

# Trade Justice Movement

## “FOR WHOSE BENEFIT? MAKING TRADE WORK FOR PEOPLE AND THE PLANET” TRADE JUSTICE MOVEMENT FOUNDING STATEMENT JUNE 2002

### Introduction

This statement presents a positive agenda for change aimed at using the trade system to achieve sustainable development and poverty eradication. Although directly pertinent to the WTO, it is also relevant to other institutions that impact on local, national and international trade policy.

### The need for change

The international trade system stands at a crossroads. In one direction lie politically difficult and complex choices concerning equity, sustainability and poverty eradication which could make the trade system work for people and the environment and also, in the long run, save it. The other direction offers clearer-cut, perhaps easier options to stick with the status-quo, ignore complex problems and pursue trade liberalisation as an end in itself. However, this could exacerbate current disaffection and bring the trade system to its knees.

The international trade regime needs fundamental change if it is to succeed and benefit us all. The world needs international trade rules, but to date these have favoured the narrow commercial interests of the most powerful trading nations and the largest corporations, at the expense of the wider public interest and smaller economic enterprises. In order to rebalance the global trading system, international trade rules and institutions must take their place within the broad system of international agreements aimed at sustainable development, poverty eradication and the promotion of human rights, and recognise the importance of local and regional trade as an engine for sustainable development and poverty eradication.

There is an increasing gap between many of the stated objectives of the world trading regime and the global reality of growing inequalities and environmental degradation. The benefits of the international trade system have gone to those who already have the most, while many of the poorest have failed to benefit fully and some have even been made poorer. The environment has also suffered. Increasing consumption and transport related to increased volumes of international trade, particularly in the industrialised world, have contributed to increasing pressure on the world's natural resources and habitats. The growing importance of trade and competitiveness to national economic decision-making has also had a 'chilling' effect on the development of environmental and social policy in some countries.

The WTO trade agreements are seriously flawed because they largely prioritise liberalisation and deregulation in the private interest over national (and potentially international) regulation in the public interest. Ironically, in areas where certain 'liberalisation' policies could potentially have a range of social and environmental benefits (e.g. in policy areas such as export support, fisheries subsidies, market access for textiles and the flexible use of intellectual property rights), exceptions have been made in practice and the trade system has again been used to benefit the few, rather than the many.

The challenge facing the international community is to make the trade system reflect the concerns of civil society and work for poverty eradication and sustainable development. It is essential that governments adopt a new approach in the trade negotiations launched in Doha and that this marks the beginning of a new era in trade policy-making, which puts the needs of people and the environment at its heart.

### A Positive Agenda for Trade

#### We stand for trade

Almost everyone is involved in or affected by trade. Trade is a way of overcoming local, regional and national scarcity, and can generate new livelihood and employment opportunities. Trade can therefore play an important part in contributing to poverty reduction and improving our quality of life. But trade is a 'means to an end', rather than an 'end in itself' to be pursued through export-led growth policies. Trade can damage the environment (e.g. greenhouse gas emissions from trade-related transport) and the costs of adjustment to more open international trade policies frequently fall most heavily on the poor and vulnerable, who are least likely to be able to take advantage of new market opportunities. If the trade system is to benefit all on a long-term basis, governments have to take account of its positive and negative outcomes.

#### We stand for rules

We support having international agreements on trade. International trade rules are required to regulate the actions of governments and companies. They must also reflect the different levels of development of WTO member countries and provide greater policy flexibility to the poorest. However, international trade rules must not prevent national regulation in the public interest. Nor should they force 'equal' trade relations between unequals. Instead, the principle of special and differentiated treatment for developing countries should be fully incorporated into trade agreements. Governments must also develop binding international regulations for companies.

### **We stand for democracy**

For international trade policy to be legitimate, all countries must have equal access to trade negotiations and have their concerns reflected in decision-making. This process must also be underpinned with effective public scrutiny over government policy and the actions of transnational corporations.

### **We stand for co-operation**

Competition can spur innovation, wealth creation and greater efficiency. But it can also encourage a 'race to the bottom', 'policy chill' and short-term decision making with the worst affected often being the poorest. The ideological pursuit of competition for its own sake threatens to increase existing problems of poverty, inequality and unsustainability. Competition imposed on an 'unlevel playing field' with unequal players tends to exacerbate current inequalities. It is crucial that governments prioritise greater research and co-operation through a range of international processes/institutions to manage trade in the public interest.

