SUBMISSION BY CONSUMERS INTERNATIONAL TO THE TRADE COMMITTEE

Why Trade Matters to Consumers: What Hong Kong Can Deliver

Seventh Informal Consultation between the OECD Trade Committee and Civil Society Organisations (CSOs)
Paris, 24th October 2005

This paper has been submitted by Consumers International. The views expressed herein are those of the author and are not necessarily shared by members of the OECD.

This document is available only in PDF format.

Miriam Koreen: Tel: (33-1) 45 24 81 41; Fax: (33-1) 44 30 61 64
e-mail: miriam.koreen@oecd.org
Making WTO rules work for consumers

We – the consumers – are the people that make markets work; we buy goods and services, yet governments and businesses do not always listen.

The Sixth Ministerial meeting of the World Trade Organization (WTO) gives you, the Member governments, a real opportunity to deliver a Trade Round to benefit consumers. We want you to open up processes to proper scrutiny and be proud that rules can help make markets work.

Trade matters to all consumers. It matters to:

- one billion consumers who survive on less than US$1 a day
- one billion people who go without a supply of safe drinking water
- more than two billion people who do not have access to essential medicines
- the 1.5 billion consumers in developed countries who pay around US$3,000 per year more than they should due to unfair agricultural subsidies.

Better and fairer trade rules are vital if we are to meet the Millennium Development Goals and make poverty history.

Consumers International believes it’s time to turn talk into action. We urge Member governments to complete the Doha Round and deliver fair and just trade rules.

We want rules that:

- focus on consumer needs, not on business demands
- consider the needs of consumers when talking about trade
- ensure all consumers everywhere have access to basic services
- open up rich world markets to products from the developing world
- scrap unfair subsidies and stop dumping on poor countries
- protect the consumer right to information.

A message from Marilena Lazzarini

President of Consumers International

‘This round of trade talks needs to deliver for consumers. With over one billion consumers without a safe water supply, let alone electricity, the WTO needs to focus on ensuring all consumers have access to basic services. Consumers around the world are frustrated with the lack of action. We want a fairer deal for basic services, food and medicines. The WTO has said it can deliver – now is its chance.’
Why trade matters to consumers: 
What Hong Kong can deliver

Services

It is shameful that in a world where technological innovation moves ever faster, over one billion people do not have ready access to a safe drinking water supply or proper sanitation, let alone electricity and telephones.

Access and affordability, as well as quality and standards, are key concerns for all consumers. All providers, public or private, should deliver agreed quality services to consumers, including the poorest and most vulnerable.

We believe that the General Agreement on Trade in Services (GATS) must be redrafted to include the government’s right to regulate services and the consumer’s right to agreed principles for service provision.

Under the GATS if a request is made to enter a given market, then the offer should be seen as open to all, not just to the requesting country’s investors.

With few countries putting offers on the table and the GATS treaty not delivering in the way it was envisaged, Consumers International is calling for the establishment of a new framework of a ‘General Agreement on Public Services’ (GAPS) providing for the right to regulate and consumer protection principles.

On services, Consumers International demands that the WTO ensures:

• the right to regulate is stated in the body of the treaty
• the consumer right to access to basic services is promoted through universal service provisions.

Agriculture

Talking to consumers about trade we found access to affordable, good quality food was at the centre of their concerns. Many consumers welcome the quality and variety of imported food – while others are thankful for the ability to barter their livestock for grain.

The case for reform of world agricultural trade is already well known to Member governments. Developed countries, especially the European Union, USA and Japan, subsidise agricultural exports and uphold tariff barriers, creating high food prices in their own markets and unfair barriers against developing country producers. Meanwhile, subsidised products are dumped on developing country markets, depriving local farmers of their markets and livelihoods.

Substantive change must be agreed in 2005, with early and fixed deadlines for implementation.

On agriculture, Consumers International demands the WTO agrees and implements timetables for:

• the elimination of agricultural export subsidies, by the European Union, the USA and Japan, by 2010
• the phasing out of all trade-distorting domestic support in developed countries by 2010.

