



## **Last minute compromise offers little for the world's poor**

### **WTO Fair Trade Statement after Hong Kong**

**December 2005**

Despite constantly talking of a “development round” the Hong Kong WTO Ministerial meeting has given priority to opening markets instead of putting development at its heart. Developing countries were under enormous pressure from the powerful trade blocks of the North to accept more trade liberalisation. The main outcomes of the conference will serve the interests of companies operating globally.

The so-called gains for developing countries, duty and quota free access to markets, are just little crumbs that will not make up for the price millions of farmers, fishermen, Indigenous Peoples and others in the developing world will have to pay as a result of the rest of the deal. Proposals to open markets in farming and natural-resource sectors, including forests, fisheries and minerals, will benefit the world's largest corporations, but are likely to have a devastating impact on millions of the world's poorest people, who rely on access to natural resources for their livelihoods, food and medicines.

Pledges of “aid for trade” also sounded grand: an extra \$10 billion from Japan; a doubling of America’s annual commitment, to \$2.7 billion, by 2010; a big rise from the EU, too. However, the package is less generous than it looks and basically a way to score political points. Most of this money is not new but will be allocated within existing aid budgets – and Japan is only promising loans to the poorest countries, not exactly a development tool!

#### **What was agreed: in a nut-shell**

- Export subsidies will be abolished by 2013 - but only if poor countries agree to open up their industrial and service sectors, something most developing countries had strongly resisted.
- A “development package” to help poor countries gain access to rich countries markets - but the benefits will be minimal.
- Export subsidies on cotton will be eliminated – but this will make little difference to cotton farmers in poor countries.
- A further meeting will be held in Geneva (where the WTO headquarters are based) probably in March or April 2006.

#### **Forced liberalisation: still the name of the game**

Despite clear and repeated commitments that there would be no forced liberalisation in trade talks and ignoring evidence that protection of home industries can be important development tools, particularly for poor countries, the US and EU continued to pressure developing countries to open up their markets. In return for any concessions on agriculture, the European Commission insisted that poor countries open up their services and industrial markets to EU companies. Developing countries were forced to agree to this as part of the final WTO text.

#### **Agriculture: small gains but little change for poor farmers**

This round of WTO talks is meant to be focused on development which makes agriculture crucial as two thirds of the world's poor depend on agriculture for their survival. After years, WTO members have finally agreed a date of 2013 for abolishing export subsidies. However, the impact on the world’s poor is mostly symbolic. The EU's export subsidies make up less than 7% of its total agriculture budget. Developing countries were calling for better access to



EU and US markets and the removal of all trade distorting subsidies, not just subsidies for export. But the ministerial text does not offer to cut rich countries' domestic subsidies and there is no guarantee that developing countries will gain significantly greater access to northern markets.

### **Cotton: a test case**

Cotton was one of the most controversial issues of the talks. Even European ministers called the negotiations on cotton a "test case" of whether the Doha Development Round is living up to its promises. The shoddy deal on cotton shows how much has to change at the WTO to make trade fairer for poor people.

The average cotton farmer in the USA receives \$ 144,000 a year in subsidies, contributing to the depressed cotton price on world markets. In Benin, West Africa, where cotton makes up 80% of the country's export revenue, the GDP per person is \$380 per year. Increasing the cotton price is essential for the survival of hundreds of thousands of producers in West Africa.

But the agreement achieved in Hong Kong does not go beyond the WTO ruling which had already declared that US cotton subsidies are illegal. In practice more than 80% of US subsidy to its cotton industry is in the form of domestic support. So cutting export subsidies will make little difference to developing country farmers who can't compete with the heavily subsidised US farmers. The US managed to defer agreement on reducing domestic support until a wider agreement on agriculture is reached - which could take years.

### **Sign of hope: growing power of poor countries**

One encouraging aspect of the Hong Kong Ministerial was that developing countries are building stronger political platforms and expressing their frustration with the WTO process. Buoyed up by the huge support for trade justice around the world, the largest grouping of developing countries ever seen at the WTO (the G110, spontaneously formed in Hong Kong and comprising virtually all developing country members) staged a defiant press conference expressing outrage at US and EU tactics.

### **Unlevel playing field**

The Hong Kong Ministerial showed once again that WTO negotiations fail to deliver for sustainable development and poverty reduction. Change is only possible if the WTO agenda allows sufficient policy space to analyse the concerns of the weakest parties. Unless the impacts of trade negotiations on small and marginalized producers and poor workers in developing countries are systematically taken into account the "Doha Development Round" will continue being an empty promise.

### **Fair Trade: a step towards more trade justice**

As long as global trade rules continue to work in favour of rich countries and their companies, and continue to deny poor people the right to earn a living, then the work of Fair Trade organisations is more important than ever. By supporting Fair Trade campaigns and buying Fair Trade products everybody can signal his support for a more just trading system. And it provides a real alternative now for poor people.

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