

Briefing Paper on WTO 9th Ministerial Conference

The World Trade Organization: The Iron Fist of Global Trade, Its Impacts and Peoples Resistances



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The World Trade Organization (WTO) was formed on January 1, 1995. It was a creation from a previous multilateral trade instrument, the General Agreement on Tariffs and Trade (GATT). The GATT was a set of agreements from its inception in 1947 to 1994 and did not have an institutional structure. After the Second World War, a need for a multilateral trading system was identified, and the GATT came into being based on trade negotiations among 23 countries and was to be transformed into an institution namely, the International Trade Organization (ITO). But the United States Congress refused to ratify the agreement, even though the US had been part of the negotiating countries, and the GATT remained only an agreement which over time evolved into a complex legal text, a result of eight multilateral trade negotiations or rounds. The first, Geneva Round was held in 1947 and the last, Uruguay Round was from 1986-94 (Hoekman and Kostecki, 1995).

The result of the Uruguay Round was the creation of the WTO, an organization which even before its inception had been highly contested, resisted and condemned on many accounts. It is considered to be one of the strongest pillars of globalization, advancing the capitalist mode of production and cementing the base for an open market economy through policies of privatization, deregulation and trade liberalization. Such policies were first introduced through the Washington Consensus based on bilateral structural adjustment agreements (Chossudovsky, M. 1997), and then given a much more strong footing through the multilateral trading system of the WTO. The context of globalization, a term used by the United Nations to define the dimensions of international trade and free markets (UNDP, 1999), has been challenged (Petras, J. and Veltmeyer, H, 2001, p. 62):

“Globalization or U.S. imperialism? That is the question. At the end of one millennium and the beginnings of another a definitive answer can be given: To the extent globalization rhetoric persists, it has become an ideological mask disguising the emerging power of U.S. corporations. . . . Globalization can be seen as a code word for the ascendancy of U.S. imperialism.”

There is ample evidence that the U.S. had been the main catalyst in the formation of the WTO, with two key interests. First, “limit the spread of knowledge . . . to other countries” through stringent IPR laws, and second, to ensure access to export markets (Sayeed, 1995). The rejection of the WTO is based on the abhorrent imperialist imposition of the WTO and the advanced capitalist profit-seeking countries, especially the USA. According to Julius K Nyerere (Raghavan, 1990):

“The Uruguay Round purports to be the eighth in a series of trade negotiations held under the auspices of GATT. . . . In essence, it is an attempt to restructure and refashion the rules of the international trading system to make this even more favorable than at present to the interests and concerns of the major trading nations – the industrialized countries of the Economic North. If the attempt succeeds, there will indeed be a New International Economic Order. But it will be even more iniquitous

and inimical to the development aspirations and needs of the poor developing countries than the Order against which they have been protesting for so many years.”

The World Trade Organization: the Basics

It was with such resounding criticisms, coming from those who had the interests of the third world nations at heart that the WTO came into being. The WTO in itself is based on a complex legal text with more than 60 agreements, annexes and understandings (The WTO, 2011). According to the WTO website, the WTO is ‘an organization for liberalizing trade,’ a forum for negotiating ‘trade problems’ and ‘at its heart are the WTO agreements negotiated and signed by the bulk of the world’s trading nations. These documents provide the legal ground-rules for international commerce.’ In addition, the WTO also has dispute settlement as ‘the central pillar of the multilateral trading system’. (The WTO, 2011)

The fundamental principles of the WTO include (The WTO, 2011):

(a) Trade without discrimination which is based on the (i) Most-favoured-nation (MFN) status, which means that each country has to give all members of the WTO the same set of treatment as it does to any one WTO member, in the context of trade, as well as (ii) National Treatment which means treating nationals and foreigners equally. In essence, if national governments are providing national industry or producers any particular incentive or subsidy, the same has to be provided to foreign entities which have commercial operations inside that particular country.

(b) Freer trade is another principle which is the basis for all non-tariff barriers (such as quotas, or price differentials) to be replaced with tariffs, as well as lowering tariff rates which were present prior to the formation of the WTO.

