A Political Economy Perspective of UK Trade Policy

Dirk Willem te Velde[1]
dw.tevelde@odi.org.uk
and
Massimiliano Calì

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Overseas Development Institute
111 Westminster Bridge Road, London, SE1 7JD, United Kingdom
Tel.: 020 7922 0300 Fax: 020 7922 0399
www.odi.org.uk

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Acronyms

ACP	African, Caribbean and Pacific countries
AIDS	Acquired Immuno-deficiency Syndrome
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
BEUC	European consumers association
BTI	British Trade International
CAP	Common Agricultural Policy
CBC	Commonwealth Business Council
CBI	Confederation of British Industry
CfA	Commission for Africa
CFP	Common Fisheries Policy
COMTRADE	UN Commodity Trade Statistics Database
CPA	Cotonu Partnership Agreement
CSR	Corporate Social Responsibility
CWU	Communications Workers Union
DAC	Development Assistance Committee (of the OECD)
DDA	Doha Development Agenda
DEFRA	Department for the Environment, Food and Rural Affairs
DFID	Department for International Development
DTI	Department for Trade and Industry
EBA	Everything but Arms
EC	European Commission
ECGD	Export Credits Guarantee Department
EFFAT	European Federation of Food and Tourism Trade Unions
EPA	Economic partnership Agreement
ESF	European Services Forum
EU	European Union
Euratex	the employers' organization of the European textile and clothing industry
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GBP	Great British Pounds
GDP	Gross Domestic Product
GSP	General System of Preferences
HCM	Home Country Measures
ICFTU	International Confederation of Free Trade Unions
IDA	International Development Assistance
IF	Integrated Framework
IFIs	International Financial Institutions
ILEAP	International Lawyers and Economists Against Poverty
ILO	International Labour Organisation
IMF	International Monetary Fund
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least Developed Countries
LTA	Long Term Agreement Regarding International Trade in Cotton Textiles
MERCOSUR	Mercado Común del Sur (Southern Common Market)
MFA	Multifibre Arrangement
NAFTA	North Atlantic Free Trade Agreement
NAMA	Non-Agricultural Market Access
NGO	Non-Governmental Organisation
ODA	Official Development Assistance

ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OII	Overseas Investment Insurance
R&D	Research and Development
SDT	Special and Differential Agreement
SSA	sub-Saharan Africa
TDP	Trade Development and Poverty
TJM	Trade Justice Movement
TRIPs	Trade-Related Intellectual Property Rights
TUC	Trades Union Congress
TUPE	Transfer of Undertakings (Protection of Employment) regulations
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNICE	United Nations
UNIFI	United Nations
US	United States of America
WDM	World Development Movement
WTO	Wold Trade Agreement

1. Introduction

There is heated debate about the links between trade, development and poverty reduction. There are several accounts of how trade policies affect poverty in developing countries, but it is also useful to examine the case of how trade policies in developed countries such as in the UK affects poverty in developing countries and what type of actors affect such trade policies. The debate in the UK is a rich one, with many different actors actively engaged. The UK government has put out several statements on UK trade policy and often this relates to what it thinks the EU should do, e.g. in WTO negotiations or in negotiations between the EU and ACP and other developing country regions, and how this affects development and poverty reduction. Key policy documents include DFID's white paper on poverty reduction (DFID, 1997), DFID's white paper on globalisation (DFID, 2000), the DTI's white paper on globalisation (DTI, 2004), and most recently the trade chapter in the 2005 Commission for Africa's report (CfA, 2005).

Important ideas behind these policy documents include the notion that trade liberalisation is important for growth and development and hence the potential to reduce poverty, but also that staged liberalisation is necessary, and that regions in the developing world should not be forced into liberalisation. Specific measures, such as Everything but Arms (EBA – duty-free and quota-free access to all of the least developed countries in the EU market), have been announced by the EC's DG trade to encourage market access in the EU market for the least developed countries. Other measures, such as reducing the EU (export) subsidies on agriculture, which limit market access by developing countries (mostly middle- income countries such as Brazil, Thailand, etc.), have not yet been sufficiently addressed by the EC, despite the UK's position on this. In addition, some issues have not been addressed satisfactorily (e.g. promoting the temporary movement of workers from developing countries, or promoting offshoring of services to developing countries).

The approach in this paper on the political economy of UK trade policy is to document the evolution of UK trade policy and discuss the views and roles of various interest groups. Trade policy does not evolve in a vacuum and it is therefore useful to survey the perceptions of UK trade policy by different actors such as NGOs, business, unions and researchers. Lobby groups range from sugar-producer groups to trade justice campaigns, unions and business lobbies. Key questions include: How do these groups perceive the UK's trade policy and its link with development? What arguments have they put forward and how have they affected its formulation? And, how might they affect trade policy in the future?

This paper includes both a background to UK trade policy and a survey of the perceptions of it. It covers how the UK affects developing countries through international economic relations (Section 2) and how trade policies have been adopted and includes a detailed overview of what trade measures the UK government has put forward in its policy documents and what the government thinks about how the linkages between trade, development and poverty reduction are expected to work (Section 3). Section 4 examines the perceptions of UK and EU trade policies by UK-based NGOs and business interest groups. Section 5 discusses details of UK (EU) trade policy and its implications. Section 6 concludes.

2. UK's international economic relations with developing countries

The UK's social and economic imprint on developing countries has several dimensions (policies are reviewed in the next section):

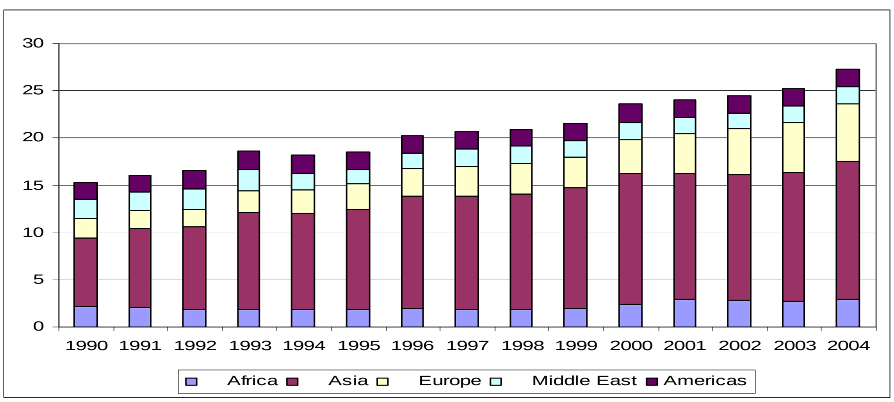
- Trade in goods and services with developing countries.
- Investment in and from developing countries.
- Migration to and from developing countries.
- Other, such as aid and remittances to developing countries.

In this section we review UK imports of goods and services (including temporary movement of labour) from developing countries and UK foreign direct investment in developing countries. The more the UK imports from developing countries the better for poverty in such countries, though the pattern, types and conditions under which this takes place will also matter. The more UK invests in developing countries the better, though pattern and developing country conditions and policies matter as well.

UK goods imports from developing countries

The UK imports increasingly from developing countries. UK imports from developing countries[2] totalled US$ 124 billion of a total of US$ 453 billion in 2004. In 1990, this was US$ 34 billion of the total US$ 223 billion. Chart 1 shows the evolution of the share of UK imports from developing countries. The share is rising for most years from 15% in 1990 to 27% in 2004. The increase has been driven mainly by emerging economies in Asia (in particular China, India and the South-East Asian Tigers) and Europe (in particular Russia, Turkey, Poland and Hungary).

Chart 1 Share of UK imports from developing countries – by region



Source: UN COMTRADE

China has been the most dynamic exporter to the UK recently. It was the 18th largest exporting country in 1995, the 13th in 2000 and 6th in 2004 (with US$ 19.4 billion). Table 1 shows the range of major developing countries exporting to the UK. China's share of UK imports from developing countries has risen from 10% in 1997 to 22% in 2003. The largest exporters among developing countries have all increased their exports to the UK (in absolute value) in recent years. The only exceptions are Malaysia and Indonesia, which may have suffered from increased competition with China, India and to some extent Bangladesh, especially in machinery and clothing. The other large gainers in relative terms are South Africa, Turkey, Botswana and Bangladesh (following its booming garment export industry).

[2] Developing countries here include all countries but Western European countries, United States, Canada, Australia, New Zealand and Japan.

Table 1 UK imports from the main developing countries 1997–2003

	2003			2002			1997		
	US$ '000	*% in developing countries*	*% in total*	*US$ '000*	*% in developing countries*	*% in total*	*US$ '000*	*% in developing countries*	*% in total*
China	13.909.080	22,1%	3,6%	10.421.353	19,5%	3,1%	4.083.588	10,4%	1,3%
South Africa	4.861.665	7,7%	1,3%	4.086.189	7,7%	1,2%	2.551.840	6,5%	0,8%
Turkey	4.382.303	7,0%	1,1%	3.457.487	6,5%	1,0%	1.709.334	4,4%	0,6%
Russian Federation	3.789.206	6,0%	1,0%	2.911.287	5,5%	0,9%	2.418.811	6,2%	0,8%
India	3.432.455	5,4%	0,9%	2.757.795	5,2%	0,8%	2.655.281	6,8%	0,9%
Malaysia	3.091.444	4,9%	0,8%	2.673.641	5,0%	0,8%	3.317.141	8,5%	1,1%
Thailand	2.750.305	4,4%	0,7%	2.405.088	4,5%	0,7%	2.001.947	5,1%	0,7%
Brazil	2.373.473	3,8%	0,6%	1.985.607	3,7%	0,6%	1.563.564	4,0%	0,5%
Botswana	1.808.776	2,9%	0,5%	1.555.710	2,9%	0,5%	-	-	
UAE	1.715.818	2,7%	0,4%	1.131.192	2,1%	0,3%	827.202	2,1%	0,3%
Indonesia	1.550.702	2,5%	0,4%	1.607.725	3,0%	0,5%	1.685.250	4,3%	0,6%
Saudi Arabia	1.191.314	1,9%	0,3%	975.634	1,8%	0,3%	1.632.901	4,2%	0,5%
Philippines	1.187.224	1,9%	0,3%	1.465.131	2,7%	0,4%	1.246.956	3,2%	0,4%
Vietnam	988.618	1,6%	0,3%	715.453	1,3%	0,2%	318.349	0,8%	0,1%
Bangladesh	929.423	1,5%	0,2%	721.165	1,4%	0,2%	403.653	1,0%	0,1%
Pakistan	852.905	1,4%	0,2%	726.371	1,4%	0,2%	621.063	1,6%	0,2%
Mexico	831.915	1,3%	0,2%	784.636	1,5%	0,2%	611.728	1,6%	0,2%
Latvia	824.400	1,3%	0,2%	694.874	1,3%	0,2%	567.940	1,4%	0,2%
Morocco	743.907	1,2%	0,2%	694.601	1,3%	0,2%	568.215	1,4%	0,2%
Costa Rica	714.790	1,1%	0,2%	475.835	0,9%	0,1%	117.270	0,3%	0,0%

Source: UN COMTRADE

A decomposition by sector shows that the major drivers of growth in UK imports from developing countries are clothing products, machinery, petroleum and non-metallic mineral manufactures. Such trend would appear to be in line with a specialisation by low-income countries in labour intensive goods (such as clothing) and in products based in natural resources (such as petroleum and minerals), which have benefited from rising international prices. A somewhat more surprising result is the rising imports of machinery and transport equipment, which is (at least partially) explained by the rising competitiveness of Asian (in particular China and Thailand), and to a lesser extent Central American capital equipment industries (Costa Rica and Mexico). This pattern of specialisation may have been helped foreign direct investment (FDI) in these countries.

Table 2 Main UK imports from developing countries 1997–2003 (US$ million and % share in imports from developing countries)

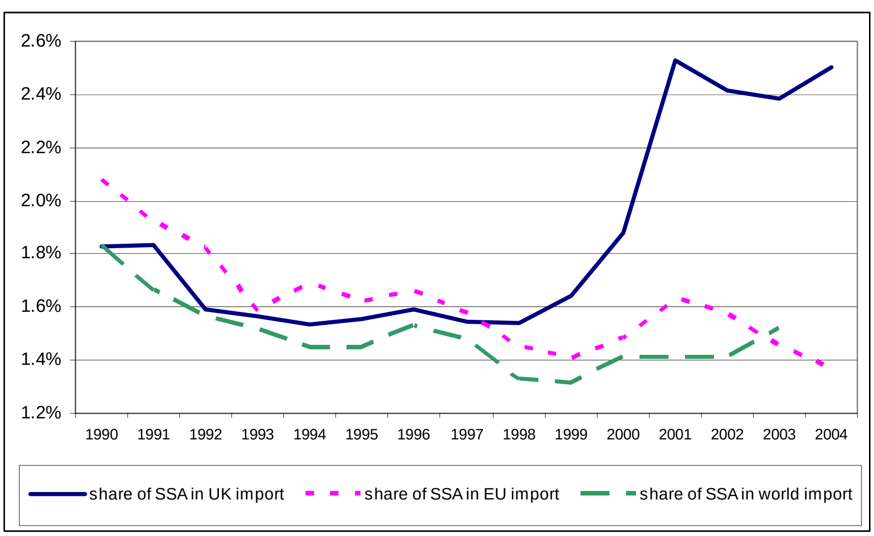
	2003		*2002*		*1997*	
Clothing	8.580	13,62%	7.952	14,89%	4.768	12,2%
Electrical machinery, apparatus and appliances	6.839	10,86%	5.688	10,65%	3.212	8,2%
Machinery, other than electric	5.954	9,45%	5.114	9,58%	4.383	11,2%
Petroleum and petroleum products	5.182	8,23%	4.158	7,79%	2.162	5,5%
Miscellaneous manufactured articles, nes	4.958	7,87%	3.645	6,83%	2.669	6,8%
Non-metallic mineral manufactures, nes	4.956	7,87%	4.296	8,05%	1.507	3,8%
Fruit and vegetables	2.065	3,28%	1.741	3,26%	1.540	3,9%
Textile yarn, fabrics, made-up articles, etc.	1.982	3,15%	1.844	3,45%	2.044	5,2%
Transport equipment	1.767	2,81%	1.233	2,31%	1.088	2,8%
Furniture	1.751	2,78%	1.354	2,54%	469	1,20%
Footwear	1.548	2,46%	1.287	2,41%	866	2,2%
Non-ferrous metals	1.496	2,37%	1.236	2,31%	1.419	3,6%
Manufactures of metal, nes	1.284	2,04%	1.049	1,97%	540	1,38%

Source: UN COMTRADE

While the UK sources its imports increasingly from developing countries, much of this growth is concentrated in a few emerging economies (mainly in Asia), which are increasingly becoming competitive in world markets. A different picture emerges when concentrating on UK imports from lagging areas, and in particular from sub-Saharan Africa (SSA).

