

WDM Contacts in Hong Kong:
Peter Hardstaff (Head of Policy)
Dave Timms (Press Officer)



Media briefing

WTO Ministerial in Hong Kong: The Week So Far

Aggressive EU push on Services

Since June, the EU has been pushing mandatory targets and indicators (also known as 'benchmarks'), qualitative targets (to determine the desired extent of liberalization commitments) as well as mandatory group/sectoral negotiations for the services negotiations. This is in direct contradiction to what little flexibility already exists in the GATS that allows countries to choose whether and how much to liberalise.

Negotiations on the controversial 'Annex C' on services - that was disputed by many developing countries – was put off until the later stages of the talks by Pascal Lamy for fear of it obstructing the rest of the negotiations.

The services talks started on Friday and by the end of the day, developing country delegates were complaining of an un-transparent process and a push by the Chair of the talks and the WTO Secretariat (who are both supposed to be acting in a neutral way) to get developing countries to accept the disputed Annex. This controversy threatens to derail the talks.

Responding to the demands of European service lobbyists, who feared that the mandatory benchmarks were stalling the talks, the EU has lowered its ambition and is instead continuing the push for text that will enable it to increase pressure on countries to engage in plurilateral (group) negotiations.

WDM Head of Policy, Peter Hardstaff said, "Developing countries have little to gain from talks on trade in services. The current controversies are entirely driven by the richest countries because the talks were not delivering access to developing country markets for their multinational companies. Instead of reflecting on why developing countries weren't willing to open up, they are attempting to rewrite the agreement to produce the results they want."

EU goes after the 'big' developing countries

During the opening days of the Hong Kong Ministerial Conference, the EU has made it clear that its primary targets are the 'emerging' developing countries such as China, India, Brazil, South Africa and Indonesia.

The argument used to justify this liberalisation push is that these countries have achieved progress (i.e. recent economic growth) so should be contributing more to the WTO 'deal'. However, recent economic growth rates and the 'emerging', 'more advanced' or 'middle-income' tag attached to these countries obscures continuing problems of poverty and inequality on a scale that it is hard to comprehend in Europe.

It should not be assumed, either as a result of looking at their average per capita income figures, impressive economic growth statistics or as a result of the stronger political voice of these countries, that radical liberalisation is therefore justified.

These countries are together home to over 1.5 billion people living on less than \$2 per day.

WDM Head of Policy, Peter Hardstaff said, "The liberalisation commitments being demanded by the EU (in services, industrial products and also in agriculture) would signal a disaster for the poor in these larger developing countries; that is, over one-and-a-half billion people."

"The long term benefit of improving the quality of life of people all over the developing world is surely more important to the people of Europe than the short term interests of European multinationals. Sadly, the European Union is still pursuing these short term corporate interests rather than the long term public interest."

EU-US blame game

The EU has attempted to put the spotlight on the US with its 'development package' that includes accelerated cotton subsidy reform and duty and quota free market access for Least Developed Countries (LDCs) – both issues that the USA has difficulty in making significant offers.

US has been blaming the EU all week for its intransigence on further agricultural market access.

And they have been at each others throats over the issue of disciplining the USA's use of food aid a form of export subsidy.

WDM Head of Policy, Peter Hardstaff said, "While the trade heavyweights slug it out to blame each other for the talks stalling, the needs of the poor are ignored. The reality is that both the EU and USA are pursuing an aggressive liberalization agenda that threatens the future prospects for billions of people in the developing world."

Hollow aid for trade offer

The WTO ministerial conference kicked off with a focus on the EU's proposed 'development package' for Least Developed Countries (LDCs). As well as market access and cotton subsidy reform, this included 'aid for trade'.

The European Member States have offered an increase in spending on 'Trade Related Technical Assistance' of 600 million Euros by 2010. This is not new money. It is simply a commitment on how existing aid pledges will be spent and it is unclear exactly what exactly this money will be spent on.

In addition, the European Commission has offered an increase in spending on 'Trade Related Technical Assistance' from the EU aid budget of 250 million Euros by 2007. But again, this is not new money so it will involve reshuffling the aid budget, taking away from existing programmes.

Finally, the current draft Ministerial text released on Saturday mentions the possibility of aid for trade being provided through concessional loans rather than grants.

WDM Head of Policy, Peter Hardstaff said, "It doesn't get much lower than this: using vague promises of more aid to persuade the poorest countries to sign up to trade deals which they would otherwise oppose."