Rigged Rules And Double Standards – Trade, Globalisation And The Fight Against Poverty

Comments from the Commission, 17.04.02

Overview

The Oxfam report is **a useful contribution** to the debate on the contribution of trade to development and poverty eradication. In general **it presents an analysis which is remarkably similar to the EU's own**. Although some nuances and policy conclusions may be slightly different, that is an inevitable result of our respective roles in this debate. Given the overall quality of the report, it is unfortunate that it sometimes falls into exaggerated and simplistic analysis. We can only endorse Oxfam's call to move from fundamentalist 'pro' and 'anti' views of globalisation towards **a more constructive dialogue**. Our efforts, both at domestic and international level, need to focus on adopting policies that maximise the benefits while minimising the potential for negative impacts.
In particular we welcome the stress which the report places on **the positive role of trade in reducing poverty**. We can only concur with such statements as: *'Participation in world trade has figured prominently in many of the most successful cases of poverty reduction and – compared with aid – has far more potential to benefit the poor.'* This is precisely why the EU has unilaterally eliminated trade restrictions for Least Developed Countries (LDCs) under Everything But Arms (EBA) and why we fought hard to ensure that the concerns of developing countries are at the heart of the discussions under the Doha Development Agenda.
The benefits of trade go wider than poverty reduction and **Oxfam's discussion on trade's impacts is generally balanced and well-researched**. The economic growth, access to larger markets, cheap imports, ideas and technology that trade brings can make a major impact on development and is already helping many low income countries to improve the quality of life of their populations.

Analysis by the World Bank has provided some indication of the potential of trade liberalisation. They estimate that it could lift **320 million people out of poverty by 2015.** Already the liberalisation further to the Uruguay Round has led **significant increases in Developing Countries (DCs) exports since 1995**. Their exports to the EU took off in that year, after several years of sluggish growth and have grown at an average of 15% per year since. **Developing countries now account for 42% of EU imports, representing €432 bn in 2002.**

We would, however, agree with Oxfam that **the benefits of trade are not automatic** and that much depends on the domestic context, in particular good governance and appropriate policies. This is why we are supporting the inclusion of discussions on such 'new issues' as investment, competition and environment in the WTO. We believe that trade opening needs to be accompanied by an effective rules-based framework agreed at international level. This framework should help to ensure an equitable, fair and sustainable trading system to benefit all.

We thus support Oxfam's stress on **the importance of domestic policies**, as part of good governance – exemplified in the statement that *'Developing countries have much to answer for'*. Trade liberalisation is unlikely to impact extensively on poverty if effective policies for redistribution are not in place. Industrialised countries can do their bit by increasing market opening and encouraging sustainable investment from their MNEs, but in the end, ultimate responsibility rests with the developing country's own policy choices.

In this context, we share the concern expressed in the report about **the marginalisation of Africa** in recent years. It is clear that Sub-Saharan Africa, with stagnating levels of trade and growth, is falling behind both the developed world and other developing countries. This development can certainly not be blamed on lack of market access – under the EU's preferential access schemes for ACP countries, most of Africa has benefited for decades from largely open access to the EU market. The difficulty for these countries has been in exploiting these advantages.

The EU provides **development aid** to support trade-related infrastructure building and other necessary projects, and is committed – in the context of an overall increase of funding for development assistance – to increase trade related technical assistance and capacity building. Trade is in fact one of six key priorities of EU development policy and as such is integrated in bilateral and regional assistance programmes.

Trade impacts differently on poverty depending on many domestic factors. Thus liberalisation will never affect two countries in the same way and domestic strategies to make the most of trade need to be carefully developed. The EU is fully in agreement with Oxfam that it is essential to undertake a full assessment of the implications of trade liberalisation in advance. Indeed this is why we are pioneering **sustainability impact assessments** (SIAs) of forthcoming multilateral (Doha) and bilateral (e.g. Mercosur, ACP) negotiations. These SIAs will enable both EU policies and those of our trade partners to be developed in an informed and balanced manner.

Trade is only one element of globalisation – although a vital one. Another key factor linking developing countries to the global economy is **investment**. Oxfam's analysis of the impacts and opportunities of Foreign Direct Investment (FDI) is very much in line with our own. They recognise that FDI can bring many benefits in terms of employment, higher wages and technology transfer. They are right to point out that too often multi-national enterprises are not adequately linked to the local economy, thus reducing the potential spillover effects. Stimulating such linkages is a key challenge for governments.

The fact that Oxfam has chosen to focus on those elements of globalisation where efforts are still needed is unsurprising. Their interest is in addressing the problems of regions where poverty and underdevelopment continue to blight progress. As Oxfam itself acknowledge, this does not change the fact that trade and investment have lifted millions out of poverty in **East Asia** where the situation has vastly improved over the last thirty years, largely due to integration with the world economy.

The challenge is to make trade and investment work for all poor people. The EU remains committed to this goal. On market access as the Commission itself recently commented in its Communication for the Johannesburg Summit: *The crucial efficiency gains from trade liberalisation have been limited by lingering protection in the very sectors where developing countries' comparative advantages often lie*. We have come a long way, but more needs to be done. We will consider the proposals in the report closely and will be working together with Oxfam and other interested NGOs throughout the Doha negotiations towards a positive and balanced outcome and towards securing complementary policies that can help developing countries to realise the benefits of trade and investment.

'Rigged numbers and double counting'

Although Oxfam's report is generally balanced and well researched, its credibility is undermined by the inclusion of an arbitrary gimmick – the so-called 'double standards index' (DSI) (easily confused with established UN indexes such as the Human Development Index). There are three key problems with this index:

- **The methodology is both obscure and ineffective**. Ranking countries on the basis of often small differences and giving the same weight to very different indicators is a very unsatisfactory way of measuring such a complex issue.

- **The figures used are often wrong** – this is the case for tariff peaks and textiles and clothing liberalisation.

- **The choice of indicators is highly questionable** – both in terms of the indicators themselves and in terms of the weighting for what they represent.

Finally, it is telling that other similar studies, including that of the International Trade Centre[1] (ITC - founded by UNCTAD and WTO to support DC exports) have reached quite different conclusions.

Oxfam uses a combination of sloppy figures, double counting and obscure methodology to come to a conclusion which is completely contradictory to recent serious studies. Trying to develop one index which compares the different elements of trade policy of the Quad (EU, US, Japan and Canada) is a very ambitious undertaking and there are some serious flaws in Oxfam's approach. A more detailed review is given in Annex 6, but key problems are:

Some key figures are plain wrong – According to the referenced source, the figure for Canada's tariff peak is 334%, not 120%.

Using the textiles and clothing liberalisation indicator is **pointless and misleading in a context where only two countries have figures available** (and in fact the figures for these are wrong. All Quad members have liberalised 51% of their trade). Unfortunately Oxfam's methodology gives the impression that those without figures are by default 'better'- in effect of 'rewarding' lack of transparency.

Ranking countries is artificial when the figures for two are very close. On several indicators differences of 0.1 or 0.2% result in different ranking when there is in fact no real difference – e.g. between EU and Canada on the first indicator.

Taking these errors into account and even using their flawed methodology, their conclusion is wrong – Canada and the EU would be equal.

[1] Bouët A., Fontagné L., Mimouni M., Pichot X. (2001), "Market Access Maps: A Bilateral and Disaggregated Measure of Market Access", Document de travail CEPII, #2001-18 http://www.cepii.fr/anglaisgraph/workpap/pdf/2001/wp01-18.pdf

A key further problem with the approach is **double-counting** – several indicators are very close in terms of what they represent (e.g. two on tariff peaks). Duplicating certain indicators while giving them the same weight 'twists' the result in a given direction – in this case having several indicators on agriculture skews the results against the EU without giving any economic rationale for this choice.