(c) Predictability as a principle which means that WTO members have to ‘bind’ their commitments. In other words, all commitments made in the context of trade such as opening markets for goods and services, setting tariffs at a particular level are all commitments which nations have to comply with. “In agriculture, 100% of products now have bound tariffs” (The WTO, p. 12). The Trade Policy Review Mechanism of the WTO carries out a “regular surveillance of national trade policies” which is meant to ensure transparency a component of the WTO principle ‘predictability’.

(d) Promoting fair competition is based in the rules on non-discrimination such as the MFN and national treatment. According to the WTO, these rules help establish “open, fair and undistorted competition. . . . Many of the WTO agreements aim to support fair competition: in agriculture, intellectual property, services. . .” (The WTO, p. 12).

(e) The final principal is encouraging development and economic reform which is based in the notion that trade brings development. Economic reforms are to be undertaken for trade liberalization. (Trade liberalization in general means bringing about structural reforms such as privatization, deregulation and liberalization meaning opening local markets to the international corporate sector).

Apart from the principles, the WTO has a complex set of agreements. In essence the WTO agreements are based on six areas, the umbrella agreement for establishing the WTO, then

the ‘three main areas of trade’ which are for (i) goods, (ii) services and (iii) intellectual property. The fifth area is the dispute settlement process which is under the agreement “Understanding on Rules and Procedures Governing the Settlement of Disputes”, and the last is Trade Policy Reviews (The WTO, 2011).

The agreement on goods is based on the original GATT agreement and covers 12 areas. However, among these, agriculture has been added under the WTO. Some other agreements under this section include the Sanitary and Phytosanitary Standards (SPS) and Technical Barriers to Trade (TBT), Rules of Origin, and Safeguards.

The inclusion of the services agreement, namely the General Agreement on Trade in Services (GATS) is of critical importance, as it is “the first and only set of multilateral rules governing international trade in services” (The WTO, 2011, p. 33).

Similar to the GATS, the issue of intellectual property rights was also introduced in a multilateral trading system for the first time through the WTO, governed through the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Shredding the Velvet Glove: The WTO from a People’s Perspective

This section will provide an overview of the many problematic areas of the WTO which covers vast areas of international trade all of which are legally binding for the 159 nation states who are presently its members. Given the legal text of the WTO is highly complex requiring a specialized group of technical experts to interpret its hundreds of pages which cover agreements, annexes, commitments and understanding, it seems as if this organization has little to do with the people of the world going about their daily lives, eking a living for themselves and their families. But that is not correct: Trade basically means trading of goods and services which are produced through the labor of the masses. Production encompasses not only big urban industrial estates but also the smallest units of society: the village-based communities. It includes the labor of the entire span of workers in the formal to the informal sector, whether they are in areas of highly technical production such as information technology or in the least technical of services such as domestic services. In short, trade is intricately linked to the daily living and livelihood of billions of small producers and labour all over the world, a very large majority of which come from marginalized vulnerable sectors such as small and landless farmers, indigenous people, fisher folk, women, pastoralists among others. It is because that the peoples’ movements had understood the grotesque deal that was being negotiated and its impacts on their lives that many resistance movements sprang all over the world, and have continued in their intensity throughout the 18 years of the WTO’s existence.

As a result, the WTO, since its inception, and before at the conceptualization stage has faced immense opposition, with demands of ‘Junk WTO’ being the clarion call of peoples’ movement; similarly, the farmers’ movements have taken the position “WTO out of Agriculture” and the alternate presented has been coined as food sovereignty.

As is clear by the short brief on the WTO, the WTO is not an empty set of agreements but through its various mechanisms, especially the dispute settlement mechanism, it has the

ability to ensure implementation of its many agreements. Following are the key areas of critique and concern put forward by the peoples' movements and their institutions:

