

THURSDAY 10 JULY 2008

Present

Cohen of Pimlico, B. (Chairman)
Haskins, L.
Kerr of Kinlochard, L.
MacLennan of Rogart, L.
Moser, L.
Trimble, L.
Woolmer of Leeds, L.

Witnesses: **Ms Patricia Francis**, Executive Secretary, and **Mr Rajesh Agarwal**, International Trade Centre, examined.

Q344 Chairman: Ms Francis, Mr Agarwal, thank you so much for coming to see us, it is very good of you. This is a House of Lords inquiry for a report which means that we do take a transcript of everything that is said, but equally we send you the transcript so any infelicities can be removed. What I would like to start with, for the record, is for you to tell me a bit about the work of the ITC as well as anything else you would like to say by way of an opening statement.

Ms Francis: Thank you very much. I am very honoured to be here and very interested in the subjects that you have presented to the ITC. In fact, the outcome of your recommendations going forward will certainly have a very potent impact on our constituency, who are small and medium-sized enterprises in developing and transition economies. Clearly the ITC, which is a product of both the WTO, in its genesis the GATS, and the UN system is the third part of a process: one, policy development, which is done by an organisation called UNCTAD; two, which is rules-based, which is the work of the WTO; three, ours, which is implementation, which is the realisation of opportunities that have been presented as a result of the global trading system. In a nutshell, that is what ITC is about. We are about helping people to

realise the business opportunities which exist in front of them. Because we are both a UN and WTO institution we are also guided by the principles of the UN and the Millennium Development Goals. In making decisions about what it is that ITC does, we qualify things that are in front of us to ensure that we focus our attention on those who have the least opportunities and where poverty is the greatest. We are currently allocating about 45 per cent of our resources to least developed countries and are trying to reach a target of 50 per cent of our expenditure to least developed countries. We focus very much on landlocked and small island developing states because those also have peculiar issues. I have provided you with a couple of documents here. Within the context of trade, ITC is very much focused on “export”. We have focused our attention not just on export, but export which has an impact and results in some kind of good. The slogan – Export Impact for Good - that the organisation holds on to and the thing that I challenge my staff with when they come forward with projects is, “Yes, but what is the outcome of this intervention? What is going to happen at the end of the day after you have spent these resources?” This document, to a large extent, speaks to what the goals and objectives of the organisation are. It talks about our role in Aid for Trade and there is a specific question on Aid for Trade so I will hold any elaboration on that for when we speak about that. We try to ensure that we are sensitive to the needs of the people we are working for, that we are providing them with solutions rather than some kinds of activities. We are focused on what are the solutions and can we understand what the real needs of our clients are. Partnering is very important for us because we are a small Geneva-based organisation and, therefore, it is only through partnerships and integration with other organisations that we can truly have an impact. We have five areas of competency or business lines, and they are: 1. Business Trade Policy. Because we are focused on small and medium-sized enterprises it is about helping the private sector to elaborate their issues in a way that can be understood by policymakers and to help them put that in a context so they can

benefit from what is happening in the area of trade policy. 2. “Export Strategy” is very much about helping governments and the private sector make choices about where they place the emphasis, where the greatest levels of opportunity are, helping them to distil through a public-private dialogue how they can focus their attention and set priorities because, generally speaking, when we go into a country, and I have just returned from the Caribbean where we were talking about EPAs, there were 22 priorities and we said, “How can we move forward on 22 fronts? I am sure we will fail. Let us see if we can focus”, it is through a process of public-private dialogue where one can come up with that. That is what export strategy is about. 3. “Trade Support Institution Strengthening”. We cannot work with every small and medium-sized enterprise in developing and transition economies so we work through what we call trade support institutions, which are trade promotion agencies and also chambers of commerce, sector associations, those kinds of organisations that have a membership or clientele. We try to ensure that once we are out of a country there is an institution which is empowered to deliver the same service that we are trying to deliver. It is about capacity building. 4. “Trade Intelligence” is where ITC started with during the GATT days and it is about the trade data, market information, market analysis, understanding trade policy and putting that in a form which allows people to make decisions on their own based on the knowledge which they are able to gather through this data which we produce and assimilate. 5. “Export Competitiveness” at the end of the day is about producing a product which can be sold in a marketplace somewhere, it is not just about production but can we actually sell it and what does it take to do that. In the rest of the brochure we talk about how we connect people and build capacity. We are thinking of the long-term benefits of the work that we do, very much focused on community-based work through linking them with other people and, of course, at the end of the day is it going to result in an impact. That would be where I would want to start. I would be happy to come back to some of these other issues as we go along.

