The World Trade Organization Ministerial Conference in Hong Kong: Playing the WTO Game

By Laura Carlsen | December 12, 2005

Before Mexico hosted the 5th Ministerial Conference, the debates at the center of the World Trade Organization (WTO) sparked little interest in Mexico or in Latin America in general. Although the WTO already exercised great power over the economic and social life of countries in other regions, it was relatively unknown in this region.

The reason for this was that NAFTA—the bilateral trade agreement between developed and developing countries that served as a worldwide pilot project—dictated the terms of Mexico's insertion into the globalization process. From the perspective of Mexican sectors that had already lost ground under NAFTA, the WTO's decisions had little impact.

"No WTO: Stop Collusion between Government & Business Rally," Hong Kong, December 2005. Photo courtesy of http://glutter.typepad.com/glutter/

All of this changed in the days of preparation, organization, demonstrations, meetings, analysis, and protests leading up to the WTO meeting in September 2003. In particular, the participation of smallholder farmers all over the world provided Mexican activists, NGOs, and union members with a new perspective for waging their own battles. Through testimonies about the impact of the WTO in their countries and their multiple ways of resisting the trade offensive, Mexico came to realize that the multilateral organization was the global stage for the same process of advancing trade liberalization that they had been confronting in NAFTA.

Mexican social organizations awakened to new realities and shared struggles at the Campesino Forum at the WTO, attended by farmers' organizations from throughout the world. They and the rest of the world were stunned by the suicide of the Korean farmers' leader Lee Kyoung Hae during a demonstration in Cancun against the WTO. Many representatives came to realize the importance of the global resistance against the WTO and the necessity to ally themselves with other countries.

The conversion of thousands of Mexican campesinos to the struggle against the WTO; the global work of Via Campesina; the unity with sectors of workers, women, and young people; the analysis and criticism done by NGOs; and the arrogance of the United States and the European Union—all combined to push developing countries to reject the WTO draft presented at the meeting and break off negotiations.

The "derailing the WTO" at the 5th Ministerial Conference did not last. After major reconstruction of the track, the train was soon back on course, with less speed and still facing large obstacles, but detouring little from its original course.

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For those who observed the negotiation process of the WTO up close for the first time in Cancun, it looked like an enormous and complicated game of cards. From one minute to the next, strategies changed, bets were placed, teams formed and reformed, and the rules of the game shifted according to the interests of the major players. While some players with weak hands bluffed, other players underestimated the strength of their hands. It was not until the very end that the power and negotiating dynamics became clear.

The Rules of the Game

To understand how all of this works, it is important to understand the rules of the game.

The cards shuffled by the WTO are, in reality, enormously complex economic prescriptions that have repercussions on not only trade but also on the national development of each country. These cards are not, as they would have us believe, dealt evenly and at random, but rather they are fixed by the dealer—in this case the world's wealthiest nations: the United States, the European Union, and their allies.

Once the rules of the game have been accepted, players cannot trade in any of the cards they have been dealt. The sanctions for breaking the rules are severe and include fines, protective tariffs, and temporary market closures, among others. Poor countries face huge limitations for developing independent strategies in this game.

The objective of this game is free trade for corporations—not development. The moment a playing country sits down at the table, other objectives are automatically subordinated or even cast aside by the globalization game as defined and imposed by the WTO. Despite the fact that the current round of negotiations is called "The Doha Development Round," in practice, development and its pillars—national industrialization, food sovereignty, social welfare and equity—are discarded. Instead, market access, liberalization, international commerce and investment, and privatization become the guiding principles.

One of the most deceitful rules is the rule of reciprocity. Generally considered a basic concept of equity and equilibrium, in the context of international trade, reciprocity becomes a way of institutionalizing permanent inequality. The reason is simple: the different nations and their productive sectors enter the game with profound asymmetries between them. When reciprocity is applied in areas like market access, elimination of subsidies, and intellectual property protection, developing countries are permanently deprived of the development strategies that were fundamental for now-rich and powerful countries when they were passing through the same stage of development. Moreover, the reciprocity rule is frequently applied unevenly, and major players commonly create important exceptions for themselves when it suits their interests.

The Players

The second important thing to know is who the players are. Despite the fact that WTO membership has not changed significantly since the 5th Ministerial Round, today's players are different from those who entered the negotiations of September 2003. This is so because of the way in which different countries have grouped together to develop negotiation strategies and due to shifts among economic elite and changes in the internal dynamics of trade within nations.