In the period 1990–2004 total imports from SSA have risen significantly from US$ 4 billion to US$ 11 billion. Chart 2 shows the rising share of imports from SSA in total UK imports (solid line) from 1998. This trend is in contrast with the evolution of the share of SSA in EU imports, which after an increase in 1999–2001 period, fell in 2002-2004, to return to the lowest level share since 1990 (1.4%). The share of SSA in UK imports is also more dynamic than that of SSA in world imports, which is on the increase since 1999, but at a slower rate than in the case of UK. This indicates that in the last 15 years there have been relatively closer trade (and possibly economic) links between the UK and SSA than between SSA and the EU (and the rest of the world).

Chart 2 Share of SSA in UK, EU and world goods imports (% of total)



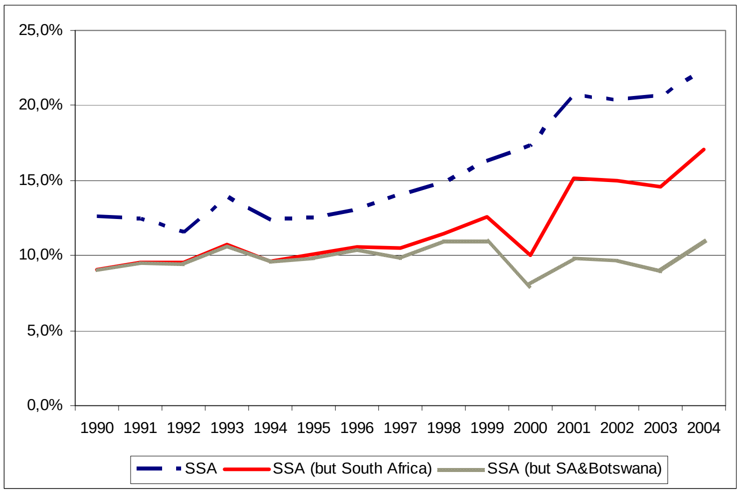
Source: IMF (2006)

A closer look at the composition shows that UK imports growth from SSA is mostly driven by South Africa and Botswana. In fact, if we exclude these two countries from the analysis, the picture is completely different, with UK imports from SSA showing a long term decline.

This finding is confirmed in Chart 3, which shows the evolution of the UK share in EU imports from SSA in the 1990–2004 period. This share is clearly rising if we consider SSA as a whole, further enhancing the major role of the UK for SSA exports to Europe (contributing more than 20% of EU imports from SSA in 2004), though the increase is negligible if South Africa and Botswana are excluded.

UK policy could aim to influence EU policy making it easier to import from developing countries, e.g. by lowering technical barriers to trade, lowering tariffs or easing rules of origin requirements. It could also promote UK imports specifically, for instance by setting up import promotion agencies as in the case of the CBI in the Netherlands.

Chart 3 Share of UK in EU imports from SSA



Source: IMF

UK services imports from developing countries

The share of developing countries in total UK imports of services is around 15% (GBP£ 11bn out of £72bn). This is evidence for a substantial capacity to supply to the EU market. About half of UK services imports from developing countries are in the travel category, i.e. part of tourism services.

Table 3 UK imports of services, 2002 (GBP£ million)

	Total	*Travel*
World	71572	15942
Developing countries (total)	10863	4198
Share developing countries in total	***0.15***	***0.26***
Americas (excl USA, Canada)	2028	910
Asia (excl. Japan)	6594	2163
Africa	2241	1125

Source: UK Balance of Payments statistics

A closer examination of the data presented before reveals that developing countries are weakly represented in several sectors or modes. For instance, developing countries are responsible for just 2.5% of total UK expenditure imports of royalties and R&D.

One mode of particular interest to developing countries is imports of services through temporary immigration. WTO (2004) shows that mode 4 services UK imports by non-EU 15 temporary workforce amounted to US$ 2.5 billion, or 0.2% of the UK GDP in 2000 (Table 4). Newly arrived foreigners represented 2% of employees.

There are several types of mode 4 imports emerging in the UK. Newly arrived Indian workers were responsible for US$ 550 million, half of this generated by computer analysts and programmers. Indian programmers work from their base or use a presence in the UK. Another indication of trade in services through movement of people is the number of work permits which is increasing rapidly and amounted 132,418 in 2002 of which 29,658 from India, 13,217 from South Africa, 12,742 from Philippines.

Table 4 UK mode 4 imports of services (2000)

	Temporary work permits	*Mode 4 imports (value, US$ m)*
Total services	64571	2500
Computer related (all)	10470	460
India	5973	260
US	1404	61
China	108	5

Source: WTO (2004)

Another example of developing country services to the UK related to mode 4 includes nurses or health associate professionals. This sector accounts for 93.4% of immigrants from Philippines (which is responsible for half the amount of work permits for non-EU nurses) and 42% from South Africa. It is often mentioned that without non-EU immigrants, the National Health Service (or education system) in the UK would collapse.

The UK government is doing very little to encourage services imports from developing countries. By contrast, rules and regulations governing trade in services seem to discourage imports from outside the EU.

UK Foreign Direct Investment

Worldwide and UK FDI have been rising in importance in developing countries over the last few decades (see e.g. UNCTAD, 2003). Private external finance to developing countries surpassed official aid in the 1990s, though this trend reversed in the case of SSA in 2002. In addition to a stable source of external finance, FDI can offer technology transfer, management skills and higher wages. Even though FDI has increased substantially in developing countries, with a blip in the past few years, Table 4 shows that a relatively small percentage of FDI reaches developing countries. While this is partly because of the smaller market size in developing countries (of course China, Mexico, etc. receive a significant amount), there is a debate as to how UK policy could influence the volume and quality of FDI in developing countries.

Table 5 Foreign Direct Investment (outward, world and UK)

	Stock of World FDI (2002)			**UK Stock of FDI (2004)**	
	Level (US$ bn)	*% of world total*	*% of GDP*	*Level (GBP£bn)*	*% of UK total*
World	7122.5	100	22.3	657	100
Developing	2339.6	32.8	18.7	90.4	13.8
SSA[1]	122.6	1.7	37.5	17.3	2.6
SSA[1]*(excl SA)*	71.6	1.0	-	6.3	1.0

Sources: UNCTAD (2003) and ONS[1] Africa for UK

It is a myth that FDI in African countries cannot be profitable. It can be, and this is good for the UK and for African countries. Table 6 shows the profit rate on UK FDI abroad, showing that profit rates are two to three times higher in Africa than worldwide.

Table 6 Net earnings divided by stock (profit rate), UK FDI

	EU	*World*	*Africa*
2001	0.067	0.077	0.207
2003	0.066	0.082	0.174
2004	0.071	0.097	0.230

Source: ONS MA4

While not at the core of this paper, there are debates on whether and how to push FDI to developing countries. There are four categories of home country measures to affect FDI in developing countries:

- Support for structural economic fundamentals and governance structures in host countries, provided by UK DFID.
- Support in reducing economic and political risks of an investment, provided mainly by the Export Credits Guarantee Department (ECGD) and CDC.
- Support in providing information surrounding investment, provided by BTI, FCO and DFID.
- Other policies that affect the viability of investment projects, such as fiscal policies and preferential trade policies in home countries (Treasury and DTI).

Indeed, a quantification of UK HCMs yielded the following insights (te Velde, 2003):

- Investment-related UK (bilateral) aid has increased since the 1970s, both in volume and in share of total (bilateral) aid, currently at 30%. Investment-related aid has shifted away from infrastructure towards macroeconomic stability, legal and policy frameworks and human resource development and institution building, which may correspond to a shift towards providing more public goods (e.g. legal and policy framework and human resource development).
- CDC’s new investments have declined somewhat since the mid 1990s. Its portfolio is geared more towards infrastructure projects and less towards agribusiness. It has a substantial presence in low-income countries, including 25% or GBP£ 250 million in Africa.
- The ECGD’s programme on overseas investment insurance (OII) has increased rapidly to GBP£ 1 billion, faster than in any other major developed country. However, just 6% of the portfolio in 2002 was aimed at Africa, down from some 20% in 1996. Most exposure is in the infrastructure sector.
- The BTI’s programme for outward mission has increased. Few missions go to low-income countries, e.g. 0.1% of the total number was in Ethiopia.

3. UK trade policy and development: issues and recent developments

The UK government has put out various policy statements on the link between trade, development and poverty reduction. We begin our overview in 1997, with the publication of the DFID White Paper. We categorise UK policies on the basis of a few key types of trade measures expected to affect market access for developing countries and hence affect the possibility to reduce poverty:

- Promotion of a rules-based system at the WTO where developing countries have an effective voice and where market access is offered to developing countries through negotiations on Agriculture, NAMA, and Services.
- Promotion of regional integration agreements, including those between the EU and ACP regions, and elements contained in this such as simple rules of origin that do not act as a constraint on developing country exports.
- Promotion of adequate standards that are not disguised trade barriers.
- Aid for Trade policies and measures that help support trade capacity-building and deal with other issues such as tariff preference erosion.
- Other relevant UK and EU trade-related policies.

We discuss each of them chronologically.

The 1997 DFID White Paper

DFID's White Paper (1997) *Eliminating World Poverty: A Challenge for the 21st Century*, has a clear message in that the UK government shall ensure that the full range of policies affecting developing countries, including environment, trade, investment and agricultural policies, takes account of the sustainable development objective.

It lists a number of general policies on a rules-based system, standards, Aid for Trade and regionalisation.

WTO/Rules-based system 'The Government supports an open, fair and sustainable multilateral trading system – from which all countries can benefit. The WTO provides the rule-based framework which underpins the system. We will encourage and assist developing countries to become more fully integrated into the multilateral system and to participate in the WTO. We want to support their efforts to reduce their trade barriers, taking account of the time needed for their economies to adjust.'

This is a clear commitment showing the government believes that developing countries benefit from a rules based system. It then discussed specific policies on textiles and agriculture.

Textiles 'A particularly important sector for many developing countries is textiles, where we will press for adherence to the agreed timetable for the dismantling of quotas under the multi-fibre agreement.'

Agricultural reform 'The Government is committed to fundamental reform of the Common Agricultural Policy (CAP). This will bring substantial benefits to EU consumers and taxpayers. The Government will make full use of the opportunities which this presents over the medium term to benefit developing countries. As part of the Uruguay Round, it was agreed that negotiations on further agriculture trade liberalisation would start at the turn of the century. The Government sees this as a major opportunity and is committed to achieving substantial further liberalisation in these negotiations.'

Investment 'We will work towards the eventual establishment of a WTO agreement on investment. Guarantees and insurance are important mechanisms for encouraging private investment into developing countries. This is particularly important for infrastructure projects, where large sums of money need to be mobilised. The Overseas Investment Insurance Scheme of the British ECGD is increasingly utilised to help companies to invest overseas.'

Regionalisation. We believe that any bilateral and regional free trade agreements should be structured to promote economic development and be consistent with the multilateral trading system. However, the issue of economic partnership agreements with the ACP has not yet been mentioned.

Rules of origin 'We will work within the EU to make these rules simpler and less restrictive, and we will work multilaterally to bring different sets of rules more into line with each other, so that they are easier to use.'

Standards and codes of conduct. 'Trade rules should not be used to impose unfair standards on developing countries or to discriminate unfairly against their exports. We will work to ensure that the interests of the environment are fairly reflected in the development of the global trading system.'

In the UK the government is supporting collaboration between business and the voluntary sector in promoting ethical business, including the development of codes of conduct and ways of monitoring and verifying these codes. In developing countries, we shall look at ways of supporting local capacity to develop and monitor voluntary codes of conduct including assistance to Ministries of Labour, trade unions, NGOs and employers' associations.

Aid for trade. Dismantling barriers to international trade and investment will be of limited benefit if developing countries lack not just the supply but the human and institutional capacity to take advantage of new opportunities. The UK government will support efforts to improve the multilateral coordination of technical assistance, and will also harness our own development assistance programme, in order to help developing countries build capacity.

<u>The 2000 DFID White Paper</u>
The second white paper by DFID (2000), *Eliminating World Poverty: Making globalisation work for the poor* deals with capturing gains from trade in Chapter 5. The basic idea behind the White Paper is that globalisation is thought to be good for development and the poor (reaction against the protectionists) but that the process need to be managed (against the pure free traders), so that it takes a middle ground.

