

**ADDRESS
BY
THE HON. DAME BILLI E MILLER
BARBADOS' SENIOR MINISTER
AND MINISTER OF FOREIGN AFFAIRS AND FOREIGN TRADE
ON AN ASSESSMENT OF THE DOHA ROUND AFTER HONG
KONG AND THE WAY FORWARD
MANCHESTER UNIVERSITY
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Mr. Chairman, Distinguished Participants, Specially Invited Guests, Ladies and Gentlemen:

The organizers of this Conference are to be highly commended for their foresight in recognising and appreciating the need for a meeting of this kind in order to assess the progress achieved thus far in the Doha Development Round of Multilateral Trade Negotiations (MTNs), and to provide some valuable perspectives on the way forward. The calibre of the participants, drawn from such a wide cross section of disciplines and interests, speaks to the serious thought and preparation that has been put into the planning process. I thank you for the invitation to be a participant.

A dialogue of this kind is timely, coming within weeks of the conclusion of the Sixth Ministerial Conference of the World Trade Organization (WTO), which was held in Hong Kong, China, in mid-December. Many commentators the world over spoke and wrote about the Ministerial Meeting prior to its commencement as well as during the actual deliberations which spanned an entire week. In fact, it would not be too great an exaggeration to state that the world was focused on Hong Kong and its outcome.

The anticipated action of this Ministerial Meeting attracted the attention and focus of the international community particularly because the previous Conference in Cancun had failed to “provide

any necessary political guidance to the negotiations and to take decisions as necessary". The expectation was that the Hong Kong Conference would deliver on this occasion and give appropriate political impetus to the negotiations. The question is did Hong Kong deliver and if so what – but I will come to that.

The launch by WTO Trade Ministers of the Doha Development Round in November 2001 reflected a new determination to address development problems collectively within the Organization and other appropriate forums. This was a significant and promising occasion for developing countries who, up to that time, did not consider that their economic development interests had been seriously taken on board by their developed country counterparts and, by extension, the WTO. And let us not forget unfinished Uruguay Round business.

At Doha, a number of their concerns and proposals were incorporated into the final agreement which explicitly focused on the promotion of economic development and the alleviation of poverty in the poorest countries. The Conference also emphasized and reaffirmed the importance of special and differential treatment for developing and least developed countries. The Round was appropriately dubbed the "Development Round".

It is disappointing to note that in the years since it was launched, the Doha Development Round has not delivered on its development mandate in several important areas. To begin with, there has been little progress on the issues of concern to developing countries.

These countries are particularly interested in agreements that would reduce tariffs on the goods which they can export competitively. Given the nature of their economies, developing countries would wish to have unrestricted access into the markets of the developed countries for their labour-intensive goods and for those services in which they are competitive. They would wish to be assured that they would receive the necessary technical and financial assistance to address the supply-side constraints which they face. In addition, developing countries, especially the small vulnerable economies, would wish to have agreements that not only theoretically recognise the inherent economic constraints confronting them as they seek to integrate into the global economy, but also that effectively address them.

This is not now the case. In fact, in the words of Professor Stiglitz (in *Fair Trade for All*), less than two years after the Doha Declaration, it had become clear that the Round was “seriously off track”. Developing countries continue to wrestle on a daily basis with their developed country counterparts for time and space, while the latter seek not only to entrench their own advantageous positions but also to promote their vested interests, at the expense of the developing countries. Developed countries gave themselves the best part of sixty years to achieve what developing countries especially the small vulnerable preference dependent ones are now expected to do in ten or fifteen years.

The WTO General Council's Framework for Progress adopted on 31st July 2004 rescued the Doha Development Round from total collapse. That Council reaffirmed the Ministerial Declarations and Decisions adopted at Doha and the full commitment of all Members to give effect to them. It also reaffirmed Members' resolve to complete the Work Programme fully and to conclude the negotiations launched at Doha.

The new Framework for Progress in the Round excluded all the controversial Singapore Issues other than trade facilitation. Instead, it focused on core market-access issues in agriculture, services, and industrial goods. It also evinced a willingness on the part of the United States and the European Union to make concessions on agriculture and recommit themselves to special treatment for developing countries. Despite this Agreement, progress has been slow and somewhat difficult to achieve.

The Hong Kong Ministerial meeting fell short of the aspirations of developing countries for more comprehensive development outcomes. It did not deliver substantive content in terms of market access, reduction of agricultural subsidies, policy space and the transfer of resources. It was largely focused on LDCs who were concerned with increasing market access, obtaining resources to meet their obligations and more effective technical assistance to improve competitiveness and trade capacity building

For the LDCs and non-LDC small, vulnerable developing countries, the outcome offered some incremental gains, but no breakthrough on their major concerns. For most developed countries, Hong Kong was a step in the right direction. It put the Round back on track.

