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# Focus on Trade

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Walden Bello, Metropolitan Books, Henry Holt and Company,  
New York

272 p, \$25, March 2005, ISBN 0-8050-7402-3

"Bello's bold critique is laid out clearly and concisely, in a forceful but not strident tone, with writing that is direct and effective. For all its detailed analysis, the book is a fast read. Read this book to help spot things that are worth worrying about and need adjustment, and to stimulate second thoughts about popular American ideological and nationalist prejudices." San Diego Tribune

The political and economic institutions of Washington's global hegemony, including the system of global economic governance centered on the World Trade Organization, International Monetary Fund, and World Bank, are analyzed in the context of what Walden Bello, executive director of Focus on the Global South, sees as an irreversible crisis of US power. The American empire seems unassailable, but Bello claims it is being overtaken by a triple crisis: a crisis of overextension brought about by a growing gap between Washington's military and political goals and the resources to achieve them; a crisis of excess capacity, leading to stagnation and shrinking profits alongside worsening global poverty and income distribution; and a crisis of legitimacy of US-style democratic client regimes and the US-dominated multilateral system. A detailed analysis of the causes, dynamics, and consequences of these three dimensions of crisis is the core of this provocative analysis.

See <http://www.focusweb.org/main/html/Article592.html> for details.

To order the book see: <http://www.henryholt.com/metropolitanbooks.htm> or <http://www.amazon.com>

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Focus on the Global South is an autonomous programme of policy research and action of the Chulalongkorn University Social Research Institute (CUSRI) based in Bangkok.

## THE END OF AN ILLUSION: WTO REFORM, GLOBAL CIVIL SOCIETY AND THE ROAD TO HONG KONG

By Focus on the Global South\*

### Summary

The “July Framework Agreement” is the last nail in the coffin of the illusion that the WTO can somehow be reformed, either piecemeal or comprehensively, to serve the interests of developing countries. More than ever, the Framework and its aftermath have revealed the WTO to be an iron cage that traps developing countries in a negotiations game that is systematically skewed in favor of the big trading powers of the North.

With even greater intransigence on the part of the trading powers of the North today, it is difficult to elaborate any other strategy to protect the interests of the developing countries and global civil society than the one that was developed for Cancun—that is, derailment of the Ministerial.

Essentially, derailment involves zeroing in on the key point of vulnerability of the WTO: its consensus system of decision-making. Concretely, it means working to prevent consensus from emerging in any of the key negotiating areas prior to and during the Sixth Ministerial in Hong Kong.

A strategy of derailment, to be successful, must, in the months leading up to the Sixth Ministerial, articulate lobbying and mass pressure in Geneva with national mass campaigns directed at specific governments, culminating in a coordinated program of mass actions and lobby pressure in Hong Kong and globally on D-day in the middle of December 2005.

### SEESAW STRUGGLE

The last few years have seen a seesaw struggle between the World Trade Organization and global civil society. In Seattle, big power disagreements, the revolt of the developing countries, and massive civil society mobilization brought down the “bicycle of liberalization”, to borrow C. Fred Bergsten’s description of the WTO as bicycle which can only remain upright while it is moving forward with its free-trade agenda.

The bicycle was set upright in Doha, when the absence of civil society mobilization allowed the big trading powers to bamboozle developing countries to sign on to the so-called Doha Develop-

ment Agenda to expand the ambit of the WTO. Then in Cancun, in September 2003, a better-organized South cum civil society mobilizations inside and outside the Cancun Convention Center, the tragic climax of which was the suicide of Korean farmer Lee Kyung Hae, brought the bicycle of liberalization down again.

Our victory was short-lived, for the equivalent of a coup was mounted at a General Council meeting in late July 2004 in order to restart the stalled “Doha Round” of trade negotiations on terms favorable to the North. The WTO is upright again and is moving with momentum towards the 6th Ministerial in Hong Kong in mid-December 2005.

That the WTO is an institution that can be reformed to serve as a vehicle for a more benign kind of globalization is one of the illusions that has been left behind by these developments. The one positive element in the 2001 Doha Declaration—the clear statement that public health concerns take precedence over “intellectual property rights”—was nullified by Big Pharma’s successful effort to make well nigh impossible the export of generic life-saving drugs from developing countries with manufacturing capacity to developing countries with none by imposing onerous stipulations on both importers and exporters. So unacceptable and cumbersome were the conditions imposed by the drug companies in the decision adopted in August 2003 that no developing country facing an HIV AIDS emergency took advantage of the temporary waiver from Article 31 (f) of TRIPs provided for by the decision.

That reform is mission impossible was underlined by the Cancun ministerial in September 2003, when the EU and the US provoked the collapse of the ministerial rather than significantly reduce their high levels of support for their agricultural interests or retreat in their effort to expand the WTO’s jurisdiction to investment and other economic activities beyond trade. The historic walkout from the Green Room led by African delegates was the only appropriate response to the intransigence of the North.

The so-called July Framework adopted at the WTO General Council meeting in Geneva in the late summer of 2004 is another glaring example of stonewalling by the developed countries. Practically all the key concerns of the South were subordinated to the industrial countries’ agenda of defending their high levels of agricultural subsidization, bringing down non-agricultural tariffs, pushing the so-called “New Issues” agenda, and pressing developing countries to make offers for

the liberalization of services. In contrast to more optimistic earlier assessments of the possibilities of advancing developing country interests in the WTO via a strategy of reform, Oxfam International, for instance, bleakly characterized the July Framework as “a minimal agreement that keeps talks and the WTO afloat, but fails to bridge continuing stark disagreements between developing and developed countries, let alone guarantee a pro-development outcome.”