The two main trade-related messages include: 1) Support for an open and rules-based international trading system, and the promotion of equitable trade rules and an effective voice for developing countries; and 2) Support for reductions in barriers to trade, both in developed and developing countries, and work to improve the capacity of developing countries to take advantage of new trade opportunities.

The chapter begins by restating the main findings of commissioned research on benefits to the poor of trade liberalisation, benefits of reducing own trade barriers, and the need for sequencing, speed and accompanying policies. It then motivates UK trade policies:

Rules-based system. 'Support for open trade is not to be confused with unregulated trade. On the contrary, if open trade is to work for the world's poor we need effective multilateral trade rules made by an institution in which developing countries are properly represented, and an institution capable of enforcing them, for poor countries and rich countries alike. This is precisely what the World Trade Organisation (WTO) is and represents.'

After the failure of the WTO at Seattle the paper states: 'The world's poorest countries have much to gain from a broad-based multilateral trade round, and would be badly hit by a retreat into trade protectionism.'

It then addresses some specific points as part of trade policy at the WTO.

Agriculture, NAMA, Services, Investment and Competition ‘A development friendly round means giving high priority to the multilateral liberalisation of agriculture, addressing both quotas and tariffs, and opening service sectors to competition. Both of these areas are part of the built-in agenda under the Uruguay Round. We also think that a new Round should be broad enough to handle other issues where there are important potential benefits to developing countries, including industrial tariffs – particularly textiles and clothing, rules on anti-dumping, government procurement and trade facilitation (streamlining of customs procedures). We think it should include investment and competition too.’

Thus, at this stage making all Singapore Issues part of WTO negotiations was still considered.

The Government also supports work in the WTO and other international bodies to identify and remove subsidies which harm poor producers and provide perverse economic incentives resulting in the unsustainable use of natural resources. We will use every opportunity to work for change to the CAP (agriculture) and CFP (fisheries).

Several policies repeat what was said in the 1997 White Paper: ‘We will oppose any attempt to use anti-dumping measures as a form of covert protectionism.’ And, ‘We maintain our position that quota protection for textiles and clothing, which must be eliminated by the agreed deadline of 2005, should not be replaced by new forms of protection.’

Regionalisation. The White Paper reacted to the EBA proposals put forward by the EC (just before the White Paper) to allow all exports from least developed countries (LDCs) into the EU duty-free, except arms, and argues that ‘This is an important initiative and should help build confidence in a New Trade Round and also to increase economic activity in LDCs. We recognise that this will create adjustment challenges for some of the non-least developed countries in the ACP group, and we will work to ensure provision of sustainable assistance to help them in the adjustment process.’

Rules of origin. On the role of EU policy: ‘The GSP was set up to give developing countries additional tariff preferences on their exports into the EU. However, many products are excluded from the scheme, and it is difficult and complex to use. We will press for removal or further reduction of tariffs, a simplification of product categories, the elimination of sector graduation, and less onerous regulations on rules of origin for imports. In consultation with business and developing country partners, we will work to make the scheme more accessible and user-friendly to exporters and importers.’

Aid for Trade. ‘In a new Round, the UK will support an approach that recognises more explicitly that WTO members are at different stages of development. To help countries manage their commitments we will press for special and differential provisions to be real and binding, and for any new WTO rules to reflect countries’ implementation capacity. In the longer term, the WTO needs to consider a more workable set of country categories to take better into account different levels of development.’

It also promises to provide technical support for national governments and regional organisations in sub-Saharan Africa in order to help build capacity for the development of trade policy and for international trade negotiation. And, ‘We also need to help remove other barriers that prevent poor people from engaging in trade.’ And, ‘We will press for trade policy – and complementary economic, social and political policies – to be built into developing countries’ poverty reduction strategies.’

Standards. The paper argues that imposing trade sanctions on poor countries that do not fully comply with all labour standards would punish countries for their poverty, and hurt the poorest most. The UK government also take seriously developing countries’ concerns about the potential for the misuse of environmental measures for protectionist purposes.

The 2004 DTI White Paper

Four years after the 2000 DFID White Paper, the DTI (2004) published the 2004 White Paper on Trade and Investment. This contains some innovation in topics (e.g. offshoring) but the basic message remains the same. For the DTI (and the government), a successful conclusion to the Doha Development Agenda (DDA) is a UK priority. Trade liberalisation is an important engine of poverty reduction but the paper acknowledges that for developing countries, liberalisation is not of itself sufficient for increased prosperity. The White Paper calls for a pro-development approach by relying on a ‘same destination; different speeds’ philosophy – poorer countries should be given greater flexibility to sequence the opening of their markets, as part of their broader plans for tackling poverty.

The paper encourages the EU to take a leadership role in multilateral negotiations, and to maximise the benefits from greater external openness; it asks the EU to develop more outward looking policies so that its economy is more open to trade, particularly through the multilateral process and enhancing the economic relationship with the US; and to agree that the impact on the EU’s trading partners, especially poor developing countries, should also be taken into account. The EU and other developed countries should reject the mercantilist approach to negotiations which treats market opening as ‘concessions’. The paper also asks the EU to recognise the benefits to the EU itself of further liberalisation and reform, particularly in agriculture; and to end the trade distorting effects of its policies under the Common Agricultural Policy (CAP).

Rules-Based System/WTO. The paper argues that the Doha Development Round (DDA) could make a highly significant contribution to increasing world trade and reducing poverty, with agriculture of central importance. The DDA also encompasses a number of issues relating to improving the operation of the WTO’s rules. All four of the Singapore issues could have made a valuable contribution to trade and development. It is now clear that investment and competition, and probably transparency in government procurement, will not feature in the DDA. We see value in pressing on with negotiations on trade facilitation but we will not pursue them at the expense of the DDA as a whole. So this is a marked difference from earlier messages (e.g. DFID, 2000) on the need for all Singapore Issues to be included in WTO negotiations.

Agriculture. The government will work with the trading partners in the EU and around the world in the current Round of WTO negotiations to achieve an ambitious outcome which tackles quotas and high tariffs, export and traded distorting domestic subsidies that damage the global economy and the development of the poorest countries in particular. The Government supports the call from a number of developing countries involved in the WTO agriculture negotiations, who have asked for extra flexibility to enable them to protect a small number of ‘special products’ (essentially food crops) that are essential to poverty, food security or rural development.

It argues that there is no longer a place in world trade for export subsidies. The EU is ready to do this. The paper believed at that stage that the EU was willing to give up all its export subsidies if other countries were willing to do the same with their forms of export subsidy. We will also seek reform of trade-distorting subsidies worldwide.

NAMA. The EU is calling for an ambitious agreement, under which no tariff will remain above 15% (tariffs above this level being known as ‘peak tariffs’) and significant cuts are made below that.

Services. The paper sees the further reduction in barriers to trade in services both as a key priority for the UK and an outcome that could potentially be of very significant benefit to developing countries.

Regionalisation. The paper argues that EPAs will be extremely important for the ACP countries, as the EU represents the major trading partner for most of them. Any opening of ACP markets to EU goods and services will take place on an ‘asymmetric’ basis. Although the negotiations will be concluded by 2007, this does not mean that the ACP countries will have to start opening their markets immediately after 2007. This is one of the main underlying themes in the paper: same destiny, different speeds.

Rules of Origin. The paper argues that this issue can be tackled initially in the context of the EPA negotiations: The EU should propose simple and liberal rules of origin under these agreements, to allow African countries to source their inputs from the most competitive suppliers thus integrating them more fully into the global trading system. The same principles should apply to any reform of the EU's GSP (and hence the EBA initiative).

Standards The government will continue to promote the ILO Declaration. In doing so the UK government will encourage all member states to ratify and implement the ILO core conventions. Yet, the paper argues, core labour standards are not solely the prerogative of the ILO. They have been enshrined and encapsulated in other international agreements and initiatives (UN Global Compact, OECD Guidelines for Multinationals). The government contributes to funding to a World Bank managed project which helps build the capacity of developing country governments to develop sustainability related voluntary codes and standards. At the EU level, it supports the special incentive arrangements which have the potential to encourage the wider adoption of ILO core labour standards.

Aid for trade. There is some discussion on Special and Differential Treatment (SDT), but this is fairly limited to the right of developing countries to open their markets more slowly than developed countries, to allow for adjustment; and to allow for fewer procedural burdens on developing countries, for example over the notification of subsidy programmes; more flexibility for developing countries to take short term measures when faced with economic or social disruption; longer timescales for implementing agreements which require expensive new capacity.

But there is also a discussion on Aid for Trade arrangements, which goes further than SDT in the narrow sense. The paper asks the international community to acknowledge and tackle the short term transition costs that certain countries face through, for example, loss of preference arrangements. It says that the IMF's Trade Integration Mechanism is an important step in this direction, but we need to look at how we can provide guaranteed, credible and additional aid to support these countries in the transition to more productive sectors.

The UK programme of trade-related capacity-building is delivered through a mixture of bilateral programmes with national governments, contributions to multilateral organisations and support to NGOs and the private sector. It has committed GBP£ 160 million to trade-related capacity building from 1998 (they note that this is more than three times the pledge in the 2000 Globalisation White Paper). The government also contributed to the trade related capacity-building programmes funded by the EU, which totalled over US$ 700 million in 2002.

Other. Some other issues have also become important. The debate on offshoring of services was particularly topical surrounding the publishing of the 2004 White Paper and is a new issue that has come to the forefront of UK policy.

The paper argues that a minority of those who were consulted on this issue argued that the UK government should try to stop UK companies from offshoring. The government thinks that this would be misguided for a number of reasons. First, there are often good business reasons for offshoring: if a company has concluded that moving one function overseas will increase its chances of growing and prospering in the longer term, then it would be wrong for Government to try to stand in its way. Secondly, offshoring can help developing countries such as India grow and become more prosperous. Finally, the UK has a large, diverse and growing services sector which depends on being able to sell worldwide. In two examples of sectors where offshoring is a major issue – financial services and computer information services – the UK sells overseas far more than it 'imports' and it 'onshores' more than it offshores. The UK cannot realistically expect other governments to keep their markets open if we close ours.

<u>The 2005 Commission for Africa Report</u>

The Commission for Africa Report (2005) was a cross-department assignment housed in a secretariat in DFID and with national and international commissioners. It was originally not seen as UK government policy but when Prime Minister Blair delivered the final product he mentioned it would be government policy. The trade chapter discusses that Africa will fail to achieve sustainable growth and poverty reduction, and fail to meet the Millennium Development Goals, unless it increases its diminishing share of world trade. African countries and the international community, working together, can make progress possible, by action in three key areas: supporting African-owned strategies for building the capacity to trade; dismantling the rich world's trade barriers through the Doha Round of world trade negotiations; and providing transitional support to help Africa adjust to new trading regimes.

WTO. Developed countries should ensure the Doha Round of world trade talks makes development its absolute priority at the December 2005 meetings of the WTO in Hong Kong. The Doha talks should conclude no later than the end of 2006 in order to make an early difference to Africa and other developing countries.

Agriculture. Rich countries must agree to eliminate immediately trade-distorting support to cotton and sugar, and commit by 2010 to end all export subsidies and all trade-distorting support in agriculture agreed in Hong Kong. At the conclusion of the Doha talks they should agree to reduce progressively all tariffs to zero by 2015, and reduce non-tariff barriers. By doing this they will cut massive wasteful spending, and provide huge benefits to their own public, and to Africa and other developing countries.

The 2010 date was a new measure.

NAMA. Higher-income developing countries should also do more to reduce their tariffs and other barriers to trade with Africa.

Services. It says little on services and temporary movement of natural persons.

Regionalisation. In the new trade agreements, Europe is currently negotiating with Africa, liberalisation must not be forced on Africa through trade or aid conditions and must be done in a way that reduces reciprocal demands to a minimum. Individual African countries should be allowed to sequence their own trade reforms, at their own pace, in line with their own poverty reduction and development plans. Additional financial assistance should be provided to support developing countries in building the capacity they need to trade and adjust to more open markets. A review of Article XXIV of the General Agreement on Tariffs and Trade (GATT) in order to reduce requirements for reciprocity and increase focus on development priorities may be useful.

Developed countries should remove all barriers to all exports from low-income sub-Saharan countries, by extending quota- and duty-free access to all of them. This will cost developed countries very little. They should cease to apply rules of origin requirements in a way designed to hinder rather than help African exporters, by allowing Africa to source inputs from anywhere in the world, and requiring only that they add a minimum of 10% of value in their processing. Europe's new trade agreements with Africa must move quickly on this.

Standards. Although Africa wants to meet developed country product standards, it is struggling to meet the costs of doing so. Rich countries should apply a development test, including an impact assessment, when designing these standards, to minimise the barriers they may create, and urgently provide help to meet them.

Aid for Trade. Special and Differential Treatment must be made to work better for Africa and other developing countries, by making resort to legal disputes conditional on assessing development concerns.

Africa will need transitional support if it is to build its capacity to trade, and to deliver reform in the Doha Round. Rich countries should also provide aid to help African economies adjust to a more open global trade regime, and to enhance the benefits to and limit the detrimental impacts on poor people. And Africa must increase its capacity to trade. The investments in infrastructure and the enabling climate for the private sector (described in Chapter 7 of the paper) are at the top of the agenda. Africa should do more to improve the economic environment for farmers and firms, backed up by major investments of aid from international donors to ensure Africa can produce and trade competitively.

Funding for infrastructure should, in part, be spent on improving African transport and communications to bring down costs.

