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Public Lecture

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*The Prospects for EU-Commonwealth Cooperation on the Doha
Development Agenda*

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Pascal Lamy, 'The Prospects for EU-Commonwealth Cooperation on the Doha Development Agenda'

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The Doha Development Agenda, the European Union - and the Commonwealth

Pascal Lamy, London School of Economics, January 20, 2003

Professor Desai, as the Americans would put it, it is "déjà vu" all over again to see you here: we are condemned to meet only in LSE lecture theatres, and only on wintry London evenings. I recall the last time I was here to offer you a rather didactic piece on globalisation and global governance, but today, perhaps under the firm hand of the Commonwealth Business Council, perhaps because you yourself said "never again", I am here to discuss a more down-to-earth question, the Doha Development Agenda, what the EU plans to do, and what role the Commonwealth and Commonwealth Business Council can play in this.

It is worth remembering why we have engaged in the Doha Development Agenda, for its successful conclusion is as important an objective as ever for the EU. Indeed in the continuing bumpy outlook for the international economy, we owe it to the rest of the world to try to pilot our way rapidly through to a deal, not least because the DDA will boost global economic growth by further liberalising trade and investment, and by virtue of the dynamic economic gains that strengthened WTO rules will bring. And just to remind you, we are looking for agreement by the end of 2004. It will be a lot of work to get there, but it remains wholly feasible.

Separately, of course, the DDA has a strong political content: it is a key element of our efforts in support of sustainable development, and of coherence between international trade, development and aid policies. That is why we have spoken for the last year or so of a continuum between Doha, Monterrey (where they held the Financing for Development conference) and Johannesburg where of course the World Summit for Sustainable Development took place only last summer. And we are also looking for much better coherence between the work of the WTO and other international institutions, such as the World Bank, the IMF and other UN bodies, in the context of globalisation and improving global governance. That, to return to my theme of February 2001 at the LSE, is very important to us.

But if I may, the most important theme of all remains development. The Doha Development Agenda will only succeed if it makes a real contribution to development, and precisely how we hope to achieve that will be the main focus of my short speech this afternoon.

Progress of the Doha Development Agenda

How far have we got in the Doha Round ? Well, it is true that is difficult at this stage to point to concrete achievements, and we are now fourteen months into the Round, and rapidly approaching the mid-point. But the hardened professionals in the trade business will always tell you that we are roughly at par for the course thus far. Indeed, any Round will always take some time to set up (the structure of the negotiations, the inevitable posing, the perhaps inevitable difficulties over agriculture). And WTO Members are generally rather well engaged in the process, putting forward positions, making clear what are their priorities, laying the foundations for the negotiations themselves. Of course the enthusiasm and energy levels differ, but no one country is identified as the 'demandeur' for the Round, and no one country is trying to block the process.

The EU is perhaps among the most active of participants, and perhaps I should take a moment to explain our strategy to you. First, we are determined to move forward on the development volet. The Doha Agenda has to be about development.

So we need rapid progress on issues such as the outstanding negotiations on TRIPS and health, where we are trying to fulfil the Doha mandate to find the right mechanism by which developing countries with no pharmaceutical manufacturing capacity themselves can use the TRIPS provisions on compulsory licensing of necessary drugs, whilst safeguarding the importance of the research and development base of the international pharmaceutical industry. And unfortunately, we are blocked at the moment - every country except the US was ready to accept a compromise at the end of last year on the list of medicines which would be covered, and more importantly, the mechanism for considering which new diseases would be covered. The EU, for its part, is absolutely determined to find a multilateral solution which is workable, sustainable, and legally secure. We cannot rely for very long on individual, unilateral moratoriums. We need absolute clarity that the deal covers the widest

possible list of major infectious diseases and is not a restrictive list. Hence our own proposal which we floated a couple of weeks ago is to give the World Health Organisation a role in assessing coverage, in case of doubt, and I will continue to push forward this idea.

