularly as its widespread use has contained the use of unilateral retaliatory measures common before 1995.

Statistics alone, however, do not tell the whole story. The easy cases are over. In the first years, most cases involved long-standing disputes, largely concerning traditional GATT market-access issues, that had remained unresolved for years. More recently, cases have become more complicated, dealing with agricultural and domestic subsidies under the Agreement on Subsidies and Countervailing Measures, as well as measures under the General Agreement on Trade in Services (GATS). Given that the provisions of some of these new agreements are not clear, interpretation of the rules by panels and the Appellate Body has become very important.

Another growing area relates to the trade remedies of anti-dumping, countervailing and safeguards. While many such cases have been brought against the United States, the fact is that India and now China have surpassed the United States as the largest users of the anti-dumping rules. The expectation is that more challenges will be brought against their imposition of trade remedies in the future and that more safeguards and anti-dumping measures will be imposed on imports from China, the Republic of Korea and India, which will challenge such measures in the WTO.

In the first few years of the WTO, most DSB rulings were implemented within a reasonable period of time, notwithstanding the few celebrated cases involving such items as bananas, hormones and aircraft. Approximately 90 per cent of all cases were

implemented without significant delay and the remainder in due course. Implementation problems occur in 15 per cent of cases, which is not a high percentage overall but represents a disturbing trend, particularly in view of the higher economic and political stakes involved with such items as cotton and sugar.

Contrary to previous Rounds, the number and importance of disputes have not decreased in the Doha Round, during which some of the most difficult and complex cases have been brought in such areas as cotton, sugar, aircraft subsidies, softwood lumber, shipbuilding subsidies, genetically modified organisms (GMOs), softwood lumber, gambling and telecommunications, involving variously the United States, the EU, the Republic of Korea and Mexico.

In terms of dispute settlement, the implications of a Doha Round impasse or failure are numerous. There will be more dispute-settlement cases, especially in the difficult areas where the rules are unclear, namely agriculture, subsidies, including in aircraft, shipbuilding and services, and trade remedies. In agriculture, the peace clause in the Agreement on Agriculture has expired, with the result that the disciplines of the Agreement on Subsidies and Countervailing Measures (SCM) apply to agricultural subsidies. The bar has thus been raised to a much higher level in that the rules in the SCM Agreement apply equally to developed and developing countries, regardless of their commitments under the Agreement on Agriculture. As economic growth continues to explode in China, more cases will be brought against Chinese imports within members and against China in the WTO, to which China will respond by bringing cases against others. There will also be an increase in trade-remedy cases, not only against the United States and the EU, but also against developing-country users of anti-dumping and safeguards measures. The WTO dispute-settlement system will provide a public good for regional trade agreements. Although such agreements have proliferated, the dispute-settlement mechanisms do not work nearly as effectively as the WTO system in most areas other than the EU. Issues arising under those agreements will increasingly be argued in WTO disputes, most often by the respondents as part of their defense strategies. Furthermore, other international agreements on environment, human rights and labour standards that have trade implications will proliferate and their provisions may also be argued in WTO cases. Because the WTO dispute-settlement system provides a strong and effective adjudicative mechanism, there will be greater pressures to resolve



disputes among members in light of all international obligations pertaining between the parties to disputes.

Another implication is that compliance may increasingly become a problem. To the extent that the major powers fail to implement in difficult and complex cases, other countries will feel less and less of an incentive to comply. The danger is that the compliance pull of the WTO system, which has thus far been very good, may not persist. In some areas, such as anti-dumping, safeguards, countervail and procurement, the WTO system ultimately provides no remedy by offering only a prospective remedy. The possibility of interim relief and retrospective remedies should therefore be considered with a view to making the remedies more effective. In many cases, the WTO system provides rulings on principles, but with no effective remedy at the end of the day. WTO dispute-settlement is exclusively State-to-State. However, private interests are major stakeholders in most cases and use their Governments to fight their competitive battles in major industries, including shipbuilding and aircraft. Under many RTAs, private parties have rights to bring complaints against governments and the pressures to involve private interests in WTO dispute-settlement will increase.

With the impasse or failure of the Doha Round and a shift to regional arrangements, a messy complicated system for dispute resolution will inevitably become more complex. The proliferation of RTAs and other international agreements with their own dispute-settlement systems clearly brings with it a risk of fragmentation of international law. It will, moreover, provide astute and well-advised multinational firms with many strategic options to influence governments and pursue their competitive advantages.