Others

There are other policy statements, and we hope to summarise these and the above in a condensed form in the next stage of the research. One such statement is worth highlighting now. This includes a joint DTI/DFID statement on EPAs (see www.dfid.gov.uk). They believe that:

- EPAs must ensure that ACP regional groups have maximum flexibility over their own market opening. The EU should therefore offer all ACP regional groups a period of 20 years or more for market opening, on an unconditional basis.
- Within EPAs, the EU should make an upfront offer of complete duty and quota-free market access to each ACP regional group, with no strings attached. In addition, the EU should further simplify and liberalise rules of origin under EPAs.
- There should be an effective safeguard mechanism for ACP countries to use if faced with a surge of subsidised EU imports.
- EPAs should be accompanied by additional resources to enable the ACP countries to benefit from trade reforms and build their export competitiveness. The EU, in coordination with international financial institutions and other donors, must provide additional financial assistance to support the ACP countries. This assistance must support them in building the infrastructure and economic capacity they need to benefit from trade with the EU and the rest of the world, and put in place the institutions to help manage change and protect vulnerable people, supporting poorer countries with the cost of transition.
- Investment, competition and government procurement should be removed from the negotiations, unless specifically requested by an ACP regional negotiating group. It is for ACP regional groups to judge the development benefits of any agreements on these issues and the EU should not push for them to be discussed. If included, any negotiations on government procurement should be limited to transparency.
- A review mechanism for EPAs – with full ACP regional group ownership and participation – should be introduced to ensure they are delivering the intended developmental benefits.
- The Commission should be ready to provide an alternative to an EPA at the request of any ACP country. Any alternative offered should provide no worse market access to the EU than is currently enjoyed under Cotonou preferences.
- In addition, the EU should propose within the WTO that Article XXIV of the GATT, should be reviewed as suggested by the Commission for Africa, in order to reduce the requirements for reciprocity and increase the focus on development priorities.

This policy statement again includes a number of departures from previously stated policy. For instance, that the EU should make an upfront offer of complete duty- and quota-free market access to each ACP regional group is new and goes beyond what is in the Commission for Africa (CfA) report, and of course what is already in EBA. Other issues have also reappeared. The CfA report mentioned that a review of Article XXIV of GATT in order to reduce requirements for reciprocity and increase focus on development priorities may be useful, and this is included in the current views, but now the UK government urges the EU to propose a review in the WTO. This is more strong, and seems to have been put together quite quickly, because changes to Article XXIV can have wide ranging consequences not only for non-ACP countries such as Paraguay, but also for ACP countries themselves: if the EU were to offer preferences to ASEAN or MERCOSUR this may have negative consequences for the ACP.

The UK government is increasingly thinking about the issue of aid for trade[3], see also Prowse (2005). This may help support market access for developing country exporters. The Millennium Project Task Force on Trade[4] suggested an Aid for Trade Fund. The Sutherland Report underlined the need to

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[3] See for instance, Hoekman, B. and S. Prowse (2005), 'Policy Responses to Preference Erosion: From Trade as Aid to Aid for Trade'; and World Bank draft; World Bank (2005), DOHA DEVELOPMENT AGENDA AND AID FOR TRADE, DC 2005–2006, September 12.

[4] UN Millennium Project, Task Force on Trade (2004), Trade for Development, New York.

support developing countries to deal with trade liberalisation. Mandelson suggested the establishment of a Trade Adjustment Fund.[5] Pascal Lamy (WTO) supported the idea of an aid for trade initiative at the Trade and Development Board of 6 October 2005.[6] In a speech read out on his behalf on 6 October, Dr Supachai (UNCTAD)[7] supported the idea of Aid for Trade, and called it a 'Doha-plus' trade-enabling development cooperation agenda which would involve helping meet the adjustment costs, including those arising from the expiration of the Agreement on Textiles and Clothing, loss of fiscal revenue, and preference erosion. We discuss current progress on Aid for Trade in detail in Section 5.

[5] See p. 24 of his lecture 'Trade at the Service of Development', 4 February 2005. http://www.lse.ac.uk/collections/LSEPublicLecturesAndEvents/pdf/20050204-Mandelson.pdf
[6] http://www.wto.org/english/news_e/sppl_e/sppl05_e.htm
[7] http://www.unctad.org/Templates/webflyer.asp?docid=6402&intItemID=1528&lang=1

4. Perception on appropriateness of UK (and EU) trade policy

This section discusses the perceptions of various UK-based actors on the appropriateness of UK and EU trade policy. This does not include views from beneficiary countries directly which not to indicate their importance but to delineate the scope of this study.

We us the four categories of trade policies as previously defined.

Perceptions by NGOs

Rules based system. Appendix A1 covers the main views by NGOs (e.g. Oxfam, Christian Aid, World Development Movement, Which?) on the key issues in UK and EU trade policies. There are differences in views, but there also some common positions. On the whole, NGOs tend to agree with the UK government on its stance on CAP reform and how this might inform WTO agriculture negotiations, e.g. in the case of the removal of subsidies. It is thought that CAP reform (and including reforms on sugar, bananas and cotton) will deliver benefits for the poor in developing countries. However, there are sharp differences between the government's position on NAMA and Services, and what NGOs perceive to be a useful way forward for these. For NAMA, this in part reflects comments on how the negotiations are conducted and in part it reflects differences in how the impact is being assessed and what is at the centre of analysis (e.g. farmers or manufactures in a certain sub-sector, or national income and real disposable income). In the eyes of NGOs, GATS has a relationship with privatisation, and is therefore opposed in such sectors as health, education and water.

Regionalisation/EPAs. A lot of recent attention seems to be focusing on the desirability (or not) of Economic Partnership Agreements (EPAs) between the EU and ACP regions. This is a relatively new issue that has begun to feature in UK government documents only in the last few years, as it was only recent (2002) that the Cotonou Partnership Agreement (CPA) was signed and then ratified. The CPA allows for reciprocal trade agreements to be negotiated before 2008. While the WTO Doha round is ongoing, the government is taking more interest in that than in EPAs or other regional and bilateral agreements, although there are changes to this with reports such as the Commission for Africa. On the other hand the nature of required reciprocity is such that ACP countries would still be allowed to maintain high tariffs on a relatively large percentage of tariff lines on EU imports and it is likely that the effects will be small for many ACP countries, at least in goods trade. Several NGOs have commented on how they think EPAs can be made more development friendly, but also to suggest alternatives.

Aid for Trade The discussion on Aid for Trade has received less information, probably because this is a more recent issue. There are accounts on Special and Differential Treatment (e.g. Christian Aid, 2003) and proposals for a 'Development Box' in Agriculture, but there is little at the moment on Aid for Trade, e.g. how to deal with preference erosion or how to deal with capacity constraints

Standards There are also discussions on standards, particularly by the UK National Consumers Association, and this will be covered in more detail in the next phase.

Other trade measures are also discussed by NGOs. They would tend to oppose investment or Trade-Related Intellectual Property rights (TRIPs) as WTO issues.

Perceptions by businesses

Rules-based system. Appendix A2 covers some of the views by business groups. Business organisations (e.g. CBI) support the WTO in their effort to liberalise trade, they agree on the need for CAP reform. They think it is important to liberalise trade in services at the WTO with more emphasis on the temporary movement of workers (ESF). They also support NAMA negotiations as this benefits all WTO members (UNICE), and that all countries should reduce tariffs on textiles and clothing to 15% (EURATEX).

Regionalisation/EPAs. While business groups may have heard about bilateral trade agreements between the EU and Chile, Mexico and perhaps about the agreement with South Africa, they have tended to spend very little time discussing issues related to EPAs. Some will only have heard about this when invited to speak on these subjects, so it seems clear that UK (and EU) business has so far not been interested in EPAs. The possible exceptions include sugar producer groups and sugar processors.

Aid for Trade. They have little to say on this, although they would accept that SDT may be important for developing countries (UNICE).

Others: e.g. Research, Parliamentary enquiries, labour unions

Appendix A3 covers the views of the main unions on UK (and EU) trade policy mainly by surveying what they think on WTO negotiations, with some interesting findings. For instance, EFFAT opposes fast reform of the EU sugar policies, the CWU supports the government in handling the services negotiations, though ICFTU is more cautious about GATS, arguing that ‘public services should be excluded’ ICFTU also has concerns about NAMA negotiations.

5. Political economy of UK trade policy: case studies

This section examines perception of various actors on the linkages between UK trade policy, development and poverty reduction based on two case studies. Section 3 has already provided an answer to the question, proposed in the introduction, what trade policies were adopted and how are they expected to work on the ground. Section 4 has addressed in part how the various actors think about the coherence of trade and development policies. However, further analysis of the political economy of UK (and EU) trade policy is required in the form of detailed case studies to tell us who thinks what and why.

Mapping the various actors onto UK and EU trade policies; issues

It is important to understand how trade policy is made in the UK and what actors are included in the circle of influence. A recent book by the WTO provides a number of interesting case studies in the case of how various actors are engaged in WTO related trade policy in several countries (see box 1). This section contains two brief case studies of UK trade policy.

Box 1 The effects of various actors on using the WTO and its trade policy provisions

- The tuna industry of **Thailand** fights to retain access to the European Union (EU) market on comparable terms to its competitors, but manages to avoid a costly formal dispute adjudication.
- **Chilean** poultry exporters and government officials act urgently to handle an animal health emergency that could have killed exports to the vital European market, making effective use of international standards and notification procedures established by the WTO.
- The **Mexican** government is backed into a corner, domestically, by the powerful Peasants' Union's revolt against imports from the United States under the North American Free Trade Agreement (NAFTA); the facts show, however, that the agreement has opened up new horizons for Mexican industry that could be extended by multilateral negotiation.
- An 'inside' account of how **India** struggled to develop a national consensus on the liberalization of its protected agriculture sector.
- A **Bangladeshi** rock band finds that a 'Bollywood' movie producer has pirated one of its songs; band members use the provisions of the WTO to regain their rights.
- The tiny Pacific island economy of **Vanuatu** decides to suspend its application for WTO membership when its inexperienced government administrators fail to find a sympathetic hearing from existing WTO members.
- The **Kenyan** government fights for the right, under the WTO Agreements, to import AIDS drugs manufactured elsewhere under 'compulsory licences' for use in Kenya. It finds that the issue of patent protection under its own legislation is not straightforward and that the patent law changes are not the biggest barrier to reducing the impact of the disease.
- An exporter of traditional herbal medicines from **Nepal** runs into regulatory barriers he cannot understand or do much about until Nepal joins the WTO and the Nepalese government creates a regulatory framework that helps him to meet his customers' expectations of good manufacturing practice.
- **Nigerian** industry is penalized by a system of import prohibitions that have strong political support but are economically costly — why Nigeria's WTO obligations don't offer a solution.

Source: WTO (2006)

A first issue relates to competencies across departments in the UK. We need to distinguish between various sectors and issues in the UK: while the DTI leads on trade negotiations, the DEFRA is responsible for Agriculture, and DFID safeguards the development perspective. DFID, for instance, is concerned with issues related to Aid for Trade, e.g. it announced an increase (doubling) in Aid for Trade in the run-up to the Hong-Kong ministerial.

A second issue is that trade policy affecting the UK is not set in the UK in the case of trade in goods. The European Commission, DG trade is in the lead, and has the competencies for negotiations on goods trade, and measures such as regional trade agreements, rules of origin, EPAs and EBA. Thus, DG Trade decides on measures affecting tariffs and anti-dumping in the case of textiles and clothing, as we discuss below. In the case of trade in services and investment policy, competencies are shared between the EC and the member states or rest with the member states entirely (e.g. protection of overseas investment, migration).

It is important to discuss the routes through which interest groups (NGOs and Business groups) may have affected UK and EU trade policies and the effects of such policies on development on the basis of a few case studies. Topical issues include:

- EPAs. The Trade Justice campaign 'STOP THE EPAs' and the recent views by UK government on EPAs and the EC's DG Trade, coupled with the non-interest by business in this issue.
- New on the WTO agenda such as cotton and the influence of lobby groups such as Oxfam.
- Sugar lobby groups and the debate on EU sugar reform.
- Other issues include the notion that new standards may be established at the same time as agriculture tariffs and subsidies are being reduced. This may also shed light on possible alliances of like-minded groups, e.g. consumer groups with developing country exporters.
- Recent debate on China and EU textiles and garments imports, EU retailers vis-à-vis EU textile producers. This may provide interesting analysis on who is thinking along similar lines, e.g. UK retailers and developing country exporters of textiles and clothing, *versus* EU textile producers.

We discuss the last example in more detail below.

The Political economy of UK (and EU) Trade Policy in Textile and Clothing sectors

The Textile and Clothing sector has been (and still is) one of most controversial sectors in the trade policy debate between the EU and developing countries. There are at least two reasons why this sector has become relevant in this debate. First, it is a sector in which both EU countries (some, mainly Italy, France and Spain) and developing countries are in fierce competition. It is the most important import sector from developing countries for the UK. Second, it is a labour intensive sector, so any shock that it faces is likely to have significant social consequences in terms of job losses among producers. Finally, consumers are keen to cut prices charged by the large importers and retailers in the UK.