Jordan and Lebanon – telecomms for all

In the Middle East demand for mobile phone networks is rising but prices remain high. Jordan has seen a rapid improvement in telecoms since GATS commitments were undertaken. Lebanon has some of the highest phone charges in the world. Consumer organisations in Lebanon wants to see GATS deliver, as in Jordan – meanwhile they are active in organising ‘mobile boycott days’ in an attempt to lower prices.
Why trade matters to consumers: What Hong Kong can deliver

Non Agricultural Market Access (NAMA)

Everything from cars to washing machines, shipbuilding to electronics, is manufactured and distributed globally. For Consumers International the key to the NAMA negotiations is that consumer rights should not be undermined.

Consumers shopping for refrigerators, cars or washing machines want to make an informed choice to buy safe, environmentally-friendly products.

However some countries aim to undermine consumer rights by scrapping consumer information that they misleadingly class as a ‘non-trade barrier’.

Several countries are targeting ‘non-trade barriers’. For example, South Korea is challenging US labelling of energy efficient refrigerators and ‘unduly strict’ safety measures on cars and ‘stricter than necessary’ standards on certain chemicals. Several countries raise objections to ‘excessively high’ safety and quality control standards and certification requirements for electronic products. Thailand, for example, is challenging restrictions on the use of certain heavy metals in the production of electronic products.

On NAMA, Consumers International demands the WTO ensures that:

- negotiations do not undermine existing consumer health and safety standards.

Trade Related Aspects of Intellectual Property Rights (TRIPS)

Access to essential drugs at an affordable price affects billions of people worldwide. The problem is particularly acute in Africa and Asia where up to half of the population do not have such access. In Uganda, with high rates of HIV/Aids and malaria, over 90% of drugs are imported. Nearly all (90%) of consumers pay for their treatment privately, and are thus directly vulnerable to high drug prices.

A major cause is the prohibitively high price of patented medicines. A study revealed that retail prices of drugs in many developing countries of Africa, Asia and Latin America are higher than the prices in ten wealthy Organisation for Economic Co-operation and Development (OECD) countries.

It is particularly difficult to address the problem of lack of access in countries that do not have the resources or the economies of scale to undertake drug manufacture. All of the least developed countries and most developing countries are in this position.

Malawi – Unregulated liberalisation

Research undertaken by our member in Malawi, one of the least developed countries, demonstrates rapidly opening markets without protection or regulation will not benefit the majority of consumers. While liberalisation has lead to greater choice, at least for those with funds, it has also resulted local markets being flooded with substandard goods. In a survey 57% of people said they could not afford basic foodstuffs.

Consumers International is concerned that such issues represent a serious challenge to consumer health and safety. Negotiations on the reduction or elimination of non-trade barriers should not undermine established consumer rights. Specifically, there should be no reduction in safety and environmental labelling standards.

www.consumersinternational.org
TRIPS acts as a barrier to knowledge and access to education, one of the Millennium Development Goals.

The current protections under TRIPS are limiting access to copyrighted works worldwide. Alternative approaches to support creative activity must be developed to enhance, rather than restrict, access to materials for education and research.

**Chile – TRIPS increases drug prices**

Chile, a middle-income country, is a major producer and exporter of generic drugs in Latin America. Experts calculate that the introduction of TRIPS compliant legislation will increase drug prices by up to 800%. The legislation is likely to benefit larger companies at the expense of small and medium-size companies, thus restricting competition and consumer choice.

The World Intellectual Property Organization (WIPO) is discussing the need to refocus global rule making to allow for a more flexible approach to intellectual property to help development. Consumers International is backing this initiative.

**On TRIPS, the WTO must:**

- suspend further implementation of TRIPS within developing countries until the conclusion of discussion within WIPO on the development agenda
- allow developing countries to access vital medicines at an affordable price.

**WTO governance**

The WTO needs to engage with the people its rules affect. The WTO is now ten years old. It is time to review its structure and functioning in order to ensure it carries out its role as a rules-based regulator of global trade. Without reform, the world’s six billion consumers will not benefit from trade, and the poorest consumers will continue to live in poverty.

**On governance, the WTO must:**

- give an immediate and clear commitment to implement Article V:2 of the Marrakech Agreement, which authorises the General Council to make appropriate arrangements for consultation and co-operation with non-governmental organisations, by creating and improving formal consultation and co-operation mechanisms.