There will be increasing pressures on the WTO dispute-settlement system to resolve disputes involving unclear or ambiguous provisions of the WTO agreements. Dispute settlement can be, and is, used for strategic purposes as a lever to achieve certain objectives in trade negotiations. While the United States and EU have done this for years, major developing countries, in particular Brazil and India, are now using dispute settlement for strategic purposes. In my view, it is important that WTO members take time to reflect upon and improve WTO negotiating and decision-making procedures. The WTO dispute-settlement system has been remarkably successful but there is a risk of imbalance in the institutional aspects of the WTO if those procedures are not improved and the Doha Round is not successfully concluded.

## EXCERPTS OF THE DISCUSSION

### Mr. Martinez (European Parliament)

The DSB is undoubtedly a very impressive mechanism that still has major failings nevertheless. Its solution is to settle everything by sanction, meaning that the winning State can simply increase the barriers to international trade; Europe maybe sanctioned because it refuses hormone-treated meat and retaliatory measures may then target European cheese, for instance. It is a very odd system that aims to facilitate trade and reduce tariffs and that yet has the effect of increasing tariffs. In that context, Mr. Bellis anticipated monetary compensation as a potential solution. For the past 60 years, the mistake has been to reduce customs duty, using a variety of immensely complicated mathematical formulas. The alternative is to find a new form of customs technology that is adaptable, variable, reimbursable and negotiable on the basis of customs credit, or in other words, one that can be changed on the basis of established differentials, production costs and so on. The difference is that it would be repayable, automatically opening up a customs credit for an exporting country that is penalized and providing matching credits that a developing country, for instance, can negotiate on the stock market in the same way as pollution credits. A new customs technology of that nature would help to accelerate and open up international trade, which is presently hindered under the current sanctions mechanism.

### Mr. Akaba (Japan)

Through the WTO, the dispute-settlement procedure has become more robust and trade disputes are increasingly being resolved both swiftly and fairly. The number of disputes considered has also increased dramatically from 6.7 cases per year under GATT to 31.9 cases per year under the WTO, clearly indicating the confidence felt in the DSB system. If, however, the DDA negotiations suffer a prolonged suspension or, in the worst case scenario, end in failure, the legislative function of the WTO in establishing new trade rules through multilateral negotiations will be paralysed and weakened, with adverse effects. In other words, WTO members will seek to resolve all disputes through the DSB, on which excessive strains and expectations will consequently be placed. Instituted following the Uruguay Round, the current WTO rules are of limited use insofar as they fail to reflect the changes in economic and trading structures that have since taken place. The sound development of the WTO is dependent on the full functioning of



its legislative and judicial functions of establishing rules and settling disputes, respectively. Our utmost efforts to ensure a full resumption of the DDA negotiations are therefore essential. My final comment is that the robustness of the DSB system must be increased by ensuring that members who fail to comply with DSB rulings make the necessary changes to their national register, which does not always happen, often leading to retaliatory measures.

#### **Mr. Lin (China)**

As a pillar of the WTO multilateral trading regime, the DSB has played important role in solving trade disputes between members, in each case basing its decisions on the merits, facts and existing rules. Largely uninfluenced by other factors, it offers an equitable and fair approach to the settlement of trade frictions and avoids some of the limitations and unpredictability of bilateral channels. It has also enhanced transparency and fairness through such measures as the selection of panel experts and the involvement of third parties. In reviewing a total of 350 disputes involving 57 countries, representing 38 per cent of the WTO membership, the DSB has functioned well and the rulings of its expert panels are generally respected. The deadlock in the Doha Round, however, has to some extent dampened confidence in global economic liberalization and may give rise to trade protectionism. Moreover, ambiguities in rules may provoke recourse to litigation, leading to more international trade frictions and a worsening of trade disputes, yet the talks on the DSB are in stalemate. The fact that the mechanism is unable to respond in a timely manner to emerging problems,



improve its operations or assume greater authority is inimical to the speedy and effective settlement of international trade disputes. Ever committed to pushing forward the Doha Round, China has been involved in the talks on reforming and improving the DSB, which it regards as a valuable mechanism for the fair and equitable settlement of trade frictions. It is therefore ready to work with other members for an early resumption of the talks on the DSB with a view to achieving its smooth operation.

#### **Mr. Mohamed (Mauritius)**

Not only must justice be done but it must be seen to be done. In that context, I should first like to ask how the members of the adjudicating panel are chosen. Secondly, approximately how many members constitute the panel and what proportion are from developing countries? Thirdly, what measures can be taken for capacity-building in the dispute-settlement system and can such capacity-building be open to both private and public sectors in order to correct any imbalance?

