

Loaded against the poor:

World Trade Organisation

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Position paper

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Loaded against the poor: World Trade Organisation

'More than ever before trade - and the rules of the trading system - intersect with a broad array of issues and concerns which have a powerful impact on people's day-to-day lives..'

(Renato Ruggiero, former Director-General of the World Trade Organisation)

Executive Summary

1. Introduction

The forthcoming Ministerial Conference of the World Trade Organisation in Seattle presents a key opportunity for member countries to take stock of existing WTO agreements and to begin to transform international trade regulations in favour of poverty reduction and sustainable development. **But there is a real danger that the industrialised countries and powerful transnational corporations will set an agenda at Seattle that promotes their interests in expanding export markets, with scant regard for the needs of those in poverty.**

Unequal benefits

One of the priorities in helping developing countries increase their share of the fruits of world trade is to enhance their access to the markets of industrialised countries. Thus far, trade liberalisation has been an unequal bargain, with the greatest gains from tariff agreements accruing to developed countries. Meanwhile, many developing countries have undertaken substantial unilateral trade liberalisation under structural adjustment programmes, which has not been reciprocated by developed countries. **Following implementation of the Uruguay Round, the average tariff on imports from the least-developed countries into the industrialised countries will be 30 per cent higher than the average tariff on imports from other industrialised countries. For developing countries as a group, it will be 10 per cent higher.** This reflects the lower reductions applied to products of interest to the world's poorest countries.

The costs of Northern protectionism for developing countries are huge. **Developing countries are losing up to US\$700 billion in annual export earnings as a result of trade barriers maintained by industrialised countries.** While world trade flows have tripled over the past two decades, the world's 48 poorest countries have seen their share of exports decline by almost half, to a negligible 0.4 per cent. **Had the poorest countries been able to maintain their share of world markets at mid-1980s levels, their average per capita incomes would be US\$32 a year higher - a significant increase over today's figure of US\$228 a year.**

The benefits of trade are also inequitably distributed within developing countries. In agriculture, large commercial farms may be well placed to take advantage of new export opportunities, but without appropriate complementary policies, smaller farmers can become further marginalised.

More importantly, the livelihoods of subsistence farmers can be destroyed by competition from cheap agricultural imports, as Oxfam has documented in the Philippines, West Africa and Mexico. In many cases, these products come from the highly subsidised US and European farming industries. As many Latin American countries have discovered, rapid import liberalisation can also damage domestic manufacturing, forcing down wages and reducing employment.

Trade is an increasingly powerful engine of growth and, under the right conditions, can make an important contribution to poverty eradication and sustainable development. The key challenge is to identify these conditions and ensure that they are in place. This will require major reforms in WTO agreements to level the playing field in international trade, as well as action by national governments to ensure that growth is accompanied by greater equity. **Oxfam believes that, in line with rich countries' stated commitments to poverty reduction, the performance of the WTO should be judged by its contribution towards the achievement of the International Development Targets.**¹

Seattle outcomes

From this perspective, Oxfam has identified five essential outcomes of the Seattle Conference and subsequent WTO negotiations:

- Developed countries should make immediate commitments at Seattle to assess the impact of trade liberalisation on poverty, to improve market access for the poorest countries, and to provide aid for building trade capacity.
- Existing WTO agreements should be revised to increase market access in sectors of interest to developing countries, particularly agriculture and textiles. Northern governments should eliminate subsidies on agricultural exports.
- WTO Agreements should allow developing-country governments greater freedom to pursue policies consistent with national development strategies and poverty-reduction goals.
- WTO members should agree a limited, development-focused agenda for negotiations, which does not include international investment rules, government purchasing,² or competition policy.
- The WTO should implement reforms which enhance participation by developing-country members, and accountability to the general public. Trade disputes involving issues of human rights, the environment, and health should be resolved with participation by UN specialised agencies.

A comprehensive round?

The agenda for the Seattle conference and content of any future negotiations is still under discussion. There is a prior commitment to review progress on liberalisation of trade in agriculture and services, on protecting intellectual property (the TRIPs agreement), and on deregulating trade-related investment measures (the TRIMs agreement). However, a key question is whether a range of new issues will be pushed on to the agenda. The European Commission has proposed a comprehensive round of negotiations that would lead to agreements on investment, competition policy, government purchasing and industrial tariffs, as well as provisions for safeguarding labour rights and the environment. **Many developing**

countries are opposed to a comprehensive round, on the grounds that they lack the capacity to negotiate effectively on a wide range of subjects simultaneously, and may be forced into making concessions that do not coincide with their development strategies. They are also concerned that the industrialised countries have not yet implemented their Uruguay Round commitments, such as liberalisation of the textiles and clothing sector.

Relatively few developing countries participated effectively in the last round of multilateral trade talks, and this was reflected in the outcomes. **Developing countries now account for three-quarters of the WTO membership. It is essential that these countries derive concrete benefits from any further negotiations, if the credibility of the WTO as a multilateral organisation is to be maintained.**

2. Up-front commitments to level the playing field

Developed countries should demonstrate their political will to pursue a more equitable distribution of the benefits of international trade by making a number of immediate commitments at Seattle.

Impact assessments

There is evidence that poorly designed trade liberalisation occurring without appropriate complementary measures can aggravate inequalities between and within countries, and damage livelihoods. **Resources must be committed for further research to increase understanding of these links, particularly in relation to poorer communities and their environment, and to inform the direction of future negotiations.**

Increased market access for the poorest countries

Developed countries have maintained high levels of protection in key developing-country export sectors, such as agriculture and textiles. In line with the European Commission proposal, **all industrialised countries should make binding commitments to provide zero-tariff access for all exports from the 48 poorest countries by 2003**, as well as agreeing to reduce non-tariff barriers. The costs of these concessions would be minimal for the industrialised countries.

Aid to build trade capacity

Export markets are increasingly challenging for small and medium-sized enterprises, which need to conform to technical and safety standards as well as consumer preferences, and which need access to credit, market information, and reliable infrastructure. In trade talks, poor countries are disadvantaged by lack of representation in Geneva, and by lack of the technical skills and experience required at the major negotiating tables. **Donor countries must provide substantial resources to assist developing countries to take advantage of trade opportunities, and to participate effectively in international trade negotiations.**

3. Revision of existing agreements to promote poverty reduction

WTO members have a prior commitment to review existing agreements on agriculture, services, intellectual property, and trade-related investment measures. Oxfam believes that these agreements, as well as those relating to textiles, 'special and differential treatment' for

developing countries, and overall market access for developing countries, should be reformed.

Textiles

Developed countries are committed to removing quota restrictions from 33 per cent of their textiles and clothing imports by 2001. Regrettably, by that date, the EU and USA will have removed restrictions from only 5 per cent of products that are important to developing-country exporters. **The export earnings of developing countries could rise by \$127 billion a year, if developed countries opened their markets to textiles and clothing imports.**

Agriculture

The Uruguay Round Agreement on Agriculture required developing countries to liberalise their markets, while endorsing high levels of protection and support in developed countries. **In 1998, total agricultural support in the industrialised countries amounted to US\$353 billion, more than triple the value of official development assistance.** Unsurprisingly, competition with heavily subsidised OECD farms has devastating impacts on the livelihoods of producers in developing countries. **The playing field in agricultural trade should be levelled by eliminating export subsidies, and re-designing domestic subsidies in developed countries so that they promote social and environmental objectives, without damaging developing-country producers.** Developing countries should retain the right to protect and support their agricultural sectors in order to meet food-security objectives and preserve rural employment.

Agricultural exports from developing countries face significant tariff and non-tariff barriers in developed-country markets. Moreover, the industrialised countries impose higher tariffs on processed products than on raw materials, which deters the progression of developing countries into the export of higher-value goods; for example, chocolate instead of cocoa beans. **Rich countries should make substantial cuts in tariffs on developing-country exports, particularly tariffs that escalate according to the level of processing.**

Intellectual property

Successful participation in world trade is increasingly based on knowledge and expertise. Developing countries' opportunities to engage in trade are restricted by the trend towards the privatisation of knowledge by Northern companies, which increases the cost of all knowledge-intensive imports, such as pharmaceuticals, seeds, and information/communication technologies. Intellectual-property laws can also limit a developing country's pursuit of development objectives or the public interest. For example, developing countries are often forced to pay unnecessarily high prices for medicines that are crucial to combat serious disease.

The WTO Trade-Related Intellectual Property (TRIPs) Agreement obliges member countries to adopt a strict patent regime, designed by and for the industrialised countries. **The public good must take precedence over corporate commercial interests in the implementation of the TRIPs Agreement. The length and scope of patent protection should be reduced, and governments should be able to determine national intellectual-property regimes, including the option not to patent life forms.**

Special and differential treatment

WTO provisions for the 'special and differential (S&D) treatment' of developing countries are intended to take account of the huge economic disparities between member states. Unfortunately, the principle of S&D treatment is under threat from some developed countries, particularly the USA. **Existing S&D measures, such as the provision of longer transitional periods to implement WTO agreements, fail to meet the needs of developing countries, given the weakness of their economies and continuing high levels of poverty.** Developing countries must retain the flexibility to make decisions about how quickly and how far to liberalise, including the ability to shelter vulnerable and strategically important sectors from competition where this is important for achieving overall national development goals. The recent WTO ruling against import restrictions maintained by India on balance of payment grounds illustrates the problem. **The legitimacy of S&D treatment must be restored and strengthened, for as long as some economies remain substantially weaker than others.**

4. Possible new issues: investment and labour rights

Investment, government procurement, and competition policy should not be addressed in forthcoming negotiations. The 'in-built' agenda is already sufficiently ambitious for most developing countries, and rules in these new areas are likely to oblige these countries to open up their economies prematurely to foreign firms, without the regulatory frameworks and flanking measures to ensure that the companies contribute to national development goals.

Investment

If foreign investment is to generate benefits for people in poverty, a fresh approach to international investment rules is needed. Any new rules must have sustainable development at their heart, and combine international regulation with enhanced government and local control. However, the WTO is an inappropriate forum for their development. Investment regulation could be discussed by the international community at UNCTAD X in Bangkok in February 2000. This conference could also consider the appropriate institutional frameworks for designing new rules. One possibility would be the creation of a new negotiating structure which draws on the expertise of UNCTAD, the WTO and relevant UN specialised bodies.

It is vital that any investment rules balance the rights of investors with their responsibilities 1) to facilitate the transfer of technology, 2) to avoid restrictive business practices, 3) to promote employment and social objectives, and 4) to respect human rights and the internal cultures and political systems of host countries and communities. This could be achieved by making the enjoyment of investor rights conditional on compliance with multilaterally agreed standards in these areas. International frameworks are also needed to cap the competitive granting of financial incentives and to prevent tax evasion by large companies.

Labour rights

Oxfam supports the EU's proposal to establish an ILO-WTO forum to examine the link between trade liberalisation and labour standards. **The forum should also consider the possible inclusion of an 'enabling rights provision' in WTO rules covering the rights of freedom of association and collective bargaining. Such a provision should be jointly administered with the ILO, which should retain responsibility for monitoring and should help to adjudicate in the case of disputes, thereby ensuring impartial assessment and a safeguard against protectionist abuse.** The forum should ensure that the concerns of

developing countries are fully taken into account.

The ILO is the international body responsible for setting and monitoring labour standards. Nevertheless, all WTO members should have a collective responsibility to uphold the enabling rights of freedom of association and collective bargaining. These rights are a precondition for achieving other workers' rights, and for allowing workers to obtain a fair share of the wealth they help produce, thereby spreading the benefits of trade more evenly within countries. They are the most obviously trade-related of the core labour rights, and their incorporation into WTO rules would help to prevent the most extreme forms of competition from undermining the hard-won gains of workers' organisations in other countries. This would not harm economic performance, as workers and employers would be able to agree working conditions at a level appropriate to their specific social and economic circumstances.

5. The limits of WTO competencies, and institutional reform

Right to a say

A major challenge for the WTO is to increase the voice of small and poor countries in the formulation and implementation of international trade regulations. **Currently, developing countries account for three-quarters of the WTO membership, yet the WTO agenda is dominated by the interests of the major trading blocks and corporations.** It is essential that developing countries are assisted to participate on a more equal basis in the day-to-day activities of the WTO and in future multilateral negotiations.

Decisions taken at the WTO affect the livelihoods of billions of people and their environments. Yet the vast majority of people know very little about this important international institution, or the decisions taken there by governments on their behalf. National parliaments and the European Parliament should have a more active role in determining negotiating mandates and in the regular monitoring of progress in negotiations. The inside track that corporate lobbyists have enjoyed for so long should be balanced by opportunities for wider civil-society involvement in the debates through, for example, national consultations and the de-restriction of access to documents.

WTO competencies, consumer protection and the environment

WTO rules affect not only producers, but also government policies and consumers, North and South. **WTO dispute panels acting in the name of free trade have over-ruled government laws aimed at protecting people's health and the environment, as illustrated by the verdict against the EU ban on hormone-treated beef.** Potential new disputes loom relating to bans or mandatory labelling of genetically modified products. WTO rules must not undermine the ability of governments to determine national policies in the public interest. **The WTO has neither the competence nor the mandate to reconcile trade policy with issues of human rights, the environment, and health, or set standards in these areas. Where there is a conflict between WTO rules and international agreements, the latter should take precedence.** In trade disputes involving the broader public interest, the WTO should establish joint dispute-settlement panels with the appropriate UN specialised agencies.

