

# HONG KONG: TIME TO DELIVER ON TRADE AND DEVELOPMENT

POSITION PAPER ON THE DOHA DEVELOPMENT ROUND OF THE WORLD TRADE TALKS

Adopted by the Socialist Group in the European Parliament, November 2005





# Setting up a new framework for world trade

The WTO's Hong Kong Summit, in December 2005, is one of the key events in a year in which world leaders, not least in the G8's Gleneagles Summit, have committed themselves to a major breakthrough in the global effort to combat poverty. It will be the job of trade representatives in Hong Kong to ensure that a reformed world trade system plays its part in that effort.

In Doha in 2001, WTO members pledged that the new trade round would be a development round. To make a reality of that commitment, participants in the Hong Kong Ministerial must understand that their central mission is to ensure that trade rules contribute to the development of every continent, the eradication of poverty and the fairer distribution of the benefits of globalisation; the trade system must be supportive of a more just global governance in the service of the UN's Millennium Development Goals, human rights and sustainability.

The launch of a new round of multilateral trade negotiations was announced in Doha in 2001 after the failure of the WTO Ministerial Conference in Seattle. It emerged out of a clear need for more opening and democracy in the world trading system and the demand from developing countries for a greater role and a level playing-field, which will contribute to democratization, development and the social and economic welfare of their citizens.



The PES Group in its position paper "*A New Direction in World Trade*", adopted before the Doha WTO Summit in 2001, called for a radical reform of the world trading system to ensure more democracy, sustainability and a pro-development outcome. The main pledges were:

- trade rules must be focused on development and allow poorer countries to reap benefits from their participation in the multi-lateral trading system while ensuring their better integration into the system
- developed countries should ensure better market access for poor countries' products, phase out market distorting measures and provide technical assistance to developing and least-developed countries
- social standards, labour rights and human rights need to be established and preserved worldwide
- environmental standards and consumer protection should feature high on the negotiations agenda
- the WTO should be made more effective and accountable, its processes more democratic and it should achieve greater coherence with other international institutions and agreements.

The Doha Declaration recognised the growing need of developing countries to benefit on a fair basis from opportunities generated by the multilateral trading system and the positive contribution that trade could bring to alleviation of poverty and promotion of economic development and social welfare. It reaffirmed the role of the WTO as the sole global rule-based trade organisation and spelled out the need for better cooperation with other international organisations for the sake of more coherent global governance.

The Doha mandate provided for negotiations on a range of subjects and a work programme for addressing these matters with clear deadlines.<sup>1</sup>

The Fifth Ministerial Conference, held in Cancun in September 2003, and intended to define more detailed objectives and modalities for negotiations, broke down as a result, particularly, of North-South tensions, aggravated by organisational weaknesses. Among the contributing factors were:

- developing countries' opposition to negotiations on the so-called Singapore issues,<sup>2</sup> including rules on investment and competition, as well as obvious difficulties over agriculture
- lack of a political will among developed countries to deliver on their Doha promises
- an overloaded agenda with tight deadlines that weren't respected
- an increasingly well-organised and assertive developing world, which insisted on more radical change, particularly on agricultural trade, than leading developed countries were prepared to accept
- the emergence of cotton as a key issue, with the USA in particular rejecting developing country demands for an end to its massive cotton subsidies.

The Cancun conference saw the emergence of two important groupings: the G-20 and the G-90. The first comprises some emerging economies and more advanced developing countries such as India, Brazil, China or Argentina, which quickly became an important interlocutor and key player in advancing the Doha round; the other is composed of the LDC Group, African Union Group and ACP Group united in the effort to achieve a truly pro-development outcome of the round. The G-33 was later established to promote and protect the interests of agricultural importing developing countries.

<sup>1</sup> See "A Long and Winding Road: from Doha to Cancun", p. 7.

<sup>2</sup> Idem, p. 3.



Since the Doha Ministerial Conference the PES Group has closely monitored the progress of the DDA, pushing for delivery on the promises made in Doha and taking an active part in the public debate on the reform of world trade. We have built strong links with civil society and maintained constant dialogue with the European Commission and Council.

