What should be the strategies for achieving an equitable and sustainable world trading system with global welfare as its goal?

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I am delighted to be able to contribute to the 20th Anniversary Celebrations of CUTS (Consumer Unity & Trust Society) with more than just a "happy anniversary" wish, although I would like to wish you that as well, of course. Starting off with a few volunteers in a garage, on a zero budget, and finding oneself as a major player in international civil society 20 years later is an achievement that indeed merits quite a birthday party!

NGOs like CUTS have had an important influence on the New Round of multilateral trade negotiations, as you can easily see from the Doha Ministerial Declaration, which was adopted in November 2001. In Doha all WTO members pledged that the needs and interests of developing countries would be placed at the heart of our Work Programme, which became quickly known as the Doha Development Agenda (DDA). This is not just a pretty, politically correct name. By using these words, the WTO members have made a commitment on which we will be judged, collectively and individually. The term DDA demands not rhetoric, but results.

In the DDA we confirmed that "trade can play an important role in the promotion of economic development and the alleviation of poverty", and we indicated the ways in which this can be achieved: through "enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity building programmes".

The subtitle of this afternoon's session suggests that an equitable and sustainable world trading system can, by itself, bring about global welfare. Unfortunately it is *not* that simple.

Trade is a necessary, but not a sufficient condition for development: necessary, because no country has ever developed by turning its back to open markets; insufficient, because there are many other elements that are needed for development to take place: First of all, a commitment by national governments to sound domestic policies, but obviously also support from the international Community for such efforts.

The DDA

The Doha Development Agenda epitomises this approach, by linking market opening, domestic policies and technical assistance.

This is recognised in paragraph 38 of the Doha declaration, which encourages developing countries to mainstream trade into national plans for economic development and strategies for poverty reduction, and calls on the donor community to support those efforts through increased technical assistance and capacity building.

In short, the task is clear: how do we integrate development into trade policy? Let's take a closer look at the three key elements I just mentioned:

- Market access
- Rules
- Trade-related assistance

Market access

Market access is the number one priority for the Doha round for most developing countries with competitive export sectors, such as India. The EU is willing to do its part and to work on a basis that allows all Members' concerns to be met. Look at our proposal on industrial market access: we have put forward an ambitious proposal, which would result in reduced tariffs across the board. We address in a very tough way the question of tariff peaks and tariff escalation, which would increase opportunities, not just for north-south, but also for south-south trade. But we are not proposing, like other WTO members, that all countries go to zero tariffs. We know that this would risk undermining the development strategies of many countries.

On agriculture, where everyone in the press here in Delhi will tell you that the European Union is unable to move forward, we put forward a proposal which would not only slash our import tariffs by more than a third, our export subsidies by nearly half, and reduce trade distorting farm support by more than half, but which also contains specific actions to give developing countries a better deal. Such as the idea that the rich countries should ensure that access at zero duty should be applied to at least 50% of their imports from developing countries, and a special proposal which would allow crops which are key to a developing country's food security to be protected through a special safeguard.

Of course we are not going to agree to dismantle the Common Agricultural Policy. We, like India, do believe agriculture is different - intimately tied up with how we run our rural economy, our rural society, indeed the whole rural landscape, and that therefore there are limits to the international division of labour in agriculture. But we accept that if we support agriculture, we have to do it in ways which do not harm the world trade system. And that is what the whole process of CAP reform is about - a process that started 10 years ago, after 30 years of post-war self-sufficiency policy.

But the developing countries must also open up amongst themselves. It is a widely held misconception that poor countries face rich country protectionisrn that is more acute than their own. In fact, as Jagdish Bhagwati has put it so eloquently: asymmetry of trade barriers often goes the other way. Rich-country tariffs, for instance, average 3%; poor countries' tariffs average 13% and India average tariff is around 30 %. The peak tariffs in developed countries in textiles, fisheries and footwear do not change the picture much - UNCT AD has estimated that they apply to just one- third of poor country exports.

These findings contradict the often heard view that the Uruguay Round was a bum deal for developing countries. Let's look at some figures: since the conclusion of the Uruguay Round, EU imports from developing countries grew by 15% annually - faster than our total imports. Between 1996 and 2000, our imports from developing countries have almost doubled (from 250 billion Euros to 450 billion Euros). The EU is the largest importer of products from least developed countries: in 2000, 52% of least developed country exports towards the Quad (US, Canada, Japan, EU) went to the EU.

In agriculture, our imports from developing countries grew by 5% annually since the conclusion of the Uruguay Round, compared to 3% per annum before. In textiles and clothing, our imports from developing countries have jumped by 60% since 1995. So let's be clear: the developing countries were not the losers from the Uruguay Round!