Q345 Chairman: Thank you very much, Ms Francis. I have a couple of supplementary questions just to get sight of your organisation clearly in my mind. How many people do you have and what is your budget?

Ms Francis: We have a complement of about 250/260, mainly technical people within the organisation because we are a technical organisation. We are not a policy organisation, we are a technical organisation. Our budget from the UN and WTO, which is our regular budget, is approximately \$30 million-plus a year and then we have an additional \$30 million-plus which we raise in what we call extra budgetary resources from various donors. That is what we spend on our interventions in various countries.

Q346 Chairman: If I may just go on, what is the view in the trade and support institutions you work with of the Doha Round? How do you feel about that? The media is starting to say in various places we have a poor deal for the LDCs. Do you agree?

Ms Francis: In the way that the Doha Round is constructed, there is a guaranteed outcome for the LDCs basically, so regardless of what happens one could say that perhaps they do not have a negotiating position because they negotiated their position beforehand. To the extent that they perhaps could have got something more, maybe they have lost, but just based on what our knowledge is of LDCs there is currently, if one looks at the trade data, very little participation of LDCs in trade. That they have been given market access means there is an opportunity, an opening for them and that they are able to take advantage of. This is where the real challenge is if we look at the reality of what it is that we are talking about. What they may be worried about is, "How do I actually move from an agreement to reality?" The discussion you hear is always about supply side and the question is, "I am going to get market access, but how am I going to realise the opportunity?" That is where the discussion on Aid for Trade comes in. That is where Enhanced Integrated Framework comes in. That is where the understanding of the reality of what is taking place in an LDC and their capacity and

capability to take advantage of those supply side capabilities is the big challenge. It is like stepping into Wimbledon without having had the first lesson in tennis, so you are allowed on the court but who is standing on the other side? If it was Venus Williams I would tremble, even though I used to play on my team at school.

Q347 Lord Haskins: Following on from that, since the Uruguay Round 15 years ago, in many parts of Britain, for example, there is quite a strong feeling that the less developed countries have not benefited from these multilateral agreements. Would you agree with that? What would your response be to that?

Ms Francis: If we look at the trade numbers they probably have not because their percentage of world trade has actually declined. The fact that world trade has increased in the dollar value - I cannot bring the numbers to the table, but the percentage of world trade has moved from six per cent down to less than one per cent - begs the question why in the Doha Round we are talking about the Doha Development Agenda, not just a Doha Round. The Doha Round was supposed to be about development in recognition of the fact that after the Uruguay Round there was not the commensurate increase and response from LDCs. I think sometimes we forget that this is supposed to be a Development Round.

Q348 Lord Haskins: Do you think the reason for that is the comment you made earlier that we put them on the tennis court but they did not have the strokes to play Venus Williams?

Ms Francis: Absolutely, definitely.

Q349 Lord Haskins: Following on from that there are two specific issues. Have the Special and Differential Treatment provisions been relevant to real development needs and Aid for Trade, and I think we know the answer to that one? On the first one, the Special and Differential Treatment, has that been real Aid for Trade for developing countries?