### **We stand for fairness**

Too often, Northern governments have failed to practice what they preach on trade issues. They argue for free trade, yet erect barriers against imports from developing countries. They argue for rules, yet abuse anti-dumping or health and safety legislation to unfairly restrict imports. They support development, but then deter countries from processing their own products by tariff escalation. A new and pro-poor trade regime requires a change of mentality among the rich and powerful.

### **We stand for action to eradicate poverty**

A stated objective of trade policy is to improve standards of living. Yet the income gap between rich and poor both between and within countries has reached record levels and continues to widen. Governments have signed up to the goal of halving income poverty by 2015, but this target will be missed unless the poor derive a greater share of the benefits from trade. Improving equity must be central to future trade policy formulation.

International rules must take account of the needs of poor countries and people, and allow for protection and intervention, where necessary, in order to build strong domestic economies and to promote important national development objectives such as food security, regional development, resource conservation or support for the livelihoods of poor communities. Trade policy must be designed to prevent the poorest from bearing the majority of adjustment costs, and to assist them in taking advantage of new market opportunities should they choose to do so. The ability of poor people to participate in markets on beneficial terms depends crucially on public investment and the redistribution of productive assets so that poor people are able to produce their way out of poverty.

### **We stand for sustainability and environmental protection**

The language of sustainable development is widely used in relation to trade policy but is not being actively implemented. Trade agreements need to be focused on achieving this objective (of which poverty eradication is an integral part) and should respect the Rio Principles such as common but differentiated responsibility, the polluter pays principle and the precautionary principle.

The environment underpins our economies and needs to be taken fully into account by all those engaged in trade and trade negotiations. The key concern must be to maintain a healthy environment from which both we and future generations can obtain sufficient resources. Trade rules must not promote the unsustainable use of resources. Governments must prioritise implementing national and international measures aimed at 'internalising' social and environmental costs, limiting any environmental degradation arising from trade policies, and ensuring that sustainability is not undermined by issues of 'international competitiveness'.

### **We stand for diversity**

Free trade should not be pursued at the expense of economic, social, biological or cultural diversity. A one-size-fits-all approach to international trade policy is not compatible with the need for nations to democratically establish their own standards and norms and to protect the public interest.

### **We stand for negotiations**

Inter-governmental negotiation is vital to addressing the current problems with the trade system. However, such negotiations have to be significantly different from what has gone before in terms of the objectives, format and content of international trade policy talks. The next section provides a little more detail on what this entails for the WTO in the short-term.

## **What does this mean for the WTO now?**

### **Trade Policy Objectives**

The primary goal of the trade system should be to achieve sustainability and poverty eradication. This requires an appropriate level of regulation to manage trade. Sustainability impact assessments, that use internationally agreed indicators, should be used to inform future trade policy development and measure progress towards this goal.

### **Implementation**

The problems that many developing countries are experiencing in implementing existing WTO agreements should be addressed as a priority. Where appropriate, implementation deadlines should be extended and current texts amended to meet the specific needs of poorer countries. Industrialised countries should demonstrate more commitment to progressive change in the textiles and agricultural sectors; in particular through use of non-reciprocal measures in areas of importance to developing countries.

### **Developing country capacity**

Meaningful capacity-building has to go beyond providing technical assistance to negotiate and implement trade agreements and supporting the activities of developing and least-developed countries in Geneva. Equally important are changes to increase the internal transparency of international trade policy-making processes, the development of trade policy-making skills across civil service departments in capitals, analysis to assess the potential impacts of trade rules, and measures to facilitate input from parliamentarians and civil society.

### **Special & Differential Treatment**

Whilst huge disparities in the economic and political might of different players remain, a more systematic application of Special and Differential Treatment (S&DT) will be central to any attempt to make trade work better for the poor. Trade rules must allow developing countries, especially the least developed and small, vulnerable economies, to retain the flexibility to shelter vulnerable sectors from competition in order to achieve overall national development goals.

S&DT must go beyond its current emphasis on delayed deadlines and occasional exemptions to allowing developing countries to implement the full range of policies necessary to reduce poverty and develop their economies. Operational measures, for example to promote technology transfer as required in the TRIPs Agreement, should be strengthened so as not to rely on the 'best endeavour' of industrialised countries.

