

December 12, 2005 Monday

SECTION: CITY; Pg. 8

HEADLINE: The way to help ourselves by helping others Joseph Stiglitz and Andrew Charlton assess the task of providing gains for poor countries

BYLINE: Joseph **Stiglitz** and Andrew Charlton

POLITICIANS from more than 140 countries will fly into Hong Kong this week, to try to fix the hopelessly distorted world trading system.

To get a sense of how important this is, try the following experiment. Imagine a world without trade barriers or subsidies, and think of what would have to be invented to get to where we are now.

Imagine a United States senator rising to his feet and asking for pounds 2billion each year to give to a handful of cotton farmers on the condition that they continue to produce a loss-making crop, even though it can be imported from Africa at half the price.

Consider an MEP asking for subsidies for the sugar industry, even though sugar can be produced much more cheaply in warmer climes.

It sounds improbable, but we have now reached the stage where the European Commission is paying 40pc of its budget propping up inefficient industries which employ just 2pc of its workforce.

The rich countries that make up the OECD give more than pounds 200billion to their farmers each year, and maintain high tariffs to keep cheaper food out.

These handouts do not even go towards protecting the livelihoods of small 'village' farmers. Instead, they flow towards giant farming corporations, which calculatingly change their crops to maximise their subsidies. In Europe, the largest 1pc of farms receive more than the smallest 40pc.

These trade policies are a lesson in incoherence. The US has a huge hole in its budget, but gives billions to farmers, who make up just 1.7pc of the population.

Gordon Brown wants to make poverty history, so he should consider this awkward fact. Rich nations give developing countries pounds 50billion in aid each year, but cost them three times as much in protectionist trade policies.

At this week's meeting, the gathered politicians have to ask themselves one thing: why should we give poor countries aid money, and at the same time deny them the opportunity to work and trade their way out of poverty?

A 1pc increase in Africa's share of world trade would bring it over pounds 30billion - more than three times the aid increase agreed by the G8 at Gleneagles.

The current round of trade talks started in Doha four years ago. It is called the "development" round because of its stated aim to draw poor nations into the trading system.

The Doha meeting took place just two months after the attacks of September 11, and it was agreed that fighting poverty, advancing globalisation and helping development was in everyone's interest.

Sadly, less than two years later it had become clear the talks were seriously off-track. The 2003 meeting in Cancun ended in a walk-out, after many participants accused the US and Europe of renegeing on their promises, especially over agricultural reform.

Now, the WTO is scrambling to avoid another embarrassing failure, but the prospects of reaching a substantial agreement in Hong Kong are fading.

Politicians will now have to choose whether to scale back their ambitions, or hold off on an agreement and restart talks next year. The latter is the lesser of two evils. A compromise deal would be a regrettable missed opportunity.

Delay at Hong Kong would be a mini-failure in itself - an admission that too little progress has been made.

This aside, our book, Fair Trade for All, comes to the conclusion that there is a broad agenda beyond agriculture that has been almost entirely ignored in the Doha round of talks.

Tariffs on industrial goods must be slashed, and the set-up must be altered so that the types of goods exported by poor countries, such as processed foods, are not unfairly penalised.

There is also much to gain from increasing the mobility of workers. Workers from poor countries should be allowed to carry out short-term projects in rich countries.

This would help the flexibility of the labour force, and also allow workers to send part of their pay home. The flow of money from migrant workers in rich countries is a crucial source of development finance, and is already greater than all the aid money that is given every year.

Our vision of a true development round shows there are many ways of helping ourselves while helping developing countries, even if certain special interests in the rich world suffer.

Politicians have the chance to deliver real gains to poor countries, and they must also preserve the reputation of the WTO. They must take a step back from the current debates and the political machinations to ask themselves what the talks should really focus on.