Our involvement has contributed to achievements such as the *Everything But Arms* initiative, and the Group continues to press for the successful conclusion of the round, with a fair deal for developing countries.

In May this year, the Socialist Group stepped up pressure for a successful outcome with a detailed report on the state of play of the Doha Round adopted in the European Parliament. The Group took the lead in the hearing on the link between trade and poverty organised in October this year by the EP's Committee on International Trade. And the Socialists are marking 2005 as the year of special action on trade and poverty with two key events:

- in June, the Group held a successful conference on Fair Trade,
- in November, on the eve of Hong Kong, we hosted a major conference on Trade, Hunger and Poverty.

## The revival of the Doha Round

After the failure of the Cancun Ministerial Conference, the WTO members intensified efforts to put the negotiations back on track and a crucial agreement was reached in July 2004 in Geneva.

The so-called "July package" set non-binding frameworks in five main areas of policy: **agriculture, non-agricultural market access (NAMA), services, development issues and trade facilitation**. The final agreement should also cover trade and environment, dispute settlement, geographical indications, quality standards and anti-dumping rules. The July package also extended the timetable for the conclusion of the Doha Round beyond the Sixth Ministerial Conference to be held in Hong Kong in December 2005.

## Where do we stand now?

There is an increasing sense of the urgency of concluding the Doha Round before the momentum is definitively lost – yet also a growing scepticism, especially among developing countries, about the possibility of a beneficial outcome.

Negotiations are progressing very slowly and there are doubts whether a comprehensive agreement will be reached at the Sixth Ministerial Conference. The WTO Director General has warned that the Doha Round is close to a crisis and urged members to accelerate negotiations in order to avoid another failure in December.

➤ In the view of the PES Group, the EU's guiding objectives at this critical stage must be:

- resolute support for a multilateral trade system which puts trade at the service of sustainable development, full employment and the effective management of globalisation for the benefit of all;
- a successful conclusion to the Doha Development Agenda (DDA), in the interests of global economic recovery (and therefore of EU jobs) and the future of multilateralism;
- a genuine «pro-development» outcome,<sup>3</sup> which will contribute to poverty reduction;
- aligning the EU's negotiating stance more closely to our citizens' priorities – including propagation of the highest social and environmental standards, and managing and reforming globalisation;
- ensuring coherence in the policies of the WTO and other international organisations, in the service of the UN's Millennium Development Goals.

**Developed countries must deliver on the promise that this Round is *fundamentally and centrally* about development.**

It would be a mistake to believe that this means industrialised countries must forego their own interests. For three reasons, neither trade nor development is a zero-sum game:

- a true development round would be a huge step towards a more stable, democratic, prosperous and secure world; poverty and underdevelopment are breeding grounds for the most potent threats to Europe's security and stability;

- the biggest beneficiaries of more open EU markets are EU citizens;
- greater prosperity in Africa, Latin America and Asia also means stronger markets for our future exports.

In its own interests, as well as those of the developing world, **Europe should have few higher foreign policy priorities than the fight against poverty and underdevelopment.**

EU negotiators must be prepared to go the extra mile in opening markets to developing countries - facing down domestic special interest groups in the wider interest of a stronger EU economy. And they must not allow the Hong Kong talks to fail over Northern demands for a degree of reciprocity from developing countries which, however desirable, is not essential to a successful Round, and which developing countries are not ready to offer until they have reached a sufficient level of development and competitiveness.

## Agriculture

The success of the agricultural negotiations is an important prerequisite for the overall success of the Doha Round, in view of the priorities of the developing countries, and the steps that must be taken, not only by the EU but by all developed countries. The issues at stake include a substantial reduction in trade-distorting domestic support, a reduction with a view to phasing out all export subsidies and a significant improvement in market access for poor countries attempting to export into the developed world.

The Hong Kong negotiators must recognise, however, that the underlying political objective must be for the developing countries to acquire productive capacity to ensure survival and higher living standards, especially for the poor, 75% of whom work in agriculture. This requires, among other things, transmission of know-how, development of transport and other infrastructures and advances in education and health care.