Multifibre Arrangement (MFA)

Trade in this sector between developed and developing countries has been historically regulated by the Multifibre Arrangement (MFA). This was a multilateral agreement signed in 1974, composed of a set of bilateral agreements between developed country importers and developing country exporters, such as China and Bangladesh. Its roots go back to the 1930s, when, during a period of global economic distress, the US and Europe moved to protect their domestic textile industries from more efficient competition from Japan, thereby limiting imports from Japan. By the 1960s these restrictions had been extended to Hong Kong, China, Pakistan and India, through the Long Term Agreement Regarding International Trade in Cotton Textiles (LTA) under the then GATT. The LTA was renegotiated several times. In an attempt to streamline these multiple arrangements restricting textile and clothing imports, they were replaced by the MFA in 1974. The signatory importing countries were allowed to effectively impose discriminatory quotas in areas where increases in imports had the potential to cause 'market disruption' (Tan, 2005). As the restrictions on textile trade became globalised, multilateral negotiations followed, leading to a series of agreements. Initially, the agreements covered only cotton, but they eventually expanded into 'multifibre' arrangements covering textiles and clothing made from all fibres.[8]

[8] Cotton accounts for about 38% of world fibre consumption

Agreement on Textiles and Clothing (ATC)

In 1995, the Agreement on Textiles and Clothing (ATC) replaced the MFA. The ATC was meant to be a transitory phase between the MFA and the full integration of the textile and clothing industry into the multilateral trading system. However, the list of products under the ATC was greater than the list under the MFA. This transitory phase under the ATC is mainly characterised by two processes. The first of these is the integration of products into the GATT and out of the ATC. The second is an increase in the quota growth rates that remain under the ATC, allowing developing countries to export more goods under restriction. Table 7 presents the original timeline of this integration process.

Table 7 Timeline for integration under the ATC

Date	*Minimum volume integrated into GATT*	*Accumulated volume integrated into GATT*	*Growth rate of remaining quotas*
1 Jan 1995	16%	16%	16%
1 Jan 1998	17%	33%	25%
1 Jan 2002	18%	51%	27%
1 Jan 2005	49%	100%	Full integration

Source: Whalley (1997).

The impact of removing the constraints

The effect of constraining imports though quotas in the US and the EU was that their domestic prices of clothing, along with domestic production, were higher while domestic consumption was low. The restrictions put in place by the EU and US (and some other markets) on one set of countries created opportunities for others. Limits on exports by Japan and Hong Kong increased export opportunities for Taiwan and South Korea initially. In this way, the MFA benefited countries that otherwise may have lacked the ability to export significant amounts of clothing. Beyond the impact of the MFA came regional trade arrangements between the EU and its neighbouring countries, relaxing the quota restrictions on neighbouring exporters, such as from Turkey and other Mediterranean countries (MacDonald, 2006).

One problem that has fed the heated debate following the phasing out of textile import quotas has been that since 1995 the progress of the integration process had been extremely limited, despite full legal compliance with the commitments (Nordas, 2004). Therefore, instead of the culmination of a gradual integration process envisioned by those who crafted the ATC, January 1 2005 determined a huge and sudden impact on the structure of the world textile and apparel trade. Clothing imports from both China and Hong Kong rose by 75.5% by volume and 55.5% by value. Similar data compiled from Chinese customs data indicates that China’s exports to Europe rose by 46% in January (Tan, 2005).

The lifting of distortions, with most of the sensitive products liberalised only on Jan 1 2005, has different types of effects on three interest groups (in the EU or importing country):

1. the consumers in the importing country, affected positively
2. import competing producers in importing country (and their trade unions) affected negatively
3. importers, and producers using imports as inputs, affected positively

Responses in the EU

Following this surge in textile imports (especially from China) competing with EU producers (concentrated in France and Italy), less than six months after the elimination of the MFA quotas, the EU reintroduced import quotas on ten categories of textiles and garments of Chinese origin, including T-shirts, blouses, men’s trousers, and dresses. The EU move against imports from China was allowed on the basis of the provisions of the Textiles Specific Safeguard Clause in China's protocol of accession to the WTO. These restrictions blocked the entrance of millions of pullovers, trousers, T-shirts and bras, which remained in transit pending an outcome to talks between the Commission, EU member states and Chinese authorities, causing European importers and retailers to pressurise the Commission into lifting these restrictions.[9]

Moreover, following pressure from EU shoe industry (led by Italian producers), the EU has recently announced (April 2006)[10] the imposition of *anti-dumping duties* on the import of leather shoes from China and Vietnam. According to EU members, China and Vietnam subsidise their shoe manufacturers, which would constitute an illegal practice under WTO regulations. The tariffs, at 4.8% for China and 4.2% for Vietnam, are to be raised progressively over the next five months to a maximum of 19.4% for China and 16.8% for Vietnam, thereby protecting the sector. According to EU figures, the import of leather shoes from China surged 450% from 2004 to 2005 and 1,000% from 2001 to 2005, while shoe imports from Vietnam declined 1% in 2005 from 2004 but grew 95% from 2001 to 2005.

In the case of the textile and clothing sector, a large number of stakeholders representing different interests try to influence EU trade policy and policy-makers according to the different opinions they hold.

Textile producers organisations. Several national and European organisations are active in protecting the European textile industry, in particular in the most affected countries, including France and Italy. Euratex, the employers' organization of the European textile and clothing industry, is the most influential of these bodies. It has been the driving force behind the EU's decision to impose quotas on Chinese textiles and garments. It is currently scrutinising EU imports from India with the aim of assessing whether to make a similar case as for China.

Trade Union organisations. The main concern of such organisations is clearly the protection of jobs in the various industries. Since the textile sector is a fairly large employer in Europe, especially in countries where the unions are stronger, these organisations have been worried about increased Chinese competition following the phase out of the MFA. European trade unions (via the European Trade Union Congress) are supporting the demand that developing countries both subscribe to and implement the core ILO conventions for stricter labour regulation. This would increase labour costs in developing countries, thus stifling competition from these areas (and reducing the incentive for European firms to relocate to those countries). They are supported by the Brussels-based International Confederation of Free Trade Unions (ICFTU) and by Euratex. During the 2003 WTO Meeting in Cancún for example, the ICFTU called on the WTO to conduct an urgent review of the impact of the quota phase out on development sustainability, employment, and working conditions for the tens of millions of apparel and textile workers. The ICFTU also called for greater cooperation between the WTO and relevant United Nations agencies and the ILO to ensure a social dimension to trade.

Retail and Import trade organisations. Arrayed against these bodies are the retail and import trade organisations. Their political influence seems to be smaller than producers lobbied, even though the retail sector employs twice as many workers in the EU as the textile and garment industry. The main association of retailers, EuroCommerce, has been very critical of the introduction of quotas on textile imports from China, lobbying the Commission to find a solution for the supply shortages caused by the introduction of quota.

Some individual European companies have been so concerned about the possible rising prices following import restrictions that they have turned to legal action. For example, Gelco (a German

[9] The Textiles Committee, composed of member states' representatives, eventually expressed its favourable opinion for a flexibility of up to 9% in the form of advance use of the 2006 quota for pullovers, releasing some of the goods.
[10] See Newratings.com (2006), http://www.newratings.com/analyst_news/article_1247017.html.

fashion house) brought a complaint to the country's constitutional court, claiming that the blockage of textile imports from China represented an unlawful loss of GBP 1 million.

Consumer organisations. the consumers have appeared to be the least vocal in the textile debate, although the European consumers association, best known by its French acronym, BEUC, has expressed some concern for the reintroduction of textile quotas (Executive Times, 2005).

Development NGOs. The NGO sector probably represents the most heterogeneous group in this debate. On the one hand, there are NGOs, such as Oxfam, which welcome the lifting of restrictive quotas on textile and clothing as they were harmful for developing countries as a whole, although they call for further improvement in market access (in terms of less restrictive rules of origin and non-tariff barriers) in developed countries (Oxfam, 2004). On the other hand, NGOs like Action Aid and Christian Aid warn of the danger (in terms of job losses and lower output) for some higher-cost textile producers, such as those in Nepal, Cambodia, Bangladesh and Sri Lanka, of the competition from lower-cost producers in India and China induced by the end of the MFA.[11]

Moreover, there is widespread concern among NGOs for workers' rights in an industry, such as the textile one, where the former are often undermined to achieve cost minimisation. Oxfam, for example, not long ago launched its 'Clean Clothes Campaign' aimed at 'improving working conditions in the global garment industry'.[12]

The Political economy of UK Responses to offshoring to services

Below, we discuss the responses by various actors to trade policies affecting offshoring of services, including government, companies and unions. Trade measures related to offshoring is of increasing importance to countries with contact centres (e.g. India, China, Philippines, South Africa, Mauritius and the Caribbean) and hence for development and poverty reduction in those countries. Both business and unions have put out statements, but NGOs and development agencies have remained largely silent on this issue.

UK companies have outsourced operations to developing countries for many years, particularly to India since 1995. But the attention seems to have increased recently. In the UK attention has focused on call centres (the UK has also more call-centres than any other European country[13]). There are many examples in the financial services, telecommunications and health sectors, extending to legal services, water services (billing), airlines (customer relations and passenger revenue accounting for British Airways), universities and other areas. Most examples refer to offshore outsourcing rather than offshore FDI. Several companies have decided not to offshore. There are also companies that move operations back. Moreover, there are foreign companies that decide to open new locations in the UK. Production and jobs are not going in one direction only.

Private sector responses. There are several reasons behind the growth in outsourcing, including:

- Average cost savings of 40% on labour and administration costs (in India as compared to US and UK).
- The highly skilled workforce willing to work for call-centres in India, compared with that in many developed countries.
- Improved communications technology lowering the costs of calls and other communication.

[11] See Action Aid (2005) and BBC news (2004).
[12] See the campaign website at: http://www.cleanclothes.org/index.htm
[13] Table: Number of call centres in selected European countries.

	Britain	*Netherlands*	*Germany*	*France*
1998	4130	830	1600	1840
2000	5050	990	2450	2420

Source: Jean-Claude Delauney (2000), 'Call-centres: employment strategies in France' based on Datamonitor

- Improved business climate in key developing countries and zero corporation taxes for relevant operations (India, Morocco).

Businesses that offshore will always point to the business case of offshoring that it saves costs and that it is inevitable they relocate.

Union responses to offshoring. There are various types of union response to the issue of outsourcing, ranging from protectionism and strikes to engaging in partnerships with companies. Generally, unions in the EU appear to be less protectionist than their counterparts in the US. While some US unions preach trade protectionism, this is mostly rejected in the UK. This could be for various reasons, but is ultimately because unions realise that protectionism is not in the interest of their members.

The three UK unions Amicus, UNIFI and CWU have been most vocal in their concerns regarding offshoring of services. They joined for a campaign against the 'call-centre meltdown' in June 2003 (http://www.amicustheunion.org/main.asp?page=219).

The largest private sector union, Amicus, regards the recent waves of announcements as both part of a growing trend in offshoring and part of a bandwagon effect. A publication in 1996, *The outsourcing of IT services. Leading edge or bleeding edge?*, had already identified offshoring as an issue. It is regarded as an English language phenomenon, although the union mentioned cases of offshoring such as by France to Morocco and Finland to Estonia. The union argues that various UK services are affected and that financial services will lose 200,000 jobs to India. Amicus responds to offshoring as follows:

- It protects and safeguards the interest of its members in the UK and is concerned about the impact of offshoring.
- It will oppose offshoring if it can, but will not resort to protectionism because of fears of 'beggar thy neighbour' consequences, and of enhancing xenophobia; and wanting to maintain an international outlook.
- It sees a role for employers: they should be guided by Corporate Social Responsibility (CSR), and should trade ethically, adhering to five points (consultation, no redundancies, reinvestment of profits in worker skills, protecting careers, and adherence to labour standards). The major concern is that of companies stopping investing in the UK.
- It sees an important role for government. The latter should act before decisions are taken by, for example, investing in skills or fiscal incentives for R&D. It notes that call-centres have often been established using government support to weaken impact of declines in manufacturing and mining jobs.
- In the UK, the Transfer of Undertakings (Protection of Employment) regulations (TUPE) require that one company transferring part of its business to another company must also transfer the contracts of employment of the employees concerned, to the new employer. However TUPE does not apply in the case of international outsouricng/offshoring, as there is no transfer of employees.
- There are no views on fiscal matters.
- However, the union will question the business case of offshoring.

UNIFI (which has strong links with the UK) is Europe's largest specialist finance sector trade union, with 158,000 members in over 400 employers. Overall, they regard offshoring of services, including call-centres, as a growing issue, but with two bandwagons. Some companies emphasise the costs advantages of offshoring, while others emphasise the risks attached to offshoring. The union favours a three-pronged approach (based on interview):

1. an early consultation process to influence decisions early on
2. stopping the outflow of jobs by emphasising need for business case
3. avoiding compulsory redundancies if a decision is taken to offshore. Where available, UNIFI will engage in partnership agreements with employers. It argues that partnerships with Barclays and

LTSB are benchmarks on how to avoid compulsory redundancies.[14] The Partnership Principles agreed by Barclays and UNIFI mark a new phase in the development of employee relations (see Box 2 for further details).

Box 2 UNIFI and Barclays agreement

UNIFI argues that an agreement with Barclays represents a benchmark agreement for avoiding compulsory redundancies. The key elements are as follows:

1 Voluntary redundancy register – where jobs are being lost through 'globalisation' or there is a significant site/unit closure
2 Enhanced use of voluntary job matching – using volunteers from the register
3 Redeployment into alternative employment where a role is vacant or undertaken by a contractor or agency staff with trial periods and no loss of redundancy option
4 £2,000 gross training support for external career retraining – where redeployment options have been exhausted by both parties or is not available
5 In-placement/outplacement support – for redeployment and re-training
6 Three months advance notice plus three months displacement if jobs are actually disappearing
7 No general framework on TUPE transfers and globalisation
8 International Labour Standards; UNIFI pursues that Barclays adheres to ILO standards, Barclays' CSR position is that the development on human rights principles would inform their employment and sourcing practices worldwide
9 Management information; Barclays will provide information on voluntary redundancies, redeployment and retraining.