For more information contact the trade team at Consumers International at: trade@consint.org

Chile – TRIPS increases drug prices

Chile, a middle-income country, is a major producer and exporter of generic drugs in Latin America. Experts calculate that the introduction of TRIPS compliant legislation will increase drug prices by up to 800%. The legislation is likely to benefit larger companies at the expense of small and medium-size companies, thus restricting competition and consumer choice.
Why trade matters to consumers: What Hong Kong can deliver

Putting consumers at the heart of trade

September 2005

The WTO and agriculture

Access to affordable, good quality food is at the centre of consumer concerns. Many consumers welcome the quality and variety of imported food – while others are thankful for the ability to barter their livestock for grain.

The case for reform of world agricultural trade is already well known. Developed countries, especially the European Union, USA and Japan, subsidise agricultural exports and uphold tariff barriers, creating high food prices in their own markets and unfair barriers against developing country producers. Meanwhile, subsidised products are dumped on developing country markets, depriving local farmers of their incomes and livelihoods.

Consumers International believes that substantive change must be agreed in 2005 at Hong Kong, with early and fixed deadlines for implementation.

Structure of agricultural markets

Over the last decade, a greater share of the world agricultural and food markets has been concentrated in the hands of the large corporations and supermarket chains. This corporate driven approach results in consumers and small farmers losing out. In Argentina, European and US supermarket chains control almost 60% of the retail food sector in large cities with traditional retailers taking less than 20%. Meanwhile, although prices paid to producers of export staples such as coffee and sugar have fallen dramatically, these reductions have not been reflected in consumer retail prices.

The WTO Hong Kong Ministerial must focus on reforming the Agreement on Agriculture to make agricultural policy more just and focus on development which will benefit all consumers.

Developed country consumers pay the price of their countries’ protectionism either through higher prices since imports of lower-cost developing country exports often do not translate into lower cost retail food prices, or as taxpayers through higher taxes spent on direct income aids, or both.

Consumers in developing countries lose out as a result of such trade practices as subsidised dumping by developed country governments that causes immense turbulence in internal food markets and undermines local food production.

A message from Yaya Sidjima

Consumers Association of Chad

‘The impact of US cotton subsidies on consumers in Chad has been devastating. How can we develop our economy without exporting one of our main sources of income? Least developed countries need a better deal from the WTO.’

For our detailed policy position for Hong Kong please visit: www.consumersinternational.org/wto
Abolition of export subsidies

Unfair export competition needs to stop. The WTO must fulfil its commitment to deliver ‘a fair and market-oriented agricultural trading system.’ There must not be any backing down on the Doha pledges. The WTO must set targets and deadlines for the scrapping of export subsidies.

Dumping on agricultural markets

Transnational companies continue to market aggressively in poor country markets, using or benefiting from subsidies that their own governments refuse to eliminate or reduce. Although agricultural exports dumped at prices below the cost of production may bring some short-term benefits to consumers, this often comes at the risk of endangering long-term domestic production and food security and quality.

Domestic support

Consumers International was encouraged by the 2001 Doha Ministerial Declaration’s call for ‘substantial reductions in trade-distorting domestic support’. However, the commitment is not being turned into action. The EU must reform its Common Agricultural Policy (CAP) and the US must stop giving direct income aid to farmers, both of which have led to an oversupply of some crops which are then dumped on global markets.

Consumers International urges the WTO to:

- scrap agricultural export subsidies by the European Union, the USA and Japan, by 2010
- ban all trade-distorting domestic support in developed countries by 2010
- ensure that the Agreement on Agriculture supports food security in developing countries, rather than undermining it
- deliver greater market access for developing country agricultural exports, particularly those benefiting small producers.

Cotton crisis in Chad

US cotton subsidies, reaching over $2 billion in 2002, has led to a crisis in Chad, one of the world’s poorest countries. Research by the Consumers Association of Chad estimated that two million small farmers had their livelihoods destroyed because the price of cotton had lost 50% of its value in the last decade. If the US stopped subsidising its cotton farmers, as the WTO ruled in April 2005, then Chad could have a potential export income of US$79 million a year.