## a) Domestic measures

Developed countries are committed to substantial cuts in trade-distorting measures, the higher the support the deeper the cuts (called “progressivity”).

### What’s still to agree?

- *how much is “substantial?”, how much progressivity?*
- *how many product-specific caps – demanded by developing countries - will there be? how will they be calculated?*
- *what changes in criteria for “blue box”<sup>4</sup> and “green box” subsidies? The G20 and Cairns Groups have both proposed time limits for green box subsidies and limits to total subsidy budgets, including the green box. The development of disciplines focusing on trade distorting measures such as price related payments in the context of “blue box”.*

For the EU, the most sensitive issue here is the review of criteria for the green box subsidies – those recognised as non- or minimally trade-distorting and therefore free from WTO restrictions. Far-reaching change here is seen as threatening the whole CAP reform programme, to which decoupling of subsidies and production through the transfer of support programmes from the amber and blue boxes to the green box is crucial.

## b) Export subsidies

Agreement was reached in July 2004 to phase out all export subsidies and equivalent measures by “a credible end date”

### What’s still to agree?

- *the timetable - various proposals are under discussion. The USA and the G20 call for elimination within 5 years, with significant reductions during the first year; the Cairns Group advocates phasing out over 3 years.*

## c) Market access

The July 2004 agreement provides for tariff reductions based on a common formula for all WTO members; all members except LDCs must make cuts, which will be deeper in the case of higher tariffs. Countries can designate “an appropriate number” of sensitive subjects to which smaller cuts can be made. Developing countries can further designate “special products” important for food security, livelihoods and rural development, to be exempt from the formula.

### What's still to agree?

- *what formula? how ambitious? how progressive? do developing countries make smaller cuts?*
- *how many “sensitive products”, “how will they be chosen” and how much will their tariffs & quotas be cut?*
- *how will Special Products be chosen and how treated?, how many? will they face tariff cuts?*
- *the scope and rules for a safeguard mechanism, by which developing countries can react to import surges which disrupt the domestic economy.*
- *the retention of Special Safeguard Clause*
- *the improved protection for Geographical Indications (Gis).*

As a general rule, it is also essential to clarify exactly how developing countries will benefit from special and differential treatment, as suggested in the July package – among other things, what will be the timetable for implementation? Moreover, it must be ensured that LDCs are not obliged to take on more extensive commitments.

## d) Other important questions

On both sugar and cotton, the WTO has ruled in recent months in favour of developing countries and against the EU and US, respectively. If those rulings are not implemented in good faith, this could jeopardise the current round of negotiations.

## OUR POSITION:



- The new mechanisms of the reformed CAP and the EU's multi-functional and sustainable agricultural model must be maintained; we insist on the EU's right to provide non-trade distorting policies and measures, related for example to environmental, rural development or animal welfare goals through policies which qualify for the "green box" and which are totally decoupled from production.
- Phasing out within five years of all forms of export support, including hidden support through export credits, food aid, export trading enterprises etc.
- As much opening as possible of developed country markets to developing country exporters, including the elimination of tariff peaks and tariff escalation, but with a realistic timetable, to allow for an orderly transition.
- Measures regarding export subsidies, domestic aids and market access should be applied in parallel by all developed-country WTO members.
- The agricultural negotiations must aim for a substantial improvement in market access: reductions in all forms of export subsidies with a view to progressive withdrawal, substantial reductions in all domestic support with trade distorting effects, special and differential treatment for developing countries, according to their development needs, including in food security and rural development matters, and taking account of other non-trade considerations.
- No product-specific agricultural tariff in a developed country, including "sensitive products", should exceed 100%.
- There must be a far-reaching solution to the problems of cotton and sugar, to ensure that developed country subsidies and tariffs do not destroy livelihoods in developing countries.
- On cotton, all export-related support for cotton production in developed countries must be eliminated as rapidly as possible, and not later than 2010. Since the EU has already taken steps to reform its cotton market the negotiations must require the USA, in particular, as by far the greatest source of trade distortions in cotton, to eliminate market distortions by cutting production related support by 50% by 2008, with substantial reductions thereafter. The EU should be prepared to adjust the market for cotton in line with the evolutions of the CAP in order to avoid any distortion of international trade.