Structure of the paper

This paper has five main sections. The **Introduction** provides contextual information and sets out the overarching issues relating to poverty eradication and sustainable development. **Section 2** gives Oxfam's proposals for the three essential commitments that developed countries should make at Seattle, covering assessment of the effects of liberalisation, zero tariffs on the exports of the poorest countries, and assistance with building trade capacity. **Section 3** describes six areas requiring substantial policy reform in order to achieve a more equitable distribution of the benefits of trade: market access in general, trade in textiles and clothing, trade in agriculture, intellectual-property rules, trade-related investment measures, and provisions for special treatment for developing countries. **Section 4** examines investment and labour standards, which are among the new issues being considered for future WTO negotiations. **Section 5** considers the institutional reforms that will enable the WTO to better reflect the needs of all member countries, especially the least-developed, and to avoid conflicting with the public interest, both North and South. The paper concludes by reiterating the key elements of a pro-poor WTO agenda and Oxfam's broad policy recommendations.

All the specific recommendations contained in the body of the paper are also summarised in an appendix.

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1. Introduction

1.1 Background

The world's trade ministers will meet at the end of November 1999 in Seattle, USA to discuss the scope and focus of a possible new round of negotiations at the World Trade Organisation (WTO). Their decisions will have significant implications for the world's poorest countries and poor people, whose lives are increasingly affected by rules and commitments agreed at the WTO. **The Ministerial Conference presents a key opportunity for member countries to take stock of existing WTO agreements and to begin to transform international trade regulations in favour of poverty reduction and sustainable development. But there is a real danger that this opportunity will be lost.**

There are fears that the industrialised countries and powerful transnational corporations (TNCs) will set an agenda at Seattle that promotes their interests in expanding export markets, with scant regard for the interests of the poor. At the same time, the interests of the developing world are threatened by a resurgence of protectionist and discriminatory policies. Addressing these problems is vital if trade, and the WTO, are to make a significant contribution to poverty reduction in the years ahead. The challenge is immense. While trade has become an increasingly powerful engine of growth, its benefits have been distributed unequally.

The 1998 WTO Annual Report boasts that growth in world trade has consistently exceeded growth in world income over the past ten years. As a result, trade is becoming increasingly important to prosperity. But within this overall expansion of trade, some countries and communities have fared better than others, while others have seen no benefits at all, or have lost out. **The 48 least-developed countries (LLDCs),³ home to 10 per cent of the world's citizens, have seen their share of world exports decline by almost half over the past two decades to a negligible 0.4 per cent.** The USA and EU have roughly the same number of people as the LLDCs, yet account for nearly 50 per cent of world exports.⁴

While trade contributes to economic growth, it can also fuel inequalities both between and within countries. Poor countries lack the human and economic resources needed to compete in world markets; and they face a bewildering array of trade barriers. Where market opportunities do exist, poor households are often excluded, because they lack access to infrastructure, credit, land, and education and health services. According to UNCTAD, 'in almost all countries that have undertaken rapid trade liberalisation, wage inequality has increased, most often in the context of declining industrial employment of unskilled workers and large absolute falls in their real wages, of the order of 20-30 per cent in some Latin American countries'.⁵

A major challenge for the WTO is to generate a more equal distribution of the benefits arising from trade. This will require a shift in the balance of power within the WTO, away from the corporate and political interests of the powerful G7 members towards addressing the needs of the poor and disadvantaged. Liberalisation and economic growth are not ends in themselves. **While the WTO cannot be expected to solve world poverty, its efforts should not be judged solely on the basis of reductions in trade barriers, as is currently the case, but in terms of their contribution towards the achievement of the International Development Targets.**⁶

What is the World Trade Organisation?

Following the failure to establish an International Trade Organisation in 1948, a group of countries negotiated the General Agreement on Tariffs and Trade (GATT). This was intended as a provisional system for trade negotiations, but it lasted until the establishment of the WTO in 1995.

GATT agreements were reached through a series of negotiating 'rounds' involving an increasing number of countries. The 1986-94 'Uruguay Round' expanded the scope of international trade rules beyond goods, to cover services, investment, and intellectual property. It also created the Geneva-based WTO as a permanent international membership organisation with far-reaching authority to review country policies and settle trade disputes. The GATT was subsumed into the WTO as a trade agreement. A total of 135 countries are now members of the WTO, of which three-quarters are in the developing world. Around 30 countries are currently negotiating membership.

The WTO aims to encourage progressive liberalisation of trade through negotiation and enforcement of a series of multilateral trade agreements. The preamble establishing the WTO also includes a number of non-trade objectives, such as raising living standards and achieving full employment. The agreements affect a wide range of national economic and social policies, on issues such as investment, food security, and health. The key principle of the WTO is 'non-discrimination'. This relates to member countries (under the 'most favoured nation' provisions), meaning that any trade concessions granted by one member country in favour of another must immediately be accorded to all other member countries. The principle also applies to goods (under the 'national treatment' provisions), requiring that internal taxes and regulations must not be applied so as to favour domestically produced goods over imported products.

Although the WTO can decide policy on the basis of one member, one vote, it usually works on 'decision by consensus'. This means that every member can theoretically exercise a veto. In reality, due to differences in political and economic weight, smaller countries cannot use this power. The existence of complex procedures and a multitude of committees puts developing countries at further disadvantage. In consequence, the major trading nations exert a dominant influence over international trade regulations, in favour of their commercial and strategic self-interest. The influence of TNCs on governments' negotiating positions is considerable.⁷ This has resulted in unbalanced outcomes that disadvantage developing countries and can conflict with human development goals and environmental sustainability.

1.2 What's in store at Seattle

The agenda for the Seattle conference and the content of any future negotiations are still under discussion. There is a prior commitment by member countries to review progress on liberalisation of trade in agriculture and services, on protecting intellectual property, and on deregulating trade-related investment measures. However, a key question is whether a range of new issues will be pushed on to the agenda.

The European Commission has proposed a comprehensive round of negotiations, dubbed the

'Millennium Round', leading to multilateral agreements on investment, competition policy, government procurement, industrial tariffs, as well as provisions for safeguarding labour rights and the environment. EU member states share the desire for a broad agenda, but diverge considerably over the new priorities, such as the incorporation of labour standards into trade agreements. The United States wants a more limited round of discussions on matters important to its commercial interests, particularly the expansion of agricultural export markets.

Many developing countries are opposed to a comprehensive round on the grounds that they lack the capacity to negotiate effectively on a wide range of subjects simultaneously, and may be forced into making concessions that do not coincide with their development strategies. They are also concerned that industrialised countries have not implemented their Uruguay Round commitments. For example, the EU and USA have honoured only one-sixth of their promise to reduce quotas on imports of textiles and clothing. Developing countries also face difficulties in implementing existing WTO agreements, such as those covering customs valuation and intellectual property, which involve quickly implementing systems that developed countries have established over much longer periods of time. They would prefer to focus on reviewing and revising existing agreements, and addressing implementation difficulties, rather than negotiating new agreements.

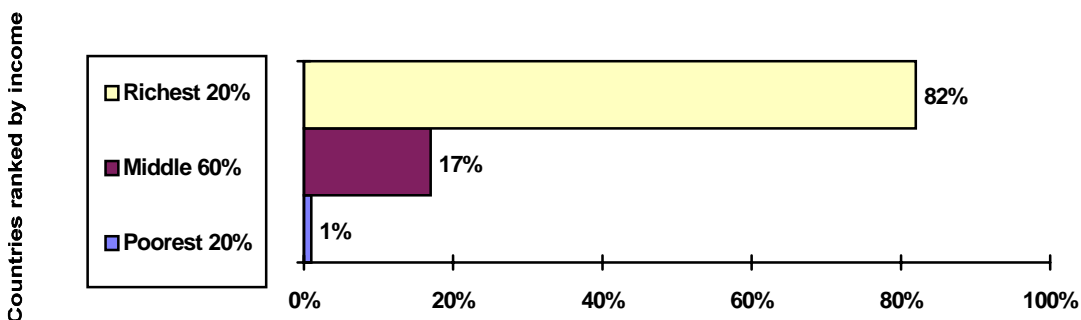
Clare Short, UK Secretary of State for International Development, has called for the next WTO round to focus on development. **Oxfam shares this overall aim and calls on the UK and other trade ministers meeting in Seattle to agree the following measures:**

- **to adopt a development-focused WTO agenda**
- **to reform existing WTO agreements on the basis of a review of their impact on poor people and their environment**
- **to provide assistance to help poor countries and people take advantage of trade opportunities in the future.**

1.3 Winners and losers from trade liberalisation

Globally, exports and capital flows have expanded phenomenally since the 1980s, yet many countries and people have been excluded from the benefits, and there is evidence that trade liberalisation has contributed to increasing income inequality. World exports, worth US\$7 trillion, now account for 21 per cent of global GDP, compared with 17 per cent of a much smaller GDP in the 1970s. Some countries, including China, Turkey, and Korea have been able to take advantage of trade opportunities and have seen their exports grow by more than five per cent each year since the 1980s. At the other extreme, sub-Saharan Africa, where more than half the population live in poverty, has seen its share of world trade diminish and has become marginalised from the global economy.

Figure 1: 1997 Global shares of exports of goods and services



Source: UNDP Human Development Report 1999

Inequality between countries is rising alongside the expansion of world trade. Between 1990 and 1997, global GDP per capita increased at an average annual rate of more than one per cent, yet 60 countries have grown steadily poorer since 1980, and more than 80 countries still have per capita incomes lower than they were a decade ago. More than 800 million people are malnourished, despite an increase of nearly 25 per cent in global food production per capita between 1990 and 1997. The assets of the three richest people in the world are greater than the combined wealth of all 48 least-developed countries, with a population of 600 million.⁸

Inequality is also increasing within countries, as some communities and regions are better placed to take advantage of market opportunities than others. In Mexico, gains from employment and investment created by the North American Free Trade Agreement (NAFTA) are concentrated in the north of the country, with few benefits reaching poverty-stricken regions in the south. The coastal regions of China have attracted the vast majority of trade-related investments in export-processing zones, while the interior benefits only from remittances sent by migrant workers.

Further trade liberalisation, without appropriate complementary measures and a strategy for the wider disbursement of benefits, will exacerbate existing inequalities and damage livelihoods. This is because liberalisation alters the pattern of demand by expanding the international market for exports. But in the absence of pro-poor measures to develop productive capacity, the benefits of global export expansion will remain concentrated among the better-off. Trade liberalisation can also damage the livelihoods of vulnerable producers if they are exposed to competition, often unfair, from cheaper imports. While some developing-country citizens may benefit from cheap food imports as a result of agricultural trade liberalisation, Oxfam has documented the devastating impact that these imports can have on vulnerable farming communities in Mexico, the Philippines, and southern Africa.⁹

A rapidly growing area of international trade is in knowledge-intensive goods and services such as information and communications technology. Intellectual-property rules, negotiated during the Uruguay Round at the behest of the USA, promote the privatisation of these technologies and concentrate their control among relatively few TNCs. These rules give precedence to the private rights of powerful companies to patent products and processes over poor countries' needs to adapt technologies for domestic production and trade.¹⁰ This severely limits the capacity of developing countries to compete in knowledge-rich sectors.

Supportive international policies, such as aid, debt relief, and technology transfer, are vital to build developing countries' capacity for trade promotion and negotiation. Such policies can support the investment in physical and institutional infrastructure, and human-resource development needed to disperse the benefits of growth more widely. Similarly, national policies must ensure that opportunities to participate in markets are more equitably distributed, through land reform and the provision of affordable credit and marketing services, for example. The income benefits of trade must also be shared more widely through national tax and benefit systems and through the provision of a framework of basic rights which enables workers to bargain for a fair share of the wealth which they help to produce.

Oxfam works with small businesses, workers' organisations, and farmers' groups in more than 60 countries throughout the world. Many of the communities with whom we collaborate are engaged in international trade, either as producers or wage earners, and almost all have seen their livelihoods affected to some extent by international trade policies. Oxfam believes that trade under the right conditions can make an important contribution to the achievement of the international development targets, notably the halving of global income poverty. Trade makes a significant contribution to national revenues and livelihoods in the world's poorest countries. For example, exports account for nearly 30 per cent of GDP for sub-Saharan African, compared with 19 per cent for OECD countries. However, increasing poor countries' share of world markets will require reforms in WTO rules to create greater fairness.

The Seattle Conference provides an opportunity to make these changes, which are essential for the WTO to become a genuinely multilateral organisation that reflects the interests of all its members. The question is whether developed countries will seize this opportunity, or continue to prioritise their own strategic and commercial interests over the needs of the world's poor.

1.4 The least-developed countries

The 600 million people in the 48 least-developed countries (LLDCs) remain largely excluded from the benefits of international trade. Their prospects under a further phase of multilateral trade liberalisation will be bleak unless there is a radical re-thinking of world trade rules. **In 1996, the value of all LLDC exports amounted to US\$26 billion - only ten per cent of the value of UK exports.** Had the LLDCs been able to maintain their share of world markets at the mid-1980s level, average per capita incomes would be one-seventh higher than at present.

UNCTAD estimates that LLDCs will lose between US\$163 and US\$265 million in export earnings as a result of the implementation of the Uruguay Round agreements, while paying between US\$146 and US\$292 million more for their food imports.¹¹ The former is due largely to the erosion of LLDC preferential market access as overall tariff levels fall,¹² and the latter is the result of higher world food prices resulting from agricultural trade reform linked to the WTO Agreement on Agriculture.

LLDC exports are dominated by a small number of primary commodities. On average, the top three export commodities account for about three-quarters of total exports in each LLDC. Twenty products account for almost three-quarters of the combined exports of all LLDCs. Consequently, export earnings are directly affected by primary commodity prices, which have experienced a steady downward trend and are not expected to recover. Northern protectionism exacerbates these problems. Almost all LLDC exports are raw commodities; for example, coffee and cocoa beans rather than instant coffee and chocolate. Adding value to

these primary commodities through refining or processing is an obvious way to improve LLDC income and employment, but trade barriers in the industrialised countries, which buy the majority of LLDC exports, act as a deterrent.

