

TRADE BULLIES

HONG KONG MINISTERIAL GIVES RICH COUNTRIES ONE LAST CHANCE TO PICK ON THE SOUTH

In December 2005, trade ministers from Canada and the other 148 World Trade Organization (WTO) member countries gathered in Hong Kong for a crucial meeting, where they made decisions that will have an impact on Canadian agriculture, public services, natural resources and the environment. Jean-Yves LeFort and the Our World is Not for Sale network were there to monitor the WTO negotiations, and promote fair trade and economic justice for Canadians and people around the world. Here are some of his observations about the “state of play” at the WTO.

THE CONTEXT

Let me start with a bit of historical context for the World Trade Organization. The WTO makes its most important decisions at ministerial meetings, held every two years. This is where trade ministers negotiate multilateral agreements and set policy for the WTO. The Seattle ministerial meeting was a complete fiasco in December 1999. The “big boys” – the European Union and the United States – decided a new strategy was in order. At the following ministerial meeting in Doha in 2001, they used the events of September 11 and the repressive ambience of Qatar to force developing countries to the table. The general atmosphere was “either you’re with us, or you’re against us,” and the most powerful countries dangled the possibility of a new “development agenda” in front of poor countries, in an effort to get them to agree to their demands.

To some, it appeared that for the first time, the economic giants seemed willing to put developing countries’ priorities at the heart of negotiations. But it was just a diversion. The language spoke of “development,” but the agenda was business as usual. Those who had been fooled refused to be fooled again, and

the Cancun ministerial conference collapsed in September 2003.

Although the original intention for Hong Kong had been to move closer to a final set of agreements, expectations going into the ministerial were low, because negotiations hadn’t progressed much since Cancun. The tension was palpable. Some experts openly questioned the viability of the WTO, especially if another ministerial meeting was about to collapse.

It was clear early on that the leaders could see the writing on the wall and would do everything in their power to avoid being embarrassed again. After six days of intense negotiations, all of the 149 member country’s ministers did sign a declaration indicating that they were willing to “keep talking,” but the agreement amounted to little else.

Overall, the Hong Kong Ministerial Declaration continues a well-established tradition. It maintains the imbalance that allows a few rich countries to determine what should be liberalized, as well as how fast and by how much. The imbalances are most clearly seen in the areas of agriculture, services and development aid.

AGRICULTURE

Most countries want the U.S. and the EU to stop “dumping” heavily subsidized agricultural products onto world markets. By flooding the markets with cheap products, American and European multinationals push down the price of commodities and force small farms in developing countries out of business. In Hong Kong, negotiators set a faraway deadline of 2013 for the elimination of export subsidies. We can only speculate on how many family farms will disappear between now and then. While no one would argue against helping out struggling farmers, the majority of these subsidies go to the powerful agribusiness sector, not to family farms.

The Ministerial Declaration calls for more restrictions on state trading enterprises like the Canadian Wheat Board. The Wheat Board enables Canadian farmers to market and sell wheat as a bloc, therefore commanding a higher return. In my opinion, the EU’s call for the complete elimination of the Wheat Board will eventually prevail. Curiously, the WTO doesn’t approve of state monopolies even though corporate monopolies appear to be fine.

SERVICES

Back in September 2005, certain countries, including Canada, began to push for a change in the founding premise of the Global Agreement on Trade in Services (GATS), because they were unhappy with the pace of the services negotiations. Traditionally, countries have been allowed to liberalize at their own pace in sectors of their choice.

Industrialized countries started pushing to have a more coercive negotiating

approach – called “benchmarking” – approved at the Hong Kong ministerial. The change would have forced WTO members to achieve certain “negotiating benchmarks” or targets for the most critical services in their economies. In other words, countries would no longer get to choose which services were up for grabs.

The good news is that benchmarks were soundly rejected in Hong Kong. The final text of the ministerial declaration calls for “plurilaterals” as a new method of negotiating further liberalization. The plurilateral approach does not force anyone to put anything on the table, as benchmarks would have done, and it officially refrains from forcing anyone to negotiate. But it is designed to speed up the negotiations and to encourage countries to privatize and liberalize as quickly as possible.

The bad news about plurilaterals is that the rules will be written by the most aggressive nations, who can then “gang up” on a targeted country. A victim of a schoolyard bully has a fighting chance one on one, but no chance at all if the big ape arrives with five ugly friends. The Government of Canada is a big proponent of this coercive approach. Sadly, on services, our government is a big ape.

DEVELOPMENT

A lot was made of the “development package” offered to Least Developed Countries (LDCs) at the Hong Kong meeting. The key component was duty-free and quota-free market access for products from the poorest countries of the world. But the package is a farce, for a few reasons.

First, the aid package should apply to all developing countries, not just the poorest among the poor. India and Brazil may have growing economies but they also have serious poverty problems to deal with. Second, LDCs got duty-free and quota-free access for only 97 per cent of their products. This may sound like a lot but, in reality, it allows rich countries to

block key exports that are really competitive. For instance, the U.S. intends to block textiles from Bangladesh. We wouldn’t want Bangladesh to have a competitive advantage over the United States of America, now would we?

Finally, aid for trade “to help developing and least-developed countries to participate more efficiently in international trade” was promised, mostly targeted toward “capacity building.” Most experts agree, however, that very little new money was announced and no guarantee was given that the money that was promised would be available in the future. It was a one-time “repackaging deal” of money already committed. Understandably, developing countries were not overly impressed by this act of “charity.” They are being offered a one-time promise of conditional aid. The condition is: “I give you money, you do what I say.”

WHAT COMES NEXT?

The WTO members gave themselves a reprieve. They have one more year to complete negotiations or it’s lights out for the Doha Development Round. Hong Kong didn’t get them very far, but it gave them one more kick at the can.

They must complete the Doha Development Round by the end of 2006,

because the U.S. administration could lose its Trade Promotion Authority (TPA) in 2007. The TPA – formerly known as “Fast Track” – prevents Congress from making amendments to trade deals and limits them to a yes or no approval. If the Bush Administration loses the TPA, it will be difficult, if not impossible, to get new trade deals approved by a very protectionist Congress.

For the rest of this year, the negotiators will likely work from the WTO headquarters in Geneva. The ministers will come in once in a while at key moments without much fanfare and, they hope, little protest.

Some, even in civil society, see the potential demise of the Doha Development Round as a terrible loss for poor countries. I don’t share that concern. The WTO was not built for fair negotiations or the promotion of development. It was built to consolidate the power of the rich over the poor, of the North over the South, of corporations over people. The current negotiations are all about prying open new markets and consolidating corporate-friendly rules. Period.

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