Ms Francis: I think there is a challenge here and it is first one of capacity, which is the Venus Williams versus Patricia Francis, or Venus Williams versus John Brown who has never picked up a tennis racket in his life. There is a capacity issue. The second issue is if you do not have congruence between what your development objectives are with your financial objectives, and also with your trade objectives, then the limited capacity that you have will get skewed in a particular direction. What all of us have been doing and the development partners have been focused on is macro-economic stability as being the first pillar that can have economic development taking place. There has been a lot of effort in establishing a base on which good governance could actually take place and the first pillar of that was macro-economic stability. In terms of good governance, we hear talk about the business environment, corruption, and so on, and you have the other pillar which is health and education. A least developed country faced with these very large issues, and in some cases security because that is the other piece, when all of these things are not working then security becomes the big issue, asks “How do I divide up these resources?” Everyone is an advocate for their particular issue, and health, security and education have had the largest voice in any development arena. Trade and trade ministers have perhaps been the least recognised in the developing world. What power does a trade minister actually have? When he sits at the table with health, education and security, and the development partners are saying, “Health, education and security” and nobody is saying, “trade”, then the minister of finance is making the decisions on health, education and security. For us to actually see economic development taking place, all of those stars need to line up and choices have to be made about where resources are going to be placed. If we could ever have a mechanism, which I hope is what Aid for Trade is trying to do, where all three sets of people - development, finance and trade - begin to talk together to see how we move the development agenda on but also bring the trade

agenda on, perhaps we will see a different outcome. That is what we are trying to accomplish. I do not know if I have answered your question.

Q350 Lord Haskins: Do you actually think that multilateral agreements have damaged the development of less developed countries? Have they damaged or just made less impact than they might have?

Ms Francis: I do not think they have actually damaged. They have a bad reputation. Politicians, and I know I am speaking to politicians so I will be careful, are faced with the domestic community and the domestic community are looking at the impact of agreements, so if there is reciprocity in an agreement and there is not the mechanism in-country to help the country realise the potential and deliver on these things then you are going to have a negative outcome. It is a circular reference I keep coming back to. If you are not focused on building the capacity of countries to be able to trade then, of course, if I sign an agreement and do not have the infrastructure in place to be able to deal with it, the years that I have negotiated on Special and Differential Treatment run out and if I have not put in place the infrastructure then all of a sudden I am exposed and the easy thing for a politician to do is blame it on the WTO. That is very much the case. What you hear politicians and trade negotiators talking about is, “Can I have some policy space within which I can manage?” If you take the discussion a little bit further and begin to look at things like customs reform, taxation reform, trade facilitation which would then allow for this business environment to improve, and if resources are put into those kinds of things, that is what we hear our small and medium-sized enterprises talking about, “I see an opportunity but can I realise it because there is not the sanitary and phytosanitary organisations in my country to certify my products. I may be able to find the resources to invest, but is the Ministry of Agriculture’s veterinary division able to put a system in place which can allow me to take advantage of that opportunity? Is the refrigeration there at the airport for me to be able to get my product out?” It is practical,

pragmatic implications of things that have been negotiated that need to be looked at if, indeed, this potential of being in heaven can be realised.

Q351 Lord Kerr of Kinlochard: This is extremely interesting. I am struck by the range of things that you and your organisation are trying to do, some of them advising on very, very big issues, good governance, security, export strategies, some of them on very finite, very concrete things, like marketing strategies or the refrigeration at the airport, and you are trying to do it with a smallish budget of \$60 million. What would you feel the EU could most do to help the least developed countries that you are trying to help with up to 50 per cent of your effort? Is it at the big end, the big factors, or is it at the very concrete end, the small factors? Take your example of refrigeration at the airport. If you were advising a small Caribbean country that was a natural banana producer, how would you do it? You might find Geest, Fyfe and Dole looking over your shoulder and not very keen to see you encouraging indigenous export capacity, but it might be a very good thing to do. Can you make it concrete for us? If that is a bad example, give me another example.