- (i) The WTO, in the context of trade considers the advanced capitalist countries and the poor third world countries equal partners. Therefore, third world countries such as Indonesia, Thailand, Pakistan, Kenya and Bolivia are considered equal to rich first world countries such as the United States of America, United Kingdom, France, and Japan. However, the reality is that the first world nations are the most powerful, technologically and militarily advanced nations of the world, who through their gigantic transnational corporations, control the global trade in goods and services. So, there is no question of their being equality amongst the world's poorest and the richest nations.
- (ii) The WTO, with its many principles, agreements and conditionalities has to be accepted as a whole. Nation states cannot pick and choose agreements within the WTO based on their specific socio-economic situation and need. Nation-states which do not follow the conditions set forth by the WTO face penalty, fines, and sanctions to the extent that they can be barred from trading with other WTO member countries.
- (iii) The basic set of principles which govern the WTO are based on trade liberalization, which has aggressively opened local markets of poor third world countries to transnational corporations (TNCs) of the first world countries.
- (iv) The WTO has forcefully thrust intellectual property rights as an integral part of trade liberalization, though intellectual property is not part of trade.
- (v) Trade liberalization has been enforced on the agriculture sector, a sector which due to its critical importance to poor countries as a key source of livelihood as well as national food security, has always been shielded from the harsh impacts of free trade.
- (vi) The WTO has also included the service sector for trade liberalization. This sector, previous to WTO, had been protected by third world nation states (a) due to the very weak development of the sectors which fall under services, and (b) the services sectors includes health and education which are key social protection areas for the working class.

The WTO blatantly denies the historical structural causes of inequity inherited by the third world countries as a result of plundering and extortion of colonialists during the colonial period. The colonial era is marked by deliberate destruction of local institutions including local industry and entrenching of a feudal elite base which has on one hand led to a systemic lack of industrial development and on the other, growth of a feudal society in many regions of Asia, Africa and Latin America (Stavrionos, 1999). The presence of a strong brutal feudal elite class and its central position in government policy making structures to this day has cementing a semi-colonial semi-feudal base in the third world countries. The result is the

presence of distorted development policies in the third world countries which protect the interests of the imperialist nations and their gigantic corporations (Amado, 2005).

The technical and industrial development in the third world nations has been severely impacted due to negligible access to education, as well as malfunctioning infrastructure and industrial development policies dictated by the advanced developed nations. A very large majority of the third world nations have lagged far behind and have no real industrial base which would allow them to be equal partners in an export-import economy, as dictated by the WTO. This means that the poor third world nations when they engage in the WTO have little to export; as it was predicted in the 1990s, these nations are now inundated with imported goods and services from first world states and their debt burden has increased consistently. “For the developing world as a whole, in 1991, the total external debt was \$1.362 trillion which was 126.5% of its total exports of goods and services in that year” (World Bank, 1992) and now nearly ten years later “The combined stock of developing countries’ external debt rose from \$4.4 trillion in 2010 to \$4.9 trillion at the end of 2011” (The World Bank, 2013, p.2). These figures portray the impact of the WTO clearly.

The TRIPs agreement in the WTO creates havoc in all walks of life, as it controls access to technology whether it is related to health, education, energy, communications, and transport among others. The year before the finalization of the Uruguay Round were marked by the debate on intellectual property rights, and its forceful insertion in the negotiations by the US. It was clear that the TRIPs agreement was pushed by various US corporations such as those active in the pharmaceutical, biotechnology, agro-chemical and information technology sectors. Special relationship was noted between the pharmaceutical industry and United States Trade Office, where pharmaceutical industry representatives sat in special presidential advisory groups. The US Pharmaceutical Industry was considered one of the biggest in the world in terms of trade, a position which was maintained from 1970-1990 (Sayeed, 1995). It was at the behest of such corporate demands that the TRIPs agreement was written and forced into the Uruguay Round negotiations, much against the wishes of third world countries (Raghavan, 1990).

In addition to the US Pharmaceutical sector, another critical set of player were of course the biotechnology and agro-chemical corporations largely coming from the U.S. A major push for TRIPs also came from the US seed industry which had as early as 1967 been able to push for national seed patenting legislation called Plant Variety Protection Act (Kloppenborg, 2004). This Act was the precursor for allowing plant breeders rights which ultimately led to the TRIPS agreement which has forced patenting of seeds and other living organisms.

The issue is of critical importance to food sovereignty as well, especially with respect to farmers’ control and access over seeds. The TRIPS agreement basically wrenches control over agricultural production from the farmer to the agro-chemical corporate sector. The TRIPs agreement has forced the acceptance of intellectual property rights over living organisms which include seeds. This means that hybrid and genetically modified seeds now being introduced in the market by TNCs are under IPR protection. Based on the TRIPs agreement, farmers can neither save nor exchange seeds marketed by TNCs. Seed giants like Monsanto and Pioneer have pushed for intellectual property rights over seeds as “the development of genetically modified seeds largely depends on the judicial protection system of IPRs” (Perriere, p. 91). The result of IPR held on seeds by global seed corporations has

led to their vast monopolistic control in agriculture. For example, according to the ETC Group, “the top ten seed companies account for \$14,785 million – or two-thirds (67%) of the global proprietary seed market” (The ETC Group, p, 12.)

