



Viability & Credibility of World Trade Organization at Risk

New WTO Agenda Necessary

To address the deepening global economic crisis and to foster broad development, the WTO should be overhauled and reoriented. That was the message coming out of the Seattle ministerial in 1999, and it remains the message four years later going into the Cancún ministerial. Most close observers of economic globalization now acknowledge the shortcomings and fatal flaws of the ideology of free trade and economic liberalization. However, the WTO remains stubbornly committed to an economic philosophy that promotes neither economic stability nor development. Thus far, the WTO has failed to acknowledge the patent failure of its “free trade” rules to foster equitable development or even to spark economic growth.

The viability of global trading is at risk, but the WTO shows no sign of abandoning its blind commitment to the liberalization of trade and investment. Rather than expanding the scope of economic liberalization as the WTO leadership proposes, the trade ministers should review and revise its existing rules. Trade can and must be part of a global economy that creates prosperity and alleviates poverty. But the current WTO trade regime, bound to the dictates of wholesale economic liberalization, has converted trade and investment into instruments of impoverishment and corporate market domination. It’s time that citizens and concerned governments turn around the failed trade agenda of the World Trade Organization.

GENERAL

Revise the WTO mandate

CONSIDERATIONS

The WTO’s charter states that its “overriding objective and main function is to ensure that trade flows as smoothly, predictably, and freely as possible.” Although multilateral trade rules are necessary to assure predictability, resolve disputes, and eliminate technical barriers, the ideology of free trade should not guide the rules of international trade. The merits of this ideology have never been demonstrated in the real world of international economic relations. The NAFTA experience and the impacts of “free trade” globalization in Asia and throughout the Americas have demonstrated that trade and investment liberalization undermine development goals and do not produce sustained economic growth. These policies have created severe environmental, economic, and social problems in developing countries, and left a wake of destruction among workers and small farmers in developed countries. Such a trade system has spawned an array of losers, but it has also generated some economic winners. The WTO’s free trade agenda has proved a windfall for the world’s most powerful transnational corporations, whose profits accrue only to a small group of wealthy investors.

Reform internal rules and practices

Although ostensibly governed by a one-nation, one-vote system, the WTO has never brought an issue to a vote by all member nations. Instead, wealthy countries with large, well-funded delegations and committees—often run by former private sector leaders and corporate advisers—draft and oversee most proposals. The premise that the WTO is a rules-based system is false. The sad reality is that the WTO is characterized by a lack of transparency and a pattern of backroom arm-twisting that routinely accompanies the process of “consensus building.” To be effective and credible, the WTO must become a transparent, less hierarchical, and more participatory organization. It needs clear rules and procedures for agenda-setting and rulemaking. It must allow for the full participation of developing countries, while compensating for power asymmetries by providing funds to build capacity, enable participation, and create the infrastructure needed to apply rules. Despite its repeated promises, the WTO has failed to comply with such commitments.

Curb the abuses of corporate concentration

The trend toward concentration of corporate production and trading has led to practices that distort markets, reduce producer prices, manipulate consumer prices, and erode quality. Instead, current trade rules have created profit opportunities

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for the largest corporations that benefit from unfair advantages and privileges. To remedy such trade and investment distortions in the global economy, the WTO should sponsor in-depth studies of the effects not only of commodity and production cartels, but also of corporate concentration in markets. We recommend that these studies begin with an examination of the corporate oligopoly in basic food commodities. Competition rules should be applied to curb the abuses of this growing power.

Ensure greater accountability

The WTO must recognize that its rules for international trade must not violate or threaten other international norms and agreements concerned with labor rights, environmental protection, and public health. Instead, the WTO's new agenda should strive for an increasingly complementary and cooperative relationship with the environmental, developmental, and social policies formulated by national governments and other multilateral institutions. In particular, the WTO should recognize that other multilateral organizations have specific mandates to promote development, alleviate poverty, protect human rights, ensure public health, and protect the environment. A revised WTO agenda can further these objectives without undermining its own focus on establishing trade rules.

ISSUES AT THE FIFTH MINISTERIAL

Agriculture

Though attention has focused on the differences between the U.S. and the EU in subsidy reduction, developing nations have become increasingly frustrated at the intransigence of developed countries in reducing subsidies or allowing for Special and Differential Treatment of developing countries. The modalities and proposals drafted by select countries increase pressure on developed countries to lower barriers. At the same time, the main proposals for this ministerial will serve to maintain the domination of the agriculture sectors by the largest producers while enabling them to increase their exports—often at dumping prices.

Agriculture is not just another form of producing tradable goods. Agriculture is key to food sovereignty and security, employment, public health and nutrition, poverty reduction, and environmental protection. This is especially true in many developing nations where a half or more of the population bases its livelihood on the rural economy. Trade liberalization has devastated farming in developing countries around the world. The NAFTA experience serves as a warning sign for future trade agreements. It has caused a hemorrhaging of people from the impoverished countryside, and has created whole regions dependent no longer on food production but on remittances.