#### **Mr. Sugandi (Indonesia)**

The Indonesian Parliament recognizes the significance of the WTO dispute-settlement system in the effort to achieve and secure a predictable, just, fair and transparent multilateral trading system. Indonesia believes that the WTO dispute-settlement system is a distinctive and unique part of the multilateral trading system that benefits the membership, although it is true that panel recommendations approved by the DSB have not been implemented in

all cases. Now that developing countries are becoming increasingly involved in cases of trade dispute, further measures to perfect the dispute-settlement system are required, including improved cost-effectiveness and new and operable SND provisions for those countries. Without a means of dispute settlement, the rules-based system is meaningless in that rules governing the multilateral trading system cannot otherwise be enforced.

#### Ms. Bank (Norway)

I should like to ask for a legal explanation as to why Brazil was permitted to take action against the United States in connection with the cotton dispute between them, whereas the third party to the dispute, namely Benin, was not. My second question is whether the agreements are sufficiently clear concerning the resolution of anti-dumping disputes and, if not, what is needed to make them clearer to that end.

#### Mr. Babikir (Sudan)

The DSB rules and procedures appear to be extremely complicated. I should therefore like to ask Ambassador Yacob what proportion of the 20 per cent of the WTO budget devoted to training and capacity-building, mentioned earlier by Mr. Lamy, is allocated to the LDCs for human-resources improvement so that they are equipped to keep tabs on ongoing changes within the WTO. My second question is whether the DSB has ever ruled in favour of LDCs and, if so, whether its rulings were enforced.



#### Mrs. Steger (panellist)

In response to the delegate from Norway, under the DSU, complaining parties - such as Brazil in the cotton case mentioned - are entitled to request authorization to suspend concessions or retaliate in the event of non-compliance. Third parties, however, are given to understand from the outset that they have no such entitlement. As for the question on anti-dumping, I believe that much could be done to clarify the very technical agreement first negotiated and later improved in previous Rounds. A problem connected with the suspension of the Doha Round is that progress in some of these areas may not be achieved without a breakthrough in other areas, such as agriculture. Selection of DSB panel members is one issue, for instance, that calls for reform of the DSU. Within the framework of the WTO system, it is extremely difficult for countries to agree on the composition of panels. Panel members serve a term of four to eight years and are still selected on an ad hoc basis. Because government officials can be selected to serve on panels, there is a DSU rule that nationals of a direct or third party to a dispute should not be selected for a case unless the parties agree otherwise. Consequently, panellists are supplied from only a very small number of countries, invariably excluding the EU and the United States under that DSU rule, as well as Canada, for example, and the WTO Director-General is increasingly required to step in and appoint the panel. I agree that there could and should be more developing-country panellists in the system and the proposals submitted on that subject in the dispute-settlement negotiations in the Doha Round are definitely worth very close consideration.

#### Mr. Bellis (panellist)

I think that the anti-dumping rules are extremely clear. The problem is that, in many cases, they are ignored. The first priority is therefore to ensure that the current rules are universally applied before going on to add new and more complex rules. Anti-dumping and countervailing cases, and to some extent safeguard cases, are targeted at specific countries and in particular at specific exporters within those countries. Duties, however, are imposed on an individual basis and may vary between 60 per cent and zero. Consequently, where a very high duty is imposed, life becomes unbearable for companies in the importing company that imposes the measures. Moreover, anti-dumping procedures take 15 months, provisional measures may be imposed after a few months and final measures are taken between four and six months later. Only then can the dispute-



settlement process begin. It may last two years and the losing party may be given nine months to implement the ruling. An illegal anti-dumping measure may therefore be in place for four years before the losing party is obliged to take measures that may comprise no more than a future review of the anti-dumping measure, coincidentally leading to the same outcome as before. This can indeed be problematic, although drastic amendment of the rules is not essential in every case. In certain extreme cases, however, procedures are wrongfully initiated without any justifying evidence and in utter disregard of all the basic rules. In that context, the dispute-settlement mechanism should be adjusted to provide for speedier intervention, as well as a possible exception to the non-retroactivity rule and even interim measures. Many of today's protectionist pressures are increasingly channelled through those proceedings, to which close attention should therefore be paid in order to find a fitting solution to the problem.

#### **Mr. Yacob (panellist)**

Members of the regular dispute-settlement panels established by the DSB are chosen, subject to the agreement of members and the parties to the dispute in question, from a list of available candidates notified to the DSB by members. Competence is a very important criterion in addition to neutrality in that the DSB deals with the so-called covered agreements, with which panel members must therefore be familiar. Normally, both the dispute-settlement panel and the Appellate Body comprise three members for each case. There are no criteria concerning the proportion of members from developing countries on the dispute-settlement panel, bearing in mind the rule on agreement among members and the availability of the listed candidates for panel work. In other words, such panels are ad hoc and that proportion may vary on a case-by-case

basis. The Appellate Body itself, however, comprises four developing-country members and three developed-country members, all of whom are required to have a competent knowledge of international law and the covered agreements. The members of the Appellate Body Division formed to consider an appeal are then selected by computer from among those seven permanent members of the Appellate Body.