EU protectionism costs consumers dear

Every year EU consumers pay higher costs for food than they should, to pay subsidies for EU farmers. In effect, farmers are paid to produce food that can be produced more efficiently outside EU borders. Although there have been limited moves to reform the Common Agricultural Policy, subsidies are still high. Research by Which?, the UK consumers association, concludes: ‘The cost of European protectionism effectively costs us the entire domestic output of Spain, with the total running to £1,000 ($1,840) for every EU citizen’.

Agricultural export dumping must be stopped to allow developing countries to have the opportunity and means to strengthen their food security and increase rural employment. Consumers International calls for a shift in orientation in the WTO negotiations on the Agreement on Agriculture towards developing enforceable rules to stop the dumping of agricultural products on world markets.
Why trade matters to consumers: What Hong Kong can deliver

Putting consumers at the heart of trade

September 2005

The WTO and services

Services is the top priority for Consumers International at the WTO. In the developed world, access to public utilities is a given. However, there are over one billion people who still do not have ready access to a safe drinking water supply, let alone proper sanitation, electricity and telephones.

It’s not just a matter of infrastructure. Sometimes the infrastructure exists but doesn’t cover the poorest areas, such as urban slums, shanty towns and rural areas. Infrastructure may be decrepit, decaying or badly maintained, or simply inappropriate for the environment. And it is very likely that services are unregulated or poorly regulated.

Proper regulatory structures are vital for the effective delivery of public utilities to consumers. Yet evidence confirms that in many countries regulation is still evolving or not yet in place. Consumers International strongly welcomed the affirmation of the ‘right to regulate’ in the Doha Ministerial declaration. However, we want to see this right stated in the body of the General Agreement on Trade in Services (GATS) treaty, not just the preamble.

Consumers International is concerned that countries which are under pressure to make commitments under GATS will liberalise services before the proper consumer protection, competition and regulatory structures are put into place.

Our research shows that there is no clear link between GATS commitments and successful pro-consumer liberalisation. We are concerned that under GATS false liberalisation (characterised by ownership being transferred to private, often foreign-owned, under-regulated monopolies) will become widespread. Our members have reported many such ‘liberalisation’ programmes. For example, in Brazil high tariff increases in the fixed line telecoms sector are due to the virtual absence of competition.

Water

Access to safe water is vital for all consumers and is one of the targets of the Millennium Development Goals. It is therefore dismaying that there is confusion as to where water provision fits in the WTO framework because of the overlap between GATS and the WTO Agreement on Government Procurement. There is also confusion as to whether water is a good or a service.

Access to a safe and clean water supply is a basic human right. The WTO must have as a basic principle the right to universal provision for all consumers.

A message from Samuel Ocheing

Consumer Information Network, Kenya

‘Consumers need access to water. If the GATS can’t deliver, WTO members need to find a way to ensure provision of basic services. This is why we are backing the General Agreement on Public Services.’

For our detailed policy position for Hong Kong please visit: www.consumersinternational.org/wto
Over the past decade there have been many attempts to shift ownership and management of water provision from the public to the private sector, including foreign-owned transnationals. There have been highly contentious privatisation schemes. Some concession agreements, such as in Bolivia and Tanzania, have collapsed amid acrimony and civil disturbance. We want to see all providers, public and private, follow the same principles and practices to ensure a universal service at affordable prices.

**Kenya – Korogocho water project**

Nairobi is a divided city, with the poorest consumers living in shanty towns without access to clean water or electricity. This includes the 15,000 people living in Korokocho. Now, thanks to a community project led by the Kenya’s Consumer Information Network, 5,000 have access to running water, toilets and showers. But much more remains to be done.

**General Agreement on Public Services (GAPS)**

Consumers International believes that a new treaty, a General Agreement on Public Services (GAPS), should be created to tackle the issue of public service provision.

The limitations of GAPS are inevitable given that market access is seen as a government-to-government commitment. The consumer does not enter the picture. For example, provisions on transparency (Art. 3) relate to information to potential market entrants, not information to the public regarding public service contracts. Provisions on monopolies and their potential abuse (Art. 8) are not drafted in terms of abuse of consumers but in terms of maintaining market access commitments; any benefits to consumers are arrived at indirectly. Consumer rights and benefits should be written into the agreement.