Ms Francis: Let me correct something, and I hope I have not left this impression. We are not involved in good governance. We partner with other entities. When we go into a country and we see there is work being done on trade facilitation, what we try to do is bring the private sector voice to that discussion. Generally speaking, what we find is those discussions are happening outside of the private sector or of the small and medium-sized enterprises. The big guys are always at the table, they have their lobby groups and are able to have influence. Where the real opportunities are, those people do not have that access and that is our constituency. We are there preparing them, helping them to make sure their voice goes into this kind of discussion, but we are not involved in big projects related to good governance. We are very much involved in helping people to understand the issues, in market development work, market analysis work, those kinds of practical, pragmatic, on-the-ground

kinds of things. I will have to ask not to answer the banana question because I am from a banana family which is perhaps in competition with Geest and so forth. Actually we are partners with Dole. I will take another example. If we look at some other agri-business opportunity, let us take that for example, if we are looking at the European Union, and currently the EPAs offer a level of opportunity which should not go begging, here is an opportunity and this is the time for the European Union to have a real impact and be able to be a real partner, because that is what we should be talking about, a real partnership, on certain objectives. I think it makes life simpler and easier if we go to the OECD document which has the diagram about trade development and so on. Trade policy and trade regulation, trade development, building productive capacities, trade related adjustment, trade related infrastructure, all of these things are critically important if you are going to be successful. For example, let us say we need refrigeration. The way to decide whether or not you need refrigeration is to do a level of analysis to see what is the value chain, how we can develop it and is there an opportunity for private investment, because in my experience private investment has been extremely good because it brings business and much more commitment to the table than aid does. If we were able to find a private investor to come and invest in the refrigeration he, she or the entity would have a vested interest in making sure that there is throughput and would be engaged in the process of ensuring that this happened. What would be the role of the EU in this regard? It would be offering some kind of insurance or guarantees in what might be perceived as a risky environment in which the private sector to engage. What is much needed in all of these countries is to facilitate a mechanism where more private sector is engaged because where more private sector is engaged I believe you will begin to see things happening in a real way. It is facilitating the process where one looks at what these opportunities are, bringing real partners to the table which is very important, real partners who are going to invest in the country, who are going to become partners in the

marketplace, because again that is going to be critical. If we are going to find a way to realise this potential then it has to be good business for both sets of partners, that is the only way it is going to be sustainable. At the end of the day if we just build productive capacity without having the proper infrastructure in place, or if we build the infrastructure without the capacity in place, then we have a white elephant and nothing which will run through it. It is a complex thing and if we have trade support institutions, both public and private sector, who understand what the opportunities are, what the building blocks are to make this happen, then you can find a way to build consensus on setting these priorities. If I was in charge of a small Caribbean country and I was looking at these issues I would certainly be looking to the EU to say, “We would like perhaps a relationship with UK Trade and Investment which contribute to the dialogue for people to understand where the opportunities are and to bring real business people from the UK to discuss the opportunities. We would certainly want to see the infrastructure in government as well as in the private sector to build on opportunities presented. Today with tariffs going down to nothing it is going to be your non-tariff barriers, which we are already seeing, which are the things which inhibit trade. If you do not have the SPS infrastructure in place it will still be this opportunity which will never be realised. I cannot stress more the importance of this ability for the capacity building of the trade support institutions both in the public and private sectors. Many of the challenges that we are facing are based on a lack of understanding of the issues. If we could find mechanisms to increase the level of knowledge and understanding then I believe we could get closer to finding where it can be a win-win for everyone.

Q352 Lord Kerr of Kinlochard: Thank you very much. I have one supplementary. You mentioned, and of course I agree, that although they are both necessary and complementary, trade is more important than aid, and you talked about the role of the private sector and

investment. Is it a mistake that there is so little emphasis on security of investment in Doha? Was the Singapore decision a mistake?