The **indicators themselves are also questionable**. Using Most Favoured Nation tariffs as an indication of protectionism against developing countries is a nonsense in a context where all LDCs and ACPs have free or almost free access to the EU market and most others benefit from other preferences. This is exactly the conclusion of the World Bank report which is the source of Oxfam's figures (see table. Oxfam inexplicably used the figures in the last column, which in effect measure protection between developed countries themselves)

Average tariff rates applied to products subject to MFN tariffs over 15%[2]

	Least developed countries	***GSP-only beneficiaries***	***Countries at MFN rate***
EU	11,9 %	19,8 %	40,3 %
US	14,4 %	16 %	20,8 %
Canada	22,8 %	28,2 %	30,5 %
Japan	19 %	22,7 %	27,8%

Furthermore the number of **anti-dumping investigations initiated** is an imperfect guide to the number of anti-dumping duties imposed. The more significant statistic is the actual number of definitive duties imposed, the number is the same for the EU and the US. Finally the **agricultural** indicator on Producer Support Estimate is rather simplistic. Oxfam itself proposes a wider vision of subsidisation in this area in fig. 4.5 of their report which gives a very different image of the US situation.

The index also fails to take account of **progress made**. There have been considerable policy moves in favour of DCs in recent years – like reductions in export subsidies from 25 to less than 8 % of the agricultural budget between 1992-2001. In relation to LDCs in particular, efforts made in the EU to open markets in EBA are ill-reflected. Oxfam's own study called EBA '*an important contribution to development*[3]'.

Finally the index conveniently **ignores those areas where the EU is strong** – for example non-tariff barriers. Safety standards and environmental regulations have been shown in a recent study by the International Trade Centre[4] to impact far less on DC exports to the EU than to other Quad and Cairns Group countries. The EU imposes such measures on only 250 products out of 5000, touching 5% of imports

[2] World Bank study by Hoekman et al (2001) Eliminating Excess Tariffs on Exports of Least Developed Countries.
[3] The impact of the EU's Everything but Arms Proposal : a report to Oxfam. Institute of Development Studies, 2001
[4] Fontagné L., von Kirchbach F., Mimouni M. (2001), "Une première évaluation des barrières environnementales au commerce international" ITC Research Paper (UNCTAD-WTO) M.DPMD/01/0135 http://team.univparis1.fr/trombi/fontagne/papers/ETB-ITC.pdf

compared with 1000-2000 products from others, making up 20-50% of imports. This openness is not modelled by Oxfam.

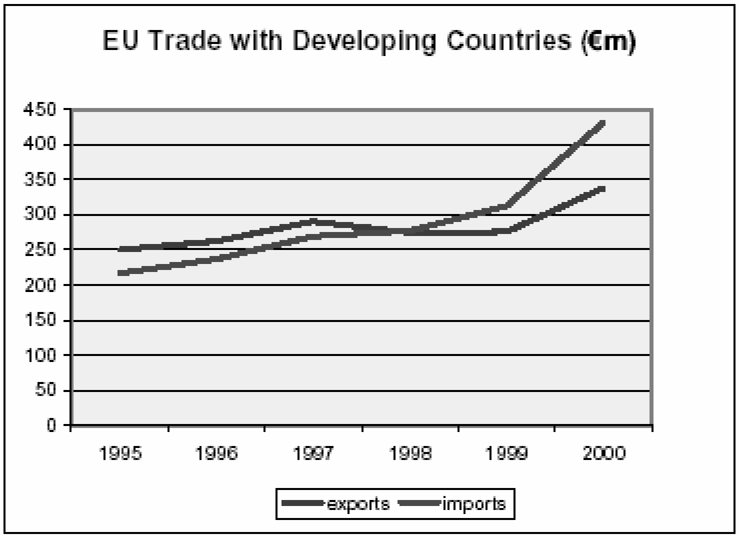
In the text they also **quote their own figures wrongly**. This is particularly unfortunate in that the error is in the area where the EU has made the most progress. The text on page 100 states that 15% of EU imports from LDCs face tariff peaks. Their table shows that the figure should be 2.8%. 15% is the US figure.

The most telling evidence against the DSI is that its **conclusion is so different to that of other objective studies**. The US General Accounting Office looked at US and EU preferential access schemes and found that far more EU imports access the market under preferential access programmes ($45bn or 6% compared to $18bn or 2% for the US in 1999)[5]. ITC published probably the most comprehensive study to date on market access in 2001 (see footnote 3). It includes most of the indicators from Oxfam's report in a standardised form with tariff equivalents, taking into account preferences. It concludes that although the EU, is protective of agriculture, it is **less protectionist than the US in all other key markets**, including textiles and clothing, where protection is half that of the US.

[5] Comparison of US and European Union Preference Programmes, General Accounting Office, 2001

Argumentaire on some key points in the report[6]

0) DC trade with the EU is clearly showing positive trends



Oxfam acknowledges both that many developing countries are integrating into the world trading system and that this is bringing positive benefits. By way of illustration, we have seen **significant increases in DCs exports to the EU since 1995**, when they increased significantly, after several years of sluggish growth. They have grown at an average of 15% per year since. In 1999 DCs went into surplus in trade with the EU and they **now account for 42% of imports, representing €432 bn in 2000.** This development has been mirrored on a global scale with DCs market share of global exports increasing from 16% in 1990 to 21% in 2000. Of course the creation of WTO is only one of the reasons explaining this improved performance, but market opening has certainly been a key driver.

Furthermore **the EU has given particular preference to trade** with our poorest partners, the least developed countries (LDCs). Even before the Everything But Arms initiative the EU was their major trading partner - importing more than half of LDC exports to the Quad in 2000 against 42% for the US. A massive 97% of LDC exports to the EU entered duty free even before EBA, compared with equivalent figures of 52% for the US, 45% for Canada and 49% for Japan.

1) Helping developing countries to fully participate in the world trading system

The EU agrees with Oxfam that there is a need to strengthen **the capacity of DCs to play their full role in the WTO**. In this context the EU – Commission and Member States – contributed €14 million, or more than 60% of total pledges, to the Doha Development Agenda Global Trust Fund, which will help developing countries participate in WTO negotiations. In addition, we have establishing a programme of support for WTO negotiations for which €10m Caribbean and Pacific (ACP) partners.

Furthermore the EU provided **financial support** for LDC and ACP ministers to attend

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[6] The listed annexes provide more details on some of these issues

the Doha negotiations and provided €1.4m to aid in the establishment of an ACP Office in Geneva which opened at the beginning of 2002. The office will help to bring a stronger and more cohesive ACP voice to negotiations and provide technical assistance to ACP delegations. The EU is also the main contributor to the Trust Fund of the Integrated Framework for Trade-Related Assistance for LDCs.

At the same time the EU is well aware that efforts are needed to ensure that developing countries have **the capacity to exploit the increased market access** that negotiations and bi-lateral agreements afford them. The EU has provided strong support for aid projects which support trade-related capacity building. In the period 1996 to 2000, the European Community financed trade-related projects to the extent of some €700 million. For ACP countries, our current programmes in regional integration and capacity-building amount to some €200m.

National Support Programmes for ACP countries cover a wide range of different areas such as strengthening the capacity of trade ministries, technical assistance for studies on trade related subjects, helping to define national priorities and mainstreaming of trade in development policies, adjusting legislation, export promotion, fostering the technical capacity to analyse trade issues and assisting private sector actors and the civil society. The most recent estimates suggest that **between €300 – 500m has been allocated to programmes** either already implemented or in the pipeline.

