

Open letter to Trade Ministers to the WTO

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CC: Pascal Lamy, WTO Director-General and Chair of the Trade Negotiations Committee (TNC)
Ambassador Falconer, Chair, Committee of Agriculture, Special Session
Ambassador Stephenson, Chair, Negotiating Group on Market Access

Subject: Multilateral Trading System: time for a new approach

June 2006

Dear Trade Minister,

As civil society members from all over the world we are appalled at the direction of the current WTO negotiations. Launched in 2001 as a "Development Round," the current negotiations now preclude any possibility of benefiting the majority of the world's people, particularly those living in impoverished developing countries. Instead, many of the proposals on the table will radically foreclose domestic policy options for developing countries. Developing country proposals that attempt to regain some of that policy space are consistently rejected by the major powers, particularly the U.S. and EU. Rather than building a multilateral trading system that guarantees human rights, promotes sustainable economic growth and ensures access to decent employment while protecting our shared environment, the current negotiations are set to dramatically curtail this vital agenda.

Attempts by the EU, U.S. and the WTO's Director-General, Pascal Lamy, to cast the Doha Agenda as a multilateral effort to advance development are completely hypocritical. They fly in the face of both 11 years' of countries' experience under the Uruguay Round agreements with the WTO as well as in the face of recent independent projections of what this agenda will bring for developing countries. To try to push such an agenda to conclusion through a mini-Ministerial, in which the large majority of WTO members will not be represented, can only do further damage to the WTO's legitimacy.

We are writing to you with three basic demands:

1. Object to the legitimacy of the June mini-Ministerial and withdraw support. As a basic rule of democracy, and out of respect for the WTO's procedures and mandate, any Ministerial called by the WTO Secretariat must allow for the effective participation of all Ministers.
2. Reject any attempt by Director-General, Pascal Lamy to draft his own text for Ministers' consideration.
3. Start now with a new approach to the multilateral trading system. The Doha Agenda should be buried. New rules should focus on policies that promote human rights and people-centered ecologically sustainable development.

The reason for our demands is outlined below. A series of economic reports on the projected outcomes of the Doha Round from the World Bank, U.N. and several think tanks including the Carnegie Endowment for International Peace, quantify the costs of the Doha Agenda. These analyses predict that most of the gains expected under the Doha proposals as they stand will flow to the developed world. The remaining gains are distributed among a few exporters from middle-income developing countries. The majority of the population in African countries, other least-developed countries (LDCs) and many other developing countries are projected to lose. According to the Carnegie Endowment for International Peace, "Bangladesh, East Africa, and the rest of Sub-Saharan Africa are adversely affected in every Doha scenario modeled, regardless of whether the ambition is modest or high". The European Commission's own Sustainability Impact Assessment concludes, "in Sub-Saharan Africa for example, poverty may worsen as they stand to lose economically from trade liberalization and face severe supply side constraints". This is an unacceptable outcome from multilateral talks.

There are severe problems with all three of the principle areas of negotiation: agriculture, non-agricultural market access (NAMA) and services. Many developing countries agreed to launch new talks in the WTO to redress imbalances in the Agreement on Agriculture. Yet instead of using the review of the Agreement on Agriculture to address the livelihood and survival needs of hundreds of millions of family farmers worldwide, agriculture talks have focused on expanding global markets for exporters from developed and to a lesser extent developing countries. While the promises from the last round of increased market access to developed countries for some developing countries remain unrealised, we know that uncontrolled imports of agricultural products into local markets in developing countries is having a devastating effect on local livelihoods. The benefits from the promised market access, wherever it has been fulfilled (including in medium income net farm exporting developing countries), have not reached the majority of the population including small family farmers, peasants and agricultural workers that have instead been displaced and pushed out of the market (including the domestic market), by the exporting agribusiness sector that benefits from such market access.

At the same time, urgent agricultural trade problems are not addressed in the negotiations. Dumping of agricultural exports originating in the U.S. and EU continues, driving down world prices for crops that the poor depend on, such as cotton, maize, rice, poultry, dairy, and sugar. Simulations by WTO members illustrate that the offers by the U.S. and EU to reduce their domestic support will not actually change current spending levels. And while the market distorting activities of state trading enterprises are under scrutiny, the much greater power of a small number of agribusiness firms in a number of commodity markets is left unchecked. The G33 proposal on Special Products and Special Safeguard Mechanism - supported by a broad alliance of over 100 WTO member countries - built upon the established set of food and livelihood security and rural development criteria to define appropriate mechanisms for developing countries to protect their agricultural sectors from these distortions. The proposal is being resisted by the major powers.