Not surprisingly, there is little talk these days about “social clauses,” “environmental clauses,” measures to institutionalize the priority of public health concerns over patent rights, or agricultural market access reforms as the key demands of a reform agenda that civil society should push for in the Hong Kong Ministerial. In the months leading up to the Cancun meeting, civil society, operating under the principle that no deal is better than a bad deal, eventually coalesced around a strategy of derailing the ministerial. If anything, the prospects of a good deal are even more distant as we move towards Hong Kong. The strategy of derailing the ministerial is even more relevant today.

The July Framework’s key agreements illustrate why reform of the WTO is a dead end as a strategy for developing countries and global civil society.

### **INTRANSIGENCE IN AGRICULTURE**

In Cancun, the firm stand adopted by the Group of 20 and Group of 33 against the demands of the United States and the European Union for more access to their markets while maintaining the high levels of subsidization of American and European agriculture prevented the initiation of negotiations for a new Agreement on Agriculture that would be detrimental to the interests of the South. Also key in frustrating the agenda of the North was the tough stand of four West African cotton producers—Benin, Burkina Faso, Chad, and Mali—who demanded elimination of US cotton subsidies that were ruining their production as well as compensation for their losses.

Yet the “Framework for Establishing Modalities in Agriculture” that emerged out of the late July meeting produced agreements that were clearly detrimental to the developing countries.

Essentially, the Agricultural Framework

1) either maintains or expands the key mechanisms of “domestic support” or subsidization of EU and US agriculture, the so-called Blue Box and Green Box;

2) creates a new restrictive category—that of “sensitive products”—to hamper market access for developing country products; while

3) making conditional commitments to eliminate export subsidies; and

4) paying lip service to the developing countries’ demands for the designation of “special products” and other forms of special and differential treatment.

The July Framework did not provide caps or upper limits to the Green Box, which is used by the developed countries to channel their subsidies for their farmers—in the case of the US, some 70 per cent of its total subsidies to farming interests. Moreover, it expands the Blue Box, which tied direct income support for farmers to production limiting programs, to encompass direct payments not tied to such programs. This was done to accommodate a considerable portion of the \$190 billion in farm agricultural subsidies legislated under the US Farm Bill of 2002.

The July Framework introduced the new category of “sensitive products,” largely to accommodate the European Union, which may be able to use it to exempt some 20 to 40 per cent of its products from significant tariff cuts.

While the July text calls for the elimination of export subsidies, it does not set a deadline for this, nor does it provide the concrete steps to achieve this.

The text provides for the establishment of the category of “special products” for developing countries that would be subjected to lower tariffs and recognizes their demand to impose “special safeguard mechanisms” that would protect them from dumping of subsidized developed country products. However, the details are left for negotiations. On the other hand, the use of the existing agricultural safeguard (SSG) that developed countries have frequently used to limit the entry of developing country products has not been banned, despite the demands of developing countries to do so.

The balance of gains and losses was clearly on the side of the trade superpowers of the North, particularly the United States. On top of this, developed countries rejected the demand of the West African cotton producers that the elimination of cotton subsidies and compensation for damages to their production be treated as a separate, stand-alone item of negotiations. Instead, the issue would be subsumed under the general agricultural negotiations, thus guaranteeing that

its resolution would be hostage to progress in these talks. This underlined how eliciting the slightest concession on an issue that involved a relatively small amount — several hundred million dollars paid out to just 25,000 US farmers — was next to impossible, even if that item had been a central factor contributing to the collapse of the Cancun Ministerial.

### **NON-AGRICULTURAL MARKET ACCESS AND THE SPECTER OF DE-INDUSTRIALIZATION**

The give-no-quarter posture of the trade superpowers was evident as well on the issue of market access for non-agricultural commodities (non-agricultural market access or NAMA). The agreement on NAMA was based on the so-called “Derbez Text” floated during the Cancun ministerial (after the Mexican Secretary for Foreign Affairs Luis Derbez, who was chairing the ministerial), which was rejected by many developing countries. The key reasons for the rejection were a non-linear formula for tariff reduction, sectoral negotiations, and weak special and differential treatment. The non-linear formula, notes UNCTAD, would require “deeper cuts for higher tariffs,” so that it “would result in greater tariff cuts for many developing countries because they generally maintain higher bound tariff structures.” This would be contrary to the provision of “less than full reciprocity” for developing countries under the principle of Special and Differential Treatment. Despite this concern, the July Framework provides for continuation of work on a non-linear formula.

Developing countries with already relatively low tariffs on non-agricultural products also expressed concern over the “sectoral initiative” that proposed deep tariff cuts on 100 per cent of all categories of imported commodities falling under a designated industrial sector such as, for instance, “electrical and electronic products” or “textiles and garments.” As UNCTAD has noted, “Many developing countries and LDCs have already liberalized unilaterally, including under structural adjustment programs, and their applied rates are often low. Binding those rates close to applied rates may thus limit their policy space for industrial development purposes.” Indeed, de-industrialization, which began under structural adjustment programs, is feared to accelerate under NAMA. On the other hand, the US National Association of Manufacturers saw the July Framework’s provisions on NAMA as “a huge accomplishment, and a big win for the WTO, the United States, and the World economy. The really big accomplishment is that all countries have

accepted the principle of big tariff cuts and sectoral tariff elimination.”

**TRADE FACILITATION: THE OPENING WEDGE**  
Trade facilitation is the only one of the so-called “new issues” or “Singapore issues” that has been included in the negotiations. A number of developing countries have raised concerns about the costs, such as those incurred for more complex data processing, that would be added to their already stretched government budgets by the requirements of trade facilitation. However, the main threat posed by the inclusion of trade facilitation in the negotiations is that it serves as the opening wedge for the three other Singapore issues which are far more threatening — investment, competition policy, and government procurement — which the Group of 90 has adamantly refused to bring into the WTO’s jurisdiction. Indeed, while the trade superpowers have dropped them from the negotiations of the ongoing Doha Round, the Framework text does not provide for the disbanding of the work groups on these issues nor does it indicate that they are excluded from future negotiations after the Doha Round.

