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International Trading Agreements Sixty Years on

The global system needs a makeover

The UN, the WTO, the IMF and the World Bank should engage in pragmatic negotiations to strive for a higher common denominator for multilateral relations.

■ Carin Smaller

This year marks the 60th anniversary of the international trading system, the creation of the General Agreement on Tariffs and Trade (GATT). Sixty years ago was also the year governments under the United Nations (UN) signed the Universal Declaration of Human Rights. Both agreements were negotiated in the aftermath of World War II. The GATT set out to create a fair and stable international trading system to prevent the trade wars and economic rivalry that had contributed to the Great Depression and the outbreak of World War II. It was limited to a set of rules to reduce tariffs on the trade in manufactured goods. Agricultural goods were exempted through a series of waivers. Governments were allowed to use tariffs to protect domestic production, but only if they did not export the surpluses.

UN, WTO in crisis

Sixty years on, both the UN and the World Trade Organization (WTO) are perhaps in greater crisis than at any other time in their history. The UN is struggling for political relevance in the face of hostility on the part of its most powerful member, the United States (US). This hostility is coupled with indifference from most of the rest. The UN is also suffering from a widely shared sense of malaise and dissatisfaction brought on

by the collapse of too many issues into simplistic North-South struggles rather than pragmatic negotiations on how to accommodate diversity while striving for a higher common denominator for multilateral relations. For its part, the WTO's Doha Agenda is at a standstill. The talks are blocked by the agricultural politics of the US, the European Union (EU) and, to some extent, Japan; by the push to further open markets in the bigger developing countries; and by the failure of the multilateral trading system to provide anything of substance to the poorest developing countries.

In Geneva, trade negotiators continue to work tirelessly towards a conclusion of the Doha Agenda, but a deal seems further away than ever. Negotiators are slowly chipping away at minute technical details (sometimes successfully and at other times not) and ignoring the political reality that the Doha Agenda is deeply unpopular all over the world and that there is simply no appetite for a deal right now. Citizens in Europe and America, many of whom have been big supporters of a free trade agenda, are asking more questions about the impact of trade policies on working conditions, and the damage to the environment. Citizens in the developing world have borne the brunt of the WTO's model of

trade for several decades now. Some parts of the developing world have recorded impressive growth rates in the past decade, in particular China, India and Brazil, and witnessed a significant reduction in the incidence of poverty. But others have lost out. They are opposed to the model of growth being promoted under the WTO and other bilateral and regional trade agreements. Growth is being unevenly distributed, increasing inequalities between the rich and the poor, and taking an enormous toll on the environment. Farmers and small and medium entrepreneurs are hurt by competition from giant multinationals. Workers are forced to accept miserable conditions.

However, trade negotiators in Geneva continue to produce texts for new trade rules that do not support a model of development that most people are asking for. Another set of texts on agricultural and manufactured goods are expected to be out early in 2008. They will contain more of the same. Trade ministers could be invited to Geneva towards the end of March or beginning of April, but almost no one believes that an agreement will be reached.

Meanwhile, governments are increasingly turning to bilateral and regional trade agreements to pursue their economic interests. And the public has turned its attention away

from the WTO and to other pressing global challenges: climate change, the massive increase in demand for raw commodities and other natural resources, including biofuels, and high food and energy prices, which raise concerns about global food and energy shortages, and economic recession. These new global challenges make it more urgent than ever to build a strong system of international governance to help solve problems jointly. That includes a strong multilateral trading system that produces a set of rules and regulations to help governments implement the right mix of policies to build strong economies, which create decent employment, an equitable distribution of wealth, and in a manner that ensures the sustainable use of natural resources and the environment.

Impact on human rights and environment

The past 60 years of multilateralism have been characterized by a deep disconnect between the international trade and investment regimes on the one hand, and the body of international norms that evolved out of the UN system on human rights, labour and the environment, on the other. Only recently has anyone begun to examine and assess how trade liberalization, and the broader project of economic deregulation, are affecting the environment—and, more recently, climate change—and also the realization of human rights, in particular economic, social and cultural rights. Several UN agencies, think tanks and non-governmental organizations (NGOs) are actively taking on these issues.

The United Nations Environment Programme (UNEP) is undertaking a number of case studies in developing countries to assess the impact of trade liberalization on biodiversity and the environment. In Bangladesh, for example, the government developed the shrimp export sector as a result of reforms under the World Bank Structural Adjustment Programme. While shrimp exports grew from US\$91 million to US\$260 million between 1986 and 1998, the coastal shrimp farming areas expe-

rienced environmental degradation; water pollution; increased salinity of soil, canals and ponds; reductions in grazing land; destruction of mangrove forests; and adverse affects on cropping patterns. Traditional economic activities such as cattle grazing and poultry farming were negatively affected, soil fertility declined, and income inequality increased. There was also a notable increase in health problems due to water pollution.¹

A UNEP assessment of Chile's copper mining sector showed that trade liberalization in the copper sector has led to growth at the cost of environmental quality that may not be sustainable. Environmental problems associated with copper mining include air pollution; overuse and pollution of water; soil contamination and land degradation; and damage to species and their habitats.²

The UN Food and Agriculture Organization (FAO) examined the impact of agricultural import surges in developing countries as a result of trade liberalization. It found that the countries that were most affected by such surges included India, Bangladesh, Zimbabwe, Kenya, Nigeria, Ghana, Malawi, Ecuador and Honduras. The products most affected included sugar, palm oil, meat (pig, poultry and bovine) and rice.

