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**THE FOREIGN POLICY CENTRE**

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**"The wall of shame"**

**CHECK AGAINST DELIVERY**

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Thanks for that introduction, Stephen. It's great to see you in your latest incarnation.

Stephen was an outstanding Minister at DfES – where I worked with him. And the Foreign Policy Centre has set the agenda on international policy for years now. The joining of these two formidable forces will, I'm sure, mark the beginning of a fruitful partnership and an improvement in the quality of discussion on international issues in this country.

In just seven weeks time, trade Ministers from the 148 member nations of the

World Trade Organisation gather in Hong Kong. Today I want to talk about the kind of deal I want to see at Hong Kong – one that sweeps away protectionism in the richest countries; whilst protecting the poorest.

But, first, I'd like to take the tardis back to 1785. I've just read William Hague's excellent biography of Pitt the Younger.

According to Hague, top of the Prime Ministerial in-tray in 1785 was Ireland. The British had imposed a series of increasingly pernicious protectionist measures: banning Irish ships from

carrying exports; forbidding the import of Irish cattle; and levying huge duties on Irish wool.

As a result, bilateral relations were under intense pressure. Pitt was determined to resolve it. He set about persuading his parliamentary colleagues to bring these trade barriers down. In a speech to the Commons, he described Ireland's treatment as

*"a system of cruel and abominable restraint."*

He called for a *“system of equality and fairness”* creating a *“community of benefits”* and a *“community of burdens”*. He described a system of trade with Ireland that would not *“aggrandize the one or depress the other”*.

Sadly, the old voices of protectionism boomed louder than Pitt's. His proposals were voted down. And Ireland descended further into abject poverty.

The rest, as they say, is history.

Hong Kong is a meeting of historic importance.

The challenge is real - responding to unprecedented growth in Asia, unprecedented advances in technology; and unprecedented changes in demographics – all issues at the top of my Department's in tray.

The opportunity is real - 148 Trade Ministers gathering together - propelled by Gleneagles; pressured by public opinion.

And the prize is real.

Trade has immense power to drive development. Just compare the track records of Latin America and East Asia since the 50s. In 1950, East Asia was poorer than Latin America. But whilst East Asia looked outwards and put trade, particularly exports first, Latin America turned inward and put protectionism first. Latin America stagnated - East Asia surged ahead.

If we don't do a deal at Hong Kong, we are left with the status quo. And no-one will suffer more from that than developing countries.

Boosting Africa's share of world trade by one per cent could deliver seven times as much income as the whole continent currently gets in aid. If we get a good result at Hong Kong, the potential global gains could exceed 200 billion dollars.

Today's trade barriers run like a huge wall across the world.

On one side of the wall, we have unprecedented change and prosperity; new technologies and products; text messages, emails and DVDs. On the

other, a billion people living on less than a dollar a day; millions with AIDS; hundreds of thousands of mothers dying in pregnancy and childbirth every year.

On one side, politicians discuss the challenges of our age:- globalisation, climate change and energy. On the other, African farmers retreat into isolation; hoping for rain; trying to find the energy to carry water three miles back from the nearest well.

On one side, that wall means security.

On the other, it is a symbol of opportunity denied and prosperity withheld. It represents an uncrossable barrier between what you aspire to achieve and what you're able to achieve.

The history books tell us how these walls grew - sometimes at the behest of vested interests, the same vested interests that stopped Pitt's reforms. Whether it was right or wrong, they were sometimes created to try and foster new industries.

In Britain, we used barriers in the Industrial Revolution.

America did too. In the 19<sup>th</sup> Century, President Ulysses Grant responded to British lectures on free trade by saying that, “within 200 years, when America has gotten out of protection all that it can offer, it too will adopt free trade.”

Europe has protected extensively since the war. Particularly in agriculture.

And the South East Asian tigers have too. Japan and South Korea were protectionist in the 60s.

Protectionism has been ubiquitous. It's not clear whether these walls actually supported development. But what is clear is that much development did occur behind them.

So when some say that all countries have to do is liberalise, tear down barriers and remove regulation to become an overnight economic success - I reject that view.