Ms Francis: I think there are huge opportunities for the comfort level of both trade and investment to take place. If one is able to have proper functioning organisations there is very important work that can be done in terms of legislation and regulations because legislation is one thing, but what about the administrative procedures and how do you promulgate those down and get change management. We have seen and experienced in Customs Unions where rules have been changed but they are not promulgated, so you talk to the customs officer and he says nobody has told him anything about that new rule and he is going by the rule that he knows. It is all very well doing things at a high level but you have to find a way to have them trickle right down to the operational level, and that is critical for success.

Q353 Lord Maclellan of Rogart: You talked about the importance of identifying private investors to participate in stimulating trade in least developed countries. Do you look to the European Union at all to assist in that process of identification? You have explained how you would look to the Union for terms of trade or the circumstances of a regulatory background, but do you have any direction from the Union? How do you approach that?

Ms Francis: We partner with a number of organisations in the European Union who are what you might call outward investment or outward export support organisations, or ones that help import products into the EU. Basically the function of these organisations is to work with us and our partners in developing countries to establish what are the products that could potentially enter the European market, who are the potential buyers and is there a way we can construct a relationship to make that happen. We would select a number of products within a sector, look at how product development needed to happen, whether it was a question of packaging, of certification, and we would work to make sure that the various institutions which are necessary to create compliance would actually come up to speed and then be

certified to have these exports go out. It may be something simple like packaging where we would work with a packaging institute in a European Union country in order to make sure the local producers of packaging are producing packaging material to the standards necessary to go into the European market. In the case of organics, say, it may be that we are working with a number of institutions to set up a traceability mechanism and training various people in order to do that. Yes, we have key partners in the European Union who provide that kind of service and it is very effective because at the end of the day what we have are business-to-business meetings or we may be just going for a trade show. You are identifying the kind of product, making sure that you can actually produce it and then taking it to the market through the trade shows, having meetings and having it sold.

Q354 Lord Maclennan of Rogart: Does the European Union itself provide any kind of intermediation between those sectoral partners and yourselves, or is it a private enterprise by you, in a sense, to find these partners?

Ms Francis: It is really country organisations. It would be the Netherlands, et cetera. It is state driven more than European driven. We also have several European Union programmes funded by the European Union, for example, in Asia where they are building the capacities of the organisations, they are working to ensure that, indeed, the intermediary institutions, like the standards organisations, et cetera, are built. The European Union is very much working with us in that regard in quite a number of areas. They are also working with other partners. Clearly ITC is not the only organisation involved in this business. We have also been working through the Enhanced Integrated Framework which has been created specifically for LDCs and there the UK is one of the bigger players involved. That is an excellent mechanism in the LDCs because there is a process by which the trade priorities are agreed and that distillation process is done and the resource is put behind that and countries can go after it. The EU is a player in that as well, I think.

Q355 Lord Maclennan of Rogart: Can I move to another question which arose earlier in our inquiry about the European Union's bilateral trade agreements. It was alleged and argued by some of our witnesses that the European Union, in a sense, was picking off trading partners within groups which could be positively disadvantageous to those left out and it was a sort of divide and conquer pattern. What is your response to that allegation?

Ms Francis: The big challenge in bilateral agreements is the multiplicity of Rules of Origin. That is why I think the multilateral trading system is preferred and multilateral agreements much preferred. When you think about the capacity of countries to comply, it is not possible for a small and medium-sized enterprise to understand all the different rules that they have to meet to go into different markets. If everybody has a different rule, it is just not possible. They can barely administer the accounting of their organisation, much less figure out is it 20 per cent or 25 per cent of value added to X product which allows them to get into Y market or Z market. I would say that clearly our constituency is not disposed to the multiplicity of agreements because generally those will also be WTO Plus and that will probably impose some obligations which are even greater than they would normally have. If you have to deal with different Rules of Origin it becomes what they call a noodle bowl. It is just not possible. It is not possible to actually look at what would perhaps be your natural markets. It is very market distorting. I think that is what you will find from small and medium-sized enterprises.