The major players, however, remain the same and continue to play with basically the same strategies. A large-stakes player, the United States holds in its hand two aces in this game: the biggest market in the world and an impressive export capacity derived from the production of huge surpluses—for example, in basic grains. In addition, U.S.-based transnational traders control important global productive chains for manufactured products.

Recently, the United States has acquired a third ace, that of information and technology, which has become a trump card in the game. But the undeniable power of this card is intimately tied to ownership and monopolization of knowledge—denial of access to research and technology generated domestically, acquisition of monopoly control over other people's research and technology, and privatization of knowledge in the public domain. For this reason, the negotiations surrounding intellectual property rights are crucial, above all for the United States and its mid- to long-term economic strategies.

In the WTO, the European Union, in spite of occasional quarrels, usually plays on the same team as the United States. It shares the basic strategies of forcing open new markets for its goods, extending intellectual property rights, and transferring sectors from the public to the private realm.

At the Hong Kong meeting, the strategy of developed countries will center around four points: 1) gaining access to new markets by way of formulas that permit, in some cases, extending liberalization periods and modifying terms, but that do not allow exceptions or exclusions; 2) extending terms of intellectual property guarantees to increase royalty payments and monopoly market control for knowledge industries, particularly transnational pharmaceutical companies; 3) opening up service sectors to foreign investment; and 4) guaranteeing privileged and low-risk conditions for international investors.

The major players aim to achieve all of this while conceding very little in areas where developing countries have pressured for greater fairness—reduction of agricultural subsidies, elimination of protections for economically and politically strategic sectors, and real progress on the definition of "special products and treatment," safeguards and exemptions for poor countries.

The Changing Game

The creation of the Group of 20 in Cancun (G-20) at the Fifth Ministerial has resulted in some realignment among the smaller players. Led by countries with large emerging economies such as Brazil, India, China, Pakistan, and South Africa—and peripherally but still there, Mexico—these countries now have more substantial negotiating power. The G-20 has remained cohesive (with the notable exit of several Latin American countries) and even gained strength since its inception in 2003 through a series of meetings under the leadership of Brazil and India.

But there is a serious shortcoming in the G-20's strategy. It has been betting heavily that its own agenda—which is narrowly focused on the reduction of agricultural subsidies in developed countries—will be the dominant one at the WTO. The G-20 strategy can only be explained by taking into account that it has come to represent, not exclusively but predominantly, the interests of a small but powerful group of large agricultural exporters and their governmental representatives. This is especially the case with Brazil, which has taken on a leadership role within the G-20 that has catapulted it into elite negotiating circles. Brazilian soybean exporters have a significant presence through the Secretary of Agriculture Roberto Rodriguez.

What's more, Brazil as well as India also participates in the elite negotiating body known as the Five Interested Parts (FIP), along with the United States, the European Union, and Australia. This subgroup has been known to negotiate agricultural topics behind the backs of the other members of the Group of 20.

Another player that has begun to take a stance different than that of the Group of 20 is the African Union. The African Union took a strong stand against the principle of reciprocity in its relationship with the European Union, thus representing a sharp break in the rules of the game. It is possible that the African Union could take a more radical position in the Hong Kong talks. Various other groups of underdeveloped countries have protested the current rules and rule-making procedures, such as the Group of 77 which agreed at its July 2005 meeting to "send a strong political message at the Ministerial Meeting of the WTO in Hong Kong so that they pay special attention to the development dimension of trade in all areas of the negotiations."

Finally, the awareness and participation of civil society in nearly all of the member countries of the WTO has grown notably in the two years that have passed since Cancun. Today, it's clear that what happens in the streets and NGO lobbying will have a big impact on the Hong Kong negotiations. The grassroots movements against the WTO continue to strengthen, as NGOs also gain greater clarity regarding both their critique of the institution and, incipiently, alternative proposals.

What's at Stake

There are NGOs that work daily to decipher what exactly is at stake in the WTO game. Gauging the future impact of the different proposals on their countries and particularly on the poorest and most vulnerable sectors is a very complicated assessment.

Although expectations have purposely been lowered lately to save face in the almost inevitable event of an impasse in negotiations, the current round of the WTO will be crucial for the institution and, in many ways, for the future of globalization. If the agenda of the developed countries and transnational companies moves forward, the few flexibilities that exist for the common good in the current international trade regime will be lost.

Also, countries that are negotiating bilateral agreements will lose a global platform from which to resist pressure to adopt regimes that go beyond liberalization required in the WTO. They will be under increased pressure in free trade agreements to accept such clauses as "TRIPS-plus" measures for extended intellectual property protections, and a "negative list approach" for opening up all service sectors except those specifically named to foreign private investment requirements. Private penetration of sensitive and strategic markets will also increase. Under the resulting neoliberal globalization, fair and sustainable national development will be permanently discarded.

