

The big trade off

"Forcing poor countries to liberalise through trade agreements is the wrong approach to achieving growth and poverty reduction in Africa, and elsewhere."

Tony Blair's Africa Commission, 2005

Free trade rules pushed by rich country governments are plunging the world's poorest people further into poverty. But in 2005 the UK holds the keys to ensuring that the international agenda benefits the world's poor. This year the UK Government is President of the European Union and plays host to the G8 summit of rich country leaders. What's more, 2005 will close with a World Trade Organisation (WTO) Ministerial Meeting in Hong Kong. The all-powerful WTO is allegedly in the middle of a 'development round' aimed at helping poor countries. But time and again WTO negotiations come back to the same thing – what 'trade offs' can be squeezed out of developing countries.

'Free trade' explained

Eight companies now earn more than half the world's population, whilst 1.1 billion people still live on less than 70p a day. The UK Government is fuelling this inequality by championing free trade policies that put profits before the needs of people and the planet.

Put crudely, free trade/trade liberalisation aims to remove government involvement in international trade. This includes ending government subsidies, and tariffs and quotas on imports, all of which protect domestic businesses from foreign competition. In theory, in the absence of interference from government, private companies will become more competitive and efficient, leading to greater profits and increased economic growth.

The UK Government claims that free trade is in the long-term interests of poor countries and that the benefits

of free trade will 'trickle down' to the poor. But many free trade policies are responsible for increasing rather than alleviating poverty. This is because they limit governments' ability to make decisions to help the poorest and most vulnerable, for example through imposing tariffs on imports to protect local producers from foreign competition. For instance when the International Monetary Fund forced Zambia to open up its textile market to free trade, in return for debt relief, Zambia's poor were simply plunged further into poverty. The removal of tariffs on imported goods caused an influx of cheap foreign goods and massive job losses and the industry collapsed.

The UK Government must stop pushing poor countries to open up their markets and respect their right to decide on trade policies which help them end poverty and protect their environment.

"... Ambassadors and trade ministers have been pressured [and] blackmailed and they have been offered deals ... They are talking about trade liberalisation and that is their mantra."

Irene Odida, Ugandan MP

The World Development Movement (WDM) is a founder member of the Trade Justice Movement (TJM), a coalition of some 70 organisations campaigning for trade justice – not free trade. At a national level WDM is directly involved in TJM's policy and planning work. Whilst at a local level WDM groups and activists play a lead role actively campaigning for trade justice alongside campaigners from other TJM organisations.

Trade justice

We believe that to end poverty and protect the environment we need trade justice – not free trade.

The UK Government should:

- Fight to ensure that governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment.
- End export dumping that damages the livelihoods of poor communities around the world.
- Make laws that stop big business profiting at the expense of people and the environment.



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Justice for the world's poor

The big trade off

Millions of livelihoods have been destroyed throughout the developing world by rich country agricultural subsidies to their farmers. The resulting cheap, subsidised produce is being dumped on developing countries and driving down the price of local produce – with devastating effects on the local economy.

The UK Government has made bold statements about pushing the EU to remove these crippling agricultural subsidies. However, the EU is not willing to remove them unless poor countries open up their markets through various free trade agreements. Free trade spells big bucks for big business and rich country governments are using a whole host of 'carrots' and 'sticks' to beat free trade agreements out of poor countries for their corporate allies.

The World Trade Organisation (WTO) is the main forum for negotiating these free trade agreements. Developing countries are currently supposed to be benefiting from the WTO's 'development round'. But in reality they are being bullied into opening up their service, manufacturing and agricultural sectors in return for minor reductions in rich country agricultural subsidies.

History demonstrates that rich countries did not develop through free trade but instead used a wide variety of regulations during their development process to protect their infant industries from competition from more established foreign companies. Trade liberalisation in developing countries prevents legislation that favours domestic companies, allowing large multinationals to destroy their small local competitors.

Trade off #1 The services sell-off

From the moment we wake to the moment we sleep, we depend on services. We wouldn't get far without our water, health and education services or our banks, telephone and transport systems. The service industry is huge – international trade in services is worth a staggering £1.5 million a minute. And big business is intent on securing these rich pickings.

The General Agreement on Trade in Services (GATS) aims to allow foreign companies to do business wherever they want and to remove any government regulations on their service provision that are considered barriers to trade. Many of the regulations that this will eliminate are government policies in the public interest, designed to limit the power of big business or to ensure universal access to basic services, irrespective of people's ability to pay.

GATS also threatens to lock-in free trade, because once a Government has fully committed a service sector to GATS rules, there is no turning back without

penalties from the WTO.

Tony Blair's Africa Commission report says that, "[services] liberalisation is best managed within national development strategies, rather than through multilateral trade negotiations in the GATS." This is an explicit recognition that it is a mistake for poor countries to commit their service sectors to GATS binding rules. Yet the UK, as part of the EU, is still pushing this services agenda forward.

Pull the plug on it! Keep water out of GATS

Water is a human right that should be available to all, regardless of one's ability to pay. However, current EU proposals on GATS threaten to undermine the United Nation's target to halve the number of people without access to safe water by 2015. The UK Government, as part of the EU, is calling for water's inclusion in GATS – a move

which would hand water supplies over to big business the world over.