Q356 Lord Maclennan of Rogart: If you cannot get complete regional participation in a trade agreement, is it not better just to go for those who can reach agreement? I am thinking perhaps of the example of West Africa where it has sometimes proved difficult to involve Nigeria in some of these bilaterals. What is the disadvantage? It is obviously preferable to have a regional agreement, but if you cannot get it as a not bad second best, why not?

Ms Francis: If you look at the trend, certainly there is a level of pragmatism which is brought to the table and governments then realise if the regional trade agreement is not going

to happen they will respond to the pressure of their business people and will go ahead with bilateral agreements. From our experience, we have seen that it can be used as a stepping stone. Is it the optimum situation? It is not, but it can be used as a stepping stone and some governments make the decision from a very practical and pragmatic point of view that they will move ahead. I can give you a bizarre example. A free trade agreement between Central America and the US on garments where the garments can be made of fabric from various places, however the pockets must be made in the United States, so you have to import the pockets and stitch them on in Central America. That was because of some particular lobby in some place where there were factories and the compromise was that they were to make pockets. Some of the things that are put into these agreements are ridiculous. That is why our constituency wants to have more of a multilateral environment which then has more of a level playing field and these anomalies are not introduced at that time.

Q357 Lord Kerr of Kinlochard: I do understand your preference for multilaterals, I am sure we all do, but I would like to press you a little on your answer to Lord MacLennan's question because your answer was about Rules of Origin. Is it not the case that the European Union is, in fact, pretty liberal in its Rules of Origin rules in relation to LLDCs? You do have to have some Rules of Origin, otherwise an enterprise in a country that does not have duty-free access to European markets could send, allegedly for final assembly, but in fact for repackaging or labelling, goods to a country that does have such access to Europe. You need to have some sort of system.

Ms Francis: Yes.

Q358 Lord Kerr of Kinlochard: I thought, maybe wrongly, that we in the European Union, say by comparison with the United States, were quite liberal, particularly in relation to LLDCs? If that is not true that is important. This does seem to me to be the way the world is

going to go, there are going to be more bilateral agreements and if the major objection to them is the complication of conflicting and illiberal Rules of Origin, then we, on this Committee, ought to think about it.

Ms Francis: The European Union has, indeed, had more flexibility in its Rules of Origin than many other people. You are moving in the right direction and are far more exemplary than other countries. If there are complexities then the complexity is what is difficult for countries and some people have opted for MFN because it is simpler rather than going through complex preference arrangements which means they have to prove certain things.

Q359 Lord Kerr of Kinlochard: Do we allow cumulation in respect of goods from a particular region, contiguous very poor countries? I think we do.

Ms Francis: Yes, that is something new. In fact, the Bangladesh Ambassador was saying something very positive to me the other day about this accumulation. We saw some factories in Lesotho where they were getting fabric from Bangladesh, going into Lesotho, product being produced and going out. That is very positive.

Chairman: Because we are slightly running out of time, I am going to jump to a question about services which Lord Woolmer wants to ask.

Q360 Lord Woolmer of Leeds: You talked about the importance of infrastructure and some of the witnesses before us have talked about the positive impact of liberalising financial service markets in developing countries to have more competition in providing financial services, and legal services and so on. Do you agree that in the area of financial and other services this is an area where liberalisation could be of assistance to SMEs to help encourage both their domestic and export production?

Ms Francis: I think it is more than financial services because in our experience we have seen that something like telecommunications is critical for the competitiveness of enterprises.