### **RATCHETING UP THE PRESSURE IN SERVICES**

The Framework Agreement eliminates the room for manoeuvre of developing countries in the negotiations on the General Agreement on Trade in Services (GATS), which were previously pursued on a separate track from the Doha Round negotiations. By formally including them in the Doha Round, thus effectively making them part of the “single undertaking,” the Agreement increases the pressure on developing countries to open up their services. Indeed, the text calls for governments to submit initial or revised offers of services to be opened up by May 2005. To date only about 32 developing countries have submitted offers owing to technical difficulties assessing which service sectors to open up owing to great uncertainty as to how liberalization would affect these sectors.

By formally tying the services negotiations to the negotiations in other areas, the Framework allows the EU and US, in particular, to hold the negotiations in agriculture hostage to the services negotiations, and vice versa, by conditioning their “concessions” in one area dependent on their gains in the other.

With 50 per cent of the GDP of developing countries now accounted for by services, access to this market is the dominant concern of the Framework. In contrast, lip service is paid to address-

ing the movement of natural persons (Mode 4), which is the main concern of the developing countries. Here commitments by developed countries are murky and confused at best, with a group of 18 developing countries criticizing the “ambiguity and the lack of predictability of offers with regard to the definition of natural persons, as well as over the substantial restrictions and requirements attached to the offers.” Economic needs tests are emphasized, while lack of clarity surrounds the granting of visas and work permits. Moreover, the offers of developed countries cover mainly skilled workers and largely leaves out semi- and less-skilled workers.

### **PLACING THE DEVELOPMENT AGENDA ON THE BACKBURNER**

Like the Doha Declaration of 2001, the July Framework gives short shrift to the main concerns of developing countries.

1. There are outstanding issues related to the Trade Related Intellectual Property Rights Agreement (TRIPs) such as the revising Article 27.3 (b) to prohibit the patenting of life; the relationship between TRIPs and the Convention on Biodiversity; and the protection of traditional knowledge and folklore. However, there is simply an affirmation in the July Framework to move ahead in the negotiations with no specific goals, except for members to submit new or revised offers by May 2005. Neither are there guidelines to revise TRIPs Article 31 (f) to institutionalize the Doha Declaration’s putting public health concerns over intellectual property rights.

2. The institutionalization of Special and Differential Treatment, a key principle of development, remains as distant as ever, with the Framework simply providing for work to continue to outstanding issues. The reason for the lack of movement here is that “developed countries refuse to make Special and Differential Treatment (SDT) operational and effective until the more advanced developing countries are graduated out of SDT. This premise is fundamentally flawed, as all developing countries need special and differential treatment, given widespread poverty and the need to protect infant industries in the developing world. Denying them SDT would amount to kicking away the ladder.”

3. Implementation has been a burning issue for most developing countries owing to the cumbersome process and, for many, high costs of making their trade policies, regulations, and laws “WTO –consistent.” Yet the July Framework does not mention any implementation issue of signifi-

cance to the developing countries. In contrast, the only implementation issue explicitly addressed is one that is of concern mainly to the developed countries: the extension of additional protection on geographical indications (GI) on commodities other than wines and spirits

### **PROCESS: INTIMIDATING AND OUT-MANOEUVERING THE SOUTH**

How could such an Agreement come about after Cancun, when the developing countries appeared to have come some way towards altering the balance of power?

The answer is by regaining control of the negotiating process via divide and conquer tactics, unfair negotiating tactics, and, most important, an institutional coup. As Oxfam International saw it, “The [July 2004] Council meeting was...characterized by a non-transparent, non-inclusive process, dominated by big trading powers and characterized by brinkmanship and power play.” The lesson: the procedures of the WTO are heavily weighted against the South.

### **DIVIDING AND NEUTRALIZING THE G20**

The G20 formation of big developing countries “broke the monopoly over trade negotiations formerly enjoyed by the US and the EU,” according to Brazilian Ambassador Clodoaldo Huguene of Brazil during the Mumbai Social Forum in January 2004. The G20 was not alone, however, with the G33, which was formed mainly by smaller agricultural countries, and the G 90, which formed in opposition to the new issues, playing important roles.

Initially, the US response was to pursue a unilateralist course outside the WTO via a dual strategy of sewing up bilateral and multilateral free trade agreements, while at the same time destroying the G20. By the spring of 2004, however, Washington’s two-track strategy was running into trouble. The Free Trade Area of the Americas (FTAA) that it wanted failed to materialize in the ministerial summit in Miami in November 2003, and it also began to realize that bilateral agreements could complement but never substitute for a comprehensive, multilateral free trade framework to promote corporate trade interests. At the same time, the G20, despite the initial defections, held firm.

To get the WTO restarted, Washington, working closely with Brussels, shifted gears. Instead of trying to destroy or undermine the G20, they moved to make its leaders, Brazil and India, a central part of the negotiations in agriculture,

which was the key obstacle to any further moves at liberalization. Thus was formed in early April the informal grouping called the Five Interested Parties (FIPS or G5), composed of the US, EU, Australia, Brazil, and India. The ostensible aim of this move was to organize the discussion with close to 100 developing countries by having India and Brazil “represent” them. The FIPS, in short, was intended as some sort of Green Room, except the representation of developing countries in it was far more limited than in the regular Green Room. It was in close consultation with this exclusive grouping that WTO Agriculture Committee Chairman Tim Groser produced the proposed agriculture text of the July Framework.

