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

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

1. Parliamentarians are becoming increasingly interested in questions related to international trade which, until recently, was an area reserved for the Executive.
2. 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.
3. This report draws on the work of the UK Parliament's International Development Committee in the report published on 11 December 2003, "Trade and Development at the WTO: Learning the lessons of Cancun to revive a genuine development round"<sup>1</sup>.
4. Trade is a key, but only one of the enablers to reducing poverty in all the countries of which the parliaments are members of the IPU. Clearly, for the poorest in our societies, minimum income support from either tax/income redistribution within the country or overseas development assistance (ODA) are the only answers to unremitting poverty. If the Millennium Development Goals (MDG) are to be met, trade alone cannot obviate the need for large financial transfers.
5. Likewise food security and food sufficiency are 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.

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

6. Essential medicines, 95% of which are off patent according to the WTO, should be available for all at an affordable price, subsidised either through taxation or through overseas development assistance.

7. Trade can be both a positive and a negative enabler. At the simplest level, the sale of your product to your neighbour at a fair unsubsidised price can bring in wealth, but it can also destroy your neighbour's ability 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.

8. 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. Developing countries have a large majority presence at the WTO 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". As an organization that has power to enforce compliance with its rules and decisions, the WTO thus improves on the GATT. However, it is important to ensure that developing countries have the capacity to use the power built in the WTO system.

9. Continuing to strive for the concept of "equity" is fundamental if we want to achieve sustainable development and global security. This approach was reflected in the Doha Declaration adopted by the Fourth WTO Ministerial Conference in 2001.

10. At the WTO Ministerial Conference in 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".

11. 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**

12. The report on "Trade in Agriculture and Reductions in Subsidies", presented by Mr. Kharabela Swain (India) to the Cancun session of the Parliamentary Conference on the

WTO, 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 that are the principal sources of export revenue for poor countries.

13. The WTO Director-General, 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 the USA and the EU of cotton farmers.

14. In cotton-producing Sub-Saharan African countries, around 40 per cent of the population depend on the cotton industry which plays a very important part, accounting for close to 30 per cent of export revenue and between 5 – 10 per cent of GDP. The quality of African cotton ranks among the finest in the world and is also among the most competitive. Moreover, the cotton industry 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.

15. 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\$ 800 million in Europe (100,000 producers in Greece and 200,000 in Spain); US\$ 4.1 billion in the USA (25,000 producers) and US\$ 1.2 billion 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 the 1999-2000 and 2001-2003 harvests, although production rose by 14 per cent. In 2001-2002, if there had been no subsidies, world cotton prices would have been 32 cents per pound higher and the revenue of West and Central African countries would have increased by \$250 million. The recent recovery of cotton prices only attests to their high volatility, which is detrimental to the sustainable production of cotton.

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

17. Special and differential treatment of the production and marketing of textiles and clothing in Western and Central Africa can provide outlets for local cotton producers and ought to be considered urgently in view of the ending of the Multi-Fibre Agreement (MFA) in 2005. Likewise, exporting of semi-finished goods instead of primary commodities is an avenue to be pursued by the developing countries needing sustainable economic growth. The recent phenomenon of dumping of second-hand clothing from developed countries to developing ones does not help the situation in this regard.

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

19. 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, 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 other countries appreciated how radical its decoupling proposals were, they would 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.

20. 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.

21. Sub-Saharan Africa remains on the margins of international trade. The WTO special and preferential treatment must continue for as long as is necessary to protect the interests of farmers in Africa where age-old traditions still hold sway with regard to land ownership, division of labour and the choice of crops. This fact was once again emphasized during the talks held between ACP countries, US and EU in Addis Ababa and Nairobi in February 2004.

22. It should be pointed out however that the continued stand-off between G20+ countries and the US/EU concerning full implementation of the Doha Round has led to increased pessimism about the future of the WTO and the prospect for developing countries to obtain market access for their agricultural products.

### **Essential Medicines**

23. The excellent report on "The TRIPS Agreement and Public Health" produced by Mr Jean Bizet of France for the Cancun session of the Parliamentary Conference on the WTO is indispensable reading. Some progress has already been achieved on this important subject, for example some pharmaceutical companies have already made a start 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 HIV/AIDS, tuberculosis 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.

24. 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. The vast majority of countries has yet to do 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.

25. 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.

26. 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 basic 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. We should consider not only the provision of drugs that already exist and must be made accessible to the world, including the LDCs, 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.

27. Whenever possible, manufacturing of essential drugs should be localised in the developing countries. When financial resources are constrained, such manufacturing should take the form of joint ventures or be organized through public/private partnerships. The examples of South Africa, India and Brazil in this regard should be followed by countries in Eastern and Western Africa.

28. 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 increase the number of physicians, nurses and 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 the immediate gearing up of healthcare: the 10 or 15 year time frame for training local healthcare staff from scratch is not acceptable.

29. It is said that there are more Ghanaian doctors in New York than in the whole of Ghana. Ghana's case applies to 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 that potential returnees do return. Meanwhile, developed countries should be careful not to 'poach' medical staff from poorer nations.

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

## **Conclusion**

31. The WTO Ministerial Conferences now always include a parallel parliamentary session. Every delegation now has parliamentarians alongside the ministers. The outcomes of

negotiations have to be approved by each parliament. We have already agreed to set a date when all parliaments would hold an annual debate on trade related matters, especially with regard to WTO negotiations.

32. The WTO is the first international organisation in the world that negotiates and actually applies rules, where developing countries hold a vast majority. Developing countries need to participate fully in the Doha negotiations so that their concerns can be better taken into account.

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