- As part of a fair solution to the problems of the cotton sector, there must be support programmes for structural reform for farmers and workers in the EU cotton sector and development support measures for the developing countries.
- Rational and concrete solutions should be found in the sugar sector to avoid market distortion, through a global agreement to eliminate export subsidies as rapidly as possible and a gradual reduction in tariffs and domestic support. The EU must be prepared to provide adequate adjustment assistance not only to EU producers and refiners, but to workers and regions dependent on sugar production. ACP and LDC producers should benefit from more generous tariff quotas and adequate EU financial support.
- The Luxembourg agreement of 26 June 2003 on CAP reform must be continued on the same principles in the sectors which have not been included in 2003 – 2004 decisions and the other developed countries must make equally ambitious agricultural concessions, in order to prepare the ground for the implementation of the agreement, supporting both the rural way of life and rural jobs.
- CAP reform must be continued, by strengthening non trade distorting agricultural support measures in the “green category”, so that well targeted and transparent support measures aimed at promoting environmental, rural development, employment and animal welfare objectives are exempted from commitments on reductions; there must also be clarification of the classifications of the green, blue and amber boxes.
- Green box subsidies which are non- or minimally trade-distorting cannot be subject to negotiation. There must be continuous monitoring of subsidies placed in the green box to ensure that they are truly non- or minimally trade-distorting.
- Negotiations on reciprocity, and in particular on Special Products and the safeguard mechanism, must allow developing countries the policy space to decide the pace of their own liberalisation and to protect subsistence agriculture.

- Effective protection of geographical indications must be achieved.
- Ensure the recognition and the establishment of the EU's interests, known as "non-trade aspects", which should be an integral part of the Agricultural Agreement.
- The erosion of trade preferences, notably those granted by the Cotonou Agreement and the GSP, must be dealt with, including expanded market access and less restrictive rules of origin for important or sensitive products for preference beneficiaries, transition periods, financial assistance, transmission of know-how, infrastructure development, capacity building and substantial market-opening towards LDCs and other vulnerable countries by the more advanced developing countries.
- The agricultural products and tariff measures that the European Union must negotiate with its trade partners must be subject to social and environmental criteria which respect binding international conventions on social standards, management of natural resources and food safety.
- The European Union must be able to protect its most fragile agricultural sectors, in particular the fruit and vegetable sector.
- The rules governing the listing of developed countries' tariff lines as sensitive products should respect the principle that the Doha Round is intended to be a Development Round, so that listing of products of particular export interest to developing countries should be kept to a minimum.

# Non-agricultural market access (NAMA)

The reduction of tariffs and non-tariff barriers for industrial goods is a central element of the Doha Round. The negotiations should lead to an agreement on a tariff reduction formula, additional reductions in certain sectors and on the details of special and differential treatment for developing countries, including levels of bindings.

The main discord concerns the formula to be applied for tariff reduction. Most developing countries strongly oppose the “non-linear formula” advocated by the EU, US etc, which would cut higher tariffs more steeply. They also see the industrial countries’ call for greater tariff reductions for certain sectors as a threat to nascent industries.

Progress on NAMA could prove to be as difficult as on agriculture. The expiry of textile quotas has had an important effect on negotiating positions. Moreover, many developing countries are concerned about the potential erosion of preferences, loss of government income generated by high import tariffs and a general damage to their industries due to external competitive pressures. They feel that liberalisation in this area will benefit more the developed countries due to the global organisation of production and supply chains.

The negotiations on non-tariff barriers are lagging behind and the issue of environmental goods, which should be dealt with within NAMA negotiations, has not got beyond the stage of attempting to agree definitions.