Water privatisation in developing countries is characterised by unnecessary price rises, and a diversion of funds from connecting new communities to maintaining profits. For example, in Manila (Philippines), water privatisation saw a 200 per cent rise in water prices and the first cholera outbreak in 110 years. By locking-in water privatisation and its accompanying devastation, GATS threatens access to affordable water for poor people the world over.

WDM and TJM are demanding that the UK Government must stop the IMF and World Bank imposing trade conditions on poor countries.

WDM and TJM are demanding that water is kept out of GATS – the UK Government must insist that the EU withdraw its demand that water services be included in GATS.

Trade off #2

Manufacturing and agriculture

Rich country governments are also pushing poor countries to open up their industrial and agricultural markets to foreign competition, for example by ending government tariffs on imports. This is taking place through free trade agreements called Non-Agricultural Market Access (NAMA) and the Agreement on Agriculture (AoA), respectively. Millions of livelihoods will be at stake if faced with competition from rich country manufacturers and agricultural businesses that have the advantage of technology, infrastructure and in some cases huge subsidies.

The EU is making cuts in agricultural subsidies conditional on poor countries opening up their markets through these crippling free trade agreements. WDM and TJM are demanding that the UK Government must lead efforts to stop the EU forcing liberalisation on poor countries.

Trading away debt relief

It is not just at the WTO that the UK Government is forcing liberalisation on developing countries. As a major shareholder and decision-maker in the World Bank and the International Monetary Fund (IMF), the UK is responsible for imposing risky and unproven trade reforms on poor countries by attaching free market conditions to debt relief and aid. The results have been devastating. For example the IMF and World Bank ordered Malawi to cut help to poor farmers and to remove price controls on agricultural goods (which ensure a decent return for poor farmers). The resulting corruption, grain hoarding and massive price rises for food, made the famine which struck Malawi a few months later even more devastating.

Imposing trade conditions on poor countries in return for giving aid or debt relief is unfair, undemocratic and ineffective. Poor countries should be in control of their own economic development. The UK must push for this change.

STOP PRESS: campaign success!

In February 2005, under pressure from WDM and others, the UK agreed to stop attaching free trade conditions to its own aid programme, recognising that if development is to be successful then it must be owned and supported by the people and Government of the country in question. However, UK debt relief still requires the IMF seal of approval and so still pushes developing countries into dangerous free trade reforms. The World Bank and IMF can still demand these policies in return for their loans.

WDM and trade

Trade has always been important in WDM's fight against poverty.

1970 WDM's first campaign secures protected access to the markets of the newly formed European Community for developing country sugar producers.

1992 WDM's Stop the Stitch Up campaign unites Bangladeshi textile workers, trade unions and NGOs to call for the removal of textile quotas for the world's poorest countries.

1996 The proposed Multilateral Agreement on Investment threatens sweeping new powers for big business. WDM is key to the global campaign that defeated it.

1999 Massive protests at the Seattle WTO Ministerial Meeting call for fundamental WTO reform and lead to the talks collapsing.

2001 WDM launches a campaign which exposes big business' grab for services in the developing world under the General Agreement on Trade in Services (GATS). To date only one Least Developed Country has made a GATS offer.

2003/4 WTO talks in Mexico collapse after developing countries refuse to negotiate four new issues that are being pushed by the EU. In response to campaigning by WDM and other TJM members, the UK is the first European country to call for these new issues to be dropped. Eventually, as a result of developing country opposition and global campaigning, three 'new issues' are dropped from the current WTO negotiating agenda.

2004 Over 8,000 campaigners cast their 'Vote for Trade Justice' outside the Labour Party Conference chanting 'Free trade is not fair trade'.

2005 WDM's Colludo campaign forces the UK Government to stop imposing policies like privatisation and trade liberalisation on poor countries in return for aid. As TJM pressure mounts, the UK also agrees not to push new free trade agreements – Economic Partnership Agreements – currently being negotiated by the EU with former colonies.

STOP PRESS: campaign success!

Under pressure from TJM campaigners, in March 2005 the UK Government announced that it will call on the EU to change the negotiating mandate on Economic Partnership Agreements (EPAs). These free trade agreements aim to secure duty-free access to the markets of the former African, Caribbean, and Pacific (ACP) colonies for up to 90 per cent of EU goods. The EU is also using EPAs to push for a set of new trade rules (the 'new issues') that poor countries have already rejected at the World Trade Organisation. The EU's own impact assessment says that, in their current form, EPAs could be disastrous for poor communities.

Time will tell if the UK Government will put real political capital into this announcement or if they will hide behind the European Commission and claim inability to affect the negotiations.

"Trade justice is a truly meaningful way for developed countries to show commitment to bringing about an end to global poverty."

Nelson Mandela,
Trafalgar Square,
3 February 2005

Take action!

Send an action card to the UK Government:

- ☉ *Vote for Trade Justice* – demanding trade rules that benefit poor people and the environment.
- ☉ *Pull the plug on it* – calling for the EU to stop pushing for water to be in the GATS agreement.

Contact the WDM office to request the above action cards or for the following introductory guides:

- ☉ *Whose Rules Rule?* (Corporate-led globalisation)
- ☉ *Sale of the Century* (GATS)



Contact WDM to sign up as a WDM activist and receive urgent actions and campaign updates.

The World Development Movement (WDM) campaigns to tackle the root causes of poverty. Joining movements around the world, we win justice for the world's poorest people.

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