Source: www.unifi.org.uk

UNIFI is not the only union to sign agreements. AXA insurance and Unions Together have also signed –up to seven principles, see Box 3. The elements in such agreements are either not always transparent or cannot avoid long-run compulsory redundancies.

Box 3 AXA's 7 principles

1. AXA will consult meaningfully with Unions Together.
2. AXA will provide all necessary data and information including information on alternatives to outsourcing where possible.
3. AXA is anxious to maximise redeployment opportunities for all staff affected by transfers of work to AXA BS and in that context confirms its commitment to avoid site closures wherever possible.
4. AXA will use its best endeavours to avoid compulsory redundancies by maximising its utilisation of other approaches see principles 5, 6 and 7.
5. AXA will put significant resources into supporting its staff to review their skills, review their life/career path and retrain/re-deploy where necessary.
6. Wherever possible AXA will use the opportunities created by natural attrition to support transfers of work to AXA Business Services.
7. AXA will use wherever possible the options of voluntary redundancy and relocation in preference to compulsory redundancy.

Source: AXAI union newsletter, No. 23 (7th January 2004).

UNIFI has not taken the (trade) protectionist route, not only because they realise that global companies safeguard British jobs, but they are disappointed in the hands-off approach by the UK government, and argue that there are at least three ways in which the government can play a role:

- in local funding initiatives, bearing in mind that government incentives have helped to locate call-centres in certain areas

[14] There appear to be no long-run guarantees on avoiding compulsory redundancies.

- in emphasising data protection
- in emphasising CSR and making certain elements compulsory.

UNIFI has also threatened to (ballot for a) strike on several occasions.

The CWU has also responded to offshoring of services, owing to BT's announcements to offshore thousands of jobs. The CWU is not focusing on India or Indian workers, but is concerned about the treatment of BT employees. The CWU has sought to exploit various avenues to stop work moving to India. This has included (http://www.cwu.org/):

- lobbies, demonstrations and protests
- a media campaign
- lobbying politicians and political parties
- getting the issue raised in parliament
- raising concerns with Oftel (the telecommunications regulator, now Ofcom, the UK communications regulator) and various government ministries
- developing a coordinated strategy with other unions facing similar issues.

Unions have produced other, less well coordinated or one-off responses or ideas. For instance, Tony Woodley, of the Transport and General Workers' Union, has proposed giving the right to freeze outsourcing contracts to the Department of Trade and Industry.

Government responses to offshoring. The Department for Trade and Industry (DTI) has been concerned about the issue of offshoring. However, the UK government has not become as protectionist as some US states in banning offshoring of services. The UK does not take protectionist measures and Britain benefits from outsourcing.

However, there are reasons of prudence that may make offshoring difficult. Some argue that government jobs would not be exported for security reasons, notwithstanding the IT contract awarded by the National Health Service to a consortium that includes Tata (from India, with investment in the UK). The European Data Protection Directive (data on individuals), probably permitted under GATS XIVc (ii), prohibits data on individual Europeans from leaving the EU unless it goes to countries with full data protection laws. Apparently, countries such as India do not comply with minimum standards, although individual companies have signed contracts to comply with the Directive. Some services agreements (e.g. EU–Mexico) deal with data protection issues.

Other factors could help the UK to promote offshoring to developing countries, such as taxes, or by promoting trade and investment abroad. The software and computer services and electronics sectors are amongst the high-use of trade missions sectors, but financial services and business services are amongst the low-use sectors.

There are also government policies that aim to keep services inside the UK. For instance, incentives appear to have been used in the past to attract call-centres to certain parts of the UK. Having provided incentives for call-centres, the DTI's regional policy could also help to alleviate affected areas through its regional policy. It would focus on measures to enhance the competitiveness of regions through innovation and skills development.

There have been very few development agencies or NGOs active in this area. Because of this, the government has not actively changed course and begun to actively promote offshoring to developing countries. However, at least the 2004 DTI white paper included the recognition that offshoring of services can be good for developing countries such as India.

Implications of case studies

The implications of such case studies could lead to the identification of those trade measures by the UK (and EU) that can be useful for enhancing development and reducing poverty, but which, for whatever reason, have not yet been adopted, or addressed satisfactorily, and also to the identification of what type of actors are doing what. This may suggest ways forward, e.g. in concluding further alliances.

- Appropriate Standards (alliances between consumer groups and developing country exporters).
- Textile and Clothing (work with EU retailers to encourage developing country importers while ensuring that prices are fed through).
- EPAs (focus on the development aspect and aid for trade, rather than trade content which is not pushed by business).
- Offshoring of services (take a developmentally friendly position and work with developing country services associations).
- Aid for Trade and SDT (move from asking for increased policy space towards an emphasis on Aid for Trade, which is being developed at present, and which would help to raise the capacity of developing country exporters to benefit from the implementation of WTO rules).

Aid for Trade: definition and timeline. Aid for Trade is a relatively new concept both in international trade and in development assistance, though individual components (e.g. building up infrastructure) have been in place for a long time. There is not yet a single definition. The WTO recently defined the scope and purposes of Aid for Trade in the Hong Kong mandate as:

> **Mandate – WTO Hong Kong Ministerial Declaration on Aid for Trade, paragraph 57 (WTO 2005)**
> '…Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access. However, it can be a valuable complement to the DDA.'
>
> The recognition that market access by itself was not enough to increase developing countries' exports to developed countries induced analysts and policy makers to think about other constraints that prevented developing countries from reaping the benefits of free trade. One such constraint has been identified as the limited supply capacity to trade by developing countries.

Timeline of History of Aid for Trade

The summary in Table 8 shows that Aid for Trade was first mentioned and treated as a WTO problem in 2003; and it was first taken seriously by former sceptics in 2005, Aid for Trade made it to the WTO agenda in November 2005.

The simple summary conceals the importance of key players. For instance, Aid for Trade is related to the debate on preference erosion and those that took the issue seriously. The role of the Swedish and UK governments and the role of the IMF should be considered as early innovators in the debate, either by statements, or by commissioning and acting upon work, including making announcements on Aid for Trade.

Table 8 Relevant events relating to trade related assistance, Integrated Framework and Aid for Trade, from 1996 onwards.

Date	*Event*
1996–97	At the WTO Singapore Ministerial Meeting, member states set up the Integrated Framework for Trade-Related Assistance (IF) for the LDCs. WTO, UNCTAD, and ITC carried out needs assessments in the eight countries: Benin, Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Tunisia, Uganda, and the United Republic of Tanzania.
1997	Integrated Framework created at the WTO High Level Meeting on Integrated Initiatives by six multilateral institutions (IMF, ITC, UNCTAD, UNDP, World Bank and the WTO) to better integrate LDCs into multilateral trading system. Its activities should consist of diagnostic studies of trade constraints and capacity building. Typically, Diagnostic Studies identified needs in such areas as trade policy, trade facilitation, trade capacity and policy coordination, and market access.
1998	WTO, UNCTAD, and ITC set up with donors a Common Trust Fund to mobilize donor support for the eight countries they assessed. The individual projects were transformed into the Joint Integrated Technical Assistance Programme (JITAP).
2000	An OECD report found that IF lacked priorities, funding and governance and therefore had limited payoffs for developing countries. The mid-term evaluation of JITAP made some recommendations about new organisational and management strategies for the fund.
2001	Integrated Framework revised as a result of its poor evaluation in the prior year, with a new governance structure and more clearly defined priorities. Launch of WTO round in Doha. At the meeting held at Doha in November 2001, members reaffirmed their commitment to developing countries, and especially the LDCs, by agreeing, among other things, to 'well-targeted, sustainably financed technical assistance and capacity building.' (final WTO declaration).
2002	The European Commission responds to the Doha text which contains many references to development and forms the basis of much of the current thinking on TRA. The Communication from the Commission to the Council and the European Parliament, entitled the '*Trade and Development: Assisting Developing Countries to Benefit from Trade*' (endorsed by the Council in November 2002) describes the EC's TRA strategy. OECD and WTO jointly set up the Trade-Related Assistance and Capacity Building database to provide information on trade-related technical assistance and capacity building projects. JITAP is extended to eight new countries: Botswana, Cameroon and Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia. The OECD DAC prepared an evaluation of the programme and concluded that the design was excellent but that outcomes had been mixed given the ambitiousness of its goals.
2003	Second phase of JITAP launched. First evidence on preference erosion: IMF paper to WTO on LDC preference erosion; Mauritius on need to find solution; ODI paper to ILEAP on African's preference erosion. Cotton exporters demand for compensation. The WTO ministerial in Cancùn leads to the perceived need to deal with development in Round. The inter-service trade and development task force of the European Commission produces an internal working paper '*Guidelines for EC Trade-Related Assistance*' in order to provide detailed practical orientations to people involved in the design, planning and delivery of TRA projects on the ground and to facilitate coordination and coherence between EU and member states' activities.
2004	An evaluation of the IF by the World Bank Operations Evaluation Department found the programme to be under-funded and increased money was needed to meet infrastructure needs. Total funds in the integrated framework reached US$ 21.1 million and total funds in JITAP reached US$ 12.6 million in this year. Alexandraki and Lankes (from IMF) provide an estimate of adjustment costs of middle-income countries following DDA implementation. Gillson *et al*. calculate adjustment costs faced by countries following the end of sugar and banana EU import regimes. The Millennium Project Task Force on Trade suggested the establishment of a (temporary) 'Aid for Trade Fund'.
2005	The Sutherland Report underlined the need to support developing countries in dealing with trade liberalisation. Several calculations of preference erosion costs; Low *et al*. provide a WTO estimation of losses from preference erosion in non-agricultural markets. Hoekman and Prowse paper on 'From Trade as Aid to Aid for Trade'. World Bank officially recognises that preference erosion matters.
February	G7 Finance Ministers Meeting, London: *Conclusions on Development.*

2005	Call for additional assistance; Scope: adjustment; increasing 'capacity to take advantage of more open markets' Eligibility: developing countries
March 2005	OECD–DAC High Level Forum, Paris: *Paris Declaration of Aid Effectiveness* Commitment to improve aid quality
April 2005	Development Committee, Washington, D.C.: *Aid for Trade: Competitiveness and Adjustment, Joint Note by the Staffs of the IMF and the World Bank* • strengthening Aid for Trade through the IF • enhanced IF • identifying needs on the basis of the IF DTIS • developing a coherent trade strategy within which additional projects to support trade facilitation and adjustment could be planned • eligibility: LDCs and consideration of extending IF to all IDA-only recipients.
May 2005	Letter from World Bank/IMF to Geneva-based Ambassadors • Call for coordination of a Geneva-based process 'on building understanding for proposals for IF and Aid for Trade'
July 2005	G8 Summit, Gleneagles, Scotland: *The Gleneagles Communiqué (Africa, Promoting Growth)* • doubling aid for Africa by 2010 and increasing ODA by around US$ 50bn per year by 2010 • increasing 'help to developing countries to build the physical, human and institutional capacity to trade including trade facilitation measures' • '[G]rant additional support for trade capacity building to assist LDCs, particularly in Africa, to take advantage of the new opportunities to trade resulting from a positive conclusion' of the Doha negotiations • call on the IFIs to 'submit proposals to the annual meetings for additional assistance to countries to develop their capacity to trade and ease adjustment in their economies' Barosso pledge at G8: 'trade-related assistance from the European Commission would increase from € 800 million to €1 billion per year for the 2007–2013 period. In addition, EU member states committed to ensure that trade-related technical assistance would reach €1 billion by 2010. So, the total EU contribution for Aid for Trade should reach €2 billion by 2010'.
June 2005	G7 & G8 Finance Ministers Meeting, London: '…Call on the IFIs to submit proposals for the Annual Meetings for additional assistance to countries to develop their capacity to trade and ease adjustment in their economies, based on a systematic analysis of transition costs, so they can take advantage of more open markets'.
July 2005	Geneva Consultations process: *'Aid for Trade' Initiative – Options to Enhance Support, Non-Paper* • Enhanced IF: main delivery mechanism for Aid for Trade • Additional finance (US$ 5–15 million per country) to enhance IF disbursed over a 10-year period • New multilateral fund for supply-side constraints; and a separate window for adjustment issues • Eligibility: LDCs, with possible extension to low income developing countries, e.g. all IDA-only recipients through new financing window
September 2005	Development Committee, Washington, D.C.: IMF and World Bank *Doha Development Agenda and Aid for Trade* (Paper prepared by the staff of the IMF and the World Bank) • Enhanced IF: 'most effective channel for trade to tap into existing and additional aid flows' • Doubts about value of a multilateral fund for priorities identified in the DTIS • Merit in examining *regional or cross-country* aid for trade needs • Value in strengthening assessment of adjustment needs for existing mechanisms to be better utilised • '…Serious misgivings about the desirability and effectiveness of a separate fund to address adjustment, given the availability of existing mechanisms'
October 2005	LDC WTO Coordinator *A LDC Contribution: Alternative Proposals to the World Bank/IMF Aid for Trade Proposals (letter by Patel, Zambia)* • Enhanced IF to address the value chain • Create an Adjustment Facility to cope with short term losses and improve competitiveness • Set up an Infrastructure Fund • Debt Relief • Eligibility: LDCs and other low-income countries
October 2005	Pascal Lamy (WTO) supports the idea of an aid for trade initiative at the UNCTAD Trade and Development Board of 6 October 2005