Trade liberalisation can affect other policies and governments' overall ability to promote poverty reduction. LLDC governments are often highly dependent on customs duties, which can account for around 80 per cent of their revenue.¹³ Substantial trade liberalisation, prior to the introduction of adequate alternative sources of income, can result in budget deficits or major spending cuts. Tanzania, for example, withdrew from the Common Market for Southern and Eastern Africa (COMESA) in July 1999, citing concerns over further reductions in tariff revenues.

Debt is an important constraint on the trade capacity of LLDCs. More than two-thirds of the 48 LLDCs are classified as heavily indebted poor countries (HIPCs) and are burdened by average ratios of debt to GNP that exceed 100 per cent. Debt-service payments consume a substantial portion of LLDC export earnings, diverting foreign exchange from the purchase of essential imports and reducing governments' ability to invest in the social and economic infrastructure needed to take advantage of trade opportunities.

The WTO's attention has focused primarily on 'demand-side' issues, particularly the expansion of export markets. But many LLDCs lack the supply-side capacity to benefit from improved access. In 1997, WTO member countries launched the *Integrated Framework for Trade-Related Assistance* for LLDCs. This aims to provide a tailor-made package of technical and financial assistance to build trade capacity. It is implemented jointly by the WTO Secretariat, UNCTAD, the International Trade Centre, UNDP, the World Bank, and the IMF. Such assistance is important because exporting is increasingly challenging for small and medium-sized enterprises in LLDCs, which need to conform to technical and safety standards as well as consumer preferences in export markets, but lack the relevant information. They also require affordable credit and reliable physical and institutional infrastructure.

LLDCs have criticised the lack of momentum and slow progress made by donors in implementing the Integrated Framework and have called for a renewed commitment to address their needs. As a recent statement by developing countries declared, 'technical assistance should be regarded as a right for LLDCs and an important precondition for meeting their obligations under the WTO agreements. To this end, adequate resources must be provided for technical assistance to LLDCs under the regular budgets of key agencies charged with this responsibility according to their respective mandates'.¹⁴

2. Up-front commitments at Seattle

The Seattle Conference provides an opportunity for the WTO to chart a new course in pursuit of poverty eradication and sustainable development. **Oxfam believes that there are three key commitments that developed countries should make immediately at Seattle, prior to any further multilateral trade negotiations.** Although insufficient to redress imbalances in the multilateral trading system, adoption of the following commitments would at least demonstrate the political will of the major trading blocks to spread the benefits of trade more widely:

- **Assessment of the impact of existing agreements on poverty and sustainable development**

- **Improved market access for exports from the world's poorer countries**
- **Provision of aid to enhance trade capacity and negotiation skills.**

2.1 Assessing the development impact of WTO Agreements

There is now strong evidence to suggest that poorly designed trade liberalisation occurring without appropriate complementary measures can aggravate inequalities between and within countries, and damage livelihoods. Although trade liberalisation can increase competition in markets and increase efficiency, this is not automatic; for example, where market failure allows the formation of monopolies. Moreover, even competitive markets do not guarantee equity nor take account of the costs of environmental degradation. **Further analysis is required to increase understanding of the links between trade liberalisation and sustainable development, with a particular focus on impacts on social and environmental conditions, gender relations, and human rights in poor communities.**

Such research should be pursued independently as well as through WTO mechanisms, and its findings used to inform the direction of future WTO negotiations. For example, the impact of trade liberalisation on poverty could be examined as part of the WTO Trade Policy Review Mechanism (TPRM), on the basis of evidence presented by specialised UN agencies and civil society organisations. **This will require an allocation of resources for on-going collaborative research and a commitment to review existing WTO agreements and design future agreements in the light of the research findings.**

2.2 Increased market access for LLDCs

Developed countries have maintained high levels of protection in key sectors such as agriculture, textiles, and clothing. This protection, which takes the form of both tariff and non-tariff barriers, prevents developing countries from increasing their share of world trade.

Oxfam welcomes the EU commitment to provide tariff-free access to its market for 'essentially all' LLDC exports by 2003 and to press other WTO member countries to make the same commitment. So far, this proposal has received little support from other industrialised countries, including the USA, even though the costs of providing duty-free and quota-free access for *all* LLDC exports to developed-country markets would be minimal and would represent both a welcome political gesture and a concrete gain for LLDCs. However, increased market access alone will not promote trade development. Industrialised countries must also address the problem of non-tariff barriers and provide support to enhance LLDC ability to take advantage of market opportunities.

2.3 Aid to build trade capacity

Given their relatively low level of development, developing countries, and above all the LLDCs, cannot be expected to compete successfully against industrialised countries and other developing countries for export markets, even where they enjoy preferential market access. Developing countries require substantial technical and financial assistance in order to take advantage of new trade opportunities, to adjust to a more liberal trade regime, and to compete against cheaper imports.

Donor countries must make an immediate commitment at Seattle to allocate substantial new resources to help the poorer developing countries to enhance their capacity to engage in international trade, with a focus on measures that benefit labour-intensive, small, and medium-sized enterprises. This technical and financial assistance must be provided as a matter of urgency, if these countries are to be reassured about deriving benefits from further WTO negotiations.

Unequal capacity and power to negotiate is one factor that results in unbalanced outcomes at the WTO, where many developing countries are under-represented, or even totally unrepresented. **Resources must be allocated to enhance the capacity of developing countries to engage in future negotiations in order to secure more equitable outcomes.**

Policy proposals - immediate commitments at the Seattle Ministerial Conference

- Ministers should agree to support research, drawing on the expertise of specialised UN agencies and civil society groups, to assess the impact of trade liberalisation on poverty and sustainable development, including gender equity.
- Developed countries should make a binding commitment to allow *all* exports from LLDCs duty-free access to their markets by 2003.
- Donor countries should make substantial commitments to assist developing countries to take advantage of market opportunities and strengthen their trade-negotiation capacity.

3. Reforms to existing agreements

Oxfam has identified six areas in which substantial reform of trade policy is required, in order to secure a fair deal for poor people and developing countries. These issues will require fuller negotiation after the Seattle Conference.

- market access
- textiles and clothing
- agriculture
- intellectual property
- trade-related investment measures
- special and differential treatment.

3.1 Market access

One of the key priorities in helping developing countries to increase their share of the fruits of world trade is to enhance their access to the markets of industrialised countries. Thus far, trade liberalisation has been an unequal bargain, with the greatest gains from tariff reductions under the Uruguay Round agreements accruing to developed countries. Meanwhile, many developing countries have undertaken substantial unilateral trade liberalisation under structural adjustment programmes, which has not been reciprocated by developed countries. **Following implementation of the Uruguay Round, the average tariff on imports from the least-developed countries into the developed countries will be 30 per cent higher than the**

average tariff on imports from other developed countries. For developing countries as a group, it will be 10 per cent higher. This reflects the lower reductions applied to products of interest to the world's poorest countries.¹⁵

Tariff barriers

The costs of protectionism are high. UNCTAD estimates that in low-technology industries (footwear, textiles, metal products, wood products, rubber products, plastic products, manufactured beverage products – excluding coffee and cocoa – and tobacco) **developing countries are losing up to US\$700 billion in annual export earnings as a result of trade barriers imposed by industrialised nations.** This is equivalent to four times the annual volume of private foreign capital inflows.¹⁶

A related issue is tariff escalation, or tariffs that increase according to the level of processing. This deters the progression of developing countries into production and export of higher-value processed goods. Although the Uruguay Round constrained tariff escalation to some extent, it remains a significant problem affecting developing countries' ability to increase their share of world trade, as the case of cocoa illustrates. The share of cocoa-producing countries in world exports declines dramatically as the stage of processing increases. In 1997-98, for cocoa beans, cocoa liquor, cocoa butter, cocoa powder, and chocolate, their shares were, respectively, 90, 44, 38, 29, and 4 per cent. Moreover, their share in world exports at all stages of processing has declined over the last 15 years. In the most lucrative part of the chain, namely chocolate manufacture, developed countries have been increasing their exports much faster than their imports.

Non-tariff barriers

Tariff reduction is not enough on its own. Developing-country exporters face a complex array of non-tariff barriers against trade. According to one study, the true average protection rate of European industry rises from 5.1 per cent to 9 per cent when non-tariff barriers are included.¹⁷ In the agricultural sector, EU imports of fresh fruit and vegetables are subject to a complex system of quotas and seasonal restrictions, designed to protect European producers. This means that developing-country exporters are never able to gain more than a partial foothold in the European market, and workers in these sectors, many of whom are women, face temporary and insecure income and employment.

'Rules of origin' are an important non-tariff barrier determining developing countries' ability to use the preferential market access offered by developed countries. Rules of origin specify that products, in order to qualify, must contain a certain proportion of local content (non-imported inputs) or must have undergone 'substantial transformation' (that is, have been transformed from any imported inputs into a different product through manufacturing or processing). Unfortunately, rules of origin can be used by importing countries to restrict the value of apparently concessionary access. Moreover, the rules can be prohibitively complex, especially as importing countries each have their own criteria for qualification. As a result, exporters are often uncertain whether they will be granted preferential access until their goods actually enter the importing market. **Coordinated efforts by developed countries to simplify and harmonise their rules of origin would significantly improve developing countries' ability to take advantage of preferential market access.**

Fair Trade

Oxfam's Fair Trade programme provides small-scale producers in 30 countries with training, technical advice, and access to markets. Initially these schemes help producers to gain access to niche markets for goods labelled as 'fairly traded', for which certain consumers in both developed and developing countries are prepared to pay a premium. But the longer-term aim is to help them to reach mainstream markets. Fair-trade schemes offer a win-win solution for developing countries, helping them to expand exports while ensuring that small-scale producers and workers share the benefits through fair prices and good working conditions.

In Bangladesh, Oxfam supports and buys products from members of the *Ecota Forum* - a network of small-scale textile and handicraft producers. The Forum not only helps producers to enter markets, but also provides them with training, technology, design, product development, and information. Annual collective exports have reached US\$3.5 million, with local sales of US\$1.6 million. The Forum is vital to the survival of crafts in the Bangladeshi textile industry, which is facing increased global competition (see section 3.2 below for further details).

Aid for trade capacity

The experience of the Lomé Convention is that trade preferences, without complementary supply-side measures, fail to result in diversification of exports for the preference-receiving countries. Donor support is needed for long-term credit for financing working capital, investment, and insurance; physical infrastructure such as roads and reliable electricity supplies; efficient and cheap freight, transport, and shipping services; technology and information to meet international marketing requirements including product quality standards, Sanitary and Phyto-Sanitary requirements, and other technical standards (like packaging and labelling), modern marketing and distribution infrastructures, and long-term human-resource development.

Even this will be insufficient to ensure an equitable distribution of the benefits of increased trade flows, however. **Developing countries themselves need to implement national policies to ensure a smooth transition to the new trading regime, and to address structural and economic constraints such as unequal access to assets and inputs (land, water, credit, technical assistance), price policies, and development of essential regulatory capacity.** Women in particular suffer from lack of access to land, often because of unequal land-tenure systems, an inequality compounded by problems in acquiring credit.

Policy proposals - market access

Developed countries should:

- make substantial cuts in tariffs on developing-country exports, particularly tariffs that escalate according to the level of processing;
- remove non-tariff barriers such as seasonal import restrictions on agricultural products;
- simplify and harmonise the rules of origin for preferential market access;
- assist developing countries, particularly small-scale enterprises and fair-trade producers, to take advantage of market opportunities, to adjust to a more liberal trade regime, and to enhance the competitiveness of domestic production.

3.2 Textiles and clothing

Northern protectionist measures bite deepest in areas where developing countries are more competitive, such as textiles and clothing. The Uruguay Round Agreement on Textiles and Clothing (ATC) commits industrialised countries to reduce their import restrictions, which could bring employment and income benefits in the export sector of many developing countries. UNCTAD has calculated that opening Northern markets would increase developing-country export earnings by US\$127 billion by 2005. However, rich countries have reneged on their commitment to 'progressive liberalisation' over the period 1995-2005, deferring the liberalisation of products that are of significant commercial interest to developing countries until the final year. **Developed countries should phase out restrictions on imports of developing-country textiles and clothing products much faster. While a more liberal international textiles market will benefit many developing countries, some, such as Bangladesh, stand to lose out to others, such as China, and the social costs of this outcome must be addressed.**

The textiles and clothing industry is important for many developing and least-developed countries, providing employment for millions of workers and the basis for a broader process of industrialisation and export diversification. It is also still a significant employer in a number of developed countries, which is why Northern governments kept the sector outside GATT disciplines prior to the Uruguay Round. The ATC sets out a ten-year period for phasing out the existing MultiFibre Arrangement (MFA), which has restricted industrialised-country imports of textiles and clothing products since 1974. Although 33 per cent of textiles and clothing will be removed from MFA restrictions during the first seven years, developed countries have failed to remove many products of commercial interest to developing countries and have lifted the least important quotas first, such as those which developing countries have regularly failed to fill. **Of the total quantity of imports of textiles and clothing that were under restrictions, only 6 per cent have been freed of quota restrictions by the USA, and less than 5 per cent by the EU, over a period that accounts for 70 per cent of the overall timetable for the phase-out.**

This approach to implementation, although strictly speaking in line with commitments, is far from the spirit of the ATC. It reflects the desire of the EU and USA to delay their domestic adjustment process, but this should not be done at the expense of developing countries. Regrettably, the USA has already stated that it is unwilling to discuss an accelerated timetable for implementing ATC commitments. **Political pressure must be brought to bear on developed countries at Seattle, to ensure more rapid and meaningful liberalisation.**

Following the phase-out of the MFA, tariffs will be the main tool for protecting domestic textile and clothing sectors. Their reduction is dealt with outside the ATC, as part of the general process of industrial tariff negotiation. After implementation of the Uruguay Round, the average tariff imposed on textiles and clothing will have fallen to 12 per cent, compared with 15 per cent prior to the Round. This is still three times higher than the post-Uruguay Round average tariff for all other industrial products, meaning that this important sector will continue to be heavily protected. **Therefore, the level of developed-country tariffs on textiles and clothing must be addressed as a priority in any negotiations on industrial tariffs launched at Seattle.**

Female workers in the Bangladeshi garment-export sector

Selina Akhter became a garment worker when she was just 14 years old. Both her parents had died, and Selina was dependent on her uncle's family. 'I had to earn my keep and there seemed to be no other job for me'. Now, 11 years later, Selina is still a machine operator. Her wages are low despite her long experience, and working conditions are tough.