The US-EU strategy was apparently to bring Brazil and India into the core group of the negotiations, and then accede to these countries’ core demands in order to detach them from the rest of the developing countries. India’s key concern was to avoid the so-called “Swiss Formula” for cutting tariffs that would require deeper cuts on its highest agricultural tariffs relative to other tariffs, something on which it saw eye to eye with the European Union. According to one developing country negotiator, India’s main focus for the General Council was protecting its tariffs and it was not going to push hard on the issue of eliminating agricultural subsidies so as not to endanger the EU’s support for its position on tariffs. Both the EU and India were comfortable with a “Uruguay Round” approach to tariff cuts that would focus on a average cut across all agricultural lines and not “discriminate” against their highest agricultural tariffs. Such a formula, they felt, would allow them to maintain tariff levels that would be high enough for their most protected commodities to survive another round of cuts. There were developing countries, however, for which even a Uruguay Round approach would be too drastic, for example Honduras, Sri Lanka, Indonesia.

On the other hand, removing agricultural subsidies was Brazil’s concern, and here it got its way—or thought it did. The final text affirmed the phase-out of export subsidies as well as certain categories of export credits. The big winner with the phase-out of subsidies is said to be Brazil, with some estimates placing its gains as some \$10 billion. According to Brazilian Foreign Minister Celso Amorim, the July decision marked the “beginning of the end” of export subsidies. Yet, as noted earlier, the Brazilian “gains” are not secure unless locked in by the modalities of the negotiations. A specific end-date for the elimination of export subsidies will only be clinched in the

next phase of discussions. Moreover, even when elimination has supposedly taken place, the EU has been known to replace export subsidies with indirect export subsidies by way of direct payments to farmers under the Green Box. This is, in fact, the intention of the current Common Agricultural Policy (CAP) reform. Furthermore, the framework left untouched the Green Box, which houses up to 70 per cent of US’ total subsidies. Even the most optimistic analysts cannot say for certain that overall levels of support from the two agricultural giants will be brought down. In fact, it is predicted that subsidy levels will be maintained if not increased.

It was not that India and Brazil were not sensitive to the demands of other developing countries. In fact, they were given high marks for consulting the different developing country groupings. It was simply that by becoming central actors in the elaboration of the proposed framework, they had put themselves into an impossible situation. And the more meeting their own interests began to diverge from a strategy of promoting the interests of the bulk of the developing countries, the more they trumpeted the claim that the July Agreement on agriculture was a victory for the South. It is testimony to the prestige of India and Brazil among other countries in the South that it was only belatedly, a few weeks after the July Accord, that the reality began to sink in among many developing countries that they had been outmanoeuvred.

With a framework agreement on agriculture—the most decisive negotiating area for most developing countries—in place, the trade superpowers rode the momentum to pressure development countries into agreements on NAMA, services, trade facilitation and other areas.

### **WILY NEGOTIATING TACTICS**

In addition to veiled threats and power plays, wily negotiating strategy on the part of the EU and the US was another reason for the developing country setback. The moves of the trade superpowers were calculated to put the developing countries on the defensive. Often, working together in a coordinated fashion, they had the negotiating advantage vis-à-vis a much larger set of countries whose many interests had to be reconciled with much effort into common negotiating positions.

One example of the Washington’s skillful exploitation of its negotiating advantage was its strategy on the Blue Box in the agricultural talks. To get a new, expanded Blue Box, Washington dis-

tracted the developing countries' attention by putting forward the demand that they reduce their *de minimis* domestic supports (that is, the allowable rate of subsidization of their production). Thrown on the defensive, these governments spent so much energy justifying their subsidies, so that they were only too relieved when the US stepped back to compromise on the issue in return for their agreeing to the expansion of the Blue Box.

Similarly, just before the General Council meeting, the European Union suddenly introduced the proposal for "sensitive products" to protect some 20-40 per cent of its products from significant tariff cuts. Worried that the EU might put blocks to their demand for protecting "special products" or commodities essential to their food security, the developing country negotiators acquiesced.

### **INSTITUTIONAL COUP**

But probably the most important process or procedural victory registered by the trade superpowers was to shift the effective locus of decision-making to the General Council from the ministerial—though this was, of course, accomplished with the support of influential governments like India and Brazil.

After the collapse of the Cancun ministerial, the developed country governments apparently realized that the ministerial, the prime decision-making mechanism of the WTO, is also its key point of vulnerability. The WTO Consensus rule—a process that, as WTO partisan Fred Bergsten says, has been managed by the so-called Quad, composed of the US, EU, Japan, and Canada—works best in smaller, more non-transparent settings. In a larger, more open meeting, it can become a disaster.

Ministerials, the trade superpowers realized, invite a debacle for several reasons:

- They attract citizens and citizens' groups, thus subjecting negotiators to popular pressure.
- They ensure the presence of the press, thus forcing the proceedings to be less non-transparent than usual.
- They highlight the contradiction between formal sessions, which are reserved for speechmaking, and informal meetings where the real decisions are made, thus exposing the organization to the charge of being non-transparent and non-democratic.
- They bring representatives of national governments, such as trade ministers and environmental ministers, many of whom are more sensitive than Geneva-based negotiators to popular pressure and are not socialized into the Geneva cul-

ture of negotiations.

The interaction of these elements produced the collapse of the third ministerial in Seattle and the fifth ministerial in Cancun, with the role of civil society mobilizations being clearly most decisive in Seattle. The absence of one vital element—civil society mobilizations—in Doha, Qatar, contributed to a manageable, successful ministerial that was a disaster for the developing countries.

Learning from Doha, the trade superpowers, with the acquiescence of influential countries like India and Brazil, manoeuvred to push the General Council, which meets in Geneva, to make the major decisions that traditionally belonged to a ministerial. The Council meeting in Geneva at the height of summer consisted mainly of professional negotiators and other governmental representatives of non-ministerial rank. Indeed, there were said to be only around 40 ministerial level representatives out of 147 present. Equally important, there was but a sprinkling of civil society organizations, and those who were present were prevented from demonstrating by the Swiss police. Many of them were also banned from being present at the WTO proceedings, thus severely restricting their interaction with delegates.