The following characteristics must be taken into account in regulating agricultural trade:

- Agriculture is fundamental to development, food sovereignty, and public health and not merely the exchange of goods.
- Smallholder, indigenous, and family agriculture offer social benefits not recognized by the market system, including preservation of cultural and biological diversity, long-term sustainability, rural employment, and food security. These values will not and cannot be adequately internalized in prices under the present market system. Consequently, they must be recognized and compensated for through national and international policy outside a trade regime.
- National governments have a legitimate role in promoting, supporting, protecting, and regulating agriculture. Nations should have the flexibility to establish development-oriented policies in line with the needs of their small farmers.
- Export subsidies in surplus-producing nations are predatory practices in developing country markets. Nations should have recourse to protect their markets against dumping and oligopoly trading practices that undermine national production and livelihoods.

Recommendation: Based on these points, the call of many small farmers' organizations throughout the world to remove agricultural trade from the WTO framework should be seriously considered.

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Trade-Related Intellectual Property (TRIPs)

The WTO's agreement on trade-related aspects of intellectual property (TRIPs) obligates member nations to establish strict intellectual property regimes. To date, this requirement has demonstrated few, if any, benefits to developing countries. To the contrary, in an ever-mounting number of cases, TRIPs has increased their disadvantages compared to technologically advanced countries and companies.

The WTO should recognize that public health takes precedence over patent protection in all cases. By assuring markets and monopoly prices for patent-holding transnational corporations, the cost of medicine soars. The agreement reached as part of the Doha Round commitment to assure access to medicines in poor countries has left many civil society advocacy groups with serious concerns. By further specifying conditions in which countries may produce, import, or export cheaper versions of patented medicines for public health reasons, the agreement actually proscribes them.

The patenting of life forms permitted in TRIPs has fomented bioprospecting in biodiversity-rich developing countries and led to the loss of community control over resources. In agriculture, patented life forms have prohibited farmers from carrying on with basic traditional agricultural practices, including seed-saving and local seed development. Poor countries do not have the technological or financial resources to patent elements of biodiversity and the very concept is anathema to most traditional cultures.

Recommendation: The WTO should carry out a full review of Article 27.b as mandated in TRIPs, permit flexibility for each nation to determine its own sui generis systems for registering plant forms, and collaborate with the Food and Agriculture Organization (FAO) to strengthen international gene banks that protect and register varieties in the public domain.

THE SINGAPORE ISSUES

The fifth ministerial must decide whether to include new issues in future negotiations. The Singapore issues would extend the WTO negotiating mandate into four proposed areas: investment, trade facilitation, government procurement, and competition policy. These issues should not be incorporated into the WTO for the following reasons:

- 1) There is no "explicit consensus" to justify adding the issues. Many developing countries have expressed the view that they have neither the expertise nor the financial resources to add these issues to the agenda. Moreover, they consider them a low priority given the lack of agreement on central issues such as agriculture and TRIPs.
- 2) Investment liberalization has led to increased rights for corporate investors and decreased capacity to regulate and direct investment on the part of national and local governments. NAFTA again demonstrates the dangers. In one infamous case, a company prevented by the local community from building a toxic dump was awarded \$15 million in compensation for expropriation.
- 3) Although many countries could benefit from greater transparency in government procurement to curb corruption, the WTO is neither the forum nor the approach that is needed. The WTO principles of nondiscrimination and most-favored nation would prohibit national governments from using any non-economic criteria in choosing suppliers, thus eliminating the ability to foment national industry in times of crisis, promote integrated regional development, or encourage environmental goals at a national or local level.

DOHA DEVELOPMENT ROUND—A TRAGIC MISNOMER

While the ministers meet, thousands of opponents of a "free trade" system that puts commerce and investment before people and development will gather to protest and propose alternatives. Though the backgrounds, goals, and tactics of these groups vary widely, their common concern with placing development and equity first is shared by millions of farmers, youth workers, and poor people throughout the world.

We recognize the fundamental necessity of multilateral institutions in managing global economic, political, and security affairs. The current age of globalization is characterized by an increased interconnectedness of countries and the integration of national economics into the global economy. It is also a power system marked by the military hegemony of the U.S. and the tremendous economic muscle of the Quad powers—the U.S., the EU, Canada, and Japan—and the deepening concentration and power of a small number of transnational corporations. Multilateral rules and institutions must play a strong role to counterbalance dominance by the wealthiest nations and oligopoly control.

Recommendation: To function as a viable forum for multilateral and multi-interest rulemaking, the WTO should be reoriented to respect the following principles:

- Rules-based procedures with equal representation, participation, and decisionmaking power of nations; transparency, and channels of citizen participation;
- Priority commitment to socially and environmentally sustainable development;
- Social equity and justice, including a focus on directly addressing current inequities; and
- Conviction that economic development models must satisfy basic human needs including food, healthcare, education, housing, water, environmental quality, and cultural expression.

The WTO's current agenda clearly does not meet these tests. Its narrow objective of removing trade barriers ignores the more fundamental goal of a global economy, namely to increase living standards and quality of life. The organization has refused to consider the mounting evidence that a trade liberalization strategy does not by itself lead to stable, equitable development.

The Doha Development Round is proving itself a tragic misnomer. Instead of incorporating a real commitment to a development agenda, the WTO is forcing developing countries to provide access to their markets with few if any reciprocal benefits and many potentially harmful effects.

If the WTO is to remain a credible and viable organization for establishing rules for the global economy, it must overhaul and reorient its failed agenda. The current flawed agenda puts trade and investment liberalization before economic stability and development. Fortunately, an increasing number of developing country governments, development economists, and nongovernmental organizations and citizen movements are proposing new agendas. If adopted by the WTO, they would make global economic integration a process we could all support.

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