And this is also true for India: India's total exports in 2000 were twice as high as in 1995. India's share of world trade increased by 40%. Exports have certainly contributed to India's good growth performance in the 1990s. But more can be done: India's share in world trade is still only 0.8%, despite the impressive reforms you have undertaken over the last decade domestically. For an outside observer, it is quite striking to see how little your domestic reform push has so far translated into an opening up to the rest of the world: India remains in the group of countries with the most restrictive trade regimes, including the highest average tariffs in the world and a range of non-tariff barriers such as import bans and restrictions and mandatory certification requirements.

The Doha negotiations offer a chance for India to catch up with other competitors in Asia, to lock in domestic reforms, get others to open up to India's exports and level the playing field with key competitors elsewhere in Asia.

But we should not only look at North-South trade: the **trade barriers of poor countries against one another** are significant restraints on their own development -more significant than those imposed by the rich countries. This helps maintain the North-South character of trade flows. It results in developing countries foregoing enormous market opportunities. So to ensure effective export growth for developing countries the trade barriers of both developed and developing countries need to be tackled together.

And we are of course not just talking about trade in goods, but also about trade in services, where both the EU and India have very dynamic industries and major stakes in the negotiations. One of the most striking success stories of developing country exports in services is India's software industry. Indian export grew by 50% annually over the last ten years. And India also has a stake in other sectors: financial accounting, call centres, medical transcription, to name but a few. The Commission recently put on the table of our Member States and of the European Parliament a draft offer for access to our services market which tries to respond in particular to the requests we received from developing countries. Including on the issue of temporary movement of persons, an area of key interest for India. I hope that some of you have some influence with my member states (and I have seen Pradeep's recent letter to the Financial Times, making the case for more openness on mode 4) and with the European Parliament. I have been doing my job with the parliamentarians who voted a positive resolution on the GATS negotiations yesterday, including on mode 4 and I will debate with Member States when I'm back in Brussels next week.

<u>Rules</u>

But beyond market access, we also need new rules. They are not an instrument of the rich against the poor; on the contrary: they are - sometimes even more than tariff reductions - a tool for development. Rules secure market access and increase trade.

Anti-dumping rules are a good example. I hear India is worried that tariff rate quotas on textiles will be replaced by trade defence actions after the end of 2004. What better way to avoid this than by tightening the scope for countries to do this by firming up the rules in the WTO?

The other rule making areas we propose - areas like investment, competition, trade facilitation and procurement - all reflect the basic GATT principles of transparency and non-discrimination, which I would argue, are the best friends of development. Why? Because transparency and non-discrimination are the twin keys to improving domestic governance and a stable business climate. They promote sound policy decision-making, and help prevent governments from being held captive either by narrow domestic interest groups or foreign pressures. They are therefore to the benefit of the vast maioritv of business and citizens. They are principles, which strengthen democracy and the exercise of sovereignty by countries, rather than diminish that sovereignty, as some critics of WTO allege. Take competition: without functioning competition rules, it is all too easy for developing countries to be victimised by hard core cartels, for example. Or take investment: a balanced framework of rules on Foreign Direct Investment would be in the interest, in particular, of developing countries, SMEs (and consumers) who do not have the negotiating power to impose their conditions in the absence of clear rules of the game at global level.

Of course, it is important that those new rules take account of the prevailing circumstances of developing countries. In Geneva speak, this is known as Special and Differential Treatment, and it covers many different aspects.

We propose for instance special transitional periods for developing countries for implementing new rules. But I must stress the idea is precisely not to carve out a two-tier WTO, but to ensure that developing countries are better able to apply any new rules we negotiate in the Round, and to better integrate into the global economy as a result. And this requires also differentiation between developing countries, according to their stage of development and to their needs.

Technical Assistance

There is good news on this front: developed members of the WTO and international donor organisations are gearing up to provide support and assistance. Take the EU: over the last five years, we spent almost 700 million Euros on about a hundred trade-related projects. Our programme with India, to stay close to home, includes a 15 million Euro Trade and

Investment Development Programme to help India integrate into the world economy, enhance trade with the EU and promote an investor friendly climate. It can be used to address the existing trade irritants that we have between us. We can, for example, assist to up-grade the capabilities of Indian laboratories to test products for compliance with technical regulations, and food safety standards. We are also putting in place bilateral agreements aimed at facilitating business contacts and easing unnecessary complicated and lengthy administrative procedures. We have already signed an agreement on Scientific and Technological Co-operation, and we want to embark on negotiating agreements on maritime transport, textiles and customs co-operation.

Let me give you an example of the importance for the export industry of, for instance, cost-effective and reliable transport services: the Indian textiles industry, which is India's second largest export sector at 11 billion Euro per year, faces 13 % higher transport cost than one of its main competitors, China. An agreement on maritime transport can greatly help reduce this disadvantage, and prepare India for the increased competition from China when the Agreement on Textiles and Clothing expires at the end of 2004.

Prospects for Cancun

I hope I have managed to set out why the DDA has the potential to contribute to a more equitable and sustainable world trading system, at the service of development, and why India and the EU should engage together in making the round a success. Cancun is an important staging post in this respect, and I am looking forward to hear your views on what it takes to secure progress at Cancun.