In response to the question of the delegate from the Sudan, capacity-building is now a high-profile agenda item that extends beyond the work of the DSB alone to include all areas. I do not have to hand the figures for the budget allocation to LDCs for capacity-building, but the new Aid-for-Trade initiative is primarily directed at LDCs with a view to their meaningful participation in trade. The work of the WTO Institute for Training and Technical Cooperation in the area of capacity-building and technical assistance is also supplemented by activities of the United Nations Conference on Trade and Development (UNCTAD) and the World Bank. As for rulings in favour of LDCs, I cannot recall any case either initiated by an LDC or in which an LDC was the respondent.

As for whether the DSB may be called upon in future to address issues arising from RTAs, the DSU explicitly provides that the DSB mandate is confined to the covered agreements. For that very reason, a recent attempt to refer to the DSB a dispute under the North American Free Trade Agreement (NAFTA) failed. Similarly, although the WTO dispute-settlement mechanism may endeavour to resolve points of law, the DSU also explicitly provides that it cannot be used to create new obligations. Lastly, concerning the question of interim or retroactive measures, there is little enthusiasm among the WTO membership for a major overhaul of the dispute-settlement system. The review of the DSU is ongoing, but I am not optimistic about the introduction of such remedies, which are in fact favoured by my own country of Malaysia.

#### **Mr. Soulé Adam (Benin)**

I would agree that the dispute-settlement system has limits insofar as it is difficult for weaker WTO members to gain access to it. In defending a case, a complainant is required to mobilize enormous human, financial and technical resources for such purposes as gathering information, conducting analyses and hiring specialist legal assistance. Poor countries obviously lack those resources, a problem to which appropriate solutions must be found through, for example, Aid for Trade. Those countries also have few retaliatory measures available to them.

Further consideration should therefore be given to the role of third parties in a dispute with a view to more robustly ensuring that the losing party implements the rulings against it.

#### Mr. Sawadogo (Burkina Faso)

It is a mistake to judge the effectiveness of the WTO dispute-settlement system solely on the basis of the significant percentage of complaints that are appropriately resolved. Failure to settle 20 per cent of disputes has minimal implications for developed-country trade. In stark contrast, the failure to settle just one dispute spells disaster for the economic development of the African cotton-producing countries, including Burkino Faso, where three million people are dependent on cotton. Non-producing countries reap the most added value from trade in raw materials, while the major producers of those materials, be they in Côte d'Ivoire, Gabon, Cameroon or Niger, for instance, receive none of the increasingly enormous benefits. There is also a major misunderstanding as far as the make-up and management of the WTO itself is concerned; on the one hand are very rich countries fighting to retain or better their existing privileges, which were sometimes forcibly taken and in no case negotiated, and on the other are very poor countries battling for the survival of their peoples and forced into a game with rules established by others who have difficulty in grasping their concerns. In my view, that is the root of the problem and real effectiveness will be achieved by refocusing on development as the aim of the international trade talks, rather than the contrary.

#### Mrs. Rehman (Pakistan)

Parliamentarians admire the WTO adjudication process, which is the feather in the cap of the multilateral trading system. Of more concern is the implementation of WTO judgements in national jurisdictions. The United States Congress, for example, is sometimes slow in realigning legislation to comply with those judgements. It is essential to respect DSB rulings and tackle imbalances in national legislation if the dispute-settlement system in the multilateral arena is to be strengthened in such a way as to address the concerns of developing countries and LDCs. I would like to hear the panellists' views on how to best respond to that challenge and also ask them what further role the WTO might play in sensitizing national parliamentarians on this issue.

#### Ms. Zrihen (Belgium)

Bearing in mind the current paralysis of the Doha Round and the increasing number of disputes, are there any plans to enable the DSB to settle disputes relating to regional agreements and would that be acceptable? Is there a risk that dispute-settlement systems will be used in place of administrative procedures and should parliamentarians be more involved in the establishment of such ad hoc systems? Would it be useful to pursue the methodology of the United States Congress or should we look to other ways of becoming involved?



#### Mr. Crête (Canada)

My brief question is whether retaliatory measures achieve their objective or would an alternative solution be preferable?