We are usually given targets for a day which are set so high that it's impossible to fulfil them in eight hours. Say they ask us to finish 2,000 pieces in one shift. Usually 10-12 hours go in meeting the target. On top of it, we have frequent night duties, especially before the shipment.

In Bangladesh, around one million people are employed in the garment industry. Ninety per cent of them are young women like Selina, who have migrated from rural areas to the cities in search of employment. For them, working in garment factories represents a release from more manual, poorly paid, or unpaid forms of rural employment. Because of the destitution they have left behind, even an exploitative industrial environment provides a welcome source of income and has also enabled many women to enjoy a new-found independence and status. The success of the industry is therefore critical for them.

Nevertheless working conditions are poor and negatively affect women's health and the industry's productivity. A survey of 39 garment factories, commissioned by Oxfam in Bangladesh in 1998, found widespread illness and persistent stress among the garments workers.¹⁸ Poor health was linked to long working hours, lack of holiday entitlement, low wages, lack of ventilation, and intolerable noise levels. Mental stress was linked to job insecurity, irregular wage payment, high production targets, and overtime work. Poor health contributed to large-scale absenteeism and high turnover, which reduced the industry's productivity and competitiveness. Although the survey found that 55 per cent of the female workers were driven by acute poverty in the rural areas to seek jobs in the garment industry, virtually all interviewees had better health before starting in the industry. However, despite the double burden of employment and family responsibilities, and despite the male-dominated trade-union hierarchies, women are beginning to assert themselves to improve conditions.

Some countries such as Bangladesh may well lose out from the MFA phase-out, having established their clothing industry on the basis of larger MFA quotas than those of their competitors. Bangladesh, which relies on imported inputs for 60 per cent of the value of its textile and clothing exports, will face open competition with other developing countries that have successfully established domestic textiles industries and produce key inputs. When Canada removed cotton T-shirts from MFA restrictions in 1997, about 95 per cent of Canadian orders were switched from Bangladesh to China (UNCTAD, LDC Report 1998). China is expected to gain most from the MFA phase-out, followed by India and South Korea.

Oxfam supports early implementation of the ATC, but stresses the need for developed countries to support measures to offset the human costs that this is likely to cause in certain poor countries. Huge numbers of redundancies among female workers from the industry in Bangladesh, or downward pressure on wage levels as the industry seeks to reduce costs, will create hardship that will need to be addressed through social and economic assistance programmes. Countries like Bangladesh will face far more severe adjustment problems from the sudden and drastic liberalisation of important products in 2004, resulting from the developed countries' uneven implementation of the ATC, than they would under the more gradual process of liberalisation originally envisaged.

Policy proposals - more progressive liberalisation in textiles

- At Seattle, importing countries should agree to remove quotas on products that are important to developing countries, and to early implementation of the final stage of the ATC.
- High tariffs on developed-country imports of textiles and clothing products must be reduced.
- Technical and financial assistance should be provided to Bangladesh and other developing countries that stand to lose from ATC implementation, in order to increase the competitiveness of their industry and to provide assistance for workers that are made redundant.

3.3 Agriculture

In agricultural trade, developing countries face both restricted market access and the problem of Northern dumping and subsidised exports. Agriculture is one of the most distorted sectors in international trade, and further WTO negotiations in this area will be highly contentious. The USA and the Cairns Group of agricultural-exporting countries are pushing strongly for further liberalisation, while the European and Japanese farm sectors have most to lose in terms of erosion of their domestic support measures. Developing countries are divided on this issue: some are big exporters and support further multilateral liberalisation, while others wish to maintain their domestic protection in the interests of maintaining food security and livelihoods. **All developing countries would like to see greater fairness in world trade through a reduction in Northern subsidies and greater access to Northern markets.**

Agriculture provides a livelihood for millions of people in developing countries, particularly women, who play a crucial role in staple food production. In 1996, agriculture accounted for 73 per cent of the labour force in LLDCs (59 per cent in all developing countries) and for 36 per cent of GDP (14 per cent in all developing countries). This compares with the manufacturing sector's ten per cent share of GDP in LLDCs. For many developing countries, agriculture accounts for the bulk of export earnings and, despite growing urbanisation, rural areas contain most of the poorest people.

Northern subsidies

In 1998, total agricultural support in the OECD countries amounted to US\$353 billion. This vast expenditure is three times greater than official development assistance (ODA), more than twice the foreign direct investment flows to developing countries, and equivalent to almost 60 per cent of total world agricultural trade.¹⁹ About 60 per cent of the producer support in the OECD is given by the EU. On average, Swiss farmers received about \$33,000 each in 1998, and farmers in the EU, Japan, and the US received around \$20,000 each. These figures compare with average per capita incomes of \$228 p.a. in LLDCs

in 1996.²⁰ The Uruguay Round Agreement on Agriculture endorsed these high levels of subsidy, continued protection, and export dumping by developed countries, while obliging developing countries to liberalise their markets. The EU dairy industry is one of the most expensive in the world but, thanks to subsidies, it has captured half the global market in dairy produce.

EU export subsidies and the West African tomato industry

The EU is the world's second-largest producer of tomato concentrates after the USA. Under the Common Agricultural Policy, EU farmers are paid a minimum price higher than world prices, which stimulates production. The processors, in turn, are paid a subsidy to cover the difference between domestic and world prices, which amounted to around US\$ 300 million in 1997. Twenty per cent of EU processed-tomato exports go to West Africa, where they account for around 80 per cent of regional demand and are sold at cheaper prices than local products. This competition has resulted in the closure of tomato-processing operations in several West African countries.

In Senegal, tomato cultivation was introduced in the 1970s and represented an important opportunity for farmers to diversify production and stabilise income. In 1990-1991, production of tomato concentrate was 73,000 tons, of which part was exported to neighbouring countries. Over the last seven years, however, production has fallen to less than 20,000 tons, with negative consequences for jobs and incomes. One of the main reasons for this fall was the liberalisation of tomato-concentrate imports in 1994. Other West African countries have been equally badly affected. Gambia imports even more concentrate than Senegal, and its consumption is increasingly replacing fresh tomatoes. This damages the livelihoods of local tomato producers, many of whom are women. Ghana, which had three tomato-processing plants in the early 1980s, has now become Africa's largest importer of EU tomato concentrate.

Source: *Eurostep Dossier on CAP and Coherence; UNCTAD (1999), The World Commodity Economy.*

Northern farm subsidies create production that exceeds domestic demand. Countries then use export subsidies to dispose of the surplus on world markets. This depresses prices and reduces the earnings of developing-country exporters, as well as their world market share. In 1950, the developing world accounted for around one half of world agricultural trade. Today it accounts for only one quarter, despite its dependence on this sector for foreign-exchange earnings, income, and employment. A second important effect occurs when subsidised Northern exports are dumped in developing-country markets, undermining the competitiveness of local producers, and threatening rural livelihoods and food security. **For many developing countries, domestic food production is the only real option to promote food security, because they lack the foreign-exchange reserves necessary to rely on world markets for essential food imports. As the government of India has proposed, developing countries must be allowed to protect and support their agricultural sectors up to the point of self-sufficiency, in order to meet the challenges of food security and preserve the viability of rural employment.**

In Oxfam's view, the review of the WTO Agreement on Agriculture and its impact on 'non-trade' issues should lead to the inclusion of appropriate food-security amendments, as provided for in Article 20. The support measures proposed for developing-country agriculture are very different from the trade-distorting support and export subsidies presently permitted in the Agreement, which helps developed countries increase their international market shares. **The question is whether the WTO will prioritise the needs of small-scale and vulnerable producers in developing countries over expanding the exports of the rich agricultural trading nations and powerful agri-business companies.**

US subsidies and corn farmers in the Philippines

Victor and Isabel Laranjo are farmers living in South Cotabato province of the island of Mindanao in the Philippines. Like many local families, they produce corn and a few vegetables on their two-hectare farm: white corn for their own consumption or local markets, and yellow corn to sell to the animal-feedstuffs industry in Manila. Yellow corn generates the bulk of the household income, providing the means to pay for health needs and education. 'For us', says Isabel Laranjo, 'the price we get for yellow corn is a matter of life or death. It shapes our lives, our health and our future'.

Oxfam research in Mindanao estimates that corn-producing households like the Laranjos' could see their average incomes decline by 15 per cent by the year 2000, and by as much as 30 per cent by 2004 as a result of cheap US imports following implementation of the Uruguay Round Agreement on Agriculture.²¹ Liberalisation will expose vulnerable Filipino farmers to competition with US producers who are able to sell at prices equivalent to half the real cost of production, as a result of subsidies provided by the US government. The social costs of trade liberalisation in these villages will be high, as families will be forced to reduce expenditure, for example on their children's education, and seek alternative sources of income.

There are also legitimate kinds of support to farmers in industrialised countries; for example, in order to promote social and environmental objectives. However, Northern agricultural policies must be redesigned so that negative impacts on developing countries are removed or reduced as far as possible. Reforms should include targeting subsidies more closely to the achievement of environmental and social benefits, such as less intensive production methods and redistribution of income support from the largest producers to small-holders, rather than linking payments to quantities produced.

Is imported cheap food a good thing?

An argument in favour of developing countries opening up to cheap food imports, often promoted by agricultural TNCs, is that it brings benefits for urban consumers. However, long-term national food security requires increasing local food production and the purchasing power of the poor, not just allowing cheap imports. The WTO Agreement on Agriculture focuses on reducing prices for food and agricultural inputs, assuming that all countries will benefit from exposing their producers to international competition and that countries will be able to cover any food deficit with imports. The Agreement fails to address the problem of countries with foreign-exchange shortages, however, or the problems posed by volatility of world grain markets.

However, food price rises caused by the elimination of export subsidies will threaten the ability of import-dependent developing countries to meet their bills. In these cases, the main agricultural exporting countries should provide funds to pay for the supply of staple foods at concessionary prices for a transitional period. This will effectively operationalise the Marrakesh *Ministerial Decision on Least Developed and Net Food-Importing Developing Countries* which developed countries have so far failed to implement.²²

In addition, concrete measures should be established at the international level to deal with the problems facing countries that are heavily dependent on exports of a small number of agricultural commodities as a result of the trend towards declining commodity prices. For example, compensatory funds, in the form of either soft loans or grants, could be made available by international institutions and donor governments to countries whose economies are adversely affected by the decline in international commodity prices. This assistance could enable farmers to diversify production towards higher-value crops and processed commodities for which there is growing international demand.

Policy proposals - for reform of the Agriculture Agreement

- Agricultural export subsidies should be banned, and subject to the same WTO disciplines applied in other sectors.
- Developed countries should redesign domestic support policies intended to promote social and environmental objectives so as to alleviate adverse impacts on developing-country producers.
- Developing countries should have the flexibility to protect and support domestic food production - what is frequently referred to in the Agreement as a 'food security box'.
- Developed countries should improve market access for agricultural products from developing countries by substantially reducing general tariffs, eliminating tariff escalation, and reducing non-tariff barriers, such as seasonal import restrictions.
- Major agricultural exporting countries should establishment a fund to assist net food-importing countries to meet their food-import bills at times of high world prices.
- International institutions and donor governments should provide compensatory funds for countries affected by declining commodity prices, and support for agricultural diversification, including production of higher-value refined or processed goods.

3.4 Intellectual property

Successful participation in world trade is increasingly based on knowledge and expertise. The World Bank estimates that the share of high-technology goods in international trade has doubled over the past two decades, now representing about one-fifth of the total.²³ Developing countries' opportunities to engage in trade are restricted by the trend towards the privatisation of knowledge by Northern companies. Intellectual property laws can limit a government's pursuit of public interests. **WTO rules on intellectual property must ensure an appropriate balance between the commercial rights of companies and the rights of poor countries and vulnerable communities to promote key human development objectives.**

The WTO Trade-Related Aspects of Intellectual Property (TRIPs) Agreement forms part of the WTO's so-called 'in-built' agenda for Seattle. The Agreement sets out a regime of tight intellectual property protection with which developing countries must comply by 2000, and LLDCs by 2005. In many cases, this will mean widening the scope of national patent laws to include agricultural and medicinal products. The Agreement provides an enabling environment for TNCs, tightening their dominant ownership of technology, while impeding its transfer to developing countries. This has implications for production costs in developing countries and affects the ability of governments to promote essential sectoral strategies.

TRIPs and public health

Access to essential drugs is already a major problem for one-third of the world's population. **In the face of a huge and growing burden of disease in the world's poorest countries, there is a danger that the WTO TRIPs agreement will increase the price of drugs, making them even less affordable to poor people.**²⁴

In most developing countries, less than 10 per cent of the population is covered by health insurance, and more than 60 per cent of the costs of drugs are paid for directly by patients and their families. In contrast, national health schemes and private health insurance cover more than 90 per cent of citizens and more than 50 per cent of drug costs in high-income countries. The cost of medicines is a significant barrier preventing low-income people, particularly women,

from acquiring essential drugs. Many buy an inappropriate, cheaper drug or take less than the correct dosage, or wait days, even weeks, to save enough money for the purchase. Others, of course, just go without the medicines they need. This situation has obvious negative implications for people's health but also for the spread of drug resistance, caused by incomplete courses of treatment.