2) Agricultural policy (Annex 1)

Oxfam accuses the EU of undermining fair competition in the agricultural industry through excessive subsidies to its own farmers under the common agricultural policy (CAP). In fact, **considerable CAP reform** since 1992 has progressively decreased trade-distorting subsidies to its farmers during a period when other market leaders have opted to increase their support. The CAP has undergone a drastic change in emphasis towards direct funding of rural and environmentally friendly development. The EU has frozen its farm budget until 2006 at 0.5% of GDP (41 billion Euros).

The EU **net-export market share has declined** in every major sector in the last ten years, hardly a proof that the EU is flooding world markets and EU export subsidies have been substantially reduced; and – as agreed in the Doha WTO Ministerial Meeting we will continue to do so.

EU support for ACP agricultural and fishery exports

In addition to the many, many programmes at the regional and national level, there are two flagship horizontal programmes accessible to all ACP countries that aim at assisting the ACP to align themselves with the requirements relating to sanitary and phytosanitary standards (SPS) in the horticultural and fishery's sectors.

- The Pesticides Initiative Programme is designed to disseminate information about the regulatory requirements for pesticides and to improve the quality of this legislation for ACP-sensitive products. It was launched in July 2001 with a budget of **€29 mn. It has already had success in modifying some maximum residue limits** and in extrapolating other data to ACP-sensitive products.
- The fishery programme will use its budget of º_2.7 mn to help ACP countries meet EU standards, in particular to improve hygiene conditions and to ensure the institutional structure for research, training and control tasks.

Success stories from previous SPS programmes include support for fisheries exports from the countries bordering Lake Victoria (Kenya, Tanzania and Uganda), which helped to safeguard exports of fisheries products to the EU currently worth **€150mn.**

The EU is **by far the largest importer from the developing countries**, importing about **€35 billion of agricultural products at zero or very low tariff,** compared to €18 billion for the US (Data from the UN Comtrade Database for the Average 97/99). Moreover the EU imports from developing countries more than the US, Japan, Canada, Australia and New Zealand taken together. 65% of ACP agricultural exports go to the EU and 66% of North African agricultural exports. In addition, the EU supports unique trade initiatives to support the agricultural industry in developing nations (see box above).

As a result of the EBA initiative, the Least Developed Countries (LDCs) will have 100% duty and quota free access to the EU market, **including farm products**. (see above). Finally, EU food aid is strictly linked to import demand needs (contrary to the situation in the US)

3) Anti-dumping (Annex 2)

Anti-dumping is a WTO-compatible instrument to protect against the consequent negative effects of unfair trade practices. The EU is a cautious user of anti-dumping. Its requirements for imposing measures are significantly more stringent than those et out in the WTO agreements, which other partners, like the US, impose, leading to fewer and lower measures. Only around 25 % of complaints lead to the imposition of duties. Other countries have a much higher percentage of complaints leading to duties.

Anti-dumping action by the EU **in no way targets developing countries** and it is a rather moderate user of anti-dumping measures when these are compared to the size of its imports. In 2000, 42% of imports into the Community came from developing countries; and around the same proportion of definitive anti-dumping measures imposed in that year concerned those countries, although no LDCs were targeted. In fact the EU unilaterally declared that they will take no anti-dumping actions against LDCs during the 2001 3rd LDC conference in Brussels.

In the period between July 1995 and June 2000 the Community initiated 100 new anti-dumping investigations (not the 145 claimed by Oxfam) against developing countries but imposed measures in only 57 cases. During the same period, the United States imposed 58 measures.

In all anti-dumping cases involving developing countries, the Community tries to obtain price undertakings from exporters rather than impose duties. This means that the exporters earn the benefit of higher prices instead of paying it through duties into the Community's budget.

4) Textiles and clothing (Annex 3)

The report accuses developed countries of bad faith in not liberalising their textiles and clothing markets quickly following the UR. The fact is that it was agreed in 1994 that textiles quotas would be phased out over a ten-year transitional period in accordance with very detailed modalities which had been negotiated in extreme detail.

The EU is complying faithfully with this timetable and its other obligations to liberalise, as it has "integrated" or liberalised over 51 % of its total textiles and clothing imports (and not 24 % as Oxfam suggests).

The EU has liberalised access to its textiles and clothing markets consistently and steadily, **eliminating quotas at a faster pace than Oxfam suggests: since 2000 it has eliminated a total of 129 quotas or 29 % of its quotas.** Liberalisation is witnessed by the fact that imports have seen double digit increases since the conclusion of the UR (in 2000 this represented an increase of 54 % over 1995, over 90 % of which is accounted for by exports from developing countries). The EU imported goods worth **72,1 million in 2001, one third of total EU consumption.**

Such export performance would not have been possible if the regime had been as restrictive as Oxfam indicates. Most quotas are not highly utilised and they are increased annually and therefore are not really an obstacle to imports. The EU does not maintain any quotas or tariffs with least developed countries and has recently cut all quotas to Pakistani clothing exports, in recognition of its efforts to eradicate drugs. Export performance is also explained by the **relative benign tariffs regime**: average EU import duties in the sector are amongst the lowest in the world (9 %) and there are no tariff peaks (maximum duties do not exceed 12,6 %). The least developed countries benefit from full duty exemption, i.e. zero duty for textiles and clothing (39,4 % of our imports come from countries for which imports come with zero duties and have been fully liberalised) and in addition over a third of the imports from developing countries come with tariff reductions under the Generalised System of Preferences.

5) Investment and competition

The report is generally **positive about the impacts of investment**, while recognising that not all foreign investment is necessarily good for development. This is the reason why we are not proposing to cover portfolio investments in a multilateral agreement. As Oxfam points out these short term investments may in certain cases contribute to a destabilization of the economic situation. The general analysis is close to the EU's own. We too believe that one of the key routes to development is through access to the finance, technology, employment and markets that MNEs bring, this is why the EU pushed for **the inclusion of negotiations on an investment framework in the Doha Development Agenda (DDA)**. We believe that increasing the clarity of the legal framework for investment world-wide will benefit developing countries, by providing transparency and predictability, reducing the perceived risk and therefore stimulating FDI flows.

In terms of the social and developmental impact of FDI, the EU is committed to encouraging corporate social responsibility both within the EU and amongst EU firms operating abroad, as will be evident from the Commission green paper on corporate social responsibility that was adopted in July 2001. However much depends on the legislative framework in force in the country in question. In this context, Oxfam call for all governments to enact and enforce the **core labour standards of the ILO**. The EU certainly supports this call and, indeed, are pursuing a strategy for the promotion of core labour standards and improvement of social governance. One element of this strategy is our revised GSP, which gives additional preferential access to countries which have done so.

On competition – we would certainly agree with Oxfam that there is **a need for more effective controls on global corporate activities including** avoiding the abuse of dominant position in vulnerable markets such as commodities. Oxfam is the first major development NGO to acknowledge the case for bringing competition into the WTO and gives the EU credit for having ensured that it now appears on the DDA as a subject of future negotiations. This, in itself, is very positive and should be built upon.

What Oxfam misses is that the EU proposal on **trade and competition** would offer the developing countries access to co-operation with other competition authorities thereby allowing them to more effectively curb international anti-competitive practices. Furthermore a WTO competition agreement could be a (first) step towards controlling certain business practices which may arise in the wake of trade liberalisation and regulatory reform. Rather, Oxfam accuses the EU of seeking to use competition in the WTO as another means of gaining market access. This reading of the EU position fails to take into account our submissions to the Working Group in Geneva over the past two to three years.