It needs to be emphasized that the genetic material being used in these ‘new’ patented seeds is the result of biopiracy by seed giant corporations such as Monsanto, Dupont, and Pioneer among others. These genetic resources are the result of seeds being conserved over many millennia by farmers, especially farmers of the third world.

TRIPs has far reaching impacts on the entire society. But the impact on farmers’ livelihood as well the food security and sovereignty of nations is devastating. Traditional varieties of seeds are scarce due to the influx of high yielding varieties (HYVs) and hybrid seeds introduced by Green Revolution policies in the past 60 years or so. Most seeds are now being brought to the market by TNCs which hold intellectual property rights of these seeds. In essence, the entire food supply as well as livelihood of farmers, which are an overwhelming majority of the world population is now dictated by a handful of profit-greedy agro-chemical and biotechnology TNCs.

Apart from TRIPs, another anti-people, anti-farmer agreement in the WTO is the Agreement on Agriculture (AoA). In the context of trade in general, and agriculture in particular, it is important to point out that global trade is carried out by transnational corporations, and not small farmers or small producers. Therefore, the open market economy pushed by the WTO is a prime demand of imperialist agrochemical corporations. The AoA has two important set of rules which are suicidal for small and landless farmers:

- a) AoA takes away the sovereign right of nation states to provide domestic subsidy to small farmers in third world countries. AoA stipulates that domestic subsidy percentages have to be decreased based on a 1986-88 baseline; meaning that each country has to decrease a fixed percentage of domestic subsidy in agricultural production based on the subsidy being provided in 1986-88 period by each WTO member country. The amount of subsidy that was provided in those years has to be decreased by both the rich advanced capitalist countries and the poor third world countries (36 percent decrease for first world countries, and 24 percent decrease for third world countries). Historically, rich countries have given vast amount of domestic subsidy to their farmers, whereas poor countries have provided minimal help. Now that the baseline has been set, even when the first world countries decrease their percentage of subsidy, in actual value the subsidies provided by them are still astronomically high. In addition, first world countries also provide very high export subsidies to their ‘farmers’ for exporting agricultural goods to other countries. On the other hand, export subsidy is almost non-existent in poor countries. This means that rich corporate farmers and agro-chemical corporations have the benefit of both domestic as well as export subsidy from their governments. This results in TNCs being able to produce agricultural products very cheaply. The third world farmers, with no subsidy as well as increasing cost of production due to IMF and World Bank conditionalities and WTO agreements, are unable to compete with the agricultural goods being imported into their local markets.

- b) The Market Access clause of the AoA forces poor nations to open their agricultural markets even for products in which the country is self-sufficient; poor farmers are forced to compete with the cheap products of agro-chemical corporations inundating local markets; the result is that they are unable to sell their products and fall more and more in debt, suffering from abject poverty, hunger, debt and loss of livelihood. In countries like India, small farmers are committing suicide as they are neither able to pay off their debts nor provide for their families. An example is of the Philippines where tariffs have been cut drastically. According to Jose Africa, Executive Director, Ibon Foundation, Philippines, “ the period between 1981 and 1994 registered the highest decrease in tariffs. From the average 42 percent tariff of imports in 1981 to 1985, it was reduced to 28 percent in 1991 and decreased further to 20 percent in 1994. . . . By 1996, in compliance with the WTO, the tariff was pegged at 9.7 percent then down to 7.8 percent in 2006 and 6.1 percent in 2011. Today, tariff on imported agricultural products is only 8.7 percent.”

In December 2013, the WTO will hold its 9th Ministerial Conference in Bali, Indonesia. The major issues at hand for Bali is the trade facilitation agreement that the first world nations, particularly the US and Europe are pushing. In addition, some aspects of the Agriculture Agreement are also a priority issue.

