

Hong Kong task to Make Poverty History

Western Mail – December 2005

NEXT week's WTO meeting in Hong Kong will come at the end of what has undoubtedly been a year of opportunity for international development - a year in which citizens across the globe came together with world leaders and pledged to Make Poverty History.

This year, we have seen considerable progress on aid and debt relief. On aid, EU Member States committed themselves to achieving the 0.7% target for development aid by 2015 and, on debt relief, the G8 committed itself to eliminating the debt of 18 of the poorest, most heavily indebted countries, and this has already been extended further.

But trade justice must also play a critical role in our efforts to Make Poverty History. There is no doubt that fairer and freer trade is crucial to improving the lives of poor people. Indeed, the potential of trade far outweighs that of aid and debt relief combined.

A 1% increase in Africa's share of world trade has the potential to offer three times the aid increase agreed at Gleneagles and 128 million people in Africa, East Asia, South Asia and Latin America could be lifted out of poverty through just a 1% increase in their share of world exports.

In 2001 in Doha, as a result of strong pressure from developing countries, rich countries agreed to launch the so-called 'Doha Development Round' to reform trade rules so they boost development. Yet, four years into the negotiations, little has been achieved.

And so, at Hong Kong next week the challenge is clear. Progress on establishing fair trade must be secured or the UN Millennium Development Goals to halve extreme poverty by 2015 will not be achieved.

Agriculture continues to be the most controversial subject and the one which most interests poor countries. Of the 126 billion people worldwide living on less than \$1 a day, 900 million live in rural areas. Indeed, agricultural growth has a more powerful impact on poverty reduction than any other sector. If 2005 is going to deliver real progress for these poor, there has to be a concerted effort to tackle what Oxfam calls 'agriculture's rigged rules and double standards'.

Currently, rich countries such as the US and EU continue to subsidise their biggest farmers, encouraging over-production and the dumping of surpluses onto the world markets at as little as a third of the real cost of production. The distortion which this causes must be addressed.

At Hong Kong priority must be given to the need for significant reductions in import tariffs, and the phasing out of specific duties, especially on the exports of low-income countries. As such, developing countries' interest in the negotiations will focus on three main areas; cotton, sugar and bananas.

African cotton farmers are much more competitive than their US counterparts, producing a pound of cotton for 21 cents, compared with 73 cents in the US. US support to its cotton farmers was US\$3.9 billion in 2002, driving down world prices by 10-20%, with annual income losses in West African cotton producing countries estimated at US\$250 million. In fact, the amount the US spends on subsidising just 25,000 cotton farmers dwarfs the total income of the West African country of Burkina Faso.

But despite a ruling which found that US support went against WTO rules, this is set to continue until 2010, meaning that poorer, competitive producers will continue to be pushed out of the market.

There also needs to be recognition that for goods such as sugar, while liberalisation would produce considerable benefits for certain developing country producers, it would also lead to serious adjustment difficulties for others. For the 18 African, Caribbean and Pacific countries that have historical preferential access to the EU's profitable market, reduction in EU subsidies

and quotas could have a potentially devastating impact, threatening thousands of livelihoods.

Caribbean farmers naturally resent the fact that European beet farmers, drinks manufacturers and refiners are to be protected with a €8 billion compensation package while just €40 million has been agreed for them, with only a promise of more.

Bananas too provide a test of our seriousness about honouring the Doha Development Round mandate. Trade Ministers from the Windward Islands have made it clear that changes to the banana regime, which are due to be introduced on the 1st of January 2006 as a result of a WTO ruling, will lead to lower prices and incomes for their small farmers. They will lose the predictability and stability which is so essential for the production and shipping of this highly perishable fruit.

In other areas, particularly for non-agricultural market access, developing countries must be given the time to determine their own pace of liberalisation and market opening. They have the right to protect their infant industries from the challenge of external competitive pressures.

To claim that free trade is universally beneficial flies in the face of historical experience. Free trade was not the method by which today's economically advanced countries achieved industrialisation and reduced poverty.

Hong Kong must begin to pave the way towards an end to world trade double standards. Liberalisation must not only have an impact on the interests of the rich and powerful, but also on those products where poor countries have a comparative advantage.

The combination of these and other issues mean that developing countries will turn up in Hong Kong next week with diminished expectations. They do not wish to see the talks stall, but, as a well-respected Caribbean trade minister recently told me; their first priority must be to protect the livelihoods of their own people.

As a veteran of the Seattle, Doha and Cancun WTO ministerials, I have a sense of déjà vu. Tensions are beginning to grow and as levels of ambition are lowered, the situation is clearly grim.

The consequences are severe. If there is no progress, despair and hopelessness will set in and there will be too much to follow-up next year.

Failure will mean more needless suffering, hunger and injustice. And this time there will be no excuses.

We are part of a generation that has been given a chance to turn things around. It requires a single-minded exercise of political will, but it can be done.

The task at Hong Kong is to make poverty history and to make sure that we do not make poverty the future.

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