We need progress in one or two other areas, such as the question of the implementation of commitments from prior trade agreements. We have successfully solved some of these issues, and the way forward now is to fold the remaining issues into the DDA negotiations. The same idea applies to the specific requests which a number of countries have raised with the aim of ensuring that developing countries have the right kind of special and differential treatment in the WTO. Here, again, we are sympathetic to the aims, but we are determined to conclude agreements which are trade creating, and most importantly, work towards the inclusion of the WTO and the global economy. Gone must be the days when we try to argue that special and differential treatment can be applied equally to all developing countries for all time. Much better to look for differentiation within individual agreements, in terms of implementation periods, for example. And gone must also be the days when we try to help developing countries by taking them outside the mainstream system, outside the world economy, creating second-class WTO citizens with diminished WTO obligations, but also diminished WTO rights.

Indeed, it is with that very issue in mind that we have pursued development in the other, more traditional areas of the negotiation. For the negotiations on industrial market access, for instance, we have put forward an ambitious proposal which would result in reduced tariffs across the board, which address in a very tough way the question of tariff peaks and tariff escalation, which would increase opportunities for South-South trade, and so on.

And on agriculture, where everyone in the press will tell you that the European Union is a huge problem, we have put forward a proposal which would not only slash our import tariffs by more than a third, our export subsidies by nearly half, and reduce trade distorting farm support by more than half, but which also contains specific actions to give developing countries a better deal. Such as the idea that the rich countries should ensure that access at zero duty should be applied to at least 50% of their imports from developing countries, and a special proposal which would allow

crops which are key to a developing country's food security to be protected through a special safeguard. And all this when we already import more agricultural produce than the US, Japan, Canada and Australia – combined, absorbing 85% of Africa's agricultural exports, for example.

And finally, on rule-making issues, we can and should ensure that developing country concerns are fully taken into account in the so-called "Singapore issues", that is to say, trade facilitation, competition, investment and transparency in government procurement. But we are also ready to do so on other topics of concern to developing countries, such as trade defence instruments, i.e., anti-dumping. They pushed hard at Doha to have this issue on the table, and they have the right to have it treated properly.

In other words, we should absolutely avoid at all costs the idea that developing countries should focus on "development issues" to the exclusion of their involvement in market access and rules issues. What developing countries need is better market access, and better rules to give effect to that market access. Which is where technical assistance which is specifically trade-related can play a crucial role, by enabling developing countries, firstly, to negotiate more successfully in line with their interests; secondly, to implement more successfully (in terms of new legislation, for instance); and thirdly, and most importantly, in terms of ensuring that their economies are best placed to use the new WTO agreements to drive forward their position in the international economy.

The next step: the Cancun Ministerial in September

I am often asked if it is possible to conclude the Doha Round within the agreed deadline, that is to say by the end of 2004. After all, people say, the Uruguay Round took seven years, and it took another seven years to launch the Doha Round. Implicitly, the trade world doesn't move that fast. Well, I don't accept these calculations. Conventional wisdom is a terrific excuse for doing nothing. And both Bob Zoellick and I have good reasons for getting on with it, namely that both the European Commission and this Administration come to the end of their respective terms at around the end of 2004. Indeed, it is very often personnel changes which slow down the process.

Where I do agree with commentators is that we absolutely have to have a good result in Cancun if we are to conclude by the end of 2004. Cancun is a key staging post to the Round.

Most importantly, Cancun has to gather together the loose horses within the concept and spirit of the Single Undertaking. That is to say, the Doha Development Agenda is one single building, and each of its components is an integral part. If Cancun does not succeed in setting out a satisfactory basis for the conclusion of all the negotiations, there is a risk that the building will fall. In particular, Cancun needs to take the necessary decisions on the Singapore issues - competition, investment, procurement, trade facilitation - where although WTO members are talking rather productively about the content of the future agreements, we need a collective decision on the modalities of the negotiations in these four areas.