	Special DAC Meeting on Aid for Trade, Paris: *Background Note* • Coordinated delivery of TRTA • Rationale for Aid for Trade: o Adopting and implementing existing WTO obligations o Addressing supply-side constraints and Aid for Trade related infrastructure to improve these constraints o Assistance required for adjustment to revenue losses related to trade liberalisation and preference erosion
November 2005	The Department for International Development will treble its support to GBP£ 100 million pounds a year by 2010 to help poor countries boost their exports to the rest of the world. WTO suggested an Aid for Trade paragraph for Hong Kong declaration and set up process in Geneva.
December 2005	Japan to increase its aid for trade by US$ 10 billion by 2010 The US said it intended to reach US$2.7 billion a year in Aid for Trade grants by 2010 (doubling from 2005) OECD/WTO report on TRTA database, doubling over a few years.
December 2005	G7 Finance Ministers Meeting, London: *Statement by G7 Finance Ministers* • Agreement to collaborate with the IFIs on additional measures 'for developing countries to ease adjustment costs and increase their capacity to trade' • Expectation of Aid for Trade to increase to US$ 4 billion, including through enhancing the Integrated Framework' • 'In the context of our shared commitments to double aid for Africa by 2010, we agree to give priority to the infrastructure necessary to allow countries to take advantage of the improved opportunities to trade'
December 2005	WTO ministerial in Hong-Kong, *final declaration*. At the WTO Hong Kong Ministerial Meeting, members adopted a Declaration with Paragraph 57 on Aid for Trade World Bank and IMF endorsed a proposal to enhance the IF and at the Trade Ministers welcomed the establishment of a Task Force within the IF.
February 2006	The WTO Director General establishes the task force on Aid for Trade. It includes Barbados, Brazil, Canada, China, Colombia, the European Communities, Japan, India, Thailand, the United States and the coordinators of the African, Caribbean and Pacific Group of States, the African Group and the LDC Group. The Task Force started its activities which should produce a set of recommendations for improving the effectiveness of Aid for Trade in contributing to the development dimension of the DDA.
April 2006	Development Committee, Washington, D.C.: World Bank Background report: *Trade Progress Report: The Doha Development Agenda and Aid for Trade: Hong Kong and Beyond* • Broad definition of Aid for Trade o 'Supply-side' constraints, need to define 'trade-related infrastructure' o Inclusion of adjustment unclear • IF Task Force state of play: o IF will remain focussed on LDCs • Focus on technical assistance/project preparation activities and catalytic role in larger projects such as infrastructure
May/June 2006	OECD reports to report; deliberations of the Integrated Framework Task Force
July 2006	Aid for Trade Task Force to report

Source: Aitic (2006), Te Velde *et al*. (2006), Calì *et al*. (2006), and ODI database at http://www.odi.org.uk/iedg/aid4trade.html

The Debate around Aid for Trade

Appendix A4 provides information about the position on Aid for Trade of the major interest groups in the EU. There is a clear distinction between the position of NGOs (though there are differences) who do not yet seem to appreciate fully the role of Aid for Trade as it can be seen as a 'bribe' though acknowledging that aid for the supply-side capacity is important; the position of business, largely ignoring the issue so far, and unions (partly sympathetic). It is important to note that even the critics do not take issue with more aid for supply capacity, but rather its role in the current negotiations.

Aid for Trade: the role of the UK

There are two ways the UK plays a role: first by providing Aid for Trade, and second, by putting the issues at the forefront of the WTO negotiations.

We provide estimates of UK spending on Aid for trade, considering a broad definition of Aid for Trade, which include both narrow (trade policy and regulation and trade development) and broad Aid for Trade activities (energy, telecommunications and transport infrastructure). As Table 9 shows, UK spending on Aid for Trade has been fairly constant over the period 2001–04, except for an abrupt increase in 2003, due to a large extent to investment in infrastructure. In terms of levels of assistance, the UK stays consistently below the major donors (Japan, the EC, US and Germany) and its yearly spending is also on average below that of France.

Table 9 Total Aid for Trade by donor and by year (US$ '000)

Years (Commitments)	*2001*	*2002*	*2003*	*2004*	*2001–04*
Japan	4,076,888	3,541,488	3,380,556	4,077,637	15,076,570
EC	2,259,363	2,364,378	2,179,817	2,594,250	9,397,809
United States	982,630	1,446,475	1,261,755	5,067,599	8,758,458
Germany	635,743	408,412	482,782	656,377	2,183,314
France	197,215	231,778	332,122	452,672	1,213,788
United Kingdom	**187,195**	**179,715**	**444,264**	**206,237**	**1,017,411**
Netherlands	191,413	279,033	177,310	200,109	847,865
Spain	98,806	196,170	293,738	161,953	750,667
Denmark	25,993	128,879	155,135	210,128	520,136
Total All Donors	11,151,490	11,216,131	12,312,349	17,798,386	52,478,356

Source: WTO database

We assess the extent to which countries are specialised in Aid for Trade by constructing an index of specialisation amongst all major aid donors. The index is the ratio of the share of a country to total aid for trade and the share of the country in total Official Development Assistance (ODA). A value of the index greater than one indicates that the donor is spending proportionally more on aid for trade. Table 10 shows that the UK is amongst donors with the lowest relative specialisation on aid for trade. Its value of 0.3 over 2001–04 indicates that on the UK spends two third less than the average donor on aid for trade, after controlling for the absolute level of assistance. Among the first 16 donors, only Canada, France and Italy are less specialised than UK in trade-related aid.

The EC and Japan have had a relative specialisation in aid for trade over the period 2001–04, although this specialisation has been declining. The value for the EC is mainly driven by expenditure on trade policy and regulation and trade development, while Japan's value is the result of the focus on infrastructure in its development assistance strategy. The US has an index greater than one only in 2004, because of the shock in its aid pattern mentioned above. All other donors are spending relatively little on trade-related assistance.

Table 10 Index of Aid for Trade specialisation (by donor and year)

	2001	*2002*	*2003*	*2004*	*2001–04*
EC	2.3	2.5	1.8	1.6	2.0
Japan	1.7	2.1	1.6	1.6	1.7
United States	0.5	0.6	0.5	1.2	0.8
Spain	0.3	0.7	1.1	0.4	0.6
Switzerland	0.4	0.7	0.8	0.4	0.6
Denmark	0.1	0.6	0.8	0.5	0.5
Germany	0.6	0.4	0.5	0.4	0.5
Australia	0.5	0.1	0.3	0.7	0.4
Norway	0.7	0.3	0.5	0.3	0.4
Netherlands	0.3	0.4	0.6	0.4	0.4
Belgium	0.3	0.4	0.4	0.3	0.3
Sweden	0.5	0.2	0.5	0.2	0.3
United Kingdom	**0.2**	**0.2**	**0.6**	**0.2**	**0.3**
Canada	0.4	0.2	0.4	0.2	0.3
France	0.2	0.2	0.3	0.3	0.3
Others	0.1	0.3	0.2	0.2	0.2
Italy	0.1	0.1	0.4	0.1	0.2

Note: the index is obtained by dividing the share of a country in total aid for trade over the share of the country in total ODA. An index greater than one means relative specialisation in aid for trade

Source: WTO and OECD DAC database

An analysis of the type of Aid for Trade provided by the UK indicates that most of the spending is composed of infrastructure investment (three quarters of the total over the 2001–04 period). The narrow categories of Aid for Trade (trade policy and regulation and trade development) receive similar levels of spending over the period with a slight prevalence of trade development.

Table 11 Distribution of UK Aid for Trade spending – by category (US$ '000)

	2001	*2002*	*2003*	*2004*	*2001–04*
Trade Policy & Regulation	33,113	19,010	45,966	19,331	117,419
Trade Development	38,462	27,424	50,223	28,593	144,703
Infrastructure	115,620	133,281	348,075	158,313	755,290
Total	187,195	179,715	444,264	206,237	1,017,411

Source: WTO database

The geographical analysis of trade-related aid provided by the UK (Table 12) shows an erratic allocation of the spending across regions of the world over the 2001–04 period (though we have to admit that the database from which this is drawn cannot properly reflect geographical distribution of aid). Overall, Africa and Asia are the largest recipients with 37% of the total each, followed by the Americas (15.7%) and Europe and Oceania with negligible shares. Among the sub-regions, sub-Saharan Africa is the largest recipient with one third of total UK trade-related aid over 2001–04, followed by South and Central Asia (one quarter) and Middle East (8.4%). Spending in the latter two regions has been recently boosted by UK spending in infrastructure for Iraq and Afghanistan's reconstruction. Such focus on these areas may partially explain the relative neglect of other areas (SSA and South America in particular) in 2004.

Table 12 Distribution of UK Aid for Trade spending – by region (share of total)

	2001	*2002*	*2003*	*2004*	*2001–04*
Africa	**23.4%**	**30.8%**	**54.0%**	**19.3%**	**37.3%**
Africa – North of Sahara	0.0%	0.0%	0.0%	0.0%	0.0%
Africa – South of Sahara	18.7%	15.6%	53.6%	17.6%	33.2%
Africa regional	4.8%	15.1%	0.4%	1.7%	4.1%
America	**7.6%**	**52.4%**	**10.0%**	**3.1%**	**15.7%**
North & Central America	3.8%	11.5%	10.0%	2.9%	7.7%
South America	2.8%	40.8%	0.0%	0.1%	7.7%
America regional	1.1%	0.0%	0.0%	0.1%	0.2%
Asia	**47.7%**	**10.6%**	**31.4%**	**62.3%**	**37.0%**
Far East Asia	18.5%	0.8%	0.4%	0.4%	3.8%
Middle East	0.0%	0.3%	9.5%	20.5%	8.4%
South & Central Asia	29.0%	9.5%	21.6%	41.3%	24.8%
Asia regional	0.2%	0.0%	0.0%	0.0%	0.0%
Europe	**1.4%**	**0.3%**	**1.0%**	**0.1%**	**0.7%**
Oceania	**0.0%**	**0.0%**	**0.0%**	**1.7%**	**0.3%**
Global programmes	**19.8%**	**5.9%**	**3.6%**	**13.5%**	**9.0%**
Total (US$ '000)	**187,195**	**179,715**	**444,264**	**206,237**	**1,017,411**

Source: WTO database

Apart from being an important provider of Aid for Trade, the UK government has also been active in setting the agenda by writing proposals on Aid for Trade (Hoekman and Prowse, 2005) making announcements and supporting the inclusion a paragraph on Aid for Trade in the WTO declaration.

6. Conclusions

This paper has sought to examine UK trade policy and poverty from a political economy perspective. It included both a background of UK trade policy and a survey of the perceptions of it. Section 2 covered how the UK currently affects developing countries through international economic relations arguing that the UK can help developing countries by supporting more imports from and investment to these countries. Section 3 discussed how UK trade policies have been adopted by including a detailed overview of what trade measures the UK government has put forward in its policy documents and what the government thinks about how the linkages between trade, development and poverty reduction are expected to work. Section 4 examines the perceptions of UK and EU trade policies by UK-based NGOs and business interest groups and shows that there are various issues where perceptions differ greatly. Section 5 discusses details of UK (and EU) trade policy on the basis of two case studies and shows clearly that opinions are divided along the lines of economic interest. It can be used for many issues, but one is that such an analysis identifies what type of actors might be helpful to change trade measures.

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For further references see the appendices.

Appendix A1 NGOs and UK/EU Trade Policy and Development

NGO	WTO negotiations *agriculture*	WTO negotiations *services/GATS*	WTO negotiations *NAMA*	EPA	other
War on Want **www.waronwant.org**	They would like to see a complete elimination of export dumping if agricultural development is to reach its potential. War on Want also calls for an end to the abuse of food aid. Current WTO agricultural policy must be implemented and further, more radical reforms should be processed.	War on Want would like to see the services sector left out of trade negotiations. This would include public health, education, and essential utilities.	NAMA negotiations are being pushed quickly in pursuit of trade liberalisation among the world's richest countries without consideration for the developing ones. Instead, developing countries should be allowed to manage their own trade regimes, should have their own formula for tariff elimination (not Swiss), should be granted individual binding requirements, and should be allowed to participate on sectoral negotiations on a voluntary basis. WTO members should reject NAMA texts and push, instead, for further development of the industrial sector of developing nations.[i]	War on Want is part of the 'Stop EPA' coalition aimed at stopping the EPA negotiation process and looking for alternatives to complement liberalisation.	War on Want believes that developing nations should be exempt from joining the TRIPs agreement on intellectual property rights as it hinders them from providing prescription drugs efficiently to those who need them.
ActionAid International **www.actionaid.org**	ActionAid calls for the immediate elimination of subsidies in the EU and the recognition of the need for a 'development box' around developing nations. The WTO should also implement supply management policies to curb the overproduction of agricultural goods.	ActionAid is strongly opposed to GATS.	ActionAid believes NAMA will not benefit the developing nations, but will most likely cause de-industrialization instead. They demand that the current NAMA negotiations be halted, the text of July 2004 be rejected, and a study of the potential developmental and environmental impacts of NAMA be carried out.[ii]	ActionAid believes that the current EPA campaign would be detrimental to Africa and the Caribbean. They instead want to change the design of the EPAs so that African nations are not forced to open their markets before they are ready to do so. Developing nations should also be given an alternative to EPAs. They suggest action through alternatives to EPAs, including GSP or the EBA campaign. They also believe that Singapore Issues should be left out of any agreement. The UK has made a step in the right direction, but now needs to use its power with the EU to influence them as well.[iii] They believe that changes should be made to Article XXIV providing exemptions for ACP countries, like the EU has done with India–Pakistan.	
Oxfam International **www.oxfam.org**	The WTO should not respond positively to pressure from the EU and US to maintain high export dumping rates.[iv]	Oxfam believes that the GATS agreement would undermine educational opportunities in developing nations and is a founding member of the Global Education Fund to combat the legislation. Oxfam challenges the idea that the private sector can handle the services component more efficiently.[v]	Oxfam believes that developed countries are unfairly pressuring developing countries to liberalise their markets while not committing to knock down their own protectionist barriers. Oxfam recommends that developing countries choose their own rates to which they will bind. Developing countries should also choose to exempt key tariffs from regulations. The preference system should also be drastically reformed. Those that put the system in place should provide bilateral assistance to those dependent on preference assistance.[vi]	Oxfam urges the UK to reject EPAs in their current form until they recognise sustainable development as their central objective and include the principle of non-reciprocity. The UK has made positive progress after giving developing nations the power to set the pace, sequence, and products for EPAs. It is now the job of the UK to convince other countries to do the same and affect the European Commission likewise.[vii]	
World Development Movement **www.wdm.org.uk**	The WDM is convinced that citizens from developed countries would gain from cuts in agricultural subsidies.[viii]	They believe that the WTO has failed to consider the movement of low skilled labour in GATS.[ix]	The World Development Network says that the Swiss formula for tariff elimination hardly fits with the aims of the 'development round'.		
Trade Justice	TJM calls publicly for	TJM believes water should	TJM believes that the UK government	TJM stresses that the UK government should	