### **Agriculture**

Agricultural trade rules require significant change. With the right policies and incentives, agriculture can provide safe and nutritious food for the population; a livelihood for large numbers of people, both directly and indirectly; habitat for wildlife; and a range of land management and environmental services. Key priorities include the need to avoid encouraging unsustainable production and dumping, while providing greater flexibility for poorer countries to use trade measures to pursue food security and rural development goals. 'Win-win' solutions should be prioritised, including eliminating export subsidies and supports, improving market access for the poorest countries, and reorienting domestic support towards achieving specific environmental, animal welfare and rural development objectives. Agricultural trade rules should not prevent measures to promote more sustainable agriculture.

### **Services**

A key role for any government is to ensure that all citizens have access to basic services, such as water delivery, housing, health and education. Many industrialised countries have already liberalised key service sectors and, under IMF/World Bank structural adjustment programmes, developing country governments have been pushed in the same direction. Former state controlled enterprises have been replaced by unaccountable corporate monopolies. As there is no profit in providing services to the poorest, they therefore lose out. Past experiences in both North and South demonstrate that the provision of basic services cannot be left to the market.

The WTO negotiations on services must take account of the need to allow Governments the choice to manage and regulate the delivery of basic services in pursuit of domestic social and environmental objectives. Full and independent assessment of the experience of services liberalisation is vital if negotiations are to be based on evidence rather than ideology.

### **Intellectual Property**

Intellectual property rules (including the TRIPs Agreement) should be substantially revised to reduce the length and scope of patent protection in developing countries. Greater flexibility must be provided for countries to protect the health and livelihoods of their people and environment, and to exclude life-forms from patenting.

### **Investment and Competition**

Foreign Direct Investment (FDI), can make an important contribution to poverty reduction and sustainable development. But under the wrong conditions, FDI can lead to exploitation, displacement of livelihoods, environmental degradation, balance of payments problems, and the undermining of local cultures. What is needed are strong, multilaterally-agreed anti-trust laws and binding rules on investors' rights and responsibilities (to facilitate the transfer of technology, to avoid restrictive business practices and tax avoidance, to promote employment and environmental objectives, and to respect human rights). Countries should be able to choose who invests within their borders and should not be pushed into any multilateral negotiations on investment liberalisation. With its institutional emphasis on liberalisation, the WTO is unlikely to be the appropriate forum to negotiate rules with the necessary balance between investors' rights and responsibilities required to promote pro-poor and environmentally sustainable FDI.

### **Northern trade barriers**

The cost of northern trade barriers to developing countries is estimated at US\$700 billion a year in lost export earnings. Tariff escalation, which deters the progression of developing countries into production and export of higher-value processed goods, is a particular problem that must be addressed, along with non-tariff trade barriers such as quotas and seasonal restrictions, and restrictive rules of origin under preferential trade schemes.

### **Dispute Settlement**

Existing provisions to settle trade policy disputes require serious change. Of particular importance are reforms to provide for greater public scrutiny over the system and measures to account for the imbalance in developing country capacity to initiate disputes and to enforce rulings through trade sanctions. Trade disputes relating to concerns about human rights (including labour), development or the environment should be adjudicated by joint panels involving the WTO and other specialised UN bodies in order to achieve an appropriate balance between the different interests in any dispute.

## **Labour**

Trade can create employment and may enhance workers' rights. However, job security and working conditions can also be undermined where liberalisation and increased competition result in relocation or a 'race to the bottom'. International trade and finance policies and rules must not undermine employment and labour rights. National governments must enact and enforce legislation consistent with ILO conventions particularly to provide for the right to collective bargaining and freedom of association and other fundamental labour rights. The ILO's supervisory role should be strengthened and donor governments should channel resources to ILO programmes which strengthen the capacity of national governments to comply with core labour standards. Recognising the relationship between trade and labour rights, the ILO should be granted observer status in the WTO. There must also be enhanced co-operation between the two organisations to ensure that labour rights are promoted and not undermined by international trade, in line with our call for greater coherence between the WTO and other international institutions (see below).

## **The Environment**

Trade rules must not support the unsustainable use of resources. It is vital that trade rules do not obstruct trade-affecting environmental measures taken in relation to a Multilateral Environmental Agreement (MEA), should respect the Precautionary Principle and facilitate use of eco-labelling schemes. The environmental benefits and drawbacks of trade policies should be a key consideration when deciding if and how to change trade agreements or trade policies such as those on agriculture, fisheries, forests and intellectual property rights.