#### Mr. Sasi (Parliamentary Assembly of the Council of Europe)

The dispute-settlement system is undoubtedly a valuable cornerstone of the WTO. The issue of remedies has already been raised, however. In that context, is it fair to raise tariffs on products from other countries and should not damages be awarded for infringement of another country's legislation? Does the present system stem from mistrust in the ability or willingness of other countries to pay damages? With those issues in mind, would it make sense to seek damages rather than raise tariffs? Furthermore, can measures be taken through the WTO

if intellectual property rights, for instance, are infringed but the relevant national legislation is poorly implemented? I would also like to ask whether parliamentarians should have a role in overseeing panel decisions. Lastly, can the degree of transparency be judged, does sufficient discussion take place before a decision is made and is there a mechanism whereby other parties may intervene in the proceedings by way of amicus curiae submissions, for instance?

#### Mr. Prabhu (India)

What type of sanction or retaliatory measure can developing countries or LDCs be expected to take in the event that a ruling is made in their favour in a dispute with developed countries such as the United States or the EU? In that context, I would be interested in learning more about how a cash-compensation mechanism might operate, since it would help countries with small economies to offset the enormous expense involved in any prolonged litigation of disputes. Given the annually increasing number of dispute cases, I do not believe that the WTO negotiations on this issue are being aimed in the right direction.

#### Ms. Ferreira (European Parliament)

The question is how we as parliamentarians can we respond to the public interest. In my country, small- and medium-sized enterprises feel threatened by violations of intellectual property rights through State subsidies and the failure to meet minimum environmental and social standards. As parliamentarians, our position is dependent on public support. We can say to those enterprises that we have better ways of protecting their interests and creating trust in open trade, but I would like to know how to establish that spirit of trust.

#### Mr. Adu (Ghana)

Briefly, I would like to ask Ambassador Yacob what oversight role, if any, he envisages for parliamentarians in the WTO litigation process?

### CONCLUDING REMARKS

#### Mr. Yacob (panellist)

First, with respect to the overall role of parliamentarians, I would re-emphasize the importance of keeping abreast with developments

in the dispute-settlement system and within the WTO as a whole, particularly where the Doha Round negotiations are concerned. While ambassadors negotiate on behalf of their countries in accordance with instructions received from their Governments, it is the job of parliamentarians to represent their people and make their views known. To that end, relevant IPU-organized activities and the WTO website, which is a mine of information, are two possible ways of remaining updated on overall developments at the WTO.

With respect to the comment of the delegate from Burkino Faso concerning the focus of the current trade talks, the Doha Round is the first ever round that is centred on development. Consequently, developing countries are now playing a much more active role than in previous rounds by making their positions known and their presence felt, which is a positive step forward. The Aid-for-Trade initiative will also promote their participation in the negotiations and help them to take advantage of the prospective trade openings to be realized through the Doha Round.

Concerning the harmonization of United States legislation with WTO dispute-settlement rulings, I will be happy to share the relevant figures with the delegate from Pakistan. In a nutshell, the recent legislative actions of the United States Congress have been significant, which signals its support for the WTO system as a whole and the dispute-settlement system in particular. My overall impression is therefore that the United States has played its part.

As for cases of non-compliance with WTO rules, any member who fails to achieve a positive outcome



through consultations with the offending country may initiate a case against it through the DSB. If the dispute is unresolved within 60 days, the complainant may request the establishment of a panel, which may be blocked by the respondent. In accordance with the rule of negative consensus, however, the panel must be established if the complainant makes a second such request to which there is no blanket objection.

Lastly, on the matter of transparency, WTO hearings may be conducted openly, subject to the agreement of the parties to the dispute, as has happened in a few cases. There is an understandable reluctance, however, for open hearings to become the general rule, given the sensitivity of information that might be disclosed in certain cases.

### Mr. Bellis (panellist)

First, I understand the fundamental point raised about the background to the retaliation mechanism, which may appear to be a startling remedy in a system designed to produce free trade. I would, however, like to dispel a common misconception that the GATT system is based on free-trade notions. Although free trade is its by-product, it is essentially based on eighteenth-century mercantilism, which allows imports only if they generate exports. All of the trade negotiations have rested on that logic; a free trader regards market opening as the greatest gift possible to consumers, but here it is regarded as a concession to another country that will in return receive the right to export to the market in question. If a member fails to comply with that obligation, it is taking advantage of the concession and retaliation is the ultimate, albeit temporary, sanction designed to re-establish the balance breached by the infringement and ensure final compliance by the losing party. This system has worked very well in that it corresponds to the basic facts whereby export-oriented industries secure trade-opening measures that increase their access to foreign markets.

As for the question raised by the delegate from Belgium, I do not believe that more litigation is incompatible with more legislation. On the contrary, it is a normal state of affairs. Lastly, on the question of parliamentary oversight, I believe that panel members have in mind another aspect of implementation, namely the violation of WTO rules by the executives in our respective countries, in which regard parliaments certainly have an oversight role to play.