---

**Poland – slow change and high prices**

Liberalisation of the telecoms sector began in 1990, when the state-owned telephone company became a joint stock company. Poland has since signed up to GATS and some foreign operators have entered the market. Yet the telecoms regulator was not established until 2001. Poland still has the second highest charges for fixed lines in the OECD. As a result of slow progress in the fixed line sector, consumers have flocked to the more competitive and responsive mobile sector. In 2004 Poland had 22 million mobile phone connections compared to only 13 million fixed lines.

On GATS, Consumers International urges the WTO to ensure that:

- the right to regulate is stated in the body of the treaty
- the definition of services ‘provided in the exercise of government authority’ (Art. 1.3) is clarified to protect state provision of public services
- the consumer right of access to basic services is promoted through explicit recognition of the role of universal service provisions and appropriate subsidy
- the scope of the ‘necessity test’ under GATS Art. 6.4 on domestic regulation is clarified so that any such test applies only to liberalisation offers in the line with GATS’ positive list approach, not across the board
- regulation must aim to promote access and not just ‘to ensure the quality of the service’ as stated in Art. 6.4.
The WTO and Non Agricultural Market Access (NAMA)

Whether you’re talking cars or washing machines, shipbuilding or electrical goods manufacturing, the key to the NAMA negotiations is the impact on consumer protection.

When we are shopping for our refrigerators, cars or washing machines, consumers want access to eco-labelling to make an informed choice.

Consumers International is concerned that negotiations on NAMA are undermining special and differential treatment provisions for developing countries. We are also concerned about the reversal of the principle of less-than-full reciprocity for developing countries, and threats to eco-labelling schemes for consumer goods.

Tariffs

Consumers International believes tariff escalation has a negative impact on consumers and developing countries. We want the WTO negotiations to focus on the needs and interests of developing and least developed countries (LDCs).

Consumers International has two areas of concern on NAMA that affect consumers living in the LDCs:

1. There is no set date by which developed countries, and developing countries on a voluntary basis, need to offer duty free and quota free access to LDCs. We want this access to be offered immediately.
2. Although LDCs are excluded from requirements to apply any tariff reduction formula, they are still expected to ‘substantially increase their level of binding commitments’. This is unfair.

The 2004 WTO July Package reaffirmed the 2001 Doha Ministerial Declaration statement that there should be less-than-full reciprocity and provisions for special and differential treatment (S&D) for developing countries. However, several developing countries claim that there is not sufficient focus on these elements in the negotiations.

Consumers International believes that the WTO must come up with a formula that benefits developing countries, and that can allow for flexibility.

A message from Emma Higginson

Which?, UK

‘Trade liberalisation is only as good as a government’s commitment to it. Parents in the UK were benefiting from Chinese imports, and we need to see the EU commit to greater trade liberalisation, not revert to protectionism.’
Labelling of environmental goods and product safety

Consumers International is highly concerned that several countries have identified certification schemes as a general issue to be discussed. For example, South Korea has challenged US labelling of energy efficient refrigerators, ‘unduly strict’ safety measures on cars and ‘ stricter than necessary’ standards on certain chemicals.

UK – Trade brings cheaper school uniforms

UK families spend on average $US180 less per year on children’s clothing as a result of freer trade. The combination of trade liberalisation and price competition has seen prices in the main supermarket and clothing retailers almost halve since 2002. For example, school uniforms bought at Tesco were over 40% cheaper in 2005 compared to 2002.

Several countries have raised objections to ‘excessively high’ safety and quality control standards and certification requirements for electronic products, such as Thailand, which challenges restrictions on the use of certain heavy metals. Negotiations about the reduction or elimination of non-trade barriers must not undermine consumer interests in safety. Consumers International is concerned that several key issues that represent a serious challenge to health and safety seem to be at stake in the current negotiations.

Such challenges must not be allowed to reduce the labelling requirements the consumer movement has fought so hard for. Consumers International is strongly opposed to any undermining of existing measures that enable informed consumer choice regarding the quality and safety of products.

Germany – Consumers want product labelling

Consumer information is a fundamental right, and people want to see more information about goods and services, including labelling of environmental goods.