## What’s still to agree?

- *what formula for tariff reduction? should it require bigger cuts in higher tariffs? (this would tend to require higher cuts from developing countries)*
- *further tariff reductions in some sectors compulsory or voluntary?*
- *what flexibilities for developing countries?*
- *what deal on environmental services?*

## OUR POSITION:



The EU's positions in the NAMA negotiations must reflect its commitment to a development round. It must take account of the needs, both of the poorest and of more advanced developing countries to promote industrialisation and economic diversification and to safeguard employment. Tariff measures can have an important role to play in these processes. The formula adopted for tariff reduction must, therefore, respect the principle agreed in Doha of "*less than full reciprocity*", through applying substantially different tariff reduction coefficients. The agreement must allow developing countries and LDCs some room for manoeuvre in their development strategies and must not undermine employment and economic diversification.

All developed countries should by 2010 also follow the EU's lead in granting free market access to the products of LDCs. Moreover, Socialists are convinced that measures to strengthen regional trade among developing countries will yield important benefits. We ask, therefore, for significant reduction in trade barriers while calling upon the rapidly growing developing countries to assume their share of responsibility in ensuring the success of the round.

Finally, non-tariff barriers that often hinder access of poorer countries' products to developed countries' markets should be eliminated to the extent possible and technical assistance should be offered, to improve trade facilities.

## Services

Negotiations on services<sup>5</sup> have advanced slowly so far. The Doha mandate specifies that liberalisation of trade in this area should go hand in hand with greater participation of developing countries in trade in services. For many developing countries the main benefit from trade liberalisation lies in Mode 4 concerning the movement of natural persons as service providers.<sup>6</sup> The EU was one of the few developed countries which made an offer on Mode 4 at first and confirmed its stance in the current exercise. But we must ensure that utilisation of Mode 4 will not lead to non respect of social legislation in EU countries. GATS must not be used as an instrument of immigration policy.

<sup>5</sup> Negotiations on services, unlike the others, are held on bilateral request-offer basis while their outcome is applicable to all WTO Members according to the Most Favoured Nation clause.

<sup>6</sup> The GATS Agreement identifies four modes of service supply. The so-called "Mode 4" is about individuals' rights to stay temporarily in a country for the purpose of providing a service. It does not imply a right to seek permanent employment or obtain citizenship or permanent residence.

On the other hand, the growing economic importance of services means that the EU has strong offensive interests in this area: revised requests have been made to 103 WTO Members; however the EU hopes of a significantly higher number and quality of the revised offers have so far failed to materialise.

Liberalisation of services is complex and delicate, especially concerning public services and the capacity of developing countries to regulate them. The fact that negotiations on this issue are far from being transparent fuels civil society misgivings as to the contents of the requests made to these countries, the possible consequences in terms of access to basic services and their universality. We must ensure that trade in services will not impair countries' social cohesion or their ability to manage essential services. A distinction must be made between commercial services and public services, with respect to national policy objectives and the level of development of countries concerned. The EU should not press for GATS commitments from developing countries on essential services.

A balanced agreement must be reached on trade in services, enhancing market access for EU service providers while safeguarding the autonomy of all countries to regulate their service sectors. In the absence of a successful outcome, the interests of developing countries could be damaged by a further proliferation of regional and bilateral trade agreements with provisions on services - very often going beyond GATS and imposing liberalisation of some sectors.



**THE PES GROUP POSITION ON GATS HAS BEEN SPELLED OUT CLEARLY IN THE 2001 AND 2003 POSITION PAPERS:**



- Public services cannot be treated just as a product traded on the free market; such services are not a matter solely of consumer choice, but also a matter of basic human needs. They should not be dismantled or undermined.
- The EU must honour its commitment to make neither offers nor requests in the areas of public health and education.
- Services related to the fulfilment of people's basic needs, such as access to water, sanitation and energy, or which play a key role in cultural identity, such as audio-visual services, should not be threatened through GATS negotiations.
- The EU has a strong interest in expanding export opportunities for service providers, but we must not lose from sight that this depends more on growing prosperity in developing countries and other markets, than on GATS commitments by themselves.
- Negotiations on services must be demystified through enabling full access to requests and offers for the European Parliament, national parliaments and civil society as a whole – the full text of offers and requests should be made public at the time of their transmission.
- The PES Group is concerned that “benchmarking” could undermine the “positive list” principle on which GATS is based; it stresses in particular that benchmarking must not be used to pressure developing countries to liberalise their services sectors against their will.