### Mrs. Steger (panellist)

I wholeheartedly agree that the system has limitations when it comes to developing countries and LDCs in particular in that it is very complex and requires a tremendous capacity. Significant ways of addressing that problem are already in place, however, including the Advisory Centre on WTO Law (ACWL), which is bringing many cases on behalf of developing countries. That is part of the reason for the increase in the number of cases in which developing countries are the complainants. ACWL also provides training for government officials and helps with capacity-building. In fact, there are now cases in the WTO in which developing countries are suing other developing countries to the extent that ACWL, which cannot act for both sides, has developed a roster for outside counsel to assist in such cases. The situation is therefore not perfect and needs improvement, but governments have been providing essential funding, more of which is needed for ACWL and possibly for the establishment of similar centres elsewhere to help in the process.

Secondly, the DSU contains many provisions specific to developing countries, one of which is that any developing country involved in a panel case is entitled to demand that one of the panellists should be from a developing country. What is surprising is that developing countries do not often invoke the special procedures available to them under the WTO dispute-settlement system, which are worth learning about.

Concerning the issue of remedies, my view is that retaliation or suspension of concessions has serious limitations as a very blunt instrument that only the two major powers in the world can use; not even Canada or Australia can use retaliation effectively against the United States, let alone the developing countries. As for the notion that the result of the WTO dispute-settlement process is always to consider whether concessions between the two parties to the dispute can be rebalanced, many of the WTO Agreements create rules in areas that go far beyond tariff concessions, agricultural concessions and market-access concessions and services. Moreover, in those rules-based areas, there is a real problem with the concept that the ultimate goal is to rebalance concessions because, presumably, when a rule is violated, the outcome should be that that violation is redressed and that the legislation or government action at stake is brought into compliance with the rules. Consequently, there is a disconnect between purpose and methodology or between the cultures of the former GATT and the new rules-based system. In

my view, the WTO remedies fail to reflect the fact that many of the Agreements are now about rules. One example is where a country might seek to implement a case involving GATT or the TRIPS Agreement. Retaliation in services or in intellectual property would be difficult, leading to further difficulty in measuring the amount of trade affected, which is very easy to measure when tariff concessions are an issue because the trade volumes and monetary values of goods are also easily measurable. There are no ways, however, of measuring the impact of a violation of trading services, intellectual property, sanitary or phytosanitary measures or other environmental standards. Fortunately, no such cases have yet arisen, although it would have been interesting to see what would have happened if, in the lengthy, contentious and difficult banana case with the European Community, Ecuador had carried out its proposal to retaliate through TRIPS by refusing to recognize European patents, copyright and intellectual property. Since 1995, the right to suspend concessions or retaliate has been exercised in only two or three of the ten or so cases in which the DSB conferred that right on the complaining party. I believe that there are better and more effective solutions, including perhaps the proposed idea of monetary compensation, but I do not expect any of them to be introduced in the near future in view of the current lack of appetite for reform of the dispute-settlement system.

As for whether the DSB might become the appellate body on regional agreements, I did not intend to suggest in my earlier comments that the WTO would become a forum for resolving disputes under RTAs if the Doha Round impasse or suspension continues. My fear, however, is that the rules will grow ever more complex and intertwined in the face of a much more complicated world and the growing trend towards an even greater proliferation of RTAs, particularly given the deliberate policy of some countries to negotiate free-trade agreements with various regional partners. I nonetheless agree with Ambassador Yacob that the WTO dispute-settlement system does not allow for claims relating to regional agreements, although I believe that the pressure on WTO panels is set to grow in that regard, which is my concern should the Doha Round indeed fail.

My answer to another point raised is that legislation can be the subject of dispute settlement, as can regulations, government practice and the actions of a government official. There have been many cases, including in Canada and the Republic of Korea, for example, where this has been very broadly taken to involve even actions of private groups where the private group has some delegated regulatory authority. The WTO system can therefore consider numerous types of measures sanctioned or delegated by federal, local, regional and municipal governments. In that system, the separation of power between judicial and political processes is still evolving and





remains unclear insofar as the DSB, which is a political body, has oversight power over panels and the Appellate Body. Decisions still require adoption by the DSB, usually more or less automatically by reserve consensus. There are still, however, political powers that do not exist in our domestic systems and political elements therefore persist in the WTO dispute-settlement system.

Lastly, I agree with Mr. Bellis that parliaments have a very important oversight role to play in negotiations conducted by WTO political bodies. I repeat that improvement of decision-making procedures is a very important WTO reform issue and parliaments can help in trying to resolve some of the problems associated with those procedures.

#### Mr. Dossim (Togo)

Can you cite any specific examples of dispute cases in which poor countries have won against wealthy countries?