The Federation of German Consumer Organisations, vzbv, conducted a survey on what information consumers considered essential. The survey found that an overwhelming majority of consumers wanted to see information on products and producers, including:

- 78% want to see food production dates
- 77% want to see allergenic ingredients in textiles
- 75% want to see information on genetically modified organisms
- 71% want more information about corporate social responsibility.

On NAMA, Consumers International urges the WTO to:

- offer duty free and quota free market access on industrial goods to LDCs
- reduce tariff and non-tariff barriers that have a negative impact on consumers, especially tariff escalation that has harmful impacts on both consumer welfare and the economic growth of developing countries
- identify an appropriate tariff reduction formula that will allow developing countries the flexibility of implementing pro-consumer industrial policies
- ensure negotiations on environmental goods do not undermine existing measures enabling informed consumer choice regarding quality and safety of products. Labelling, including eco-labelling schemes, must not be threatened by WTO rules.
The WTO and institutional reform

At the WTO Public Symposium to celebrate the tenth year of the World Trade Organization (WTO) European Commission President José Manuel Barroso, said:

‘It [the WTO] has achieved a lot in its short life, but is still young. It is confronted with several challenges like public ignorance, and difficulties in reaching consensus among a large and diverse membership. Like all good parents, it is our responsibility as WTO Members to defend it and to help it fulfil its potential.’

There is much that can be done to improve WTO governance to ensure that it becomes a better functioning, transparent and democratic body.

WTO governance

Consumers International believes that the WTO needs to urgently extend its internal decision-making structure to make it more efficient, inclusive and transparent, particularly for developing country Members, in line with the ethos of the Doha Round.

The WTO is one of several international organisations dealing with trade and development issues and should adopt an accreditation system similar to United Nations agencies for consultation and co-operation with relevant non-governmental organisations (NGOs).

Ten years after the Agreement establishing the WTO, Article V:2, which authorises the General Council to make appropriate arrangements for consultation and co-operation with NGOs, has still not been fully implemented.

The WTO needs to work more closely with other international trade and development organisations in order to adopt a more coherent, responsive and effective approach to improving the global trading system. We want to see substantial WTO reform in many areas.

A message from Richard Lloyd

Director General, Consumers International

‘Consumers International believes that unless the WTO Members address some of the problems of structure and function, the WTO will be unable to fulfil its task of producing and promoting clear, balanced and timely multilateral trade rules.’

For our detailed policy position for Hong Kong please visit: www.consumersinternational.org/wto
NGO access to WTO decision making:

NGOs represent diverse groups which are affected by trade rules. Consumers International believes that the WTO would benefit from consultation with these groups, including consumer organisations. There is scope for engaging with NGOs as recommended in the Marrakech Agreement (Art. V2) which provides for the creation and improvement of formal consultation and co-operation mechanisms with civil society representatives.

On NGO access, Consumers International recommends that the WTO:

- fully implements Art. V2 of the Marrakech Agreement
- sets up an accreditation system similar to United Nations agencies
- meets formally and regularly with accredited expert NGOs functioning as consultative partners on specific topics affecting health, safety, the environment and consumer rights
- creates a mechanism for giving financial assistance to NGO participants from developing countries so that all perspectives are considered.

Consultation and information in Member countries

Unlike other international institutions the WTO Secretariat does not have a mandate to make any independent recommendations to WTO Member governments on the processes by which they represent their citizens. We believe that this should change. If the Secretariat is given that power they also need to monitor to ensure that the Member governments are adequately representing their domestic stakeholders needs and views.

On consultation and information, Consumers International urges the WTO to:

- meet regularly with Member governments’ parliamentarians and relevant organisations, with the aim of creating and implementing guidelines for improving Member governments’ domestic consultation and information dissemination mechanisms
- recommend all Member governments establish consultative committees for trade policy in which NGOs are represented
- require Member governments to consult with user groups and NGOs affected by a trade dispute.

Public access to WTO documents

While Consumers International welcomes the use of the WTO website to increase transparency, to give real substance to the phrase ‘Access to all official WTO documents shall be unrestricted’, documents do need to be available. Our research indicates that this is not the case.

In the interests of promoting its work and becoming more accessible to the people who are affected by WTO rules, information must be made readily available.

On public access to documentation, Consumers International urges the WTO to:

- review the time frames for de-restricting documents, including the qualifications for renewing the restricted status of documents.