From the outside, this complex game of competing formulas and clauses would seem like a farce if it weren't for the seriousness of the consequences. Many of the rules proposed in WTO negotiations can lead to more poverty, epidemic diseases, stark inequality, and even death for thousands of people in the poorest and most marginalized countries on the planet.

The Current Game

There are four areas of importance in the Hong Kong WTO negotiations, now that the so-called Singapore issues (investment, governmental purchases, and competitiveness) have been taken off the agenda. The most difficult is agriculture, which will be discussed in depth in a subsequent IRC Americas Program report.

The second is services. Until now there has been a slow advance in the integration of services into the regulations of the WTO, starting with financial services and telecommunications. This process brings with it disadvantages for developing countries. They seldom gain anything because they cannot compete in the international services industry nor export their own service sectors, and they lose important national development and policy tools when these industries pass into foreign hands. For the WTO, the integration of services has so far been done based on a positive list, meaning that sectors are explicitly integrated into the rules. Ominously, there is also pressure to adopt a negative list approach that integrates at once all sectors except those that are specified.

The third area is intellectual property. Here, through free trade agreements, the United States is seeking a series of measures referred to as "TRIPS plus" that go beyond current WTO regulations. This includes expanding coverage of patents to more products and processes, and extending the time periods enforced. The TRIPS plus measures have negative impacts on access to medicines, and the protection of biodiversity and traditional knowledge. Additionally, being net importers of knowledge and technology, developing countries could lose millions of dollars in additional royalty payments as a result of these measures.

The fourth area is non-agricultural market access or NAMA in the stream of acronyms generated by the WTO talks. In this case, the discussion again focuses on development needs versus the aggressive market access measures proposed by developed countries. Developing countries have insisted on "less than full reciprocity" as contained in the Doha Round mandate but the progress report slights or entirely fails to mention many of their proposals.

According to Martin Khor of the Third World Network, "The [progress] report has highlighted the positions of the advocates of 'high ambition' in having developing countries cut their tariffs as much as possible, while downplaying or neglecting the views of countries that have been arguing against approaches that result in sharp tariff cuts for developing countries."

The developed countries arrive in Hong Kong with their aces up their sleeves but with an important limiting factor: they know that after Seattle and Cancun, another failure can be a fatal blow for the WTO.

If the WTO game breaks up they lose the possibility of imposing their particular version of globalization on an increasingly skeptical world. For that reason, they have already begun to build scenarios that allow them to control the results of the process from the beginning, trying to leave nothing to last-minute events.

The developing countries also have new advantages and disadvantages. The main advantages are a higher level of consolidation of coalitions and more training and experience in the areas discussed. The work of NGOs in their respective countries has provided official delegations with new information for devising more effective strategies in the few countries where the government pays attention to NGOs. Greater information and the capacity to analyze complicated situations are increasing—albeit with large gaps—and small countries have learned to mutually support each other to maximize their technical capability for analysis and negotiation.

However, the potentially fatal disadvantage to achieving optimal outcomes for poor and developing countries is the lack of an overall vision. The deep contradiction that divides the positions of economically powerful groups within their countries who have allies in the official delegations from the proposals of grassroots organizations and civil society presents a difficult situation. The latter are left without voice or vote in closed negotiation processes that will have huge ramifications for the popular sectors and interests they represent.

U.S. and EU Subsidies

The strategy of focusing on eliminating agricultural subsidies and gaining export privileges for the transnational business interests of developing countries has been in play during the negotiations leading up to Hong Kong. But it is a risky one for its advocates, and offers little or nothing to non-exporting nations.

Even if it succeeds—an unlikely scenario given the politically charged nature of subsidies within developed nations—it would not improve the overall situation of small producers against global competition and it would eliminate the state's right to support its own producers through productive policies. And by focusing exclusively on this point, Brazil and the G-20 run the risk of losing everything else that's in play.

The Group of 20 announced a subsidy reduction proposal in a September meeting in Pakistan, declaring it a "common platform" and "a structure to move toward consensus." However, the organizations of small producers in their countries warn that using trade-offs to salvage the agriculture talks in the WTO is to condemn the most vulnerable sectors to a slow death.

In a recent article Walden Bello describes what he calls a "nightmare scenario" where the United States and the European Union simultaneously announce plans to reduce agricultural subsidies. Although the reduction would be long-term and incomplete, it would give the Brazilian government the opportunity to present itself as the key negotiator and credit the conservative Brazilian export sector with a victory in hopes of calming the national political crisis in that country.