#### Mrs. Steger (panellist)

Other than anti-dumping cases, there have hitherto been no cases involving poor countries or indeed LDCs. Developing countries or LDCs have participated as third parties against the major powers, but there has been little, if any, dispute-settlement activity where an LDC has been on the defending side of the equation.

#### Mr. Yacob (panellist)

In the broader context, it is clear from the Doha Declaration that the LDCs are exempt from any requirement to undertake new obligations under the WTO.

## CONCLUDING REMARKS

### MR. GEERT VERSNICK, RAPPORTEUR



Madam,  
Dear Colleagues,

The draft outcome document that I have the privilege to present to you is the result of a thorough preparation process, which started in September, when the Steering Committee had first debated it.

On the basis of that debate, I had presented a preliminary draft, which was sent to you all about a month ago. In all modesty, I am fully aware that each of you could have drafted a resolution that is as good and reflects even more your views. But my mission was to draft a resolution on which we can reach a consensus. We received a number of amendments from six delegations before the start of this Conference. The Steering Committee examined them last Thursday and presented a revised draft yesterday morning, to which you again had the opportunity to present amendments. In this second round, we received amendments from eight delegations, which the Steering Committee considered yesterday evening.

The Steering Committee has accepted a relatively small number of amendments, sometimes in a slightly different wording. There are two reasons why a number of amendments were not incorporated in the text: either because there was no consensus, and as you know, our Steering Committee decides by consensus, just like this Conference; or because it was felt that the proposed amendment (though interesting in itself) strayed from the main thrust of the declaration.

For instance, we received amendments from two delegations on the accession of new members of the WTO. All members of the Steering Committee agreed that this is an important issue. However, it is not part of the Doha Round of negotiations, and many members of the Committee felt that the focus of our declaration should be kept on that Round. So, we did not insert a paragraph on accession issues, all the more so because we have dealt with the issue in some of our previous declarations such as the Hong Kong one. And of course, we could again choose it as a theme for discussion at a future session. I have the feeling that the Steering Committee wants to take this up again either as a theme or a panel discussion.

There was also an important amendment establishing a link between what happens in the WTO and the achievement of such global objectives as full employment, sustainable development and the empowerment of women. We have tried to cover this by inserting a reference to the Millennium Development Goals at the beginning of paragraph 5 of the text.

This brings me to the content of the declaration I am presenting to you. As I already mentioned, the purpose of the text is to send a clear and strong message, from us, parliamentarians, to our governments and WTO negotiators, that the failure of the Doha Round is not an option, that negotiations must be resumed in earnest and that all major players must be prepared to make the necessary concessions to achieve a positive outcome for everybody, but especially for developing countries. Our dialogue

with ministers and WTO negotiators yesterday morning showed once again that all the parties are very good at telling each other what concessions they should make. Our declaration urges everybody to have a close look at their own responsibility. And there can be no doubt that in this Round, which is a development round, the main responsibility lies with the developed world.

If you want your message to be strong and clear, you need to stick to the essentials. That is why we have opted for a short declaration, leaving out all matters, however important, that would detract from the central message. Allow me to briefly go over the nine paragraphs of the text that is submitted for your approval.

In the first paragraph, we start off with a premise: the prospect of a real failure of the Doha Round.

I like the second paragraph of our text very much, which states unreservedly that we are committed to a multilateral approach to international trade problems, a multilateral approach embodied by the WTO.

In the third paragraph, we affirm that bilateral and regional agreements are not an alternative solution and that the multilateral approach constitutes, especially for the least developed countries (LDCs), the best guarantee of equitable treatment.

The fourth paragraph contains our core message which I just mentioned, and very importantly – calls on parliamentarians to resist neo-protectionist trends that are already in sight.

The fifth paragraph recalls that the Doha Round is centred on development and also sets out the measures to be taken, in any case, in favour of developing countries, particularly the LDCs, such as the "Aid for Trade" initiative.

The sixth paragraph warns against the risk of overstretching the WTO dispute settlement system if the Doha Round fails, whereas the seventh and eighth paragraphs deal with the issue of improving the working methods of the WTO itself, while stressing that decision making should continue to be carried out by consensus.

Finally, the ninth paragraph focuses on our role as parliamentarians in the area of international trade.

Some of you may feel that we should have said more on this topic, since this is after all the outcome document of a parliamentary conference. However, we have analysed our own role at length in some of our previous resolutions and I believe we should not keep repeating ourselves. That is why the present text only reiterates the central idea, which is that international trade is too important to be left in the hands of governments alone and that we, parliamentarians, have a duty to oversee the work of our governments in the WTO.

