



INTER-PARLIAMENTARY UNION
110th Assembly and related meetings
Mexico City, 15 - 23 April 2004



Standing Committee II
Sustainable Development,
Finance and Trade

C-II/2004/R.1
20 December 2003

**WORKING TOWARDS AN EQUITABLE ENVIRONMENT FOR INTERNATIONAL
COMMERCE: THE ISSUES OF TRADE IN AGRICULTURAL PRODUCTS AND
THE ACCESS TO BASIC MEDICINES**

Draft Report prepared by the Co-Rapporteurs
Mrs. Ascofaré Ouleymatou Tamboura (Mali)
Mr. Tony Colman (United Kingdom)

Parliamentarians are becoming more and more interested in questions related to international trade which, until recently, was an area reserved for the Executive.

MPs have a challenge before them: to ensure that international or multilateral trade is free, fair and beneficial to all nations, rich and poor alike.

This report draws on the work of the UK Parliament's International Development Committee in the report published 11 December 2003, 'Trade and Development at the WTO: Learning the lessons of Cancun to revive a genuine development round'¹.

Trade is a key, but not the sole enabler to reducing poverty in all the countries of the parliaments of the IPU. Clearly for the poorest in our societies minimum income support from either tax/income redistribution within country or overseas development assistance (ODA) is the only answer to unremitting poverty. The money transfers needed to achieve the MDG are not superseded by trade.

Likewise food security is more important than agricultural trade. The ability to be able to grow your own crops to feed your family and your country must come first and should not be threatened by subsidised dumping from outside.

¹ <http://www.parliament.the-stationery-office.co.uk/pa/cm200304/cmselect/cmintdev/92/9202.htm>

Essential medicines should be available for all at a affordable price either subsidised through taxation, through overseas development assistance and 95% of medicines on the WTO's essential medicines list are off patent.

Trade can be both a positive and a negative enabler. The sale of your product to your neighbour at a fair unsubsidised price can bring in wealth, but it can also destroy your neighbour (and their chance to trade) if you so subsidise your product as to make it impossible for them to sell their products. In the case of patented medicines, the higher prices designed to recoup research and development costs can make it impossible for families to buy drugs for sick relatives. The key to trade is competitive advantage and to make it so that all countries ensure they can benefit and not just those who are not poor.

Since the Second World War, countries have tried to organize their trade via a more just and open system with a view to benefiting people. This system has been established within a framework defined by international trade law, which falls under the umbrella of international economic law. It was this will to achieve free trade that prompted the establishment of the GATT in 1947 by a group of developed countries to regulate the manufactured goods they traded between themselves. Over the subsequent decades, the increasing number of developing country members of the GATT led to the inclusion of a broader agenda culminating in the establishment of the World Trade Organisation in Marrakech in 1994 at the end of the Uruguay Round of multilateral trade negotiations. The WTO is dominated by developing countries and no action can be taken unless every single country agrees. The WTO is based on principles aimed both at liberalising international trade relations and ensuring that benefits are available to all "multilaterally". The WTO system thus improves on the GATT.

Continuing to strive for the concept of "equity" is fundamental if we want to achieve sustainable development and global security.

At Cancun a new grouping of developing countries faced up to the USA and EU behemoths. The G21 Group wanted trade liberalisation in agricultural goods by the North. The G90 Group (mainly AU and ACP countries) wanted to maintain their existing competitive advantages of better trade access into the EU and USA. Any equitable environment requires all views to be taken into account. This enhances the importance of trade related capacity building for developing countries. A lot of money has now been ploughed into this leading to the new assertiveness of many developing countries in Cancun. Bilateral trade negotiations between countries and trading blocs have long been widespread, but are second best because normally one party is much stronger than the other who can 'call the shots'.

Multilateralism through the WTO is the only way to ensure an equitable environment – and to ensure competitive trade advantage does not simply accrue to the powerful. The WTO has 148 members – over 100 are developing countries and they control the agenda.

Agricultural Produce

The report presented by Mr. Kharabela Swain (India) to the IPU Cancun Conference on 'Trade in Agriculture and Reductions in Subsidies' has been included with this report and remains an excellent guide. The crux of the problem is that revenue-strapped developing countries cannot grant their farmers and enterprises subsidies in the way that richer countries can, even though they have the legal right to do so. Meanwhile, rich countries use these mechanisms on a wide-scale, thereby creating distortions on the global market of certain

agricultural products (cotton, sugar, etc). that are the principal sources of export revenue for poor countries.

The Director General of the WTO, Dr. Supachai Panitchpakdi had agreed, following interventions from ministers from Mali, Chad, Burkina Faso and Benin, to seek to resolve the issue of gross subsidies by USA and EU of cotton farmers.

The Cotton industry plays a very important part in these countries economies, accounting for close to 30 per cent of export revenue and between 5 – 10 per cent of GDP of cotton-producing Sub-Saharan African countries, representing the livelihood of around 40 per cent of the population. The Cotton industry furthermore contributes significantly to achieving food security since, as a result of the resources mobilised through cotton production, these areas have also become leading cereal-producing areas.

The Cotton market is affected by subsidies paid by developed countries to cotton producers. These subsidies for the 2001-2002 period were as follows: US\$ 800million in Europe (100,000 producers in Greece and 200,000 in Spain); US\$ 4.1billion in the USA (25,000 producers) and US\$ 1.2billion in China. They have resulted in a significant increase in the supply of cotton on the world market and a decline in prices, to which least developed cotton-producing countries, and others, have fallen victim, incurring revenue losses. The revenue of cotton – producing West and Central African countries dropped by 31 per cent between 1999-2000 and 2001-2003 harvests, although production rose by 14 per cent. In 2001-2002 if there had been no American subsidies, world cotton prices would have been 31 cents per pound higher and the revenue of West and Central African countries would have been \$250million higher.