Hong Kong has come and gone. There has been some progress, but the Doha Development Round is still outstanding. It is the business, indeed the duty of the international community, to bring to successful resolution this very important Round of multilateral trade negotiations.

In an attempt to put the Round back on track a number of compromises were made at Hong Kong. It is hoped that upon return to the negotiating table at Geneva there would be no retreat to original entrenched positions.

There are three possible outcomes to post Hong Kong:

- (a) complete failure of the Round which is unacceptable to all
- (b) success at between the 65% to 75% level of ambition

The Director General of the WTO, Mr. Pascal Lamy, assessed that the Hong Kong Ministerial conference made modest progress. He estimated that the level of completion of the round had moved from some 55% to 60%. On this basis, we have, after four full years of negotiation some 40% of the job left to be completed in 11 months (February-December, 2006)

At the WTO's opening session on agriculture on January 23 2006, Members expressed their usual loyal commitment to the process, with promises to work harder, to maintain the high level of ambition envisioned in the Doha mandate, and thereby achieve the April 30, 2006 target date for completion of modalities in agriculture (and non-agriculture market access). Is this realistic or are we facing what Mr. Alan Greenspan calls "irrational exuberance?"

- (c) An extended Round which is more likely to achieve a 90 to 100% success. This I consider to be the obvious best scenario. There is a view that more political input is needed. There is also another view that more technical work needs to be done before political solutions can be expected. High ambition in these negotiations is a plausible objective, but only if the ambition is focused in the interests of developing countries – which is not clearly evident so far.

The first order of business must be to restore the development dimension to the Doha Round of Trade Negotiations. Some two years ago, in my address to the Fifth WTO Ministerial Conference at Cancun, I stressed this critical point. In fact, it was the clarion call of

those developing countries, particularly the small vulnerable economies, which addressed that Conference. I pointed out then, and I must again emphasize, that failure by the international community to restore this development dimension to our negotiations will seriously undermine our efforts at establishing a multilateral trading system that is fair, balanced and that provides opportunities and benefits for all countries, developed and developing alike.

The fallacy that trade liberalisation on the part of developing countries will bring development per se is just that, a fallacy. Most developing countries face serious supply-side constraints that need to be addressed urgently. This calls for appropriate financial and technical assistance from the developed world. Developing countries, particularly the LDCs and the small vulnerable economies of the WTO, cannot bear this burden alone. It must be understood that these economies are already marginalized, and their miniscule share of world trade renders them incapable of distorting any trade. Their needs and concerns must be the priorities which drive the negotiations. The unfinished agenda of the Round must be viewed in the context of the search by all countries, in their own vested interests, for comprehensive development outcomes. The Doha Round must foster an international environment in which developing countries are in a better position to achieve the United Nations Millennium Development Goals. If it became a reality, it could be a triumph, a legacy of the Round.

Special and differential treatment must be accorded to developing countries, not as a concession handed out by developed countries, but as a practical necessity. Given the wide and varied composition of the WTO membership – large, small, and vulnerable states – it should be accepted that most developing countries are unable to undertake trade liberalisation at the same pace and within the same scope as our more developed country partners. Special and differential treatment, when meaningfully and genuinely extended, affords developing countries the necessary flexibility to discharge their multilateral trade obligations, while at the same time not undermining their development process. I believe that we know it in the jargon as the granting of **policy space** to these countries.

As you are aware, a key item on the agenda for Barbados and some 21 other countries in the Caribbean, Latin America, the Pacific and Africa is the Small Economies work programme. This programme is a special one approved at Doha within the context of special and differential treatment for developing countries. After a slow start, the work programme has accelerated and now attracts the attention of Members in the three main areas of the negotiations. It also received encouraging recognition at the Hong Kong Ministerial and an additional five countries have expressed interest in joining.

The unfinished Doha Development Agenda must be viewed beyond merely providing special and differential treatment to developing countries, or dealing with outstanding implementation issues and TRIPS and Public Health concerns, important though these might be.

That Agenda must include, and the negotiations must effectively address, broader issues of vital concern to these countries. The provision of effective access for developing countries' goods and services into the markets of the developed countries, through the substantial reduction of barriers in the form of domestic and export subsidies, is therefore a major issue.

In the critically important area of agriculture, improved market access must be complemented by special arrangements for farmers and small businesses in developing countries, in particular the resource poor and those involved in subsistence farming.

Existing rules must be adjusted and new ones designed to allow developing countries to trade on a fairer basis and to permit them to have the necessary policy space to improve their productivity and ultimately to enhance their capacity to export competitively. This is especially necessary in respect of tariffs, subsidies, anti-dumping measures, TRIPS and the Convention on Biological Diversity, and regional trade arrangements between developed and developing countries.