Meanwhile, India is also being offered an enticement in the form of allowing visas for more trained workers to work in developed countries under the Mode 4 discussions. In exchange, it gains the support of the G-20 countries to formalize their commitments in the areas mentioned: access to agricultural and non-agricultural markets, opening of services, and stricter intellectual property regulations. While the gains for the developing countries seem minimal in this scenario, the damage that would result would be irreversible and difficult to fathom because of its many consequences, among them restricted access to medicines; increased unemployment; privatization of strategic services such as water, light, and telecommunications; and stagnating productive capacity.

Changing Tables

As if the advantages of the developed countries in the WTO weren't enough, they also have the chance to change game tables when things don't go well for them. This "forum shifting" allows them to carry out a broad strategy for imposing the corporate-led globalization agenda in many different forums including the WTO, bilateral and sub-regional free trade agreements, regional blocks like the Free Trade Area of the Americas (FTAA), and the World Intellectual Property Organization.

This is precisely what happened after the failure of the 5th WTO Ministerial in Cancun. Obviously annoyed, the U.S. negotiating team announced a renewed focus on the FTAA. When Brazil and other southern hemisphere countries prevented the imposition of the U.S. agenda during the November 2003 FTAA meeting and later in the Summit of the Americas in November of 2005, the U.S. Trade Representative's Office renewed efforts to negotiate bilateral and regional agreements.

The WTO has a clause that permits the negotiation of bilateral agreements between members. Today there are 150 registered agreements and many more in negotiation and varying stages of pre-negotiation such as Free Trade Partnerships, Investment Framework Agreements, etc. Recently, when the strategy of avoiding obstacles presented in the multilateral meeting by recurring to bilateral meetings between even more unequal parties became evident, WTO staff and other multilateral institutions began to protest this tendency. However, nothing can be done about it.

The result of the tactic of changing tables from multilateral to bilateral negotiations goes beyond the objective of gaining greater concessions by dealing with isolated and weak players. If a country already has been locked into a bilateral free trade agreement or is negotiating one where it has already conceded flexibility that still exists in the WTO, it loses incentives to defend those small spaces in the multilateral forum—because it has already lost them. This dissolves solidarity between developing countries and erodes efforts at independently integrating regional blocks.

A recent example is the FTAA. Colombia, Ecuador, and Peru left the Group of 20 in the midst of the negotiations of the Free Trade Agreement between the United States and Andean Countries shortly after Cancun. Now they have their hands practically tied in terms of asking the United States for agricultural subsidy concessions because they are negotiating their own FTA (Peru just recently signed separately) where, of course, the subject of U.S. subsidies is not even on the table.

A Game that Can't be Won

Until the developed countries and the WTO leadership recognize the right of a developing country to reject measures such as full reciprocity, unrestricted market access, investor incentives, and extended intellectual property protection, the game played at the WTO cannot be won. Unless it is recognized that developing countries must be allowed to manage their markets in ways that directly contribute to national development, then the WTO has no viable future.

The WTO's charter states that its "primary purpose is to contribute so that trade flows circulate smoothly, freely, fairly, and predictably." Under any system, trade rules are needed to resolve conflicts, eliminate technical barriers, and facilitate planning. However, the ideology of free trade should not be the objective of a multilateral institution that regulates trade because there is no clear consensus on its benefits, and they have not been born out consistently in the real world.

To the contrary, the experience of NAFTA and free trade in other countries shows that the model does not produce growth and sustainable well-being and in fact presents an obstacle to achieving national development goals, in addition to creating serious environmental problems, social inequalities, and unemployment. The free trade agenda ingrained in the WTO has benefited a minority of the richest and most powerful countries on earth. And in this round they want more.

This is a lost bet from the beginning. For poor and developing countries, it has been a constant game of defense, with much to lose and little to win—even under the best scenarios. Faced with the offensive of the rich countries and their transnational businesses, why bet on a game where the opposition has a much stronger hand and makes all the rules so that the whole game consists merely of losing as little as possible?

In Hong Kong once again, the proposals on the table fail to benefit poor countries. In this context, it is necessary to change the rules of the game. If that is not possible, the logical reply is not to play a game where so few win and so many lose. That was the response in Seattle in 1999 and Cancun in 2003. It continues to be the only response in defense of the poor for Hong Kong in 2005.

Laura Carlsen directs the Americas Program of the International Relations Center, online at www.irc-online.org.

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Writer: Laura Carlsen
Editor: Tom Barry
Production: Chellee Chase-Saiz