In a very real sense, then, the July General Council meeting was an institutional coup, one that could provide a precedent for future decision-making. UNCTAD warns that:

"The fact that the... Framework Agreement was decided at the GC level with some Ministerial participation raises interesting questions with regard to the relative role of Ministerial Conferences. Taking into account the setbacks at Seattle and Cancun, the future role of Ministerial Conferences may be increasingly geared towards stocktaking, the injection of momentum, and putting a political seal on deals already worked out in the GC. There is then the very real possibility that the Sixth Ministerial in Hong Kong will be transformed into a stocktaking session, with real decision-making transferred to a General Council meeting taking place shortly before or after the Ministerial."

### **A DERAILMENT STRATEGY FOR HONG KONG**

The dynamics of the July Framework make it highly unlikely that the developing countries will get a ministerial decision which would serve their interests. The psychological war that was so prominent in the lead-up to the July Agreement is already being put into motion. Already, developed

country groups have warned that unless the poorer countries make better offers on their services, "Hong Kong will fail." Likewise, at a recent meeting in Mombassa, Kenya, developing country demands for movement on Special and Differential Treatment met with the same response: the more advanced developing countries should be graduated out of SDT. Also, there is as yet no sign that the EU is prepared in Hong Kong to set a specific date for the ending of export subsidies. And the US has reiterated that it is no mood to make concessions on Mode 4 of GATS.

The US-EU "psywar," unfortunately, is taking its toll on the South. Instead of standing up to pressure from the North, the G20, in its final declaration after its meeting in New Delhi on the third week of March 2005, stated that an agreement on modalities in the Hong Kong ministerial must be compatible with the July Framework and in line with the Doha Declaration; that negotiations on agriculture must be "intensified to stimulate progress in all other areas of negotiation" (a persistent demand of the EU and US); and that a first "approximation" of modalities must be ready for the General Council meeting in July 2005.

With little chance of getting a conclusion to the Doha Round that would be beneficial to the interests of developing countries, the only viable strategy is to prevent a ministerial agreement that would simply perpetuate the inequities of the current system. In Cancun, the developing countries and civil society ultimately came around to the position that no deal was better than a bad deal. With the July Agreement already serving as a framework for the Hong Kong Ministerial document, a strategy to derail the Ministerial is even more valid today. No deal is better than a bad deal since the only possible deal is one that would further consolidate the underdevelopment, marginalization, and immiseration of the South.

#### **WEAKNESSES ON OUR SIDE**

To effect such a strategy successfully, however, we first of all need to take to heart the weaknesses displayed by pro-development forces.

First, the fragile state of unity among developing countries which the EU and US were able to exploit by co-opting Brazil and India into the FIPs or G5.

Second, while international civil society coordination during ministerials has been impressive, there is a lack of follow-through in between, and this lacuna will be especially worrisome in the lead-up to Hong Kong. The reason for this is

that WTO-related national civil society formations and campaigns that can consistently pressure their governments are still very few in number.

Third, the negotiations on the July Framework showed the worrisome absence of civil society mobilizing capability in Geneva that can be articulated with lobby efforts there. Filling this lacuna will be very important during the key committee negotiations that will unfold in Geneva to flesh out the July Framework with concrete targets and substantive clarifications before Hong Kong.

Finally, Hong Kong will need, probably more than other ministerials, maximum coordination of inside lobby pressure on delegations, protests within the ministerial site, and external street protests. Failure to coordinate among some of the grassroots networks of the host country was a disturbing element during the mobilizations in Cancun, though fortunately, it was not a bar to unified action on the ground.

#### **NO TO A "STOCK-TAKING MINISTERIAL"**

If derailing the ministerial is the key strategic objective, then it is important first of all to make sure that the ministerial is a decision-making ministerial and is not converted by the developed countries into a stocktaking exercise whose input would feed in to a General Council Meeting like the July 2004 meeting. This danger must not be underestimated since, as noted earlier, the big trading powers have become paranoid about the way large mobilizations can interact in unmanageable ways with the postures of the developing countries at the height of negotiations.

#### **PREVENTING CONSENSUS**

Assuming that the ministerial remains a decision-making ministerial, the movement must focus on the key point of vulnerability of the WTO decision-making process: the consensus rule. Concretely, it will mean preventing consensus from emerging either before or during Hong Kong in any of the key negotiating areas. The earlier gridlock can be brought to prevail in the negotiations the better it will be for the developing countries.

#### **SUGGESTED SLOGANS AND THEMES**

The strategy to derail the ministerial by preventing consensus will involve many levels of work, levels which need to be articulated with one another. Thus the importance of slogans that synthesize the campaign objectives. The following might serve this function:

- Derail the Doha anti-development round
- Derail the anti-development Hong Kong ministerial
- Dump the anti-development WTO July framework
- No more negotiations for an Agreement on Agriculture
- No to the WTO's anti-democratic and non-transparent decision-making processes

Themes elaborate or provide the rationale for slogans. They should cogently synthesize what is objectionable in the July Agreement, which will frame both the continuing committee and mini-ministerial discussions leading up to Hong Kong and the ministerial business in Hong Kong itself. Based on the foregoing analysis, the following themes are suggested:

1. The Framework Agreement for Agriculture is nothing but a massive dumping enterprise aimed at developing countries that will exacerbate the massive displacement of small farmers taking place under the current Agreement on Agriculture.
2. NAMA (Non-Agricultural Market Access) is a prescription for the deindustrialization of developing countries, increased unemployment, and bankruptcy of small, medium, and even big national enterprises.
3. The July Framework creates unwarranted pressure on developing countries to open up their services to transnational corporate control.
4. Trade facilitation negotiations are mainly the opening wedge for the other, more threatening new/Singapore issues (investment, competition policy, government procurement)
5. The July Framework prioritizes the agenda of the developed countries and disregards the primary concerns of developing countries, which are special and differential treatment and implementation issues.