In terms of equity, developing countries also have to be treated on the basis of their specific development needs. The bigger and more advanced countries with large pockets of rural poverty must be given the necessary concessions to allow them to preserve the livelihoods of their poor. At the same time the LDCs and Small, Vulnerable Economies in Asia, Africa, Latin America, and the Caribbean that are

preference-dependent and lacking competitive capacity must also be singled out for special treatment.

Recent studies have shown that these countries have little or no offensive interests, and will be the net losers in this round. Yet they are being targeted to give up the few benefits they now enjoy from their limited participation in the multilateral trade system. A Round that cuts tariffs in agriculture and non-agriculture too deeply for these countries, as well as promotes the rapid erosion of their existing preferences without a sufficient trade and financial cushion, will no doubt be catastrophic for them.

A challenging unfinished agenda therefore remains. Key items on that agenda would consist of:

Agriculture:

- 1) Significant market access and domestic subsidy reduction offers by developed countries;
- 2) An appropriate allocation of tariff lines to be protected as Special Products with adequate treatment attached to them;
- 3) Satisfactory conditions for the effective operation of the Special Safeguard Mechanism; and

- 4) Meaningful preferential margins especially for long standing preferences.

NAMA – In NAMA the market access offered by developed countries should effectively cut tariff peaks, high tariffs and tariff escalation while offering the developing countries, especially the small, vulnerable ones, adequate special and differential treatment to protect their domestic industry and capacity to expand their export trade.

Services – In this area, the quality of the services offers to developing countries needs to be significantly enhanced, especially in mode IV which deals with the temporary movement of unskilled labour.

Other Areas – Certain pressing items on the development agenda include: more effective protection for traditional knowledge, more flexible anti-dumping rules, and greater flexibility especially in North/South regional arrangements.

Going forward with these difficult issues requires a new political strategy as well as a fresh negotiating approach on the part of all participating countries. In terms of political strategy, there must be bolder and more creative leadership at the top. The large developed and developing countries must focus on the wider stakes and be prepared to take the political risks required to convince their respective constituencies accordingly. We would be promoting an

untenable situation if we were to adopt the attitude that some can do this while others cannot!

Developing countries must be proactive as well. They must start with a clear recognition of their differences and a willingness to accommodate these differences. In this connection new ways of communicating are absolutely important.

Efforts at a new South Alliance which started in Hong Kong do offer some possibilities, but more serious work is now needed to lay proper foundations that would deal with the concerns of the G20, G33, ACP Groups of countries, the African Union, the G90, the Small Economies Group, the LDCs, the Cotton producing countries and other regional groupings.

There is a lot of talk about increasing South/South trade by those who seem to be unaware that over the past several years South/South trade has been growing faster than North/South trade. In the South there is a limit to what we can sell to each other. We still need access to the markets of the North where the major banking, insurance and other financial networks are headquartered. The major airline and shipping trade routes are still predominantly North/South.

Regarding negotiating tactics, a key element that has to be built in is horizontal bargaining and simultaneous linkage movement, not just within a particular sector such as Agriculture or NAMA or Services,

but across all sectors. To some extent this has been admitted in Hong Kong by the adoption of Paragraph 24 of the Ministerial Declaration.

Paragraph 24 explicitly links the level of ambition in Agriculture to that in NAMA by specifying that this ambition “is to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment”. Many developing countries have been demanding this for some time. There is a maxim in Economics that between equals there must be equity and between unequals proportionality.

The way forward therefore lies in setting the level of ambition very clearly in each sector, from the outset. Undoubtedly, there will be some problems as countries will have different interpretations of the level of ambition. Furthermore, it can be difficult in determining the equivalence in sectors and sub-sectors. But an effort has to be made to trade concessions within sectors and across sectors in a more realistic and meaningful way.

I do not believe that we need another round of MTNs to deal with the matters which I have outlined. What we do need is the requisite political will and cooperation at all levels and by all concerned to achieve what is just and equitable for our peoples. We will require more time to complete the Doha Development Round. But this should be only in so far as the specifics are concerned. It should not

relate to haggling over issues of critical importance to countries, especially developing countries.

Ladies and Gentlemen, small states have inherent economic weaknesses which as a consequence of size reflect their chronic trade deficiencies which deserve special consideration in the WTO.

The Prime Minister of Barbados, The Rt. Hon. Owen Arthur, who is a working Economist puts it this way, “the hallmarks of managing a small economy are that the scope for adjustment is small, the range of options is limited, but the potential for catastrophic failure is vast”.

The stakes may be high and the task difficult, but it is one from which we are not at liberty to abstain.

Thank you.