Clearly this issue must be addressed both by this IPU Conference and by the next Ministerial of the WTO. The Fund of Commodities set up by UNCTAD, EU-FLEX mechanisms and the World Bank Task Force on Commodities and Market based insurance mechanisms can all be brought into play. But fundamentally the USA and EU must commit themselves to phasing out these subsidies rapidly. The EU subsidy on production in Spain and Greece is at a higher level than in the USA.

However, it is important that this one sectoral initiative does not break the multilateral approach of the WTO. It is important again that the powerful cannot dominate the market as can happen in single sector negotiations.

At Cancun there were major differences between countries and country-groups. The USA and the EU felt that they had revived negotiations on agriculture with their mid-August joint proposal, a proposal which formed the basis for the agriculture section of the WTO's first draft Ministerial text of August 24. The EU in particular was bullish about its progress with reforming the Common Agricultural Policy (CAP) and thought that if only other countries appreciated just how radical its decoupling proposals were, they would surely be willing to shift their positions. The timing of the agreement on CAP reform may well have made it difficult for the EU to sell its CAP reform plans to other members of the WTO. Meanwhile, the G20+ tabled an alternative agriculture proposal to the USA-EU proposal whilst the G90, coming together at Cancun, were concerned that their interests would be marginalised in negotiations between the G20+ and the USA-EU. Their aim was to protect their preferences, and if this was not possible, to ensure they were appropriately compensated and to improve their access to northern markets by tackling issues of high tariffs, tariff peaks and escalation.

Although trade policy has international repercussions, it is primarily the product of domestic politics. When international trade policy is the by-product of US electoral politics and rising protectionist sentiment, the USA's trading partners, including developing countries, are the losers. The burden of adjustment should not fall on those countries who are least equipped to deal with it. The same applies to the burden of non-adjustment. We should encourage the UK and its EU partners to emphasise, in their dealings with the USA as well as with their own farmers, that the poor should not have to suffer the impacts of northern subsidies.

Essential Medicines

The excellent report produced by Mr Jean Bizet of France entitled 'The Trips Agreement and Public Health' prepared for the IPU WTO meeting and attached to this report is essential reading. Some progress has already been achieved on this important subject, for example some pharmaceutical companies have already made a start, for example by offering lower prices on some drugs in some countries, or by undertaking R&D into the diseases of the poor. Development agencies have been working to strengthen developing country health systems, and the work of the new Global Fund is very important in fighting AIDS, TB and Malaria. However, much remains to be done on the four key factors the WHO has identified as affecting access to essential medicines: affordable pricing, sustainable financing, reliable health and supply systems and the rational selection and use of existing drugs.

The agreement of 30 August 2003 on TRIPS stands separately from the Cancun negotiations. It is now up to each country to pass the necessary intellectual property and medicines regulatory legislation. None has yet done so. We would urge all countries to move quickly on this. Such new legislation must allow for compulsory licensing for export or import of all drugs for life threatening diseases free of patent for countries who comply with the conditions in the TRIPs Decision.

Access to essential medicines is most pertinent in relation to the HIV/AIDS epidemic since no key drugs are yet off patent for this relatively new disease. Our world is in need of strategies to combat the continuing threat of HIV/AIDS. Twenty million people have already died and another three million will die this year. HIV/AIDS is a threat to public health but it is also a threat to the alleviation of poverty and to development – it is harder for sick nations to prosper. Arresting the HIV/AIDS epidemic requires stronger political direction, better funding, better donor coordination and better HIV/AIDS programmes. We should strive to get all parliaments to take these principles on board.

Much of the debate on access to medicines has focused rightly on the need for anti-retroviral medicines, especially for sub-saharan Africa. However, it is also important to consider the need for access to other key drugs. We need to consider not only drugs under patent for the treatment of infectious diseases, but also drugs for the treatment of non-communicable diseases such as cancer, diabetes, asthma and cardiovascular diseases and infectious diseases. We should consider not only the provision of drugs that already exist, but we should also encourage research and development into new drugs to tackle diseases most prominent in poor countries. Drugs companies tend to focus on diseases of the rich.

However, to deliver life-saving drugs safely an effective health service is needed. Many poor countries do not have the capacity to deliver drugs to those who need them. We need to consider how to provide doctors and nurses and the ancillary staff in countries around the world. Donor countries need to increase the funds provided for strengthening health care. The use of Mode 4 of GATS on a South-South and North- South basis needs to be considered to

allow for an immediate gearing up of healthcare: the 10 or 15 year time frame for training local healthcare staff from scratch is not acceptable.

It is said that there are more Ghanaian doctors in New York than in the whole of Ghana. And for Ghana read almost any developing country. Doctors trained in developing countries tend to migrate to developed countries for better pay and working conditions. There needs to be an incentive to ensure potential returnees do return. Meanwhile, developed countries should be careful not to 'poach' medical staff from poorer nations.

The Global Health Fund is funding not only drugs and drug research but also basic primary and acute cover. Mode 4 of GATS could provide a 1-3 year work permit contract arrangement to kickstart a world health service standard allowing permitted movement of trained healthcare staff throughout the world.

Conclusion

The WTO Ministerials now do not take place without a IPU assembly alongside. Every delegation now has parliamentarians alongside the ministers. The outcomes of negotiations have to be approved by each parliament. We have already agreed that one day the same day worldwide be used to debate in each Parliament progress to trade justice through the WTO.

The WTO is the first international organisation in the world that negotiates agreed rules and is dominated by developing countries. Developing countries need to participate fully in the Doha negotiations so that their concerns can be better taken into account.

A more equitable environment for international trade in agricultural produce and essential medicines is within our grasp. We need to organise to achieve it.