When we look at the infrastructure which is necessary we have seen huge improvements where infrastructure has been put in place and the services associated with trade facilitation actually allow for greater levels of efficiency. I would want to go beyond financial services, but I would want to put a caveat on that. Financial services which are liberalised without a proper regulatory environment are doomed to failure, and we have seen many examples of this across the world where there have been huge investments in liberalised financial services, no regulation and then the normal greed syndrome comes into play and all of a sudden financial institutions are in businesses that they ought not to be in, and then you have a collapse. It is important that before any huge liberalisation takes place, a proper regulatory environment is critically important for the functioning of a good financial services sector. That is a prerequisite, to have the prudential mechanisms in place to be able to ensure the financial sector functions well, whether it is banking, insurance or whatever other mechanisms. It is also important in any liberalisation process to have good competition policy in place, to have a mechanism where consumers can have some recourse. All of these things are critically important. It is not, "Let's liberalise and tomorrow everything will be rosy". Liberalisation is great and our small and medium-sized enterprises are pushing for it, and in many cases pushing without understanding you also need these other safeguards. It is only when the bank has crashed with their money in it that they realise maybe they should have had the safeguards in place first and then put the liberalisation on top of that, or in parallel. These things take time to work.

Q361 Lord Woolmer of Leeds: That almost sounded like saying, "Yes, SMEs would like this, but there are lots of reasons why we should not liberalise".

Ms Francis: Oh, no.

Q362 Lord Woolmer of Leeds: Let me push you on that. As you said, you are a very practical organisation. How do you get the kind of improvement in financial, legal and other service areas that SMEs really do need in many of the countries in which you work? How do you get those improvements and work to ensure at the national level that the arguments about, “It must not be done too fast. Be very careful, you could have crashes”, and overcome strong domestic objections to any liberalisation at all? In many a country in which I have worked, frankly, there have not been big issues of big crashes and that kind of thing - you used very dramatic language - there has been strong resistance to getting any kind of liberalisation of services at all and SMEs have not had the kind of access to facilities and services they need.

Ms Francis: If I gave the impression that I did not believe in liberalisation, it was certainly the wrong impression. I would like to correct that. Not only do I personally believe in it, but the organisations that we interact with very much desire to have this competition in the marketplace because in many cases what you are dealing with are cartels and pricing becomes exorbitant for the entities that we are dealing with. Access is non-existent for many of the entities we are dealing with. We believe that the two things need to happen in parallel. It is ensuring that we have the kind of public-private dialogue that we have that does always bring out this question in most of the countries that we are working in. In most of the countries we are working in, access to finance is one of the biggest issues. I just want to make sure that liberalisation does not take place without regulation. That was the point I wanted to make.

Q363 Lord Woolmer of Leeds: Absolutely.

Ms Francis: I was involved in a process, unfortunately it was against a British company, Cable and Wireless, which had a huge monopoly. I am from the Caribbean and I was involved in an advocacy role to try and break the monopoly in telecommunications. At the end of the day everybody, even Cable and Wireless themselves who came to the table at the end of the day and voluntarily agreed that liberalisation was important, posed all the

arguments as to why this was important. We spoke about what was happening in other countries, what the pricing was in other countries, what it would mean to jobs and competitiveness. From everywhere we have been able to see liberalisation of services has had a huge impact on the competitiveness of the economies that we have been working in. In fact, from one of the dialogues that we have been involved in, which is fostering trade through public-private dialogue, moving goods, services and people across borders, one of the things that came out of that was a liberalisation of delivery services, having the private sector involved, and what opportunities that provided immediately for the private sector. That is something we put 100 per cent of our weight behind. Basically, we have these public-private dialogues on various issues. I would be happy to give you some of these documents which show what comes out of this public-private dialogue. We are teaching people advocacy skills, but advocacy skills based on solid research so that when governments are made to listen on solid numbers, they cannot refuse to listen. It is building that skill set in the public and private sector organisations to be able to fight the oligarchy, so to speak, which is where we think the emphasis should be, because it is only through broadening the public voice that you can finally whittle down, whittle down and break the monopolies that exist.

Chairman: Thank you very much. Ms Francis, I am conscious that we are trespassing on your time. If you have another five minutes, Lord Haskins has another question and I would like Lord Trimble to ask a question.

