

## **Developing states defy EU push to open up services**

*Mandelson and Britain accused of dirty tricks · G90 nations seek to water down liberalisation plans*

**By Larry Elliott and Jonathan Watts in Hong Kong**

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Poor countries last night defied European Union pressure and tabled trade proposals that could stymie the ambition of Brussels to open up the developing world's service sector, which covers everything from banking and insurance to call centres.

Despite reports of arm-twisting by Peter Mandelson, the European trade commissioner, at the Hong Kong summit, the World Trade Organisation said it had received a proposal from the G90 group of developing nations that would water down any plans to liberalise services.

Services had been sidelined in the first three days of fractious trade talks, amid fears that the highly emotive issue could overshadow attempts to reach agreement on agriculture, industrial tariffs and a package of help for poor countries.

The G90 move infuriated the EU, which is under pressure from its own powerful services lobby to toughen up the blueprint currently on the table in Hong Kong. African sources close to the talks said Britain had backed Brussels by lobbying poor nations to avoid a confrontation, despite publicly opposing any WTO deal that would enforce liberalisation of services.

One source said Mr Mandelson had told the group representing 30 least-developed countries (LDCs) at the talks - who would not be affected by any liberalisation - that they should not support the G90 plan. "They [the LDCs] were told at a senior ministerial level that they would stand to lose duty-free and quota-free access to Europe if they supported the G90."

Mr Mandelson denied he had tried to pressurise poor states. He said: "It is absurd to suggest that the European commission would seek to undermine the development package in any way, given the enormous effort we have put into crafting and pushing the development agenda."

The EU has, however, made no secret of its wish to open up the service sectors in some developing countries - particularly large ones such as Brazil - and may now be tempted to draft fresh proposals of its own.

Brussels would like the right under any final treaty to force another WTO member to talk about liberalising services and, ideally, would also like to "benchmark" the current level of service-sector protection so that it could not be increased.

Aid agencies reacted angrily to EU tactics. Matt Griffith of Cafod said: "It's arm-twisting of some of the poorest countries, in particular using leverage over the offer of duty- and quota-free access to gain further concessions elsewhere, is totally unacceptable. This is mercantilism par excellence and, when combined with a failure of Europe to produce anything on agricultural subsidies, calls into question the good faith of the commission and its commitment to a development round."

Claire Melamed, head of trade policy at Christian Aid, said: "The EU is pursuing a highly aggressive agenda on services that will be damaging for poor countries. It is shocking that the UK should be joining in and trying to prevent developing nations from saying what they want. These dirty tricks are unacceptable and must cease."

However, Alan Johnson, the British trade secretary, said: "It is absolutely not true. There are 149 nations here. They all have a veto and they all have the right to express a view. The G90 have formally tabled their proposal to the WTO and that is what we would have expected."

The row over services came as the United States sought to defuse anger over its refusal to accept duty- and quota-free access for all products from all LDCs. The US trade representative, Rob Portman, said America was prepared to accept a compromise in which all countries were involved but where certain sensitive products - such as textiles - were left out.

Mary Robinson, the former United Nations human rights commissioner and now Oxfam's honorary president, blamed the EU and US for the trade talks blockage. "I went out in the field in Mali and saw babies lying in a ditch and children who couldn't go to school," she said. "This was because of a depression in cotton prices. It was the result of subsidised dumping of US cotton."

Trade decisions had a direct impact on human rights, such as access to clean water and health, she continued. "You cannot negotiate a development round the same way you negotiate a trade round. But it is trade negotiators who are negotiating this round. They are not getting the space and support to make this a true development round. It will take the EU and US to say, 'We are the big boys - we have to create the space and trust to make this a real development round'."