### **SITES OF STRUGGLE**

Derailing the ministerial will be a complex operation that will involve articulating mass campaigns at the national level, Geneva-based lobbying and mobilization, leading up to coordinated lobby work and mass work in Hong Kong and elsewhere during the mid-December ministerial.

The Geneva-based work is mainly lobby and pressure work directed at negotiators and the WTO secretariat, though the importance of grassroots pressure must not be discounted, especially at strategic moments during the negotiations. The

following are recommended as the principal lobby and pressure tactics:

- Raise the process and democracy issue strongly by denouncing the General Council as usurping the functions of the Ministerial. Denounce and oppose efforts to make Hong Kong a "stock taking session: rather than a decision-making session.

- Stalemate discussions in the General Council and different key committees (Agriculture, NAMA, Trade Facilitation, and GATS) as negotiations unfold. This must, of course, be done in coordination with mass campaigns at the national level designed to pressure negotiators to not move the process forward by conceding on either substantive or procedural points.

- Pressure India and Brazil to leave FIPS (Five Interested Parties) and put pressure on all parties (e.g., G20 and EU) to dissolve FIPS. To achieve this, other developing countries should be encouraged to openly speak up against FIPS as the main negotiating forum for the agricultural interests of all developing countries. This is rather urgent since the FIP process has resumed following the mini-ministerial in Kenya in early March, with much the same dynamics. As a TIP/IATP update on events in Geneva warns, the process has dangerous implications not only for the agricultural negotiations: "Some sources in Geneva say this type of process—possibly with the addition of a few more key countries—is considered as a possible model for other areas of negotiations, such as NAMA. This approach to negotiations shows the continued tendency for WTO Members to conduct negotiations that claim to be on behalf of everyone, yet only reflect the interests of the biggest powers."

- Oppose the holding of more "mini-ministerials" and other informal decision-making processes. Justified as necessary to facilitate the negotiation process, WTO mini-ministerials, where a few handpicked countries are invited to attend, are informal processes that have actually been used to undermine the formal decision-making process of the WTO based on majority rule. Not surprisingly, mini-ministerials are often used to reach decisions unfavorable to the South. Already, in 2005, mini-ministerials have been held in Davos, Switzerland, in late January, and Mombassa, Kenya, in early April. A mini-ministerial on NAMA is slated for Tokyo on April 10 and another for Paris on May 3-4.

Also to be opposed are informal group decision-

making meetings such as “Senior Officials Meetings” (SOM), one of which will be hosted by Canada in Geneva on April 18-19, where about 30 countries are expected to attend.

This proliferation of informal meetings dominated by the North reveal that as Hong Kong approaches, the decision-making process is becoming more informal and non-transparent to conceal the escalation of pressure on the developing countries to make concessions.

- Pressure Brazil and India not to take any more unilateral initiatives and to carefully coordinate their moves not only with other members of the G 20 but also with other blocs, such as the G33 and the G90.
- Pressure the G20 to push a strong collective stand, especially against the Agriculture Framework and NAMA.
- Pressure G33 to strongly protest and resist efforts by the EU to impose the category of sensitive products and expose the lack of real commitment of developed countries to special safeguard mechanisms and special products.
- Pressure G90 especially to stymie negotiations on trade facilitation by portraying this as really an opening wedge for other, more threatening new issues.
- In view of the centrality of Geneva-based negotiations, build up a local mobilization committee/network that can also draw on Europe-based groups for mass demonstrations and other mass actions in Geneva as well as Brussels.

### **NATIONAL MASS CAMPAIGNS**

At this level, the priorities should be to:

- Expose the transnational corporate agenda behind the agreement on agriculture (AOA), NAMA, and GATS.
- Concentrate on building up comprehensive national mass campaigns against the July Framework. This will mean getting NGOs working on the WTO to work more closely with trade unions, farmers’ groups, and other social movements.
- Create or consolidate lobby work on legislators and trade bodies, and coordinate this with national mass campaigns.
- Coordinate national level lobby work and national mass campaigns with pressure work on government negotiators in Geneva at critical junctures.
- Work closely with media in order to get them to report more critically on WTO processes.

### **HONG KONG, D-DAY, DECEMBER 2005**

Hong Kong must be seen not as the start but as the culmination of an international process that

began months before.

As in Cancun, numbers will make a difference. Thus no effort must be spared to draw thousands of demonstrators from all over the world, but particularly from North and Southeast Asia and from Hong Kong itself. Mobilizing the numbers for Hong Kong must be a central part of the agenda of the national mass campaigns, especially those in Northeast and Southeast Asia. Mass demonstrations should be staged in other parts of the world, along with acts of civil disobedience, and these actions should be synchronized with the Hong Kong actions.

We must prepare not only for demonstrations and teach-ins but also for massive civil disobedience. In this regard, organizers must be prepared to appeal to Hong Kong authorities’ rhetoric about respecting individual and civil rights to create maximum space for different varieties of mass action.

Drawing from the successful tactics of the Our World is not for Sale (OWINFS) network in Cancun, there must be effective but flexible coordination of lobby strategy within the ministerial, civil protest within the ministerial premises, and mass protests and civil disobedience outside the ministerial meetings.

The Hong Kong People’s Alliance on the WTO must be promoted as the coordinating center for major activities.

Broad unitary coordination with tactical flexibility should be the principle of the mass/lobby actions.

### **DON’T FORGET THE SECOND FRONT**

While making the Hong Kong ministerial a major objective, we should not lose sight of the fact that the WTO is one of two fronts where the trade superpowers are pursuing their trade liberalization agenda. The other is regional and bilateral agreements such as the Free Trade of the Americas and the US-Thailand Free Trade Agreement. The trend is disturbing. There are 215 regional trade agreements in force today and the number is expected to exceed 300 by 2007. Many of these are North-South RTAs where “negotiations tend to result in deeper market access and higher regulatory standards than negotiations at the multilateral level.” Thus even as we focus on the WTO, we must not let down our guard against developed country initiatives to corral developing countries into FTAs and RTAs.