We also need to see more progress on trade and environment, where we have thus far been rather disappointed by the lack of progress, and here there is a thought I would like to leave in your minds, namely that we ought to be able to get to agreement on one part of the trade and environment agenda by Cancun, namely to ensure that the on-going negotiations are open to observation by the UN Environment Programme (UNEP) and by representatives from the Multilateral Environment Agreements (MEAs). This would only serve to build confidence in the rest of environment-related negotiations, but without prejudicing agreement on the other elements.

And it follows that in the run-up to Cancun, we must build confidence by meeting each of the various interim deadlines as they come up during the course of this year. It is already - and regrettably - the case that we have missed one or two thus far, notably the deadline for the solution on access to medicines, which was supposed to be agreed by the end of last year. I strongly regret the US took the action that it did, given that there was otherwise consensus to put this important issue to bed. But I fully accept that this was done for reasons of substance, not tactics.

One of the next important deadlines we have to meet is on agriculture, where the WTO is looking for agreement on modalities by end March 2003. We have no problem with this deadline - indeed we have (as I have already said) launched a fairly solid, ambitious proposal on modalities, one that looks to build bridges between north

and south. But to argue that agreement on modalities represents the end of the Doha game would be a great mistake. Modalities represent the framework for the negotiations on agriculture, as they do for non-agricultural market access, for example, and as they will do on investment and competition, the Singapore issues. Modalities are a necessary step in order for negotiations to start on precise numbers.

So, to be very clear on the link between modalities and other reforms, Franz Fischler's cleverly worked package for the Mid Term Review may impact on the EU's margin of negotiations on the numbers. But we can negotiate modalities within our existing system as set out in our proposal.

Before I come to a halt, two more important components for a successful Ministerial meeting in Cancun. First, all WTO members have to keep to the pledges that they made on trade related assistance. For its part, the EU is fully prepared to play its part, and as the record shows, we have provided targeted and extensive assistance to developing countries for their participation in WTO negotiations, both through the WTO technical assistance programme and through direct support to boost trade efforts in the developing world. And we have successfully ensured that trade-related assistance is factored into the multi-year planning of development cooperation in the EU - no mean achievement, as I am sure those of you who have acquaintance with these mechanisms in Brussels would agree! Thereby ensuring that there will be money available for the implementation of new commitments pursuant to the DDA for those countries that want it.

And secondly, if rather prosaically, the members of the WTO, and particularly the Ministers who will carry the can in Cancun, have to stay in very close touch with each other. We continue to support very actively the process of "mini-Ministerials" whereby a group of both developed and developing country Ministers gets together every three months or so to try to develop political momentum and to break the key deadlocks in the negotiations along the way. But outside these meetings, there is also a non-stop programme of formal and informal contacts between different groups of Ministers.

And this is where the Commonwealth and the Commonwealth Business Council have a key role to play, in my view. Some people wonder why I believe this to be the case,

and how such ties are to work, given the relatively loose formal institutional ties between Commonwealth countries and the inconvenience that only one Member State, the UK is represented. My answer always is that the Commonwealth and other organisations like it have shown many times in the past that they can be tremendously useful in framing issues, developing understanding and confidence, and breaking down ignorance and suspicion. When I think back to Seattle, which was always billed as a battle between protestors and the police, the real collision was between North and South. Although to some extent we managed to mitigate these problems at Doha, and although we have kept up the pressure since Doha at both Monterrey and Johannesburg, we must absolutely avoid another collision between north and south at Cancun.

So I am extremely pleased to see the programme which the CBC has put together for the coming months, including of course the Delhi Trade Forum in March 2003. We are looking at the possible dates with the Commonwealth Business Council because my plans currently bring me to Delhi at another point in March, but I very much hope I can get there to lend my own support: if I fail, I will look to senior officials in the Commission to do it for me.

If I may conclude, 2003 will be a crunch year for the Doha Development Agenda. The year ahead will not be an easy one, and we will only succeed in Cancun - and of course in the Doha Round as a whole - if there are efforts from all, including the Commonwealth and the CBC. But even though we have it all to do this year, the process is still broadly on track.