6) The TRIPs Agreement (Annex 4)

The Oxfam report is rather negative in its analysis of the TRIPS agreement. While concurring that protection is necessary to provide incentives for the often costly research which is the basis for innovation and may stimulate foreign investment, they nevertheless question its utility for DCs and see the balance of costs as falling heavily on their side.

The report criticises TRIPS for imposing a one-size-fits-all approach. This is simply not the case. **The TRIPs Agreement contains a great deal of "constructive flexibility"**. The agreement recognises the need, which Oxfam highlights, for WTO Members to be able to interpret it in the light of their own economic and developmental needs.

The Doha Declaration on TRIPS – An EU initiative to clarify the rules

The EU was the key player behind the achievement of the Doha Declaration on TRIPs and Public Health which clarifies the situation with regard to flexibility of TRIPS in the key area of patents on pharmaceuticals. It **expressly confirms that countries are allowed to take measures such as compulsory licensing, in order to protect public health** and thus secure access to medicines in countries devastated by diseases like HIV/AIDS, malaria and TB. This creates a safe legal environment for suppliers and purchasers of generic medicines. Although it is notable that Oxfam's own analysis shows that TRIPS has *not* been successfully used to restrict access to medicines, nevertheless this declaration clears the way for effective action and lower prices.

As regards biotechnological inventions, the DDA also **provides for tackling the concerns of developing countries on issues such as biopiracy** and the sharing of benefits arising from the use of genetic resources. Here again the TRIPs Agreement contains much flexibility for developing countries to limit bio-patenting or for tailoring it to their development needs. As Oxfam acknowledges, biotechnology has a major potential for developing countries, not only in terms of substance, but also in terms of enabling them to share the benefits from the commercialisation of research based on genetic resources from the South.

Furthermore, the TRIPs Agreement is not limited to trademarks, copyright or patents: **geographical indications,** the strengthening of which is also part of the DDA, offer a genuine opportunity to boost the rural economies of developing countries and, in particular, the agro-food industry. The extra rents from valorising geographical indications (GIs) help to create welfare in certain rural areas.

7) GATS (Annex 5)

The reports analysis of GATS is also rather negative, but is based on several misconceptions about the objectives and operation of the agreement which are fairly straight-forward to refute. **Some of their key points are not in dispute**, however. We can only concur with the conclusion that liberalisation can have benefits for the poor – as witnessed in the falling prices of telecoms services. Furthermore, the Commission is in agreement that any services liberalisation must be undertaken in the context of an effective regulatory framework to ensure adequate competition and protect consumers, as we agree that countries must have the ability to liberalise at a pace appropriate for their development. **Nothing in the GATS agreement precludes this**.

Contrary to some of the claims in the report, GATS does not oblige members to deregulate or privatise public services nor does it prohibit subsidisation of public services. **No specific market access commitments are imposed** on any country that does not wish to take them and developing countries can place requirements on their GATS commitments to support their development objectives.

On the specific issue of **water for human use**, the inclusion of this area in negotiations is criticised by Oxfam. However, the challenges in water supply in developing countries are enormous. The EU remains convinced that reducing barriers to environmental services, including distribution, collection and treatment of water will encourage the necessary investment to bring water and sanitation to all.

Annex 1

Agriculture

Oxfam does not sufficiently recognise the way the common agricultural policy (CAP) has been changed over the last few years. It has moved from a policy which was almost entirely dependent on high support prices buttressed by high import barriers and export subsidies, to one where prices are lower and support is provided more and more by payments not linked directly to output. This has made a positive contribution to reducing distortions in world trade to the benefit of all suppliers, including developing country suppliers. OECD reports are frequently quoted as recording the continuing high level of support in developed countries. But OECD studies have recognised the positive impact of the reform made in the way in which support is given under the CAP.

An illustration of this change is the reduction in the share of the budget devoted to export subsidies. Against a background of budget expenditure, which is frozen until 2006, export subsidies now represent only 8% of the CAP budget, as compared to 30% in 1991. At the same time CAP policies have undergone fundamental change, moving support to farmers more and more towards so-called more “decoupled” payments, which the WTO recognises as being the least or at most minimally tradedistorting. This is especially the case for policy changes aimed at rural development and/or oriented towards more environmentally friendly and sustainable production.

Neither is credit given for the efforts made by the EC in relation to DCs. Regarding trade, the EC are by far the largest importer of agricultural products from the DCs both in absolute terms and in per GDP terms. The EC in fact imports as much from DCs as the major developed countries, including Canada, Japan and the US taken together. Hardly an indicator of “protectionism! These facts speak for themselves, and certainly much more than the “constructed” figures on potential losses and data on tariff peaks and tariff escalation referred to in the study.

The figures quoted in the study are essentially based on the full customs tariffs, which apply to non-preferential suppliers, when in fact a high proportion of agricultural imports from DCs pay little or no duty, because DC imports benefit from a number of “preferential” arrangements. These include “Everyhing but arms” (EBA), the general system of preferences (GSP) and the Cotonou Agreement. It is important to stress that all these initiatives are without conditionality, which is virtually unique amongst the developed nations of the world. At the same time, Oxfam recognises that tariffs between developing countries are higher than between developing countries and developed countries. There is a lesson to be learned from this fact, given that 80% of the increase in demand in agricultural products will take place in developing countries.

Clearly there is a need for the EC’s developed country partners to do more for DCs. Nevertheless, the EC has indicated that it is willing to go further in meeting the needs of DCs. And DCs themselves will also have to play their part. What is needed therefore is a concerted effort on all sides, while recognising the problems that certain DCs do have in agriculture, and the need to seek appropriate solutions. This is the approach the EC is following in the WTO agricultural negotiations in Geneva.

Regarding TRIPs the Oxfam report only highlights negative aspects. It therefore overlooks the benefits DCs can gain from a development of TRIPs to protect their geographical indications on agricultural products. This is a way of increasing the value of their exports, by allowing for a move from “bulk” to more specialised agricultural exports, which should command higher prices.

On primary commodities Oxfam proposes the creation of a new institution to oversee global commodity markets, a new system of commodity agreements and the adoption of socially responsible purchasing operations. Given the disappointing experiences from the past with commodity agreements, the EC does not believe that such an approach would be in the long-term interest of developing countries. At the same time there is a need for this issues to be further examined in appropriate fora, such as the FAO.

ANNEX 2

Anti-dumping

Contrary to what is commonly alleged, the anti-dumping instrument is not in itself a protectionist tool. It is an instrument whose use is legitimate both in terms of its legal base (the relevant WTO agreements) and in terms of economic theory: exporters who engage in dumping take advantage of a trade imperfection, market segregation, which enables them to charge lower prices on their export market than on their domestic one. If such unfair practices have negative effects on the Community industry, in terms of e.g. financial and job losses, they can be countered.

The Community is a cautious user of anti-dumping. Its requirements for imposing measures are significantly more stringent than required by the WTO agreements, leading to fewer measures. In addition, duties are not imposed automatically in all cases: only around 50 % of complaints lead to investigations being opened and only 50 % of investigations lead to the imposition of duties. Other countries have a much higher percentage of investigations leading to duties.

Anti-dumping action by the Community does not particularly target developing countries. In 2000, approximately 42% of imports into the Community came from developing countries, while 43% of definitive anti-dumping measures imposed in that year concerned those countries[7]. In the period between July 1995 and June 2000 the Community initiated 100 new anti-dumping investigations[8] against developing countries but imposed measures in only 57 cases. During the same period, the United States initiated 56 investigations and imposed measures in 58 cases (see table 1 below)[9].