## A genuine development round?

The most important test of whether the Doha round is genuinely a development round will be the outcome of negotiations on the three big dossiers of agriculture, NAMA and services – especially the extent to which they open up the markets of developed countries, cut trade-distorting subsidies and recognise the principle of less than full reciprocity, as set out earlier in this note. Developing countries have, however, several other key demands. We support a balanced, far-reaching proposal in these three main areas which will place development at the forefront of the debate.

One of these is to strengthen WTO rules on special and differential treatment, which they argue have been largely ineffective. The position of industrialised countries, reluctantly accepted by developing countries, is that no permanent exemptions from WTO rules are possible; longer implementation periods are offered instead. The more advanced developing countries have resisted so far the pressure to create different categories of developing countries, which would imply various levels of special and differential treatment offered.

The multitude of S&D provisions in the existing WTO Agreements and the lack of common understanding on how to proceed on their revision have resulted in a late take-off of the negotiations. Moreover, the level of ambition and pace of negotiations in the Committee on Trade and Development is being affected by overall progress in the Doha round and the slow rhythm of agriculture talks in particular.

WTO rules on intellectual property (TRIPS) also continue to pose many problems for developing countries:

- a permanent solution on public health must be found, and measures taken to ensure full implementation of the breakthrough Doha agreement on TRIPS & public health; as well as the capacity of developing countries to benefit essentially from the flexibilities of the TRIPS agreement (obligatory licenses and parallel imports);
- there must be a much greater political commitment to the review of the operation of the TRIPS agreement, with a view to reversing the widening knowledge gap between the North and the South, and reducing the costs of technology transfer;
- the parallel review of the relationship between the TRIPs agreement, the Convention on Biological Diversity and the protection of traditional knowledge and folklore must also deliver results which protect the biological and cultural heritage and economic interests of developing countries.

Developing countries also have a special interest in **trade facilitation and technical assistance**. Trade facilitation measures should enhance the export capacity of developing countries through improvements in their infrastructure and simplification of administrative and customs procedures. Technical assistance and capacity building programmes are essential for many developing countries to increase their production and export capacities and their ability to participate actively in trade negotiations.

The Doha Round also includes negotiations on the **implementation** of commitments made to developing countries in the Uruguay Round but not yet honoured. Again, progress here is slow.

### **OUR POSITION:**



Flexibilities for developing countries, with a special focus on the LDCs, small and vulnerable economies, islands and land-locked countries, should be strengthened in all areas of the final Doha package. Although trade has positive effects – technological diffusion, increased efficiency, consumer choice, economic activity and economies of scale, among others - imbalanced trade relationships can also lead to economic dependency and a loss of a society's ability to govern its own affairs. WTO members, which are developing countries, must be allowed to decide on their own pace and sequencing of trade liberalisation and must not be required to undertake more than they can handle according to their level of development. Special and differential treatment as well as trade facilitation mechanisms should be designed to assist less developed countries to become equal partners in the world trading system. Regarding agriculture negotiations, the WTO should introduce a “development box” for the LDC, so that they can tackle food safety and rural employment, which are major issues when it comes to eradicating poverty. The EU must press hard to ensure that technical assistance and capacity building are adequately resourced, in order that developing countries do not lose out in the negotiations.

Measures should be agreed to promote South-South trade, in particular regional trade, given the development possibilities that such trade offers developing countries, by reducing trade barriers between them, setting up special and differential treatment that allows the strengthening of the supply capacity of least developed countries, and encouraging free access for the least-developed countries to the emergent countries' markets.

The PES Group strongly believes that trade, coupled with aid and debt relief, has an essential role to play in the achievement of the Millennium Goals. However, it is essential that trade measures are designed in a way that does not undermine the internal development and poverty reduction strategies of the developing countries themselves.