At the same time, we should not be fooled into believing that the WTO is more acceptable than FTAs and RTAs because it is a multilateral forum with “universal rules” that every country, big and small, is supposed to comply with. If recent US and EU diplomacy is any indication, FTAs and RTAs are seen as complementary, not contradictory to the WTO, in pushing the interests of the trading powers. The WTO sets an initial level of mandatory liberalization that RTAs can build on for more thoroughgoing liberalization.

### ALTERNATIVES

Following a derailment strategy will bring up the inevitable question about what the alternative is. This is, of course, a work in progress, although many of us may already have tentative strategies to propose. If we are engaged on this issue, it is probably important to stress the following lines along which the elaboration of alternatives is unfolding:

- the WTO is a relatively new organization, and world trade functioned pretty well without a centralized institution and system of rules before its establishment in 1995;
- the alternative to a centralized global institution like the WTO is not “chaos,” as the big trading powers would like to paint it, but more space that would enable countries to adopt diverse national strategies that respond to the values, priorities, and rhythms of different societies (as opposed to the neo-liberal, one-shoe-fits-all model imposed by the WTO);
- the interests of developing countries can best be served by a pluralistic system of global economic governance in which many institutions such as the United Nations Conference on Trade and Development (UNCTAD), International Labor Organization, multilateral environmental agreements, regional economic blocs, and a radically scaled down and disempowered WTO, check and balance one another and thus provide countries with “developmental space”;
- regional economic blocs formed on the principle of subordinating trade to development needs and coordinating economic activities other than trade while respecting the principle of subsidiarity (that is, that production should, as much as possible, be locally based) may be an important component of the alternative to the WTO-centered governance of neo-liberal globalization.

### CONCLUSION

The stakes are high as we approach Hong Kong. One outcome could be that the WTO finally gets to be consolidated as the engine of liberalization of trade and other key dimensions of economic activity such as investment. Another is that it

unravels a third time and becomes permanently crippled as an agent of the global neo-liberal agenda. Hong Kong could be the Stalingrad of the WTO, its high water mark, when the drive to roll it back gets the upper hand and gains an unstoppable momentum. The outcome, to a great extent, depends on us—our determination, our strategy, our tactics.

\* Focus would like to thank Aileen Kwa and Alexandra Strickner for their assistance in the preparation of this paper.

## 'THE IRAQI RESISTANCE IS A POPULAR RESISTANCE'

An interview with Sheik Jawad Khalisi of the Iraqi National Foundation Congress by Herbert Docena

ON MARCH 19 LAST YEAR, the eve of the first anniversary of the invasion of Iraq, thousands of Shia Iraqis marched down from their mosque in Khadamiya district in Baghdad, passed a US military base, and crossed the Tigris river. There they met thousands of Sunni Iraqis who had marched from their own mosque in another district to join them.

The show of unity was organized by groups behind the Iraqi National Foundation Congress (INFC), a broad coalition of Iraqi political forces, which some see as a possible nucleus for the emergence of a united front against the occupation. Founded in May 2004, the INFC is an umbrella group that includes leftists, nationalists, and Islamists from various tendencies who opposed Saddam's regime and who refused to be part of any US-installed political body. Membership in the Congress is open to all who subscribe to its minimum bases of unity: an unequivocal call for the withdrawal of occupation troops and opposition to any possible division of Iraq's territory and people on religious or sectarian basis.

Its members include Dr Muthana Harith al Dhari from the Association of Muslim Scholars, Iraq's largest network of Sunni clerics, Najaf-based Shia religious leader Ayatollah Ahmad al Baghdadi, and Wamid Nadhmi, an academic at the Baghdad University who is the group's spokesman. The al-Sadr movement has a representative in the general secretariat.

Conscious of the occupiers' strategy of fomenting sectarian strife, the INFC is a deliberate project to bring together Sunni and Shia Muslims, Arabs, Kurds, Turcomen, Assyrians and other minorities. The INFC condemned the US-led offensives against both the mainly Shi'ite city of Najaf and the mainly Sunni city of Fallujah. It has also been instrumental in defusing sectarian tension in highly-charged Kirkuk and Mosul.

Claiming to have no armed wing, the INFC explicitly supports the Iraqis' right to resist "by all means necessary" even as it has condemned beheadings, hostage-taking, and the killing of non-combatants.

On the sidelines of the recent World Social Forum in Porto Alegre, Brazil, we spoke with Sheik Jawad al-Khalisi, an influential Shia religious scholar and political leader who also serves as the INFC's secretary-general. The madrasa that he administers, an unassuming complex surrounded by narrow, muddy streets, old houses decked with Arab-style balconies and bazaars, is said to be the historic birthplace of the resistance to the British occupation in the 1920s. It has also now become the venue of the INFC's regular meetings.

Herbert Docena: Tell us about the Iraqi National Foundation Congress.

Jawad al-Khalisi: After the invasion of Iraq, the occupation forces occupied Iraq militarily, economically, and politically. The Iraqi state has been destroyed. At first, the Iraqi people were shocked. It was necessary to initiate a national project in order to unite all the forces opposed to the occupation. That's the main reason why we participated in the elaboration of the Foundation Congress. In fact, we have been thinking about this project before the invasion. We planned to transform this project into a reality after the occupation forces came.

HD: You had a founding conference in May 2004. What has happened since then?

JK: Bit by bit, the Congress has become the main force representing the opposition to the occupation. It represents opposition using different forms. We don't have direct contact with the military group of the resistance but these groups send letters and messages to us. They consider the INFC their political structure and defend the political positions that the resistance groups are fighting for.