Table 1: Number of new anti-dumping investigations initiated and definitive measures imposed against developing countries, 1 July 1995 – 30 June 2000

	Initiations of new cases	Definitive measures
Argentina	59	60
USA	56	58
EC	100	57
India	50	35
South Africa	47	27
Brazil	23	17
Australia	40	11
Canada	15	9

A number of developing countries also had a large amount of initiations and measures against other developing countries, which is all the more remarkable given their much lower level of imports than the Community (see also table 2). On a more

[7] None of these measures concerned Least Developed Countries.

[8] The figure of 145 given in Oxfam's report indicates that reviews were also counted. However, this methodology was not explained in sufficient detail in the report and we have been unable to reconcile these figures on the basis of the WTO reports.

[9] The time gap between initiations and definitive measures means that their overlap over a time period is only partial. This is why it is possible for the USA to have a higher number of measures imposed than of investigations.

general level, the Community is a rather moderate user of anti-dumping measures when these are compared to the size of its imports, as table 2 below shows. The ranking shows that the Community is far from being one of the heaviest users of the instrument.

Table 2: Definitive anti-dumping measures in force by main users against all countries as of 30 June 2001 compared to the value of imports in 2000

	Imports, € bn.	Definitive measures	Ratio		Imports, € bn.	Definitive measures	Ratio
S. Africa	31,7	109	3,44	Canada	285,0	89	0,31
India	53,3	121	2,27	EC	1.033,1	219	0,21
Argentina	28,5	45	1,58	Korea	165,4	29	0,18
Brazil	67,1	52	0,77	USA	1.343,0	241	0,18
Australia	80,8	56	0,69	Mexico	176,6	66	0,37

In all anti-dumping cases involving developing countries, the Community tries to obtain price undertakings from exporters rather than impose duties. This means that the exporters earn the benefit of higher prices instead of paying it through duties into the Community's budget.

Finally, it is worth pointing out that the Community is also one of the main targets of anti-dumping action by third countries, reflecting the importance of its export activity, as shown in table 3 below.

Table 3: Main targets of anti-dumping proceedings 1995 – 2000[10]

Target	TOTAL	Japan	67
China	207	Indonesia	61
EU	175	India	57
Korea	117	Russia	55
USA	89	Thailand	53
Taiwan	75	Total initiations (all WTO)	1506

Comments on the case concerning bed linen from India (box 4.1)

The following facts are worth mentioning in order to provide a more complete picture of the case in question:

- Regarding the loss of jobs caused by duties and bearing in mind the importance of the textile sector in India: bed linen produced with handlooms (i.e. the most labour-intensive type to produce) was specifically excluded.
- Eurostat information shows that imports of Indian bed linen into the UK continued at almost the same level as before duties were imposed. The same is true for the Community at large. If Anglo-French Textiles was unable to export its products, it may be because more efficient producers took its place (this state-owned company

[10] Source: WTO, Comext statistics

had very high costs (a fact that may be related to the high import duties prevailing on the Indian market) which caused the dumping margin and, as a consequence, the anti-dumping duty to be rather high as compared to more cost-efficient producers (24,7% compared with an average duty applicable of 11,6%).

ANNEX 3

Textiles and clothing

The report accuses developed countries of bad faith in not liberalising their textiles and clothing markets quickly following the UR. The fact is that it was agreed in 1994 that textiles quotas would be phased out over a ten-year transitional period in accordance with very detailed modalities which had been negotiated in extreme detail.
The EU is complying faithfully with this timetable and its other obligations to liberalise, as **it has "integrated" or liberalised over 51 % of its total textiles and clothing imports (and not 24 % as Oxfam suggests)**.

The EU has in fact been liberalising access to its textiles and clothing markets consistently and steadily, witnessed by the fact that it imported € 72,1 billion in textiles and clothing products in 2001, one third of total EU consumption, and that imports have witnessed double digit increases since the conclusion of the UR (in 2000 this represented an increase of 54 % over 1995, over 90 % of which is accounted for by exports from developing countries).

Such export performance would not have been possible if the regime had been as restrictive as Oxfam indicates. Imports under quota represent just over a quarter of total imports, most quotas are not highly utilised and therefore are not really an obstacle to imports. Furthermore, the import levels of quotas are being increased annually and will have doubled between 1994 and 2005. The EU does not maintain any quotas with least developed countries. **The EU is also eliminating quotas at a faster pace than Oxfam suggests: since 2000 it has eliminated a total 129 quotas or 29 % of its quotas.**

This good export performance is also explained by the relative benign tariffs regime: average EU import duties in the sector are amongst the lowest in the world (9 %) and there are no tariff peaks (maximum duties do not exceed 12,6 %). The least developed countries benefit from full duty exemption, i.e. zero duty for textiles and clothing (39,4 % of our imports come from countries for which imports come with zero duties and have been fully liberalised) and in addition over a third of the imports from developing countries come with tariff reductions under the Generalised System of Preferences.

Compared to the "exporting (developing) countries", EU tariffs are considerably lower: its 9 % average duties contrast with levels of 20 % for Argentina or Brazil, 25% for China and Thailand, 35 % for Pakistan and 38 % for India. As compared with industrialised countries, although their average tariff levels approach EU rates, some still have a considerable number of peak tariffs, over 30 % for instance in the case of Japan or the US, or over 20 % in Canada.

Comment on Bangladesh and textiles
It is surprising that the report picks the case of Bangladesh as a loser. **The EU duty and quota-free treatment granted to Bangladesh has allowed its textile exports to the EU to almost triple from €1.054 M in 1995 to €2.909 M in 2001,** making it the EU's sixth largest textile and clothing supplier. Bangladesh has in fact been protected by the quotas in force vis-à-vis other bigger suppliers which, in case of non- application, could have taken Bangladesh out of the EU market - as

may have been the case with many other least developed countries to which the EU applies a "no quota - no duty" policy.

The report quite rightly points out that Bangladesh risks losing out with the phase out of the MFA. Quotas have the inevitable side effect of ring-fencing market shares for quota holders and their liberalisation means that Bangladesh risks losing that share to more competitive suppliers, particularly those who can build linkages with their domestic textile industry.

The discussion on what can be done for Bangladesh (p.109) highlights the continued imposition of quotas by the US as a very real problem. However, the text needs to go very far into the details of our trade policy in the search of a problem in EU-Bangladesh clothing trade.

Trade is quota and tariff free, and although there has been some restrictions in the past on the basis of the rules of origin, the country now has a derogation conferring preferential access to textiles with only one transformation in the country i.e. allowing free access to clothing produced from imported fabric. Oxfam acknowledges all of this progress in providing access, but still calls for further relaxation in rules of origin.

ANNEX 4

The TRIPs Agreement (pp. 208-224)

Intellectual property rights do indeed restrict competition. This is the basic principle derived from the simple acknowledgement that all properties (assets) of companies and/or private persons should be treated equally. A person or company investing in inventions or trademarks should be guaranteed rights of ownership in the same way that another entity investing funds in real property or machinery obtains a property right. With one major difference : an intellectual property right is limited in time while tangible assets remain property for a chosen period of time.

Our society depends on private funds to develop new products. That is why the TRIPs Agreement is so important. In terms of globalisation, intellectual property rights need to be respected wherever the rightholder chooses to protect his investment. If a rightholder's work could be copied freely, his incentive to continue investing is clearly limited.

Far from imposing a one-size-fits-all approach, **the TRIPs Agreement contains a great deal of "constructive flexibility"** and can be interpreted by WTO Members in the light of their own economic and developmental needs. This flexibility may have been abused by some to put forward development-unfriendly interpretations of the TRIPs Agreement, but times have changed.