Movement **www.tjm.org.uk**	developing nations to have the right to safeguard their own agricultural products on the grounds of food security. They also believe that developing countries should have the right to determine for themselves which tariff lines to reduce and at what rate.[x]	be removed from GATS. The TJM proposes that the EU make a statement saying that developing nations have the right to abstain from initial services negotiations. Developing nations should have the freedom to provide for their people accordingly.[xi]	should reject the current state of NAMA and agree to allow developing nations to set their own binding tariff rates.	acknowledge the right of the developing nations to make the decision to liberalise or not. The UK should use its current position as president of the EU to make changes now.	
Stop EPA **www.stopepa.org**				Stop EPA rejects EPAs in their current form. They instead believe that EU–ACP trade negotiations should be based on the principle of non-reciprocity, should protect workers and farmers, should reverse the pressure for trade liberalisation, and should provide the political space for developing nations to peruse their own investment strategies.[xii]	
Christian Aid **www.christian-aid.org.uk**			Christian Aid believes that NAMA will effectively destroy existing industry in developing nations. They believe that developing countries should be able to use protectionist policies until they are ready to open their markets on their own time.[xiii]		Christian Aid does not support trade liberalisation, as it has seen the negative impacts liberalisation has on small farmers. Developing countries should not be forced to liberalise as a price for aid and developed countries should use their power in the World Bank and IMF to right past wrongs. Christian Aid also advocates for the UK to make a clear connection between SDT and flexibility in trade agreements as well as convince other EU members of the need to create a 'framework agreement' on SDT.[xiv]
Which? Campaign **www.which.net**	Half agricultural tariffs by 2010, and stop the naming of agricultural products by geographical region and name (as it provides yet another barrier to trade).[xv]		The Which? Campaign seeks to establish free trade by 2020,		Representing the wishes and demands of the UK consumer, the Which? Campaign advocates free trade via the WTO. This enables competition and lower prices for the consumer.[xvi] Re-establish the WTO Working Group on Competition.
'ecumenical community'	They believe that food sovereignty and adequate nutrition should be the primary target of WTO agricultural policy This, they believe, can be done via the elimination of harmful subsidies, the creation of a distinction between small farmers and huge agri-business in policy, the elimination of the dumping of food, and the removal of barriers around Northern markets.[xvii]	They believe that education, health services, and water cannot be 'commodified' and should be left out of GATS.			They advocate radical changes in the trade regime on intellectual property rights so that developing countries can have the right to import cheaper generic drugs in order to serve the people.

Appendix A2 Businesses and UK/EU Trade Policy and Development

Interest Group	WTO negotiations *agriculture*	WTO negotiations *services/GATS*	WTO negotiations *NAMA*	EPA	other
CBI **www.cbi.org.uk**	The CBI sees large opportunities for increasing openness of agricultural markets.	CBI supports the increased liberalisation of services. They also advocate the inclusion of investment in GATS.			The CBI supports the WTO in their effort to liberalise trade by removing barriers.[xviii]
CBC **www.cbcglobelink.org**	The CBC recognises the importance of WTO rulings, especially in anti-dumping of agriculture. At the same time, they call for a reduction of tariffs in agriculture, citing that it would help developing countries make big gains.	The CBC advocates a progressive elimination of tariffs on services.			The CBC houses a Working Group on WTO and trade barriers seeking to eliminate trade barriers, improve market access, and ensure protection of developing countries in the world market. The CBC also wishes to amends the TRIPs agreement to allow developing countries without domestic production the access to affordable medicines in the event of public health emergencies.[xix]
ESF **www.esf.be**		The ESF believes that their stakeholders (and all of the EU) have the most to gain from the liberalisation of the services sector and, therefore, believe it to be of most importance in trade negotiations. [xx]			The ESF advocates the need for a homogenous policy on the temporary movement of highly skilled workers within the WTO.[xxi]
Euratex **www.euratex.org**			Euratex believes that Doha negotiations on textiles and clothing should be done on a sectoral basis, that all WTO members should reduce their tariffs to a maximum of 15%, and that the WTO should freeze non-tariff barriers. [xxii]		
UNICE **www.unice.org**	UNICE believes that further liberalisation of the agricultural sector will have a positive influence on the agri-food sector of the EU, and therefore, should be included in WTO negotiations. They also stress the need for an end to other trade-distorting measures, like subsides, that make WTO negotiations less applicable.[xxiii]	UNICE believes that GATS provides a means for more participation of all WTO members in the trading of services. They believe that the role of GATS is to open the EU beyond a single-market and to make available services in other parts of the world.[xxiv]	UNICE actively supports NAMA as proposed as agreed at Doha. They believe that the agreement provides for improved market access and the ability for progress in European business. They believe that the text provides benefits for all WTO members. Furthermore, UNICE advocates for a complete elimination of tariff barriers in the long run, but has set up intermediate goals including a general tariff reduction formula.[xxv]		UNICE accepts that SDT for developing countries may be required to aid rural development and food security. They also support an extension of the 'Everything but Arms' campaign if the graduation of tariff reductions is part of the plan.
Global Services Coalition		The Global Services Coalition claims that the WTO is unsuccessfully negotiating on the services sector. 30 members of the WTO have failed to submit initial services offers which is stagnating liberalisation of markets.[xxvi]			
MARQUES **www.marques.org**					MARQUES advocates that geographical indicators of wine and spirits (GIs) be made part of the TRIPs agreement. [xxvii]
WITSA **www.witsa.org**					WITSA advocates the opening of the market of information and communications technology, as they believe that it would not only benefit the companies involved, but also those affected by the industry. They hold that developing countries could liberalise better with more cross-boundary access.[xxviii]

Appendix A3 Unions and UK/EU Trade Policy and Development

Union	WTO negotiations *agriculture*	WTO negotiations *services/GATS*	WTO negotiations *NAMA*	Other (offshoring covered in main text)
Amicus **www.amicustheunion.org**				Amicus is a part of the Make Poverty History Campaign aimed at asking world leaders for trade justice. They ask the UK government to allow developing countries to choose the solutions that they think will help end poverty and protect their environment, end export subsidies, and make harsher laws against big business profiting from the world's poorest.[xxix]
EFFAT **www.effat.org**	EFFAT understands the need to take on sugar regulations for international issues but believes that European Commission has taken on too much of a commitment to the WTO ruling which will harm the European sugar sector. They believe the price cuts are on too short a timeline and will cause unnecessary social harm.[xxx] They also fear that the opening of the sugar market may negatively affect developing countries due to the amount of child labour and lack of trade unions; it may lead to the exploitation of labour.[xxxi] EFFAT advocates that full liberalisation of the agricultural market will have devastating effects for the developing world and that the CAP must be reformed.[xxxii]			After the apparent failure of the Cancun negotiations, EFFAT made a stronger commitment to mitigate dialogue with EU institutions to make social change in European politics. They plan on becoming more involved in negotiations and working with information on a more timely basis.[xxxiii]
CWU **www.cwu.org**		CWU recognised that the WTO was working on GATS and that it would have impact on some 160 services sectors, a few of which CWU represents. The only comment they made was that they were supporting the Labour Party's initiatives on how the policy was handled.[xxxiv]		
Connect **www.connectuk.org**				Connect is also part of the Make Poverty History campaign because they believe that the developed world not only has a social obligation but also to ensure that global trade agreements do not erode labour standards.[xxxv]
TUC **www.tuc.org.uk**				TUC is also part of the Make Poverty History campaign.[xxxvi]
ICFTU **www.icftu.org**	In terms of agriculture, the ICFTU has major problems with subsidies, food security and employment. They advocate an end to export subsidies, a closer look at the effects on employment and how governments can create new jobs, an even closer look at cotton subsidies, a better effort to respect the rights of trade unionists and women, the elimination of child labour in agriculture, stronger and more flexible rights for agriculture in developing countries, and more stable market access for developing countries into developed countries.	ICFTU holds that forced liberalisation of essential services under GATS will leave the most vulnerable worse off. They believe that public services should be excluded from the negotiations, services should be made affordable for all, 'benchmarks' should be excluded from the agreement so that developing countries need not make specific commitments to a service sector, a strong distinction should be made between trade regulation and trade liberalisation, migrant workers must be covered in the text, and a more comprehensive assessment of social/ environmental/ developmental impacts is needed.[xxxvii]	ICFTU has major concerns with NAMA including the loss of jobs and policy space, the loss of income for social expenditure, the lack of sound assessment thus far, further preference erosion, the exclusion of health and environmental standards, and the sectoral approach. They recommend that governments take a more rigorous look at the developmental impact of NAMA, set up social programmes as a safety net, maintain an active 'policy space,' allow developing countries to opt out of certain sectoral negotiations, and call more for worker s' rights.	ICTFU is part of the Global Call to Action Against Poverty alliance asking global leaders to live up to their promises to alleviate poverty. The aim of the alliance is to pressure governments to enact measures to protect public services from liberalisation forces, to increase the accountability of governments to human rights in trade policy, and to end dumping and subsidies of rich countries.

Appendix A4 Position of different groups on Aid for Trade

NGO	*Position on Aid for Trade*
War on Want	Countries are trying to buy off opposition to their trade policies by means of a cynical bribe. To put the ‘development package’ into perspective: the EU’s total € 1 billion ‘Aid for Trade’ package (already announced in July) is the same amount as is handed out in EU agricultural subsidies each week.
ActionAid International	They're in favour of an Aid for Trade package if it means that developing countries can choose the kind of aid that they want. And they can choose how it’s spent and there aren’t damaging conditions attached to it. But they're not in favour of it if it means that its actually money to help try to change their trade policies to benefit rich countries and their exporters. Poor countries should have the right to protect particularly their vulnerable farm sectors and their infant industries from the full force of international competition until they’re ready to do so.
Oxfam International	While increased Aid for Trade is welcome, it must not be a substitute for reform of unfair trade rules. Aid for Trade may be offered as part of a package of reforms aimed at the poorest countries. A decent development package would be the ‘minimum down-payment’ that Ministers could make at the meeting and must include an end date of 2010 or earlier for export subsidies; immediate elimination of trade-distorting cotton subsidies; full duty- and quota-free market access for the poorest countries; and guaranteed measures to help developing countries protect vulnerable farm sectors and fledgling industries.
World Development Movement	View Aid for Trade as bribes – giving poor countries some extra aid money in return for liberalisation. This is despite the fact that UN research demonstrates that the liberalisation forced on LDCs during the 1990s was associated with rising poverty, with the countries worst affected being those that had liberalised most – even though these countries received substantial aid during the same period.
Trade Justice Movement	Strongly oppose putting pressure on developing countries to liberalise their economies.
Christian Aid	Christian Aid sees Aid for Trade as unsustainable; any amount of financing will not be enough to compensate if liberalisation is the wrong policy, and even if the policy is right only a small amount of money is available. Aid for Trade could have been a welcome initiative that recognised that not all countries benefit from trade liberalisation, that there are costs involved, and that it is necessary to address the supply-side constraints, such as lack of infrastructure and finance that many developing countries struggle with. Instead, it appears to be a blatant attempt to buy the Doha Round.
Business Sector	
CBI	The least developed countries should have barriers removed unconditionally, which will allow them to access others' markets. But it is also about agriculture. The French government in particular must stop blocking the EU's negotiating position.
UNICE	Regional/bilateral agreements can only be complementary to the multilateral approach but can be a useful means for liberalisation provided they meet specific economic and WTO conditions. At the EU level, priority should be given to agreements that promise large volume of trade and significant market access for European companies. UNICE supports the pursuit of negotiations under way between the EU and its trading partners. A review of existing GATT/WTO disciplines on free trade areas should be undertaken. Following the Cancùn failure UNICE’s DDA priorities are focused on: market access: reduction of tariffs and non tariff barriers; services liberalisation; starting negotiations on trade facilitation.
Trade Unions	
TUC	The effectiveness of this instrument will depend on the resources available, and the share of 'new' resources, since building supply-side capacity stands to be costly. Secondly, as the Hong Kong Declaration states, the Aid for Trade instrument should not be a substitute for trade benefits from the Doha round.
ICFTU	Trade-related development assistance is certainly desirable, but it must not become a pretext for arm-twisting by industrialised countries that obliges developing countries to mortgage their future industrial development and public services in exchange.

Appendices sources of information (ordered):

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