In conclusion, Madam, dear colleagues, I believe that by adopting this resolution we will highlight three points to our governments, who are of course those who have to do the actual negotiating: first, that we, as parliamentarians, are capable of moving beyond our differences of opinion and of reaching a consensus on the principles that are the only possible basis for successfully concluding the Doha Round in the interest of all the citizens we represent, and especially of the 70 per cent of the world's peoples that continue to live in unacceptable circumstances. Second, we are of the opinion, as many speakers in yesterday's and today's debates have indicated, that the time to postpone, the time for fake manoeuvres and pseudo concessions is over. It is five minutes to midnight if we want to act and achieve results. Last but not least, we believe there is sufficient support within parliaments to carry the undoubtedly difficult decisions that need to be taken, to ratify them and to explain and defend them vis-à-vis our electorate.

Finally, dear colleagues, let me leave you with a thought from the late U.S. President, J.F. Kennedy. In his acceptance speech, he spoke the inspired and historic words : "Do not ask what your country can do for you, but ask what you can do for your country".

This idea, although it was expressed several decades ago, remains very pertinent. I would like to send a similar message to all world leaders and especially to the governments of developed countries : "Do not ask what Doha can do for you, but ask what you can do for Doha".

I call on the Conference to adopt this draft outcome document by consensus.

Thank you.

## JOINT STATEMENT

BY THE CONFERENCE CO-CHAIRS



*Following the adoption of the Declaration by consensus at the closing sitting of the session on 2 December 2007, the Conference co-Chairs, representing the IPU and the European Parliament respectively, made the following statement:*

In the course of the debate, several delegations referred to the question of accession to the WTO and made proposals to include this issue in the outcome document. However, the Conference Steering Committee, which had been entrusted with the preparation of the corresponding draft, has been unable to reach a consensus on this matter.

We wish to point out that, in December 2005, the Parliamentary Conference on the WTO had already underscored the importance of making the WTO a truly universal organization and expressed support to those countries that were in the process of accession to the WTO. We take this opportunity to reiterate our call for a prompt conclusion of the ongoing accession negotiations. As the co-organizers of the Parliamentary Conference on the WTO, we undertake to see to it that the agenda of the next session of our Conference includes an item specifically devoted to the consideration of the various aspects of the subject of accession to the WTO.

## PARTICIPATION



### PARTICIPANTS

#### Parliamentary delegations

Algeria, Angola, Austria, Belgium, Benin, Brazil, Bulgaria, Burkina Faso, Canada, China, Comoros, Cyprus, Denmark, Dominican Republic, Ecuador, Egypt, Estonia, Finland, France, Germany, Ghana, Greece, Haiti, Hungary, India, Indonesia, Iran (Islamic Republic of), Iraq, Israel, Italy, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Libyan Arab Jamahiriya, Lithuania, Luxembourg, Mali, Mauritius, Morocco, Namibia, Niger, Nigeria, Norway, Pakistan, Poland, Portugal, Qatar, Republic of Korea, Romania, Russian Federation, Rwanda, Saudi Arabia, Senegal, Slovakia, Slovenia, South Africa, Spain, Sudan, Suriname, Sweden, Switzerland, The former Yugoslav Republic of Macedonia, Togo, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay, Yemen, Zambia.

European Parliament, Assemblée parlementaire de la Francophonie, Commonwealth Parliamentary Association (CPA), Parliamentary Assembly of the Council of Europe (PACE).

### OBSERVERS

#### Governments of sovereign States members of WTO

Algeria, Argentina, Austria, Belgium, Brazil, Bulgaria, Canada, Chad, Croatia, Cyprus, Denmark, Ecuador, Egypt, Estonia, France, Germany, Greece, Hungary, India, Iran (Islamic Republic of), Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Kenya, Kuwait,

Luxembourg, Mauritius, Mexico, Netherlands, New Zealand, Nicaragua, Oman, Pakistan, Qatar, Republic of Korea, Slovakia, Slovenia, Spain, Thailand, Tunisia, Yemen.

#### Intergovernmental Organizations

Agency for International Trade Information and Cooperation (AITIC), Food and Agriculture Organization of the United Nations (FAO), International Labour Office (ILO), International Monetary Fund (IMF), United Nations Conference on Trade and Development (UNCTAD), World Bank, World Trade Organization (WTO).



#### Parliamentary Associations and Assemblies

Inter-Parliamentary Assembly of the Commonwealth of Independent States, OSCE Parliamentary Assembly, Transitional Arab Parliament.

# RULES OF PROCEDURE

ADOPTED DURING THE BRUSSELS SESSION ON 26 NOVEMBER 2004

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.
- 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. 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.

## COMPOSITION OF THE STEERING COMMITTEE

---

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.