The Doha Declaration on TRIPs and Public Health clarifies the existing flexibility of the TRIPs Agreement with regard to the key area of patents on pharmaceuticals. It **expressly confirms that countries are allowed to take measures such as compulsory licensing, in order to protect public health.** The Declaration has made it clear that WTO rules do not hamper efforts to secure access to medicines in countries devastated by diseases like HIV/AIDS, malaria and TB. This creates a safe legal environment for suppliers and purchasers of generic medicines.

WTO members had shown themselves to be **willing to re-balance the TRIPs Agreement** in favour of the developing countries even before the Doha Development Agenda (DDA) was launched. At the same time, it is acknowledged that a favourable investment climate for the pharmaceutical industry is vital for progress and must be maintained. As pharmaceutical research and development is mainly carried out by private companies, patent protection remains paramount to encouraging them to invest in innovation. It is worth remembering that generic copies are available only because novel medicines have been developed first!

As regards biotechnological inventions, the Doha Development Agenda also **provides for tackling the concerns of developing countries on issues such as biopiracy** and the sharing of benefits arising from the use of genetic resources. Here again the TRIPs Agreement contains much flexibility for developing countries to limit bio-patenting or for tailoring it to their development needs. Biotechnology has a major potential for developing countries, not only in terms of substance, but also in terms of enabling them to share the benefits from the commercialisation of research based on genetic resources from the South. The EU will be promoting action to create a better interplay between the rules of the TRIPs Agreement and those of the Convention on Biological Diversity.

The TRIPs Agreement is not limited to trademarks, copyright or patents:

geographical indications, the strengthening of which is also part of the DDA, offer a genuine opportunity to boost the rural economies of developing countries and, in particular, the agro-food industry. The extra rents from valorising geographical indications (GIs) help to create welfare in certain rural areas. For example, in France, cheeses protected via GIs command a premium of an average **€2 per kilo and farmers** providing milk for the production of “Compté” cheese are paid an average of 10% more for their product. Breeders of “Bresse” chicken are paid an average of four times more than regular breeders. The effects can go beyond guaranteeing premium prices, however. Tourist routes linked to geographical indications (e.g., “wine routes" or the "Chuao" cacao routes in Venezuela) have contributed to the development of tourism in certain previously unexplored areas.

ANNEX 5

GATS

The report is a rehash of well known charges against the GATS agreement and there is therefore really nothing new in the report as far as services is concerned. It is based on several misconceptions about the objectives and operation of the agreement which are fairly straight-forward to refute. Furthermore, the report contains a number of clear errors regarding the GATS.

The main accusations in the report are that the GATS is a threat to DCs for the following reasons:

A.) it applies simplified free- markets theories to the provision of basic services (e.g. water supply)

The report expresses concern that future GATS negotiations may undermine the provision of public services, in particular health care, educational and social services, for example by forcing privatisation of such sectors or by prohibiting public funding and subsidies for them. These concerns are unjustified.

The GATS is the most flexible agreement in the WTO system. Each country determines the list of activities for which it is prepared to offer market access and national treatment to foreign service providers. Each country can exclude from its commitments those activities that it considers politically sensitive. For this reason, the GATS is respectful of the diversity of economic and social situations among its member countries.

The coexistence of public and private providers is common in many countries in public service sectors like health and education. GATS Article 1.3(b) defines the term "services" to include "any service in any sector except services supplied in the exercise of governmental authority" (emphasis added). This exception is further explained in Article 1.3 (c), which says that "a service supplied in the exercise of governmental authority" means "any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers."

WTO members maintain the sovereign right to regulate economic and non-economic activities within their territory in pursuance of public policy objectives. In particular, the GATS does not oblige Members to deregulate or to privatise public services nor does it not prohibit subsidisation of public services. As regards the new round of services negotiations, the European Commission is fully aware of the particular concerns relating to public services. The EU shall clearly preserve its and others members legislative prerogatives to pursue non-trade policy objectives, such as social, safety and consumer policies and policies aimed at protecting cultural diversity.

B.) it prohibits a range of policies that restrict market access (e.g. limits on foreign investment)

The GATS Preamble recognises the "right of Members to regulate and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives". These principles are confirmed by various rules of the Agreement. They mean, subject to the obligations set out in the Agreement, that any

Member of WTO can introduce or change the regulation of services sectors as it sees fit. Contrary to what is claimed in the Oxfam report GATS (Article XVI) in no way prevents Members from maintaining restrictions on market access provided they list them in their schedule of commitments.

C.) all sectors are covered by the agreement and countries are locked into a negotiating process aimed at achieving "a progressive higher level of liberalisation".

The GATS does not impose any specific market access commitments on any country that does not wish to take them. It ensures that commitments are negotiated on a country specific basis, according to the needs and contexts of each country. Each WTO Member decides freely, whether, to what extent and under what conditions and limitations it will open any sector of its services markets to foreign providers. Consequently, the scope and level of commitments undertaken is very different from country to country. These principles have been fully confirmed by the negotiating guidelines adopted in March 2001.

D.) it may put developing countries under pressure to privatise water supply

The EU proposal only touches on "water for human use" for which natural water is just an "input factor". In our analysis, the GATS clearly exclude access to natural resources and input factor. Although a legitimate concern for aid agencies, it is illfounded. We are not proposing to liberalise cross border trade of water as such (which, in any case, would not be a service).

It is legitimate to ask why the EU is interested in including water for human use in the classification. Water for human use is key to environmental health. According to a recent UN report, 1.1 billion people are without a fixed source of water and 2.4 billion people have no acceptable means of sanitation. Even those with access to water supplies may not be getting safe water[11]. From the perspective of developing countries, water is a priority and a basic need. Only an environmental integrated approach to resource management could answer this challenge. Furthermore, investment needs are enormous and can only be provided by the private sector.

We are convinced that reducing barriers to trade in environmental services, including the distribution, collection and treatment of water, will encourage investment from public and private sources to improve water supply and sanitation services.

E.) due to the so-called "test of necessity" governments are required to prove that any measure that restricts access to domestic service markets is consistent with WTO principles. In this context, that means proving that any restrictions on access to service markets are, in the words of the WTO text, 'least trade restrictive' and 'pro-competitive'.

The specific obligations concerning domestic regulation in the GATS framework are aimed at requiring Members to regulate those service sectors in which they have made commitments in a reasonable, objective and impartial manner. Article VI of GATS on Domestic Regulation seeks to create more transparent domestic regulatory decisionmaking, implementation and administration. There is explicit recognition of the right of service suppliers to information on regulatory and administrative

[11] Global water supply and sanitation assessment: 2000 report

decisions and to judicial and administrative review and appeals processes. In both respects, the GATS champions principles of good governance.

The work programme foreseen under Article VI(4) of the GATS, is designed to address the fact that non-transparent, unfair or unduly burdensome regulations at the national level can potentially undermine the value of market access commitments freely entered into by a WTO member. Article VI(4) calls for the development of any necessary new disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary trade barriers. No so-called "necessity test" has yet been developed under the Article VI(4) work programme.

F.) the Agreement is biased towards the interests of developed countries (e.g. financial services)

The Oxfam report claims that the agreement is biased towards the interests of developed countries and that developing countries are put under pressure from bigger countries to make trade concessions they do not wish to make. The GATS, like any other international agreement, is an instrument which can never expect to eliminate the factual and political differences that exist between the countries of the world.
Trade pressure can also be used outside the WTO system. The advantage of the multilateral trade system for developing and other smaller economies lies in the fact that trade negotiations take place within a rules-based legal and political system, including an effective dispute settlement system that protects them against unilateral pressure from stronger trade partners.