In Kenya, for example, the government deregulated its sugar sector under policy prescriptions from the World Bank and the International Monetary Fund (IMF) in the mid-1980s and the 1990s. The liberalization of the sugar sector resulted in a

massive increase in sugar imports. The employment in the sugar industry fell by 80 percent, from 43,000 people in the 1990s to 7,500 people in 2004. More than 160,000 households suffered income losses, undermining the human right to an adequate standard of living, food, and work.³

The Ghanaian government deregulated its poultry sector under policy prescriptions from the World Bank and the IMF. The deregulation of the sector led to massive imports of poultry from Europe. Domestic producers' share of the domestic market shrank from 92 percent in 1992 to 11 percent in 2001. More than 400,000 poultry farmers lost their jobs, violating their human rights to an adequate standard of living, food, and work.⁴

In Indonesia, the government implemented a series of economic reforms in order to comply with its WTO commitments and the policies of the World Bank and the IMF in the late 1990s. This led to a rapid surge in cheap rice imports displacing many local rice producers.⁵

The UN Special Rapporteur on the Right to Health, several UN Human Rights Committees, and NGOs such as 3D-Trade-Human Rights-Equitable Economy, have all raised concerns about possible violations of the right to health due to intellectual property right (IPR) provisions in bilateral, regional and multilateral trade agreements.⁶

On a mission to Peru in 2004, for example, the UN Special Rapporteur on the Right to Health recommended that the Peruvian government assess the likely impact of a Peru-US free trade agreement on the right to health, including access to essential medicines, before signing the agreement. The Ministry of Health of Peru undertook an impact assessment and concluded that an extra 700,000 to 900,000 people would be excluded from treatment as a result of the proposed agreement. The Intellectual Property Office of Peru also raised concerns about the cost of medicines. Nevertheless, the final text of the agreement contains IPR laws that lack ap-

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appropriate safeguards to protect the right to health.⁷

The Costa Rican government recently concluded a regional trade agreement called Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which will expand, among others, IPRs beyond the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Costa Rica has a social security system that seeks to provide affordable medicines through national production, import of generic medicines and subsidization of patented drugs. However, the strengthening of IPR laws through CAFTA-DR is predicted by one commentator to be likely to result in an 800 percent increase in the cost of medicines.⁸

New vision for 2008

The current trading system, and the model of trade it promotes, needs to change in order to address some of the negative impacts on employment, human rights and the environment. Furthermore, today's global challenges present another set of concerns, which the trading system cannot afford to ignore. Existing efforts to address some of these problems are being discussed and coordinated under the UN system. The World Bank, the IMF and the WTO must start cooperating with the UN processes in a more meaningful way—and also vice versa, for the ministries responsible for the UN processes cannot afford to ignore what is happening in trade. The two systems cannot continue to operate in isolation of each other.

The UN Framework Convention on Climate Change (UNFCCC), for example, is the international treaty under which governments agreed to coordinate efforts to reduce greenhouse gas emissions and to reverse or mitigate the effects of climate change, which has implications for trade. As governments work towards a new climate change agreement, the links with trade should be identified and appropriately addressed.

Work has already started. Trade



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ministers met on the sidelines of the Bali Climate Change Conference in December 2007. The US and the EU went to the meeting with a proposal for the liberalization of environmental goods and services, arguing that increased trade in climate-friendly technologies could help combat climate change. The proposal is self-serving. It focuses on expanding markets for environmental goods and services predominantly produced in the US and the EU. It avoids any discussion of a broader debate about trade and the environment, and the possible negative effects of the existing model of trade on climate change. Trade ministers should start with an assessment of the impacts of trade on climate change and then find pragmatic solutions and, if need be, change the multilateral trading system, to ensure that trade does not undermine efforts to tackle climate change.

WTO Members, on their part, need to work more consistently with

the UN to ensure that human rights are not undermined in trade agreements. Trade ministries and WTO missions should look more closely at the work being done by UNEP, FAO and UN Human Rights Bodies on trade and use this information to guide future policy thinking under the WTO. Environment ministries need to work with trade ministries to identify linkages between trade and the environment and to devise trade policies that use the environment in a responsible manner. Employment ministries need to communicate more clearly to trade ministries about the types of trade measures that are likely to boost, and those that could threaten, employment.

It is time to create a global system that acts together. Multilateral institutions should be capable of taking complicated decisions that involve other institutions in their work, and that are cognizant of other multilateral obligations. Sixty years on, the global system needs a makeover. Why not give the Doha Agenda a makeover at the same time? ■

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Notes

- <http://www.unep.ch/etb/publications/intAssessment/synrep.pdf>
- <http://www.unep.ch/etb/publications/intAssessment/synrep.pdf>
- http://www.southcentre.org/Events/2007Jun_Trade_Liberalization_Agriculture_Background_document_2.pdf
- <ftp://ftp.fao.org/docrep/fao/009/j8672e/j8672e00.pdf>
- Indonesia has 13.6 million rice farmers. Many farmers were unable to sell their rice in the market. See <http://www.e-alliance.ch/globaltrade/policiesandhunger.pdf>
- See <http://www.3dthree.org/en/page.php?IDpage=23> for further details
- http://www.3dthree.org/pdf_3D/DOvett_PUENTESarticle_Feb06_Eng.pdf
- CAFTA-DR is a comprehensive trade agreement among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the US. http://www.3dthree.org/pdf_3D/3DCESCR_CostaRicaNov07.pdf