A recent proposal by the African Group (an alliance of 41 African countries) on how to manage trade in agricultural commodities offers a way forward to address the crisis in agriculture within multilateral trade rules. The proposal emphasizes the need to ensure stable, equitable and remunerative prices for commodity producers and to deal with structural oversupplies in commodity markets, with measure including taxes on exports and other export restrictions to promote development. The African proposal is one of the few serious attempts to realize the original promise of the Doha Agenda as a positive contribution to development.

In the negotiations under NAMA on natural resources (or raw materials) and industrial tariffs, the tariff cuts proposed by developed countries will have a significant and detrimental long-term effect on the industrial base of developing countries and the environment. Since developing countries' bound tariff rates are significantly higher than those of developed countries, the effect of the proposals now on the table would mean much higher percentage cuts in developing countries' tariffs than in those of developed countries – directly contradicting the negotiating mandate, which was to require less than full reciprocity in reduction commitments from developing countries. South Africa's Congress of South African Trade Unions (COSATU) warns the proposals could leave countries, "seriously de-industrialised," becoming producers of primary products with the loss of jobs and wealth that the loss of value-added activity entails.

COSATU's conclusions are substantiated by the Carnegie report, which finds the poorest developing countries and regions—Bangladesh, East and Sub-Saharan Africa—"actually lose unskilled jobs in manufacturing industries", as well as "market share in some or all manufactured products". In addition, developing countries will lose through the drastic cuts in tariff revenues, estimated to be worth some US \$63.4 billion in the industrial sector alone. This loss is ten times greater the projected gains for developing countries as a whole from the Doha Round (US \$6.7 billion).

Deindustrialization combined with the proposed complete or sharp tariff liberalization of natural resources under NAMA (which is planned to include fisheries, forestry and mineral resources) could also push countries into increasing dependence on commodity exports. Most commodity exports generate relatively small returns. Diverting natural resources to exports is also associated with severe negative economic effects on poor communities directly dependent upon these resources for their livelihoods. For example, 350 million people live in or next to dense forests; relying on them for subsistence or income and 60 million indigenous people are directly dependent upon forest resources for all their needs – for food and fuel, medicines and materials. Some 30 million people are directly employed in small-scale artisanal fishing. All these livelihoods are jeopardized by efforts to appropriate the natural resource base for export.

The third main area of the talks - services - is also anti-development. The pressure from the developed countries to get developing countries to liberalise services continues unabated. The demandeurs in these negotiations are calling for countries

to remove market access restrictions on foreign companies and to deregulate domestic service sectors to allow foreign corporations to operate without restriction in domestic markets. Yet most experiences of services liberalization in developing countries to date - in water, energy, health, education but also in the financial sector or in retail distribution - have been negative. In particular public access to privatised services, especially for the poor, is often diminished while the quality of service is compromised and local employment declines.

Despite these experiences, developed countries continue to pressure for further liberalisation of services under the GATS. We are also concerned that some developing countries targeted for services demands have indicated they will bind some of their service sectors that have been liberalized outside the WTO framework. We strongly disagree with such a course of action: not only will this curtail the policy space of governments to regulate their service sectors in the future, but such offers are made in return for what are actually empty offers from developed countries in agriculture.

To placate developing countries, the developed world is proposing an "Aid for Trade" scheme to address the "adjustment costs"— costs such as the short-term increases in unemployment and the destruction of some industrial sectors (for example those developed under the auspices of preferential treatment). We are completely opposed to the current Aid for Trade mechanism, the content and timing of which will be tied to recipients' acceptance of the liberalization imposed by the Doha Agenda. The exchange is absurd: money will not buy back policy space; nor is there even new money on the table. Instead, donors propose to simply repackage existing development assistance commitments, diverting yet more money to trade facilitation.

The current Doha package is a bad deal. It serves the private interests of the biggest corporations around the world, most of them headquartered in the developed world. It fails to respond to a series of publicly identified public policy priorities for trade: full employment under decent conditions, sustainable management of our natural resource base, the generation of domestic capital to build virtuous economic circles in poor countries, the need to curb dumping of under-priced agricultural commodities in world markets, the market distortions created by monopoly and oligopoly power exercised by a small number of firms in many sectors of the global economy (including banking; food and commodity exports, processing and distribution; and, oil.)

It is time to start now with a new approach to the multilateral trading system. The Doha Round should be buried, starting by withdrawing support and objecting to the legitimacy of the June Mini-Ministerial, and opening the way for new rules that focus on policies that promote human rights and people-centered ecologically sustainable development.

Signed by:

The Council of Canadians and over 100 NGOs from around the world