Developing countries used to reduce the costs of drugs through copying or adapting technologies for use in domestic production. They were able to do this by granting process patents to local companies to produce generic drugs equivalent to the patented product, but at a cheaper price. For example, the price of fluconazole, a treatment for potentially fatal meningitis that is contracted by one-sixth of HIV patients in Thailand, fell from US\$14 to US\$1 after local companies started its manufacture. Augmentin, a treatment for gonorrhoea, costs US\$66 in the USA, but US\$17 in India as a result of local production.

The TRIPs agreement prevents developing countries from producing affordable drugs by adapting technologies. This renders poor countries dependent on imports from Northern pharmaceutical TNCs. In a 'national emergency or other circumstance of extreme urgency or in cases of public non-commercial use', TRIPs allows governments to implement such practices as:

- *compulsory licensing* - where countries authorise domestic production of a drug that is patented in another country, without the permission of the patent holder; and
- *parallel imports* - where countries shop around for the cheapest licensed producer of a drug, rather than having to buy directly from the patent-holding country.

Both industrialised-country and developing-country governments have used these exceptions on the grounds of public health. However, even before the deadline for developing countries to implement the TRIPs agreement, the US government, in support of its pharmaceutical companies, has put developing countries such as Thailand under pressure to change their national drug policies so as to comply with, and in some cases exceed, TRIPs requirements. Until recently, the USA was doing its best to stop the South African government from allowing local firms to manufacture US-patented AIDS medicines – a measure that South Africa considered essential in order to make treatment available at affordable prices for the country's many sufferers. The US government relented only after vigorous protests from American HIV/AIDS activist groups.

The impact of the TRIPs Agreement on national drug strategies is merely one aspect of its significance. **The Agreement will potentially increase the costs of all knowledge-intensive imports, such as seeds and information/communication technologies, because of the requirement to pay royalties to patent-holding companies.** The Agreement currently provides some flexibility for developing countries to determine their own systems of intellectual property protection for commercial plant varieties. However, the relevant article is due to be reviewed in 1999, and the outcome could be the loss of flexibility, including the option not to patent life forms.

In theory, patents may provide incentives for companies to conduct research and development into new technologies. In reality, the proportion of research and development devoted to products and technologies of importance to developing countries is very small. For example, between 1975 and 1997, only one per cent of drugs marketed by US pharmaceutical companies was for treatment of tropical diseases.

Policy proposals – intellectual property rules

- The public interest must take precedence over commercial interests in the implementation of the TRIPs Agreement. The length and scope of patent protection should be reduced.
- Flexibility in the Agreement should be extended to secure governments' ability to determine national intellectual property regimes, including the option not to patent life forms.
- The Agreement should also allow governments to use policy options such as parallel importing and compulsory licensing for the provision of affordable essential drugs, especially for serious diseases that cause high mortality and/or morbidity.
- There should be effective and mandatory implementation of Agreement's provisions on transfer of technology to developing countries.

3.5 Trade-Related Investment Measures (TRIMs)

Investment, like trade, can play an important role in the development process through employment creation and the transfer of skills and technology necessary for competition in global markets. However, whether or not it does so depends in part on the terms under which it is received and regulated. **The WTO's Trade-Related Investment Measures (TRIMs) Agreement limits developing-country governments' ability to define these terms, and is yet another example of how WTO rules favour TNC interests.**

The TRIMs Agreement requires governments to phase out investment rules that are inconsistent with GATT rules within two years (for developed countries), five years (developing countries), or seven years (least-developed countries). It will be discussed at Seattle, as it was scheduled for review by December 1999. Review working parties were set up in 1997, but the TRIMs Committee's Report of September 1999 gave no indication of what progress, if any, had been made.

The prohibited investment measures include requirements that foreign companies, as a condition of market access, use a certain proportion of locally produced inputs (domestic content), or balance imported inputs with equivalent or higher volumes of exports. These measures can ensure that foreign investment contributes to national development goals. This is particularly true for poorer countries that are vulnerable to being used for assembly operations which rely to a large extent on imported components and often confer marginal benefits on local people or the economy. Many developing-country governments considered domestic-content measures important, because they ensure that foreign investment stimulates local industries.

It is noteworthy that the investment measures under threat from multilateral rules have been extensively used by countries, especially in South and East Asia, that have attracted large volumes of foreign investment and achieved rapid rates of growth. **Once developing countries are past the early stages of economic expansion, it may be desirable for countries to lift such restrictions, but this should be for each to decide according to their own circumstances, on an industry-by-industry basis. There is a much stronger argument for restricting the up-front incentives, often worth many millions of dollars, that rich countries use to win investment.**

The TRIMs Agreement does not prohibit the huge incentive packages with which industrialised countries attract investors. These grants, loans, or offer of special energy or infrastructure facilities can be negotiated as reciprocal agreements and are therefore not deemed 'unfair'. Poorer countries are not usually able to afford such costly incentives. Unsurprisingly, the

notifications to the WTO of measures inconsistent with the Agreement have all concerned developing-country policies. Some developing countries are unhappy with the Agreement as a whole, while others have requested extensions for phasing out prohibited measures. For example, the Philippines recently sought an extension for its motor components industry, which has been badly hit by the Asian crisis, with the loss of thousands of jobs.

The review of the TRIMs Agreement may generate proposals to extend the list of prohibited policies. These could include measures outlawed in the failed Multilateral Agreement on Investment (MAI), such as requirements on firms to transfer technology or achieve a given level of R&D, locate a regional headquarters locally, hire a given level of nationals, or accept local joint-venture partners or equity participation. However, the MAI, like the TRIMs Agreement, would have allowed such measures if they were reciprocated by a financial 'advantage' to the investor. Again, this approach would favour richer countries in the competition to attract investment.

WTO agreements on services

The WTO Agreement on Trade in Services (GATS), which is also due for review, goes further than the TRIMs Agreement and prevents signatory governments from restricting the entry of firms into sectors such as financial services and telecommunications, where Northern TNCs have a competitive advantage. Developed countries are pressing for further commitments to liberalisation from developing countries. This may extend to the health and education sectors. **But whereas the GATS commits a country to allow the cross-border movement of capital, there are no such provisions regarding the movement of labour, an area of 'services' of great interest to some developing countries.** Employment mobility can make a contribution to economic growth and welfare in poorer countries, mainly through remittances, though emigration can also deprive a country of its well-qualified personnel. This complex issue should be addressed under GATS as part of a broader international discussion on the subject.

Policy proposals – the Trade-Related Investment Measures (TRIMs) Agreement

- Governments' ability to regulate foreign investment in accordance with their national development strategies should not be unduly constrained. The five-year period for developing countries to phase out prohibited trade-related investment measures (seven years in the case of least-developed countries) should be extended until they graduate to developed-country status.
- The TRIMs Agreement should not be further extended, but governments should be required to register all their measures at the WTO, in order to ensure fairness and transparency.

3.6 Special and differential treatment

There is a convention in international trade that developing countries do not have to take on the same responsibilities as developed countries, in recognition of their lower level of economic development. **This has been institutionalised in the WTO's special and differential (S&D) provisions for developing countries, which will be hotly contested at Seattle, since some developed countries, particularly the USA, wish to erode the principle.** The maintenance of S&D treatment is vital, given that forcing 'equal' trade relations between unequals will only reinforce inequality.²⁵ The WTO members include countries at very different levels of development, with dramatically different shares of world trade. Moreover, all countries have

started liberalising from different levels of protection, and some countries have liberalised faster than others. Many developing countries have rapidly liberalised their trade regimes unilaterally under structural adjustment programmes, a measure which has not been mirrored by developed countries.

WTO rules are generally determined on the basis of narrow commercial interests, not the broad development goals of individual member countries. Yet they affect a wide range of national economic and social policies on matters such as investment, food security, and health. S&D treatment is essential to enable countries to pursue these important development objectives on the basis of their specific needs and circumstances. Two factors should be central to determining appropriate special and differential provisions within WTO rules: the likely developmental impact of the rules, and the capacity of a country to adjust to the rules.

Prior to the Uruguay Round, countries were allowed to choose whether or not to implement certain GATT agreements, and S&D provisions provided greater latitude for developing countries within agreements, for example in terms of tariff preferences. The Uruguay Round departed from this tradition by taking the form of a 'single undertaking', meaning that in signing the final text WTO member countries committed themselves to implement all the sectoral agreements without exception. The WTO provides S&D provisions for developing countries in the form of longer implementation timeframes or lower targets for reduction of trade barriers. LLDCs are exempted from implementing certain agreements. **However, these forms of special treatment are inadequate to meet the development needs of poor countries in certain sectors, given the weakness of their economies, inequalities in the international trade regime, and continuing high levels of poverty.**

The focus on extending implementation periods implies a belief that in five or ten years developing countries will no longer require S&D treatment. This premise is difficult to reconcile with the reality that they will clearly remain substantially below the level of development of the industrialised countries, and in some cases the gap will have widened. The legitimacy of the S&D principle must be restored at the WTO and maintained for as long as some economies remain weaker than others. Some of the ways in which this might be done are outlined below in relation to specific agreements.

There are strong justifications in terms of social and economic development for poor countries to be allowed to shelter vulnerable sectors from competition. These include providing a breathing space for domestic producers to become competitive, or promoting important national development objectives such as food security, regional development, or supporting the livelihoods of vulnerable communities. **For example, as India has argued in the WTO Agriculture Committee, predominantly agrarian economies with large numbers of small-scale producers should be exempt from WTO rules requiring them to open their markets to unfair competition from subsidised exports dumped by industrialised countries.** Yet developing countries are required to reduce restrictions on agricultural imports by 13 per cent, while developed countries maintain up to 79 per cent of their export subsidies under the WTO Agreement on Agriculture. Strategic protection of key industries can also be vital in developing a manufacturing base, as the experience of some East Asian countries has shown. **In both South Korea and Taiwan, manufactured exports surged after the early 1960s as a result of a trade regime that promoted domestic investment in labour-intensive manufacturing industry through a regime of strategic import controls.**²⁶

WTO ruling on India's balance of payments problems

WTO rules allow members to restrict imports in order to safeguard their balance of payments (BoP). Yet, in a recent dispute brought by the USA, the WTO ruled against import restrictions maintained by India on BoP grounds. It appears that the ruling was determined by the IMF's judgment that India had sufficient reserves to remove quantitative restrictions quickly, and that it could manage its BoP situation using other macro-economic policies. This verdict widens the possibility that future WTO decisions could require developing countries to change their macro-economic policies, in spite of the impact this may have on broader national development policies – a concern already expressed by many developing countries, including the Dominican Republic, Malaysia, Cuba, the Philippines, Jamaica, and Sri Lanka.

Source: Raghavan, C (1999), 'A "millstone" for developing world, a "milestone" for US', South-North Development Monitor, 24 September.

Under the Trade-Related Intellectual Property (TRIPs) agreement, developing countries are granted a longer timeframe than developed countries for implementation. However, as already discussed, there are strong grounds for reducing the level of patent protection that the TRIPs agreement provides for companies, thereby enabling governments to pursue wider public objectives such as universal health care and food security.

The Sanitary and Phyto-Sanitary (SPS)²⁷ and Technical Barriers to Trade (TBT)²⁸ agreements should include the provision of financial and technical assistance and longer periods to comply with the relevant standards. In addition, where a group of developing countries has difficulty in implementing the SPS measure or technical regulation of a specific country, that country should reconsider it and/or provide technical assistance.

The Uruguay Round committed industrialised countries to certain actions in relation to developing countries. Many of these are 'best endeavour' clauses that lack concrete mechanisms for implementation, for example the *Ministerial Decision on Least-Developed and Net Food-Importing Developing Countries* (see section on agriculture above). These types of provision must be clarified at Seattle through the negotiation of clear guidelines and operational mechanisms, and the development of measurable criteria for evaluation of implementation.

The classification of countries deserving S&D treatment under WTO rules is based on the UN definition of 'developing' and 'least-developed' countries. This fails to address the situation of small economies that are heavily dependent on a few export commodities and are thus highly vulnerable, despite their somewhat higher GDP per capita.

Rotten bananas

'If our banana industry collapses, it will mean poverty for many thousands of people. I've been a banana farmer all my life. I have nine children. How am I to earn enough money to feed my children without bananas?'

Claudius Jan-Marie, banana farmer, Roseau Valley, St. Lucia

Banana exports to Europe contribute almost half the total export earnings of the small island economies of the Windwards. In St Lucia, over one-third of the population depends on the banana industry. In the foreseeable future, no other industry could provide a regular income all year round and support the livelihoods of so many people across the region. This income has traditionally been protected by the Caribbean's preferential access to European markets.

In September 1997, however, the EU accepted the WTO decision that its banana import and licensing system contravened WTO rules. As a consequence, the Windward Islands face an uncertain future, including thousands of families losing their livelihoods, a steep rise in poverty, and potential regional instability.

Oxfam is calling for an extension of the WTO Special and Differential Treatment provisions to allow for discrimination in favour of products that provide vital support for vulnerable economies dependent on a single commodity. Development of a vulnerability index to define eligibility for WTO special and differential treatment would allow for the inclusion of small island states.

Source: Oxfam, WWF, CNI and CIEL (1998), *Dispute Settlement in the WTO: A Crisis for Sustainable Development*.