As part of the Hong Kong Summit's contribution to the Millennium Goals' commitment to increased development aid, a multilateral "aid for trade" facility for poor developing countries should be established, with four main objectives:

- a) to compensate for loss of preferences
- b) to offset revenue losses from tariff reductions
- c) to provide economic and social adjustment assistance
- d) to overcome administrative and infrastructural weaknesses and other barriers to export capacity.

However, it must be very clear that this package is in addition to, and not instead of, reform of trade rules to fully recognise the needs of developing countries. In addition, there must be no conditions attached to the money.

## What remains to be done to ensure a success?

2005 is a crucial year for the Doha Round. A realistic date for the conclusion of the round is needed, with modalities fully in place for the beginning of 2006. 2005 is also make-or-break year for the Millennium Development Goals. The PES Group encourages the EU to keep up the pressure on developed countries to make the effort necessary for a successful outcome.

Developed countries must understand that the political geography of trade has shifted decisively. Developing countries are better organised and more assertive than ever before. Industrialised countries will have to shift much further than they were prepared to do in Cancun. Both self-interest and moral imperatives demand that they do so.

Furthermore, the absence of employment and social considerations from WTO processes is one of the factors jeopardising the outcome of the Hong Kong Ministerial - as seen in the rising tensions in world trade this

year, above all in the textiles and clothing sector. The negative climate created by precipitate trade-limiting actions, accusations of protectionism, the fears of some developing countries about the catastrophic employment consequences for their economies, and the use of exploitative production in export processing zones, all diminish the prospects for a successful meeting in Hong Kong.

In view of the non-implementation by many WTO members of their Singapore and Doha commitments to respect internationally-recognised core labour standards, there is now a strong case for a formal review, with a view to better anticipating such problems and ensuring that trade leads to sustainable social and economic progress, rather than the undermining of labour standards and employment. Discussions in the run-up to Hong Kong should prepare the basis for such a debate to take place in the very near future, with a view to establishing WTO processes to tackle these sensitive yet fundamentally important questions.

## After Hong Kong, what next?

The PES Group believes that the world trade system must be reshaped in the interests of fighting poverty, strengthening democracy and promoting sustainable development. The Doha round could be a step in that direction, but it is not enough – some of the most urgent issues do not feature on the Doha agenda.

We support the call of Global Unions to make **decent work** a central theme of trade negotiations. The WTO must address the relationship between trade and employment, basic workers' rights, social protection and social dialogue, as well as combating effectively all forms of modern slavery, child labour and exploitation, particularly of women, so that fundamental labour rights are upheld and social dumping avoided. A WTO/ILO Standing Forum must be created to deal with the relationship between trade and labour issues.

Moreover, we must campaign to ensure that the so-called "Singapore issues" of investment and competition rules – removed at developing country insistence from the Doha negotiations – should not be re-introduced by rich countries through the back door of bilateral or regional agreements.

The WTO must be made more democratic and more accountable. It must be more open to public scrutiny, for instance through public hearings on dispute cases and opening General Council meetings to press and civil society, in accordance with the European Parliament's 2001 report on Openness and Democracy in International Trade. Smaller and poorer countries must have equal access to information and the opportunity and resources to participate effectively in all trade meetings. Technical assistance should be provided in order to enable them to negotiate effectively. And the Dispute Settlement System must be reviewed to strengthen the position of the developing countries, especially concerning access to information and adequate remedies. We believe the contributions which democratic parliaments can make to WTO negotiations are important as expressions of public feeling and the backing of society which the agreements reached within the WTO require. We fully support the institutionalisation of parliaments within the WTO in order to enhance democratic legitimacy and transparency in the WTO negotiations.

The relationship between trade and environment must be clarified and it must be ensured that trade rules are not damaging to the environment.

The campaign must also begin now to bring to the negotiating table issues such as:

- *reforming GATS to guarantee transparency and strengthen safeguards for public services*
- *WTO rules on bilateral agreements and free trade areas*
- *a wide-ranging review of the interaction of trade and the environment.*

In the coming months, the Group will set out a detailed programme for change on all these issues.