We have seen all too often before how the World Bank/IMF "one size fits all" shock therapy prescription has produced macroeconomic instability,

rising unemployment and profound inequality. Societies and economies have been left dislocated.

We must proceed with sensitivity. Developing countries must have flexibility to plan development in line with their own national priorities.

We can't demand shock treatment liberalisation from them, when we have cherished old fashioned protectionism for ourselves.

**So, my first priority for Hong Kong is that we must not force liberalisation on**

**developing countries.** This is a development round. We must make sure that this is true – not just in name, but in intent and outcome as well.

We reject forced liberalisation. By this I mean

- (i) We won't demand concessions from least developed countries who often lack capacity to trade and sometimes depend on tariffs for their revenue base. Instead, we must leave it for them to decide the "what, when and how" of their market openings.

- (ii) And for other developing countries we must not prevent them engaging in deals that could offer huge opportunities. Instead, we should pursue policies that
- a) require less liberalisation from them than we concede to them; and
  - b) ensure that they have the flexibility to plan and sequence liberalisation in line with national development plans.

Some might say this is fundamentally unbalanced. But we can't demand a balanced settlement to a system that is so fundamentally unbalanced to begin with.

To quote another US President – Lyndon Johnson, speaking in a different context:

“You do not take a man who, for years, has been hobbled by chains, liberate him, bring him to the starting line of a race, saying "you are free to compete with all the others," and still justly believe you have been completely fair.”

**My second priority is for us in the rich world.** Now we have developed, now we have grown our wealth, **we must cut our trade distorting agricultural subsidies and remove our barriers.**

In Europe, we spend half our budget on agriculture. This money supports 4% of the European workforce, at the expense of more than half the workforce in many sub Saharan economies.

In Japan, they subsidise their rice to 5 times market value. But it's not five times tastier than Vietnamese rice.

The American cotton industries receive \$4 billion a year in subsidies – more than the entire GDP of Benin - a country where the cotton industry accounts for more than three quarters of exports and is, incidentally, in deep crisis.

We can't preach liberalisation abroad and practice protectionism at home. We must show a lead. Too many times, the rich world talks big, then delivers small. At Hong Kong, we need more political will and less political will not.

**The third priority is to commit to abolish developed countries' trade distorting agricultural export support by 2010.**

Some say we can't put a date to this. But without a date, the developing world will fear that this will drag on and on. And, given the history, who can blame them?

So we must make a firm date. The World Bank estimate that developing world farmers stand to gain twelve times more from cutting tariffs than from cutting subsidies.

And, we must deal with bureaucracy as well.

In India an exporter needs 29 documents for clearance, in quadruplicate, with 257 signatures along the way. Customs delays add almost 1% to the price of goods – and average delays in Ethiopia are over a month. That's a 30% increase in costs.

Before I close, these are complex issues. It is hard to do them justice in a speech. As Tuesday's meeting in Luxembourg showed, it is going to be hard to ensure

a progressive European position at Hong Kong.

But it was our 2004 White Paper that raised the hypocrisy of developed countries lecturing poor countries about opening their markets whilst protecting their own. And it is tackling this hypocrisy, above all, which holds the key to success at Hong Kong.

So, these are the three areas which I think can form the basis of a deal at Hong Kong. **No forced liberalisation on the poorest countries. Big steps to cut trade distorting agricultural subsidies in**

**the developed world. And cutting all developed countries trade distorting agricultural export support by 2010.**

This is an ambitious agenda. But big problems need big solutions.

Twenty years ago, no-one would have predicted the fall of the Berlin Wall, the release of Mandela and the accession of countries like Poland to the EU – all in the space of a generation.

The tragedy is that, over that same period, we have still failed to address the other problem that was on our

television screens and in our living rooms twenty years ago. Despite all the goodwill, all the good intentions, all the good work - poverty, malnutrition and disease are still tearing across the continent of Africa with the same relentless savagery.

We must bring this wall of shame crashing down once and for all. If we do this by demonstrating that when we said this was a development round we meant it:-

- we will lift millions of the world's poorest out of poverty for good and

- entrench prosperity and security  
across the world

It's worth fighting for.

(1,775 words – about 15 minutes)