The rate, scope, and sequencing of import liberalisation with other policy changes, including the development of an effective domestic regulatory framework, is vital in determining its overall socio-economic and environmental impacts. **Developing-country members of the WTO must retain the flexibility to make strategic decisions about how quickly and how far to liberalise, including the ability to shelter vulnerable and strategically important sectors from competition where this is important for the achievement of overall national development goals.**

Policy proposals – Special and Differential (S&D) Treatment

- Developed countries should agree to make their commitments to S&D treatment binding, and their implementation subject to mandatory monitoring.
- A vulnerability index should be introduced, which defines eligibility of countries at different levels of development for various categories of S&D treatment.
- Existing S&D provisions should be reviewed on the basis of their contribution to poverty-reduction objectives, and operational measures should be strengthened.
- Mechanisms should be created to ensure that WTO agreements support national and international development strategies, for example, by involving specialised UN agencies, trade unions, and other civil society organisations in the WTO Trade Policy Reviews.

4. Possible new issues

Some WTO member countries, including the EU, seek to widen the WTO negotiation agenda to include investment, government procurement, competition policy, and industrial tariffs. **Oxfam believes that the poverty-focused agenda set out in this paper is already sufficiently ambitious for most developing countries and that, with the exception of industrial tariffs, these issues should not be addressed in forthcoming negotiations.** Other potential and even more contentious areas proposed by the European Commission are ‘trade and labour standards’ and ‘trade and environment’. In the following two sections we look in more detail at investment and labour-rights issues.

4.1 Investment

An important discussion at Seattle will be whether the WTO’s negotiation agenda should be expanded to include investment rules, as the EU and Japan have proposed. The decision will draw on the work of the Trade and Investment Working Group, which was set up at the Singapore WTO Ministerial Conference in 1996 to explore whether and how investment could be formally included in the WTO structure. Such inclusion is resisted by France and the USA. Many developing countries and NGOs also oppose it, fearing a repeat of the highly unbalanced approach of the abandoned OECD Multilateral Agreement on Investment (MAI). In fact, the proposals from the European Commission and other governments suggest that some of the lessons from the MAI have been learnt, and a more flexible approach to investment rules is envisaged.²⁹ **Nevertheless the WTO’s narrow focus on trade liberalisation makes it an inappropriate forum in which to negotiate investment rules.**

The MAI sought to extend binding legal rights significantly and to open markets for foreign investors.³⁰ In contrast, business responsibilities to communities, workers, consumers, and the environment were restricted to a set of voluntary guidelines. The development dimension of investment rules, and how they would contribute to poverty eradication and the international development targets, was barely considered.

Oxfam believes that in order for foreign investment to generate benefits for poor people, a fresh approach to international investment rules is needed which puts sustainable development at its heart. Such rules should combine international regulation with enhanced government and community control. Enjoyment of investors’ rights should be conditional on compliance with multilaterally-agreed standards covering responsibilities 1) to facilitate the transfer of technology, 2) to avoid restrictive business practices, 3) to promote employment and environmental objectives, and 4) to respect human rights and the internal cultures and political systems of host countries and communities. International cooperative frameworks are also needed to cap the competitive granting of financial incentives to TNCs, to prevent tax evasion by large multinationals and to promote technology transfer.

Investment rules need to be complemented by official aid, capacity building, and debt relief to help poor countries to build the human capital and infrastructure and critical levels of domestic investment which are vital to their development, and which TNCs also seek. Poor countries need assistance to build their regulatory and governance capacity and negotiating skills with investors. Equally important are national measures to enhance the ability of poor people to benefit from market opportunities, such as education, training, access to finance and markets, land reform, and a framework of basic rights.

Lessons from the MAI

The MAI's approach was based on the flawed assumptions that liberalisation will automatically result in greater foreign investment, and that foreign investment necessarily promotes development. In fact, most foreign direct investment (FDI) occurs within a select group of rich countries. Some of the smaller Latin American countries and those in Africa which have adopted liberal trade policies have still failed to attract substantial investment.

Under the right conditions, FDI can make an important contribution to poverty reduction and sustainable development. It contributed to spectacular declines in poverty during the early growth of some of the East Asian tiger economies. But this is not automatic. Under the wrong conditions, it can lead to exploitation, displacement of livelihoods, environmental degradation, and the undermining of local cultures. Competition to attract foreign investment may provoke governments to adopt measures which reduce the development benefits of foreign investment and distort international investment flows. Such measures may include dismantling government controls on foreign investment, relaxing domestic social and environmental standards, or competitively granting financial incentives to investors.

Foreign Direct Investment: a force for development?

- Research commissioned by Oxfam in Chile shows that while foreign investment contributed significantly to exports, it accounted for less than 1 per cent of national employment. Investment is concentrated in primary production and has been associated with an unsustainable extraction of natural resources, environmental problems, and rising rural inequality.
- Oxfam's research on the oil industry in Casanare in Colombia shows that, despite a large increase in revenue to the region, the poor are as poor as ever, while the industry's security arrangements have exacerbated political violence in the area. Colombia recently announced that it was reducing the royalty which oil companies have to pay to the local province from 20 per cent to around 12 per cent.
- In the Free Trade Zones in the Dominican Republic, evidence from local organisations supported by Oxfam indicates that although government legislation protects the right to freedom of association and collective bargaining, in practice foreign companies have resorted to a variety of tactics to deter unionisation, including temporary recruitment, black listing, intimidation, and the promotion of solidarity associations as substitutes for trade unions.
- Campaigns by NGOs and trade unions to promote corporate codes of conduct based on minimum labour standards have uncovered examples of TNCs in the clothing, toy, and footwear industries escaping regulatory structures by sub-contracting production to sweat-shop or home-based workers in both developed and developing countries.

Foreign investment may contribute little to the local economy or the broader development goals of the government. This may happen, for example, if it is an assembly-based operation of a global integrated business aimed at getting access to a local market, avoiding tariffs, or obtaining tax advantages. In such cases foreign investors will use mainly unskilled workers, provide little technology transfer, and create minimal 'backward linkages' into the local economy. Also, where FDI has a high dependence on foreign loans and imported products, and high profit and dividend remittances, it can cause large foreign-exchange outflows. In Brazil, for example, profit and dividend remittances increased by about 18 per cent to an estimated \$7.7 billion in 1998.

The superior commercial and technological advantages of TNCs may crowd out potentially efficient local firms. Where countries lack strong and effective competition policy, TNCs may

also abuse their dominant position, to the detriment of local firms. The global reach of companies also allows them to act unethically by using tax havens. It is an often-overlooked fact that the offshore banking centres and tax havens fostered by transnational corporations are almost all located in territories controlled by G7 countries.

Investment rules such as those proposed by the MAI, which seek to liberalise foreign investment and fail to build governments' regulatory and broader development capacity, are unlikely to help poor countries to attract FDI or ensure that it helps meet their development goals.

A new approach

The international community has repeatedly failed to achieve an appropriate balance in international investment rules. It is not surprising that, in the absence of a binding code of conduct for international business, the vacuum has been filled by the proliferation of voluntary corporate codes of conduct, and social and environmental labelling. These are understandable interim responses to this regulatory imbalance, yet none constitutes an entirely satisfactory solution.

Rushing ahead with a narrow and unbalanced agenda of investment liberalisation at the WTO could compound the failure of the MAI and set back the agenda for international investment rules indefinitely. If, however, investment is included on the agenda of a new round of negotiations, any agreement should:

- be restricted to a narrow definition of FDI;
- adopt a flexible approach so that only sectors listed by governments are subject to its rules, and allow longer timeframes to meet obligations;
- make the rights granted to investors conditional on their compliance with multilaterally agreed corporate responsibility standards;
- not prohibit performance requirements, but require that they are listed for transparency;
- include social and environmental safeguards to discourage countries from reducing national standards in order to attract investment.

Policy proposals - investment

- WTO members should consider a fresh approach to investment rules, which draws on positive experiences in individual countries and on the lessons from the MAI, and which balances investors' rights with their responsibilities.
- This should be discussed by governments and civil society and relevant UN bodies at the UNCTAD X Conference in Bangkok in February 2000. Alternatively a joint high-level UN-WTO conference could be specially convened.
- Such a conference should also propose the institutions responsible for developing international investment rules. One possibility would be the creation of a new negotiating structure which would draw on the expertise of UNCTAD, the WTO, and UN specialised bodies.

4.2 WTO and workers' rights

Some Northern WTO member countries wish to put labour and environment issues on the negotiating agenda. Other countries, particularly developing countries, vigorously oppose WTO involvement in these areas, which is considered a Trojan horse for Northern protectionism. Both

sides have legitimate concerns and fears.

Whether there is a link between trade and labour standards is hotly debated. While it is clear that national factors are still the main influence on employment, income, and labour rights, it is now well established that trade does play a role. This can be positive, when exports lead to increased employment and productivity, or negative, when trade liberalisation undermines jobs, contributes to income inequality, and when core labour rights are denied in order to increase competitiveness. The controversy is over the scale of the effects and the appropriate policy responses. Within this debate is the question of what role, if any, the WTO should play. Much of the discussion in the past has centred on the advantages and disadvantages of a WTO 'social clause', which would make trade preferences conditional on a country's compliance with fundamental workers' rights.

Repression of trade unions

Across the world, workers are persecuted because they have campaigned against economic exploitation or social injustice in the work place. In 1997, 299 workers were murdered for their trade union activities, more than 2,300 were arrested, 1,681 were tortured or ill-treated, 290 received death threats, 3,000 were placed under state surveillance, and 50,000 lost their jobs.³¹ Many of them are employed in export industries, where the curtailment of trade union rights is sometimes mistakenly seen as a way to improve competitiveness in an increasingly global market.

One of the main proponents of a social clause is the International Confederation of Free Trade Unions (ICFTU). It advocates incorporating the core ILO conventions into WTO rules, but with the ILO retaining responsibility for monitoring compliance. This position is officially supported by the majority of their members in 143 countries around the world, and some NGOs. The idea of a social clause has been strongly opposed by an alliance of neo-liberals, most developing-country governments, Southern nationalists, and some NGOs, who see it as a new form of protectionism aimed at keeping cheaper Southern goods out of Northern markets. **Oxfam has argued that all WTO members have a collective responsibility to uphold the fundamental enabling rights of freedom of association and collective bargaining. These two rights should be incorporated into an 'enabling rights provision' at the WTO, with the ILO retaining responsibility for monitoring compliance and helping to adjudicate in disputes, and with strong safeguards against protectionist abuse.**

Because of the strong opposition from developing-country governments, proposals for a social clause are currently on the back-burner. Also, most observers agree that time is needed to see how effective the recently adopted ILO Declaration on the Fundamental Principles and Rights at Work proves to be. The Declaration, which came about at least in part because of the pressure for a social clause, strengthens the ILO's supervisory mechanisms on the core conventions. Discussion now centres on whether or not an ILO-WTO working group (supported by the USA) or forum (supported by the European Commission and some Scandinavian countries) should be established to examine links between trade and labour rights. Even this is strongly resisted by developing-country governments, who see it as a slippery slope to a social clause.

Oxfam supports the EC's calls for an ILO-WTO forum. While there is undoubtedly a strong element of protectionism in the stance of some Northern countries, there are also genuine concerns about trade promoting a regulatory race to the bottom, which need to be addressed. Some governments and companies, both North and South, continue to use trade pressures as a justification for denying basic labour rights, despite empirical evidence showing that this does not generate long-term competitiveness. There is also legitimate and growing consumer concern about exploitative working practices, as illustrated by the plethora of corporate codes of

conduct and social labels which may one day be another source of contention at the WTO.

The 'social clause' debate

The ICFTU argues that a workers' rights clause would enable working men and women to bargain through their trade unions for a fair share of the growth that their work generates. It would prevent the most extreme cut-throat competition and exploitation which undermine the attempts of other countries to improve their own working conditions, and which ultimately threaten the legitimacy of the international trading system.

Developing countries argue that low labour standards are related mainly to poverty rather than trade pressures, and that forcing poorer countries to raise standards through the threat of trade sanctions is misguided and counter-productive. From their perspective, the social clause debate was effectively laid to rest at the Singapore WTO Ministerial in 1996. This meeting confirmed the importance of core labour standards, but argued that, in trade agreements, they could be used for protectionist purposes and that 'the comparative advantage of countries, particularly low wage developing countries, must in no way be put into question'. It concluded that the ILO is the competent body to set and deal with these standards.

There is little in this declaration that proponents of a social clause would disagree with. The ICFTU's proposal would not attempt to impose a global minimum wage, or conditions to which developing-country governments quite rightly object. Rather it relates to the core ILO labour standards³² which are fundamental human rights and which the international community has recognised to be of universal importance.³³ The vast majority of WTO members are already signatories to these conventions. Curtailment of core labour rights does not confer any long-term competitive advantage on countries: this depends on investment in education, skills, and improving productivity. **Good labour practices should, in fact, improve productivity and economic performance. If compliance with core labour rights translates into higher wages in the longer run, this raises domestic demand and is conducive to overall growth.** Nevertheless there may be short-term financial or employment costs. Donor governments should support further research in this area, and provide financial and technical assistance through the ILO to help the governments of poorer countries to improve compliance.

Oxfam's position

Oxfam fully supports the core ILO conventions. However, it does not necessarily follow that they should all be incorporated in a trade-based mechanism. The denial of workers' rights is sometimes the consequence of poverty, rather than merely deliberate exploitation or trade pressures. Child labour, for example, is found mainly in family businesses and farms, rather than the export sector. The removal of trade preferences is a blunt instrument which could easily make matters worse by impoverishing hard-pressed families. Similar problems would arise with the incorporation of the conventions on Forced Labour, Equal Remuneration, and Freedom from Discrimination in a social clause.