The trade facilitation agreement being negotiated aims to simplify procedures and controls regulating the movement of goods across national borders; another aim is to reduce the cost of transaction as well as to “make trade flows as efficient as possible” (The WTO, 2013). It is in this regard that the EU has provided more than 700,000 euros for enhancing the capacity of third world nations. According to the WTO, “These donations will finance technical assistance programmes to help developing and least developed countries identify their needs and priorities in the trade facilitation negotiations”(The WTO, 2013). Similarly, the World Bank has spent USD 58 billion on trade facilitation assistance in 2013 and will support developing countries in implementing their commitment (The WTO, 2013, October). For OECD, trade facilitation includes importance of simplifying documents, procedures and improving information availability so that trade costs are reduced (The WTO, 2013, October). It is clear that trade facilitation is of interest to the advanced capitalist nations so that their corporations will be able to move faster in the national markets of third world nations. The agreement is about increasing the accessibility and efficiency of their operations in the third world and has little to do with meeting development agendas of the third world states or their people.

At the same time, critical issues of utmost importance to third world nation have been falling on deaf ears. They have been demanding ‘softening’ of the Agreement on Agriculture but it is being opposed by the US and Europe, even though they have not implemented their commitments as per the WTO. For instance, the U.S., France, Germany and the UK provide very high subsidies for their farmers. In fact, the commitments made in the Doha Round for reducing export subsidies have also as yet to be implemented. It had been agreed in the last WTO ministerial in Hong Kong that that farm export subsidies would be eliminated by 2013 but that has failed to materialize.

In the Bali negotiations, the third world states have been demanding for the Peace Clause under the Agriculture on Agreement which protects subsidies awarded by countries who comply with the agreement, from being challenged under other WTO agreements. The

demand from the G-33 countries was that the Peace Clause tenure to be 10 years, but the first world nations like the US are ready to accept only a 2-3 year period (Financial Express, 2013). This issue reflects the mood of the first world nations as the 9th WTO Ministerial looms closer.

There is in actuality little change in the mindset of the first world nations and their corporations. This was clear from the three day WTO public forum held from October 1-3, 2013 in Geneva. Working Session 34 was “Innovative agricultural production technologies: a global approach to increasing production, enhancing food security and improving food safety” The general climate of discussions was on new breeding technologies. According to Dr Cerzo, AGRITECH, European Commission (The WTO, October, 2013):

“ . . . mainly Western countries (North America and the EU) are behind the research in new breeding techniques. The commercial interest in bringing new breeding techniques to the market is very strong; the institutions behind these patents are mainly companies in the US or EU which are specialized in one specific breeding technique. Companies dominating the seed market are interested in new breeding technologies and either own rights to the technologies or are licensing the technologies.”

The unwillingness of the US and the EU to provide even the most basic livelihood support to small farmers in the third world, while they themselves are providing domestic aid in billions of US dollars is strongly indicative that nothing has changed in the WTO. Secondly, Europe and the US remain committed to protecting the ‘innovations in new breeding techniques’ or in other words, the introduction of genetically modified technologies that will continue to create acute hunger and food insecurity as well as further loss of livelihood for small producers.

The only way this challenge can be met is to remain unified in our call for food sovereignty and refusing to give legitimacy to the grotesque imperialist manipulations of the WTO.

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Roots for Equity was formed in 1997 for working on issues arising from globalization, to assess its impact on urban and rural working communities, and providing strategic assistance to develop long-term self-sufficiency in communities.

Roots for Equity is committed to highlighting the plight of the most vulnerable, marginalized communities which include religious minorities, women and children in the rural and urban sectors, as well as providing interventions which would help to increase their economic and political rights to demand a standard of living considered appropriate by the International Human Rights Charter.

Roots for Equity has basically worked at three levels:

- (i) Action research on issues and impacts of globalization;
- (ii) Awareness raising, organizing and resistance at the local, national and international level using action research and publications, international networking and mobilizing communities on ground;
- (iii) Providing direct strategic assistance to communities faced with harsh economic, political and social realities of their system to build long-term sustainability.

This three-pronged approach has proven successful in allowing Roots for Equity to be well grounded in the communities where it has been working.

The most important change for Pakistan is to ensure a people driven base for the social and economic development of the country. This is indeed a huge change which is not possible without mobilization of communities themselves. Roots for Equity believes that only socially conscious and politically active communities can demand and achieve social and economic justice. Roots remains committed to being an active part of communities and working with them to achieve political, social and economic justice.