Moreover, the GATS does take account of the specific circumstances and needs of developing and of least developed countries. The Agreement states that **appropriate flexibility should be given** to individual developing country members to open fewer sectors, liberalise fewer types of transactions, and progressively extend market access in line with their development situation and, when enabling access to their markets for foreign services suppliers, attaching conditions. So, developing countries' governments can place requirements on their GATS commitments, to support their development objectives. These principles have been confirmed by the Negotiating Guidelines adopted in March 2001. Although the GATS does not have a specific provision on special and differential treatment as in Part IV of the GATT 1947, development objectives permeate the entire agreement. Most important is the "bottom-up" nature of the agreement. Countries can choose the sectors which they wish to liberalise, and can retain restrictions, or attach development conditions to their commitments.

G.) privatisation of utilities has involved the replacement of public monopolies with private monopolies, regulatory bodies have often been dominated by industry and governments have systematically failed to manage privatisation in the interests of the poor, for example by requiring private providers to extend services to marginal areas.

Pursuit of reform in services is no easy task as there is often a need to balance the scope for promoting greater competition with the legitimate role that exists for governments to intervene to offset market failures and to achieve non-economic objectives, such as the universal provision of education or health care services. Liberalisation of the service sector is therefore not a panacea and must be accompanied by a appropriate institutional and regulatory framework to ensure competition. Furthermore mechanisms may need to be created to ensure that the poor have adequate access to service in a liberalised market. Nothing in the GATS agreement prevent such policies from been adopted and implemented.

ANNEX 6

Comments on Oxfam's Double Standards Index

1. Oxfam's classification is theoretically attractive but in practice completely wrong[12][13]

It is by no means easy to measure trade protection and Oxfam's multidimensional approach is certainly a valid one. Unfortunately, it has not been correctly applied:
when we look at the methodology, we see that substantive mistakes in selecting the indicators coupled with major oversights and obviously skewed calculations rob the outcome of any credibility

1.1. Skewed calculations determine the final ranking

Even without going into the methodology behind the DSI in too much detail, Table 4.1 contains some obvious mistakes:

- **The highest tariff peak for goods entering the Canadian market is wrong**. The World Bank study from which Oxfam took its figures shows a peak of 343% (Table 1, page 5) rather than the 120% cited by Oxfam.

- **The DSI ranking system does not allow for a "tie".** The Index is based on the Quad countries' average performance over all the selected indicators so that two countries with very similar measures for a given indicator will be ranked differently, giving a misleading impression (e.g. EU and Canada for the first indicator, EU and Japan for the second, EU and Canada for the seventh).

- **While it is fair enough in theory to use the percentage of textile/clothing imports liberalised as a yardstick, it distorts the results.** The figures are only available for two of the Quad countries and are broadly similar, so the data are useless for ranking the four and simply penalise the two whose statistics are available, which is tantamount to rewarding a lack of transparency. It would be better to abandon this indicator or to use the percentage of these products brought under normal WTO rules instead, which currently stands at 51% for all four**.**

These three examples of inaccuracy may seem trivial but are actually significant in that they alter the final ranking. **A true ranking worked out on the basis**

[12] Bouët A., Fontagné L., Mimouni M., Pichot X. (2001), "Market Access Maps: A Bilateral and Disaggregated Measure of Market Access", Document de travail CEPII, #2001-18 http://www.cepii.fr/anglaisgraph/workpap/pdf/2001/wp01-18.pdf
[13] Fontagné L., von Kirchbach F., Mimouni M. (2001), "Une première évaluation des barrières environnementales au commerce international" ITC Research Paper (UNCTAD-WTO) M.DPMD/01/0135 http://team.univ-paris1.fr/trombi/fontagne/papers/ETB-ITC.pdf

of Oxfam's figures and indicators but correcting these errors would have a different result from the report: Canada would be level with the EU, ahead of Japan and the United States. But even this "corrected" ranking, stripped of the most blatant inaccuracies, still fails to reflect the facts. This is because Oxfam's methodology throws up numerous other problems of substance.

1.2. The DSI, apparently straightforward, is in fact misleading

In addition to superficial mistakes in the figures there are a number of substantive weaknesses in the method used to arrive at the DSI. On the face of it the method is straightforward: the DSI reflects the average ranking of the Quad countries for each of the ten selected indicators. But simplicity is no guarantee of rigour and in fact the methodology is flawed, since it ignores the reality behind the indicators used and the links between them and thereby magnifies some at the expense of others.

Quite a lot of the indicators on which Oxfam relies overlap. That might not seem too serious, but if the redundancies occur repeatedly and all indicators are formally given the same weighting the effect is to place a disproportionate emphasis on policies or sectors included in more than one indicator without any good economic grounds being cited. For instance, two of the indicators relate to tariff peaks (including the highest peak, of limited relevance) so that for no obvious reason tariff peaks become twice as important as other indicators. The same is true for agriculture, which weighs much heavier in the balance than textiles/clothing (again, without reasons being cited - the problem is not that one sector is considered more significant than another but that this emphasis is covert, without acknowledgement or any economic arguments to substantiate it).

This produces an undisclosed bias against entities which may, like the EU, have more protected agriculture and a more liberal textiles/clothing sector.

1.3. The indicators are dubious in themselves

Oxfam's choice of indicators is flawed both by their inherent defects, individually or in combination, and by the failure to address some aspects of protection.

- **Some of the indicators bear no relation to the object of the exercise.** The third and fourth indicators are based on MFN tariffs - basically the duties that the Quad countries apply to each other! Developing countries qualify for preferences that allow them to export to industrial countries at reduced rates. This is clearly shown in the World Bank study from which Oxfam derived its indicators. The following table (Table 3) shows in italics the figures quoted by Oxfam alongside those for developing countries (GSP beneficiaries and LDCs):

Average tariff rates applied to products subject to MFN tariffs over 15%

	Least developed countries	GSP-only beneficiaries	*Countries at MFN rate*
EU	11,9 %	19,8 %	*40,3 %*
US	14,4 %	16 %	*20,8 %*
Canada	22,8 %	28,2 %	*30,5 %*
Japan	19 %	22,7 %	*27,8%*

That is a rather significant correction: for the EU, the MFN duties are twice those for GSP countries and four times those for LDCs. The effect on the final ranking is likewise striking: **it shows that even before the "Everything But Arms" initiative the EU, that appears to have the highest rate of protection against industrialised countries (which are at MFN rate), had the lowest protection against the LDCs and the second lowest against developing countries qualifying only for the GSP**.

Other indicators are equally questionable, for example the **number of antidumping proceedings initiated against developing countries**, since by no means all proceedings result in measures. It would be more relevant to look at the number of proceedings culminating in measures, which would give 57 for Europe in the course of the reference period, 58 for the United States and 9 for Canada. Again, correcting the indicator produces a different picture.

The indicator measuring **tariff escalation** produces a ranking between the Quad countries that is broadly accepted but considerably underestimates the extent of escalation in Canada and to a lesser extent Japan; according to the OECD, average tariffs on processed food products entering the Canadian market are twenty times higher than for the primary products.

As for the **PSE** indicator, the Oxfam report itself, on page 113 (figure 4.5) paints a rather different picture of farm subsidies which shows figures for American farmers well in excess of the European counterparts.

- **Some of the indicators overlap (see above) and this distorts the DSI because of the way in which they have been aggregated.** This applies in particular to agriculture and tariffs. In itself the redundancy is not a problem provided it is properly handled (multidimensional analysis) but when the method of aggregation is a simple average it skews the results.