Nevertheless, there should be a collective obligation on all countries participating in the multilateral trading system to uphold the rights of Freedom of Association and Collective Bargaining. These rights are a precondition for achieving other workers' rights, are essential to allow workers to bargain for a fair share of the wealth they help produce, and would help to spread the benefits of trade more evenly within countries. They are also the most obviously trade-related, and their incorporation into WTO rules would prevent the most extreme forms of competition from undermining the hard-won rights of citizen's groups in other countries. Their

incorporation in an enabling rights provision would not harm economic performance, because workers and employers would be able to agree working conditions at a level appropriate to the different social and economic circumstances in each country.

There must also be strong safeguards against protectionist abuse. For this reason there should be an alternative disputes-settlement mechanism, as proposed by the ICFTU, in which the main responsibility for assessing a country's compliance and progress towards meeting standards would remain with the ILO and its specialised committees, whose impartiality and expertise in this field is undisputed. Citizens' groups, including non-unionised female workers, should be given the right of individual and collective petition to the ILO. Withdrawal of WTO privileges would be considered only after persistent failure to address the problem over an agreed timeframe.

An enabling rights provision, incorporating solely freedom from association and collective bargaining, would be one helpful means among others to protect workers' rights. It could not, nor should it aim to, solve all the problems associated with exploitative labour practices: the main responsibility for protecting and promoting workers' rights remains with the ILO, national governments, and workers' organisations.

Policy proposals – workers' rights

- The prime responsibility to protect workers' rights should remain with governments and the ILO. The ILO's supervisory role should be strengthened and an effective follow-up mechanism for the ILO Declaration on the Fundamental Principles and Rights at Work agreed.
- Donor countries should channel resources to ILO programmes which strengthen the capacity of countries to comply with core labour standards.
- An ILO-WTO forum should be established to examine the links between trade liberalisation, employment, and workers' rights. It should also consider the possible inclusion of an enabling rights provision in WTO rules covering the rights of freedom of association and collective bargaining. Any such provision should be jointly administered with the ILO, which would retain responsibility for monitoring compliance and helping adjudicate in disputes. The forum should ensure that the concerns of developing countries are fully taken into account.
- Member governments should encourage the ILO to request observer status at the WTO as part of a broader move to improve coherence between the multilateral trading system and the UN.

5. The limits to WTO competencies, and institutional reform

A major challenge for the WTO is to increase trust in its ability to reflect the interests of all its member countries and to take account of non-trade public concerns in formulating and enforcing international trade rules. This requires institutional reform to strengthen the voice of small and poor countries, relative to the major trading blocks and corporations, in the negotiation and implementation of international trade regulations. It also requires mechanisms to involve UN specialised agencies in trade disputes involving human rights, environment, and health concerns, and action to address wider civil-society concerns about the lack of transparency and accountability.

5.1 Developing-country negotiating power

A key factor behind unbalanced WTO agreements has been the unequal negotiating power of members. Many developing countries are under-represented, or even totally unrepresented, in the day-to-day activities of the WTO. Procedures rely on consensus for decision-making but, in practice, smaller countries cannot wield a veto and are therefore effectively disenfranchised. Much is decided in a multitude of committees, where many developing countries, even if they could attend, would be outgunned technically and politically. **A major challenge for the WTO is to increase the voice of small and poor countries in the formulation and implementation of international trade regulations.**

Of the 48 least-developed countries, 29 are members of the WTO, and a further nine have observer status (of which six are acceding to the WTO). However, only 16 LLDC members and four with observer status have missions in Geneva. A number of non-LLDC developing countries are also without missions. Existing missions generally employ a handful of staff, who are responsible for covering the range of UN agencies based in the city, not just the WTO. Many are diplomats without a technical background in trade and without back-up from their national capitals, where the civil services also lack experienced trade officials. **There are approximately 50 WTO meetings a week, meaning that even when developing countries are represented in Geneva, they cannot participate in many discussions relevant to their countries' trade interests.**

Relatively few developing countries participated effectively in the Uruguay Round, and this was reflected in the outcomes. Many poor countries had little understanding of the financial implications of some of their Uruguay Round commitments. A recent World Bank study estimates that implementing the Uruguay Round agreements on customs valuation, Sanitary and Phyto-Sanitary regulations, and Trade-Related Aspects of Intellectual Property (TRIPs) can cost more than a year's development budget for the poorest countries.³⁴

As important as representation in the WTO itself is developing-country participation in international standard-setting bodies recognised by the WTO. Currently, many of these lack adequate representation by developing countries. For example, the Codex Alimentarius, whose standards underpin the WTO Sanitary and Phyto-Sanitary agreement, is dominated primarily by industry.

Currently, developing countries account for three-quarters of the WTO membership. It is essential that these countries are assured that they will derive concrete benefits from any further negotiations, if the credibility of the WTO as a multilateral organisation is to be maintained.

Policy proposals – building capacity for trade negotiation

- Donor countries should provide substantial financial and technical assistance to ensure that developing countries are represented in Geneva and to help them develop expertise in trade policy-making and negotiation skills, so that they can participate on a more equal basis in the day-to-day activities of the WTO, in standard-setting bodies and in future multilateral trade negotiations.

5.2 Dispute Settlement Understanding (DSU)

WTO members can take complaints to a dispute-settlement procedure if they consider that another country is not meeting its obligations under WTO rules. The main goal of this process, established under the Dispute Settlement Understanding (DSU), is compliance. If the recommendations of the WTO panel are not implemented within a given timeframe, or adequate compensation is not given, the complaining party can seek permission to withdraw or suspend trading concessions, or impose countervailing tariffs. However, there are various problems with the process, which should be identified and resolved in the review scheduled for 1999.

First, while the DSU has gained some credibility among developing-country governments, it is still mainly used by developed countries (125 requests by developed-country members, compared with 34 requests by developing-country governments). This is partly because litigation is extremely expensive, and poorer countries simply do not have the required expertise or resources. It is also because it is difficult for developing countries to take retaliatory action against powerful industrialised countries on which they may be economically dependent, and when the effects of such actions may be inconsequential.

Second, sanctions such as punitive tariffs can be effective in promoting compliance, but have adverse economic effects and can exacerbate poverty. The current rules require that the complainant takes into account only the broader economic, and not social, consequences of retaliatory action. Insufficient emphasis is put on mediation and technical assistance.

Third, the lack of clarity about the relationship between WTO rules and international human rights and environmental law means that the WTO dispute-settlement system is *de facto* being left to reconcile the complex relationship between trade policy and governments' human rights, health, and environmental objectives, on a case-by-case basis. Yet the WTO panels do not have the competence or expertise to adjudicate in these areas. (See Section 5.3 for further comment on this issue).

Fourth, there is currently no provision in WTO rules to allow citizens' groups affected by its rulings to present evidence to the panels, although there are clear precedents for this in international human rights tribunals.

Policy proposals – the Dispute Settlement Understanding (DSU)

- Donor governments should assist poorer countries to develop the legal capacity necessary to use the WTO dispute system. This should include funding the proposed Advisory Centre for WTO Law, which will provide subsidised services to developing countries.
- The DSU should place greater emphasis on mediation and technical assistance. In cases of persistent non-compliance, panels should ensure that the proposed retaliatory actions minimise the negative effects on people living in poverty.
- Citizens' groups with a relevant interest or expertise should be able to submit evidence to dispute-settlement panels.

5.3 WTO, consumer protection and the environment

WTO rules affect not only producers, but also consumers in developing and developed countries. It is normally assumed that consumers simply benefit from the lower prices arising from trade liberalisation. Yet recent WTO dispute panels have over-ruled government laws aimed at protecting people's health, including Thailand's ban on US cigarette imports and more recently the EU ban on hormone-treated beef. Potential new disputes relate to government bans on or mandatory labelling of genetically modified (GM) products.³⁵ As noted above, if a government is successfully challenged under WTO rules, it has to withdraw the measure, pay compensation, or face trade sanctions. **The WTO has neither the competence nor the mandate to reconcile trade policy with issues of human rights, the environment, and health, or set standards in these areas. Where there is a conflict between WTO rules and international agreements, the latter should take precedence. In trade disputes involving the broader public interest, the WTO should establish joint dispute-settlement panels with the appropriate UN specialised agencies.**

What some of the cases adjudicated by the WTO have in common is the issue of whether it is legitimate to distinguish between imported products on the basis of how the product is produced. GATT rules outlaw discrimination between domestic and imported goods if they are 'like products'. **This means that governments may not distinguish between imports of similar products, even if the production and processing method of one product causes environmental or health risks or is based on exploitative labour practices,** unless these effects can be shown to be 'product-related'.

In a recent WTO dispute, the USA successfully challenged the EU's ten-year ban on hormone-treated beef. The ban was based on the 'precautionary principle', which says that when scientific evidence is not very clear or is contradictory, governments should be allowed to err on the side of caution when formulating standards or regulations in order to protect public health or the environment. The WTO ruled that the ban was inconsistent with the Sanitary and Phyto-Sanitary Agreement, as it had not been based on an internationally agreed standard, was not preceded by a risk assessment, and was not adequately justified by the evidence. Even when risk assessments are carried out, the question of how much risk justifies a trade restriction depends on power politics, ethical judgements, and consumer opinion. EU consumers are understandably cautious about food safety after a series of health scares including 'mad cow' disease.

It is possible that the USA, in support of large bio-tech companies, may challenge the WTO-consistency of governments' attempts to restrict or label GM imports, as there are no internationally agreed standards or scientific evidence about the health threats from these products. The right of governments to differentiate between GM and non-GM crops through mandatory labelling, for example, is necessary to ensure that farmers and consumers can make informed decisions about products that they buy. The EU, Japan, Australia, New Zealand, and South Africa have all either introduced or are seeking to introduce mandatory labelling of GM products. But whether GM and non-GM varieties of the same agricultural crop, such as maize or soybean, are considered 'like products' under WTO rules is disputed. It is also unclear whether WTO rules would support precautionary action by governments to restrict or compulsorily label GM food imports. The beef-hormones case would suggest not. However, a government-recognised labelling scheme which allowed companies to gain certification on a voluntary basis may be allowed, as it constitutes one of the least trade-restrictive measures.

WTO rules and ethical consumerism

WTO rulings have implications for voluntary fair-trade labels and voluntary codes of conduct. These schemes seek to supply consumers with information which allows them to distinguish between products and companies on the basis of how the product is produced, for example whether producers receive a fair share of the benefits of trade, whether production conforms to core ILO labour standards, or whether the production process is environmentally sustainable. To date, voluntary initiatives have not been covered by GATT/WTO rules. However, the issue has been discussed in the WTO's Trade and Environment committee, and the EU, Norway, and Switzerland are seeking clarification on eco-labelling in the forthcoming trade negotiations. Moreover, if a WTO member state considers that these schemes are hindering exports of non-labelled goods, a complaint could be made under WTO rules. A key criterion to determine whether or not a scheme fell under WTO rules would be whether it was government-recognised or government-promoted.

Some developing-country governments believe that calls by consumers to reform WTO rules in order to allow governments to restrict or label imports on health or environmental grounds are merely a smokescreen for a new form of Northern protectionism. **WTO rules have to guard against unfair protectionism, but in some cases there are genuine health-related and environmental concerns, which must be addressed. These concerns apply equally to producers and consumers in the South as well as the North.** A number of Southern farmers and consumer groups are calling for labelling of GM products in their own countries, and an Indian coalition of two thousand organisations is campaigning to ban large GM companies from operating in India.

Policy proposals – WTO competence, consumer protection and the environment

- Where there is a conflict between WTO rules and multilateral agreements in fields such as human rights and the environment, the latter should take precedence.
- There should be an international agreement which allows joint panels to be established between the WTO and other specialised UN bodies to adjudicate in trade disputes relating to concerns about human rights, the environment and health.
- International standard-setting bodies recognised by the WTO, such as Codex Alimentarius, should ensure the effective participation of developing countries in their work.
- WTO rules should be amended to allow governments to restrict imports or introduce mandatory labelling of genetically modified seeds and foodstuffs.

5.4 Citizens' right to a say

Decisions taken at the WTO affect the livelihoods of billions of people and their environments. Yet the vast majority of people know very little about this important international institution, or the decisions taken there by governments on their behalf. This low level of knowledge and understanding is exacerbated by the way in which the WTO currently operates. There are a number of issues relating to transparency and accountability that must be addressed at Seattle and implemented at the national level.

Within each WTO member country, North and South, there is a need for more open and transparent trade policy-making which involve all sections of the community that have a stake. Trade and Industry departments have traditionally engaged in close, regular consultation with business associations, but must grant similar opportunities to other interested parties, including labour unions, small-scale producers, and groups representing environment, development, human rights, and consumer interests. WTO matters, including the preparation of negotiating

positions, are subject to relatively little scrutiny by national parliaments. The accountability of the WTO would be significantly increased if its processes were made subject to regular debate in national parliaments. Civil society organisations working on trade-related issues have a responsibility to increase public awareness of the relevance of international trade policy to their constituencies, thereby raising the level of public debate.

At the international level, the WTO must reduce restrictions on access to documents. Public access to information such as meeting timetables and agendas will significantly increase the transparency of the WTO's day-to-day operations. The WTO should also continue to involve civil society organisations in regular symposia and provide financial support for developing-country civil society groups to participate in such events and to follow the WTO process more generally.

Policy proposals – WTO transparency and accountability

- National parliaments, and the European Parliament, should play a more active role in determining negotiating mandates and in regular scrutiny of WTO processes.
- WTO documents should be automatically de-restricted, with minimal exceptions.
- There should be greater public scrutiny of trade policy-making at the WTO through increased opportunities for civil society involvement, for example, through regular national consultations throughout the forthcoming negotiations.
- Donors should provide financial support for civil society groups in developing countries to follow the WTO process effectively.

6. Conclusion

World trade ministers face an important choice at Seattle: to take the opportunity to transform international trade regulations in favour of poverty reduction and sustainable development, or to continue the pursuit of their narrow commercial interests. Oxfam believes that the Seattle Conference must set a development-focused agenda, and that the WTO must ultimately be judged on the basis of its contribution to achieving the International Development Targets.