## **Public Concerns and Consumer Protection**

The implementation of WTO rules has led to conflict with national measures adopted to meet domestic public concerns. Measures taken to meet concerns about food safety, new technologies, animal protection and the environment have been reversed, revised and questioned due to WTO rules, which effectively deny product distinctions to be made on the basis of the production processes used. In this regard, the WTO is a long-way behind consumers and even corporations in its thinking. The ability to reject, label or otherwise regulate products on this basis is of particular importance, as is the need to ensure that such measures are transparent, predictable and fair.

Trade can benefit consumers by providing increased choice and lower prices but trade policies can have a negative impact on other important consumer rights including: access to essential goods and services; food and product safety; and access to information. It is vital that trade rules safeguard universal access to essential goods and services and consumer protection, respect the precautionary principle, and do not place obstacles in the way of labelling schemes that enable consumers to make informed choices.

## **Coherence**

The WTO operates within a framework of global agreements. Yet, WTO rules often de facto take precedence due to the institution's strong dispute settlement procedures. This means that WTO rules have acquired unwarranted influence over other policy areas. Greater coherence is needed between the WTO and other international institutions/agreements to ensure that trade does not nullify other legitimate international policy objectives. In particular, WTO members must uphold the commitment made in the Vienna declaration and programme of action, adopted at the 1993 World Conference on Human Rights, that the "first responsibility of governments" is the protection and promotion of human rights and fundamental freedoms. All WTO agreements must therefore be explicitly subordinated to the human rights and fundamental freedoms contained in international human rights, labour rights and other conventions.

The international community should consider establishing a superior referral body to resolve disputes between trade law, multilateral agreements and international customary law such as Human Rights Conventions.

## **The Doha Negotiations**

The Doha negotiations, launched in November 2001, must be conducted through a process that ensures participation, transparency and democratic oversight. Given the current lack of developing country negotiating capacity, the negotiation process should be tailored to suit the capacity of those least able to take part. The WTO agenda should not be expanded to include the so-called Singapore issues of investment, competition policy, transparency in government procurement and trade facilitation. The limitations of the 'single undertaking' were made evident by the Uruguay Round which wrongly assumed that it is appropriate for all WTO Members to undertake commitments in such areas as intellectual property and investment liberalisation. Future negotiations should allow countries - especially developing countries - considerable latitude as to whether and when to sign up to trade agreements.

Governments also have the responsibility of ensuring that national Parliaments have effective scrutiny over trade policy-making, the public has access to information regarding trade negotiations and that consultation with all parts of society (e.g. Business and Civil Society groups) is conducted in a transparent way.

## **Conclusions**

The performance and legitimacy of the international trade system must be judged in relation to its ability to meet the global challenges facing the international community at the beginning of the 21st Century: namely poverty, social injustice and environmental degradation.

To continue on the current course is not an option. The challenge is clear. But meeting it will require political will and fundamental changes to the world trading regime so as to put people and the environment at its heart. This is the demand of the undersigned agencies and we call on our governments to rise to the challenge.

## **Annex: Gender dimension to trade issues**

There is a need for consideration to be given to the fact that women and men are differently affected by trade and to note the following:

1. Women's input to the world's social economy, which underpins all productive activity, is not acknowledged in trade policy or trade negotiations. The unpaid work of maintaining family structure and caring for children, the sick and the elderly is mainly carried out by women. The economic value of this input is ignored in monetary considerations

2. Women make up the poorest 70% of the world's population. These women have little representation in negotiations. Women, as the majority of small farmers and traders, are the first to be driven out of business.

3. Women's position as society's main carers means that the adverse effects of trade liberalisation bear more heavily on women than men.

- Women make good deficiencies in service provision, that result from structural adjustment rules imposed upon their governments, in caring for the sick, carrying water etc.
- Girls are more likely to be deprived of education if families are unable to pay school fees or if help is needed in caring. Although this situation is improving, women who have missed out on education as children are consequently handicapped.
- Partly because of caring duties, women have less opportunity to be involved in community discussions, local and national decision making.
- Environmental degradation affecting land, water and fuel supplies has a greater effect on women than on men.

4. There is a heavy social consequence of breakdown of family life and social structures when women leave home to earn an income.

- Where there is insufficient income to provide for families, some women are forced to become migrant workers
- Poverty drives some women into prostitution to support their families

5. Women's traditional knowledge of plants and medicines is being taken by corporations and patented; their right to continue to use these valued skills is being eroded.

6. Progress made in establishing women's rights through the various covenants and conventions of the United Nations is eroded or undermined by WTO rules and Free Trade Agreements.