- **The indicators used by Oxfam ignore two key aspects of protection:**
  - ✓ **environmental barriers,** which many developing countries see as a new threat to their export trade at a time when the industrialised countries are gradually phasing out tariffs and quotas. A recent ITC (Unctad-WTO) study revealed a tendency on the part of the United States, Canada and the Cairns Group countries to use such measures in this way whereas the EU has been notably restrained;

  - ✓ **the trend of protection:** Oxfam's indicators provide a snapshot of protection at a moment in time but take no account of efforts under way to improve matters. The CAP has changed considerably over the last ten years; between 1992 and 2000 export subsidies fell from 25% of the European farm budget to 12%, above the minimum required by the WTO, a development which, to put it mildly, has not been matched by progress in the US.

2. The ITC, an offshoot of UNCTAD and the WTO tasked with promoting developing country exports, recently published two studies on this subject which support a very different conclusion

Oxfam's report partially drew on a copious body of literature looking at developing countries' access to Quad markets. The International Trade Centre, a body set up by Unctad and GATT specifically to promote developing-country export trade, recently published two studies that shed light on the issue, based on extremely detailed data on tariff and non-tariff barriers.

- ✓ **The first paper looks at all the "border" data used by Oxfam[14]** (customs duties, anti-dumping measures, textile/clothing quotas, tariff quotas for agriculture) and also at other factors with a quantifiable impact such as prohibitions, in all sectors and for all countries. The authors then calculate the tariff-equivalents for these factors, which are then added together to give the global protection level. The study reveals that when all the quantifiable factors are taken into account **the EU's global protection vis-à-vis countries enjoying no special preferential treatment (i.e. MFN treatment) is lower than the United States' -** 9.7% for the EU against 11.8% for the United States whereas, on the basis of tariffs alone, the opposite is generally assumed to be the case.

The main value of the ITC paper, however, is that it can be used to work out global protection by trading partner, specifically taking into account individual preferences per product and per partner. The results are given in Annex 1 and show the global protection for each major product sector, plus an estimate of peaks, applied by the EU, the United States, Japan, Australia and Switzerland to Morocco, Brazil and China. The main finding is that **the EU enjoys more global protection than the United States or Japan in agriculture (though considerably less than a country like Switzerland) but much less in all other sectors, including textiles/clothing** (its protection vis-à-vis Brazil, China and Morocco in that sector is half that of the United States).

- ✓ **The second paper looks at environmental barriers[15],** which the Oxfam report mentions more than once though they are not explicitly taken into account in the Index. By looking at the number of products targeted by "environmental" measures in the broad sense (including

[14] Bouët A., Fontagné L., Mimouni M., Pichot X. (2001), "Market Access Maps: A Bilateral and Disaggregated Measure of Market Access", Document de travail CEPII, #2001-18 http://www.cepii.fr/anglaisgraph/workpap/pdf/2001/wp01-18.pdf

[15] Fontagné L., von Kirchbach F., Mimouni M. (2001), "Une première évaluation des barrières environnementales au commerce international" ITC Research Paper (UNCTAD-WTO) M.DPMD/01/0135 http://team.univ-paris1.fr/trombi/fontagne/papers/ETB-ITC.pdf

health and safety, animal health and plant diversity measures), the ITC study shows that Canada, the United States and Japan, along with the Cairns Group countries, rank high among users of these measures in terms both of the number of measures (1 000 to 2 000 products affected out of a total 5 000) and the percentage of imports affected (ranging from 20% to 50%).

The ITC paper shows that intensive use of such measures **directly affects developing country exports, particularly from the LDCs** (almost half the LDC exports potentially vulnerable to this type of measure are affected).

The EU, on the other hand, makes sparing use of these measures, and figures low in the rankings with only 250 products (5% of imports) affected. Note that such measures are perfectly legitimate and indeed necessary but may be misused for protectionist ends. The study clearly refutes the popular claim that the EU uses environmental measures to protect its markets and in fact reveals the hypocrisy of those free-trade zealots (Cairns Group) who are among their most inveterate users.

ANNEX 1:

FINDINGS OF THE ITC STUDY ON PROTECTION IN THE QUAD COUNTRIES

1. COMPARATIVE GLOBAL PROTECTION BY SECTOR

Key: importers down, exporters across, e.g. the average protection applied to Moroccan cereal products entering the EU is 27.6%

MARKET ACCESS IN THE CEREAL SECTOR

	Austral.	Japan	Eur. U.	USA	Switz.
Moro.	0.0%	20.9%	27.6%	1.6%	94.7%
Brazil	0.0%	20.9%	21.1%	1.6%	93.9%
China	0.0%	20.8%	24.1%	4.3%	93.7%

MARKET ACCESS IN OTHER AGRIC. PRODUCTS AND FOOD INDUSTRY

	Austral.	Japan	Eur. U.	USA	Switz.
Moro.	1.4%	17.2%	23.3%	17.7%	52.5%
Brazil	1.4%	18.1%	18.3%	18.2%	48.4%
China	1.2%	18.8%	18.8%	18.4%	50.7%

MARKET ACCESS IN OTHER PRIMARY PRODUCTS

	Austral.	Japan	Eur. U.	USA	Switz.
Moro.	0.3%	0.3%	0.0%	1.0%	0.7%
Brazil	0.3%	0.3%	0.0%	1.1%	0.7%
China	0.3%	0.3%	0.0%	1.5%	0.7%

MARKET ACCESS IN THE TEXTILE AND CLOTHING SECTOR (WITHOUT MFA QUOTAS)

	Austral.	Japan	Eur. U.	USA	Switz.
Moro.	17.8%	20.7%	0.0%	12.8%	5.8%
Brazil	17.8%	20.7%	6.2%	13.1%	5.8%
China	17.8%	20.7%	31.0%	41.3%	5.2%

GLOBAL PROTECTION IN THE TEXTILE AND CLOTHING SECTORS (INCLUDING MFA QUOTAS)

	Austral.	Japan	Eur. U.	USA	Switz.
Moro.	17.8%	20.7%	0.0%	13.2%	5.9%
Brazil	17.8%	20.7%	6.9%	14.1%	8.4%
China	17.8%	20.7%	38.6%	51.3%	15.7%

MARKET ACCESS IN OTHER MANUFACTURED PRODUCTS

	Austral.	Japan	Eur. U.	USA	Switz.
Moro.	9.2%	1.8%	0.0%	3.0%	1.4%
Brazil	9.2%	1.8%	2.6%	3.2%	1.2%
China	11.5%	1.8%	2.9%	29.0%	1.4%

ANNEX 2:

FINDINGS OF ITC RESEARCH ON ENVIRONMENTAL BARRIERS

	Barrières techniques notifiées tous secteurs	En % des importations
Argentine	2098	48,3%
Brésil	1984	46,2%
Nouvelle Zélande	1348	40,3%
Etats-Unis	1141	31,4%
Japon	1401	31,2%
Egypte	838	26,7%
Australie	928	25,4%
Uruguay	944	24,5%
Venezuela	1167	21,9%
Paraguay	501	20,1%
Pologne	561	18,8%
Chili	1061	17,8%
pakistan	295	17,7%
Suisse	643	14,6%
Canada	610	14,0%
Thailande	912	12,1%
Mexico	1128	10,5%
Maroc	206	8,4%
Hongrie	495	7,6%
Norvège	523	7,5%
Indonésie	455	7,0%
Italie	256	6,7%
Malaisie	387	6,3%
Portugal	247	5,3%
Singapour	781	4,8%
Autriche	251	4,8%
France	256	4,3%
Royaume Uni	254	4,2%
Allemagne	254	4,2%
Espagne	256	4,1%
Philippines	60	2,4%
Inde	108	2,1%
Turquie	28	1,6%

Trade restrictions on environmental grounds - all sectors (1999)