From this perspective, Oxfam has identified five essential outcomes of the Seattle Conference and subsequent WTO negotiations:

- Developed countries should make immediate commitments at Seattle to assess the impact of trade liberalisation on poverty, to improve market access for the poorest countries, and to provide aid for building trade capacity.
- Existing WTO agreements should be revised to increase market access in sectors of interest to developing countries, particularly agriculture and textiles. Northern governments should eliminate subsidies on agricultural exports.
- WTO Agreements should allow developing-country governments greater freedom to pursue policies consistent with national development strategies and poverty-reduction goals.
- WTO members should agree a limited, development-focused agenda for negotiations, which does not include international investment rules, government procurement, or competition policy.

- The WTO should implement reforms which enhance participation by developing-country members, and accountability to the general public. Trade disputes involving issues of human rights, the environment, and health should be resolved with participation by UN specialised agencies.

Agreement on these points will give the world's poorest countries and people a chance to share in the benefits that trade can bring, by increasing economic growth and securing sustainable livelihoods. The challenge is clear, and the opportunity must not be missed.

Appendix

This Appendix lists all the policy proposals contained in the body of the text.

Immediate commitments at the Seattle Ministerial Conference

- Ministers should agree to support research, drawing on the expertise of specialised UN agencies and civil society groups, to assess the impact of trade liberalisation on poverty and sustainable development, including gender equity.
- Developed countries should make a binding commitment to allow *all* exports from LLDCs duty- free access to their markets by 2003.
- Donor countries should make substantial commitments to assist developing countries to take advantage of market opportunities and strengthen their trade-negotiation capacity.

Market access

Developed countries should:

- make substantial cuts in tariffs on developing-country exports, particularly tariffs that escalate according to the level of processing;
- remove non-tariff barriers such as seasonal import restrictions on agricultural products;
- simplify and harmonise the rules of origin for preferential market access;
- assist developing countries, particularly small-scale enterprises and fair-trade producers, to take advantage of market opportunities, to adjust to a more liberal trade regime, and to enhance the competitiveness of domestic production.

More progressive liberalisation in textiles

- At Seattle, importing countries should agree to remove quotas on products that are important to developing countries, and to early implementation of the final stage of the ATC.
- High tariffs on developed-country imports of textiles and clothing products must be reduced.
- Technical and financial assistance should be provided to Bangladesh and other developing countries that stand to lose from ATC implementation, in order to increase the competitiveness of their industry and to provide assistance for workers that are made redundant.

Reform of the Agriculture Agreement

- Agricultural export subsidies should be banned, and subject to the same WTO disciplines applied in other sectors.
- Developed countries should redesign domestic support policies intended to promote social and environmental objectives so as to alleviate adverse impacts on developing-country producers.
- Developing countries should have the flexibility to protect and support domestic food production - what is frequently referred to in the Agreement as a 'food security box'.
- Developed countries should improve market access for agricultural products from developing countries by substantially reducing general tariffs, eliminating tariff escalation, and reducing non-tariff barriers, such as seasonal import restrictions.
- Major agricultural exporting countries should establishment a fund to assist net food-importing countries to meet their food-import bills at times of high world prices.
- International institutions and donor governments should provide compensatory funds for countries affected by declining commodity prices, and support for agricultural diversification, including production of higher-value refined or processed goods.

Intellectual property rules

- The public interest must take precedence over commercial interests in the implementation of the TRIPs Agreement. The length and scope of patent protection should be reduced.
- Flexibility in the Agreement should be extended to secure governments' ability to determine national intellectual property regimes, including the option not to patent life forms.
- The Agreement should also allow governments to use policy options such as parallel importing and compulsory licensing for the provision of affordable essential drugs, especially for serious diseases that cause high mortality and/or morbidity.
- There should be effective and mandatory implementation of Agreement's provisions on transfer of technology to developing countries.

Trade-Related Investment Measures (TRIMs) Agreement

- Governments' ability to regulate foreign investment in accordance with their national development strategies should not be unduly constrained. The five-year period for developing countries to phase out prohibited trade-related investment measures (seven years in the case of least-developed countries) should be extended until they graduate to developed-country status.
- The TRIMs Agreement should not be further extended, but governments should be required to register all their measures at the WTO, in order to ensure fairness and transparency.

Special and Differential (S&D) Treatment

- Developed countries should agree to make their commitments to S&D treatment binding, and their implementation subject to mandatory monitoring.
- A vulnerability index should be introduced, which defines eligibility of countries at different levels of development for various categories of S&D treatment.
- Existing S&D provisions should be reviewed on the basis of their contribution to poverty-reduction objectives, and operational measures should be strengthened.
- Mechanisms should be created to ensure that WTO agreements support national and international development strategies, for example, by involving specialised UN agencies, trade unions, and other civil society organisations in the WTO Trade Policy Reviews.

Investment

- WTO members should consider a fresh approach to investment rules, which draws on positive experiences in individual countries and on the lessons from the MAI, and which balances investors' rights with their responsibilities.
- This should be discussed by governments and civil society and relevant UN bodies at the UNCTAD X Conference in Bangkok in February 2000. Alternatively a joint high-level UN-WTO conference could be specially convened.
- Such a conference should also propose the institutions responsible for developing international investment rules. One possibility would be the creation of a new negotiating structure which would draw on the expertise of UNCTAD, the WTO, and UN specialised bodies.

Workers' rights

- The prime responsibility to protect workers' rights should remain with governments and the ILO. The ILO's supervisory role should be strengthened and an effective follow-up mechanism for the ILO Declaration on the Fundamental Principles and Rights at Work agreed.
- Donor countries should channel resources to ILO programmes which strengthen the capacity of countries to comply with core labour standards.
- An ILO-WTO forum should be established to examine the links between trade liberalisation, employment, and workers' rights. It should also consider the possible inclusion of an enabling rights provision in WTO rules covering the rights of freedom of association and collective bargaining. Any such provision should be jointly administered with the ILO, which would retain responsibility for monitoring compliance and helping adjudicate in disputes. The forum should ensure that the concerns of developing countries are fully taken into account.
- Member governments should encourage the ILO to request observer status at the WTO as part of a broader move to improve coherence between the multilateral trading system and the UN.

Building capacity for trade negotiation

- Donor countries should provide substantial financial and technical assistance to ensure that developing countries are represented in Geneva and to help them develop expertise in trade policy-making and negotiation skills, so that they can participate on a more equal basis in the day-to-day activities of the WTO, in standard-setting bodies and in future multilateral trade negotiations.

The Dispute Settlement Understanding (DSU)

- Donor governments should assist poorer countries to develop the legal capacity necessary to use the WTO dispute system. This should include funding the proposed Advisory Centre for WTO Law, which will provide subsidised services to developing countries.
- The DSU should place greater emphasis on mediation and technical assistance. In cases of persistent non-compliance, panels should ensure that the proposed retaliatory actions minimise the negative effects on people living in poverty.
- Citizens' groups with a relevant interest or expertise should be able to submit evidence to dispute-settlement panels.

WTO competence, consumer protection and the environment

- Where there is a conflict between WTO rules and multilateral agreements in fields such as human rights and the environment, the latter should take precedence.
- There should be an international agreement which allows joint panels to be established between the WTO and other specialised UN bodies to adjudicate in trade disputes relating to concerns about human rights, the environment and health.
- International standard-setting bodies recognised by the WTO, such as Codex Alimentarius, should ensure the effective participation of developing countries in their work.
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WTO transparency and accountability

- National parliaments, and the European Parliament, should play a more active role in determining negotiating mandates and in regular scrutiny of WTO processes.
- WTO documents should be automatically de-restricted, with minimal exceptions.
- There should be greater public scrutiny of trade policy-making at the WTO through increased opportunities for civil society involvement, for example, through regular national consultations throughout the forthcoming negotiations.
- Donors should provide financial support for civil society groups in developing countries to follow the WTO process effectively.

Endnotes

¹ The targets include halving global poverty, reducing by two-thirds the number of child deaths under the age of five, providing universal access to primary education, and establishing a national strategy for sustainable development in all countries which ensures that current trends in the loss of environmental resources are effectively reversed, by 2015.

² Government purchases of goods and services, also known as 'procurement', are often restricted to the use of domestic suppliers, in order to generate income and employment in the national economy.

³ The UN defines 48 countries as 'least developed', according to a range of economic and social indices. At the World Trade Organisation, member countries designate themselves 'developing' or 'least developed' countries, but there is no formal WTO definition of these categories.

⁴ World Bank (1998) *World Development Indicators*.

⁵ UNCTAD (1997) *Trade and Development Report*.

⁶ See endnote 1.

⁷ TNC representatives were closely linked with US negotiators of the WTO intellectual property agreement, and even supplied sections of the draft. Myriam Vander Stichele (1998), *Towards a World Transnationals' Organisation?*, Amsterdam: Transnational Institute.

⁸ UNDP (1999) *Human Development Report*.

⁹ See K. Watkins (1997) *Globalisation and Liberalisation: implications for poverty, distribution and inequality*, UNDP Occasional Paper 32, also Oxfam, 'Trade Liberalisation as a threat to livelihoods: the corn sector in the Philippines', December 1996, Eurostep, 'Dossier on CAP & Coherence', April 1999, and Oxfam, 'Liberalisation and Poverty in Zimbabwe and Zambia', (forthcoming).

¹⁰ Jeffrey Sachs, 'Helping the world's poorest', *The Economist*, 14 August 1999.

¹¹ UNCTAD (1995), *Translating Uruguay Round special provisions for least developed countries into concrete action: issues and policy requirements*, Report to the Ad Hoc Working Group on Trading Opportunities in the New International Trading Context.

¹² Improved market access can be granted by one country to another (or to a group of countries) within the context of free trade agreements or special schemes for developing countries, subject to certain WTO rules. For example, under the Lomé Convention, imports entering the EU market from African, Caribbean and Pacific (ACP) countries attract a lower tariff than imports from all other countries.

¹³ News Brief No. 99/8, *IMF Seminar Discusses Revenue Implications of Trade Liberalisation*, IMF, 25 February 1999, cited in Nicholas Hopkinson (1999), *Multilateral Trade Negotiations: The Way Forward*, Short Report on Wilton Park Conference 569, 29 June – 2 July 1999.

¹⁴ 'Integrating LDCs into the Global Economy: Proposals for a Comprehensive New Plan of Action in the Context of the Third WTO Ministerial Conference', 25 June 1999.

¹⁵ Safadi and Yeats (1996) cited in K. Watkins (1997).

¹⁶ UNCTAD (1999) *Trade and Development Report*.

¹⁷ P. Messerlin, (forthcoming), *Measuring the Costs of Protection in Europe*, Institute for International Economics, Washington, DC, cited in UNDP (1999) *Trade and Development Report*.

¹⁸ Dr Pratima Paul-Majumder, September 1998, Bangladesh Institute of Strategic Studies, September 1998, commissioned by Oxfam (GB) Bangladesh.

¹⁹ The equivalence in terms of world trade is calculated on the basis of trade figures for 1997.

²⁰ These OECD figures are cited in UNCTAD (1999), *The World Commodity Economy: Recent Evolution, Financial Crises, and Changing Market Structures*, Report to the Commission on Trade in Goods and Services and Commodities.

²¹ Oxfam (1996).

²² This decision was agreed at the close of the Uruguay Round agriculture negotiations to reassure LLDCs and net food-importing developing countries that they would be assisted in facing the potential negative effects arising from growing fluctuations in world market prices for food, which were expected to increase as a result of implementation of the Agreement on Agriculture

²³ World Bank (1998) *World Development Report*.

²⁴ See Oxfam, 'TRIPs and access to essential drugs.' (forthcoming).

²⁵ Yash Tandon (1999), 'WTO: What Strategies for the South?', *South Letter*, No. 34, Volume 3, Geneva: South Centre.

²⁶ Oxfam (1998), *Economic Growth with Equity*, Oxfam Insight.

²⁷ This agreement amplifies the requirements of the GATT's general exemptions and is intended to prevent national laws that regulate food safety, food quality, and the spread of plant and animal diseases from unduly restricting international trade.

²⁸ This agreement aims to ensure that domestic regulations, standards, testing and certification procedures relating to health, safety, product quality, and environmental protection do not constitute unnecessary obstacles to trade.

²⁹ The EC says that international investment rules should 1) allow WTO members greater flexibility about how quickly and how far to liberalise, an approach based on the GATS model, 2) recognise the rights of host governments to regulate economic activity, 3) respond to the concerns of civil society concerning their impact on the environment and labour conditions, and 4) incorporate the dimension of sustainable development rather than confine it to 'special and differential treatment'.

³⁰ It sought to extend the principles of non-discrimination and national treatment to cover foreign investments not only once they were established in a country but also to the pre-entry stage, thereby effectively preventing governments from barring most foreign investments. It also included prohibitions on performance requirements which went far beyond those in the TRIMs Agreement, and guarantees for the free transfer of capital.

³¹ Annual survey of violation of trade union rights, International Confederation of Free Trade Unions, 1998.

³² These include the rights to freedom of association, collective bargaining, equal remuneration for men and women workers, freedom from discrimination, the abolition of forced labour, and minimum age of admission to employment.

³³ World Social Summit for Development 1995, UN 4th Conference on Women Beijing 1995, WTO Ministerial Declaration Singapore 1996, ILO Declaration on the Fundamental Principles and Rights at Work 1998.

³⁴ J. Michael Finger and Philip Schuler (1999), *Implementation of Uruguay Round Commitments: The Development Challenge*.

³⁵ See Oxfam (1999) 'Genetically Modified Crops, World Trade and Food Security'.