Q364 Lord Haskins: It seems to me the gist of what you are saying all the time is that the world trade agreements are important but only part of a much more complicated pattern. I am a farmer, so I think I understand a bit about this, and one example I give is a farmer in Africa who wants to take advantage of new markets, open markets, and the high prices that exist for food at the moment, but he cannot do it because he cannot borrow the money to buy the fertiliser to put in the ground to get the crop, he does not have the asset base to do that. Some

of these countries actually disapprove of this fertiliser being applied, so it is even more difficult because he may be working against the system. It is all about banking and financial services. How do we create a basis upon which those types of businesses can borrow?

Ms Francis: It is a long process. I did not answer part of your question about the legal framework. If this farmer were able to actually find a buyer then in most developed countries you would have a factoring mechanism and he could discount in some kind of legal agreement, purchase agreement, and would normally be able to do that in a place where banking was properly developed. In the absence of that kind of thing, and Ethiopia is a good example, the last time I was there we were meeting with the Chamber of Commerce and the banking regulations there mean you have to transfer 100 per cent of the money before they give you the export permit. If you have had a longstanding relationship with a company and they trust you then, indeed, they will be happy to wire transfer the money for you, but can you imagine some of the little companies we are working with, it is absolutely impossible, so they cannot make the sale. They have the orders, they can produce it, but how do you make this transaction happen? We are working with the African Development Bank and a bank called Ecobank which has branches in many countries across Africa and we have been trying to train the people in the banks to understand risk because, of course, understanding risk is one of the first steps in being able to lend. While we might be able to have some impact in a few countries where there is a borrowing mechanism, a little organisation like ITC cannot be the solution for the person in Ethiopia. However, consistently putting the discussion on the table in a coherent way in a forum where these issues are being discussed, if it is said over and over again, eventually there will be some movement on it. A country like Ethiopia coming into the WTO is a huge step in the right direction for the private sector because all of a sudden there are obligations which have to be put in place. I recall at one of our annual meetings there was someone there from the Oman Export Development Agency and he said that joining the WTO

was the greatest thing because it was an excuse to move forward on all of the business environment things that they had had on the agenda for a long time. Before they had been blocked but because the government had to sign up to the agreement, had to step up to the table on all of these issues and sign off on them, it then allowed the private sector to push and cause these things to move faster than perhaps they would have.

Chairman: I think that is phenomenal. We have seen that with people joining the European Union, in fact.

Q365 Lord Trimble: There is a lot of pessimism with regard to the Doha Round. If it fails, what next? What impact would failure have on the World Trade Organisation?

Ms Francis: The WTO has demonstrated that in many of these disputes that we think about that have happened around the world, they have an effective mechanism to deal with these. If we think about the US and steel, that is probably a very good example of where they have been very effective. There are many more that we could go on and speak about. The Doha Round is a hugely ambitious Round. It is talking about cultural change, behavioural change, things which are really quite radical for the people both in the developing and developed world. It is asking people to make certain sacrifices for the good of all. If it were to fail then there are certainly many things which the WTO would still be very relevant to and trade disputes is one of them. I do not think globalisation is going away, let me put it that way, and therefore the relevance of the WTO is still important.

Q366 Lord Trimble: I take your point about the dispute resolution in which the WTO has a very valuable role, although some people worry that if Doha fails in some respects that might undermine the dispute resolution procedures. Has the WTO reached a position with regard to its size and the complexity of the issues that the sorts of Rounds we have had in the past are no longer possible, or is that too speculative?

Ms Francis: That sounds like a lengthy discussion.

Chairman: Since Ms Francis has already been with us for ten minutes longer than we asked, perhaps we will leave it for discussion later. Thank you very much for coming, it has been enormously helpful, and the kind of evidence we have not heard before about the detail of getting trade to work, which I am very glad to have heard. Thank you very much.