To give you an example of the effectiveness and representativity of the Congress, when United Nations special representative Lakhdar Brahimi came to Iraq, he met with many Iraqi forces and he met the INFC because he considers us as the main force representing the opposition in Iraq. Concerning the elections, a call to boycott came from the Congress.

HD: Outside Iraq, we hear of many groups who claim they represent the resistance. What's your basis for saying you're the political structure defending the positions of the resistance?

JK: We don't say that we are the political face of the resistance. Firstly, we are a political struc-

ture; we don't have a military wing. But some resistance groups whom we don't know of say that the positions expressed by the Congress represent the whole opposition in Iraq – armed and unarmed. Perhaps some other political groups have relations to the resistance but I think our political positions represent the Iraqi national consensus.

HD: What are the Congress's main political demands?

JK: We have elaborated a political program and everyone who wants to join has to accept the points of the program declaration. First, we demand an immediate retreat of the occupation forces and a complete return of sovereignty to Iraq. Second, we insist on the unity of the Iraqi territory. Third, we support the legitimacy of resisting occupation by any means necessary. Fourth, we refuse any division of the Iraqi people on religious or sectarian basis.

HD: You call for an immediate withdrawal of occupation forces. What do you say to those who argue that the troops should not be withdrawn yet because there will be chaos if the troops leave?

JK: We are also afraid of a political vacuum in Iraq. When we say "immediate retreat of occupation," we know that this will not happen in one day. But it's necessary to set a timetable. During the intervening period, the Iraqi police and army can be built up. In any case, we don't expect things can get much worse when the occupation troops leave Iraq than what's happening today. What's happening today is so bad that after the retreat of the occupation forces, the situation could not be worse.

HD: What about those who are saying there will be civil war when the troops leave?

JK: They are trying to legitimise a long occupation by the United States. They are puppets of the Americans.

HD: US officials always say that those who are fighting the occupation forces are "anti-Iraqi" forces" or "Baathist dead-enders" or...

JK: According to the US military, in Fallujah they captured 1,065 people. Among them, they found only 25 non-Iraqis. All the others were Iraqis. The resistance is an Iraqi resistance – a popular resistance — which is spreading now. Among the resistance groups, there are former officers of the army who are using their expertise to help the

resistance. But the main ideological current inside the resistance is a popular and moderate Islamic current – not a Baathist one. It is popular, patriotic, and Islamic.

HD: What do you mean by "popular Islamic"?

JK: That means that the people of Iraq – not necessarily the organized ones or those who belong to organized political groups – are fighting the occupation at their own initiative and they generally have a mixture of religious and patriotic motives for doing so. The American forces dominate the Iraqi nation and they also have a project that threatens the religious identity of Iraq. The religious motive is also very strong because people who are fighting militarily superior forces have more strength when they have a religious conviction that they are fighting against oppression and that when they die, they'll go to heaven.

HD: There are people in the anti-war movement, in the left, and even those in the right who also oppose the occupation but who say that we shouldn't support the resistance because they're being led by Baathists and "fundamentalists" and we shouldn't allow them to take over Iraq if and when the US leaves.

JK: It is the occupation forces who are spreading this line. As one French deputy said a few months ago, the Iraqi resistance was like the French resistance: one day it will defeat the occupation forces and take power in Iraq.

When I say "Islamic current" inside the resistance, I mean a moderate Islamic current. It is not the Islamic current portrayed in the media. It is an Islamic current that is defending its own culture and nation but which is not hostile to other cultures and other nations. It is not hostile to the American people but it is opposed to the project of American domination of our region and the world.

HD: To what extent are Saddam loyalists and "Islamic hard-liners" engaged in the resistance?

JK: I think that they represent only 5% to 10% of the resistance. Of this fraction, the "Islamic hard-liners" are the majority. Partisans of Saddam have a very weak participation. However, some Baathists participating in the resistance and in the political opposition to the occupation are not Saddam loyalists. They consider Saddam responsible for what happened. They are still attached to the ideology of the Baath party but they are not Saddam loyalists. They don't want him to come

back to power. Some of them have quit the Baath ideology and they are against the occupation.

Now, the main focus in Iraq is to fight the occupation. This is the fundamental question now – transcending ideological and political differences.

HD: How divided are the resistance groups and what are the chances of forming a united front against the occupation forces?

JK: Iraq's condition under the occupation doesn't allow for the formation of a united front now. In one area, you will sometimes find six or seven guerrilla groups formed by the population to fight the occupation but that are independent from one another. Sometimes, some problems arise among these groups. After one year and a half of experience, we are witnessing the combination of different groups and we think that this coming together will be reinforced in the coming months.

The operation in Mosul two months ago and the operations last week – when one American helicopter was shot down and 31 soldiers were killed – signifies that we are witnessing qualitative developments in the armed struggle.

HD: Do the resistance groups have the support of ordinary Iraqi people?

JK: The main support to resistance actions is given by ordinary people.

HD: The INFC originally said it would participate in the January 30 elections. However, in the end you decided to boycott. Why?

JK: We said we are going to participate in the election if it were honest and legitimate. We had conditions and we expressed them in documents we sent to the United Nations, the Washington Post, and the New York Times. We hoped that the election commission would take them into account. But, because the commission is not independent, it didn't.

One of our conditions was a stop to all the military aggression against the Iraqi people. When the Americans attacked Falluja, it was enough for us to refuse any participation in the elections.

HD: But there are those who justify their participation in the elections saying they only took part because it would be the best way to end the occupation.

JK: That's also our point of view but on the con-

dition that the requirements for real elections exist. Elections in the way that the Americans want them organized serve to support the occupation.

HD: The United Iraqi Alliance, for example, said that when they win, they will call for a timetable of the withdrawal.

JK: The coming days will show whether they will respect their promise.

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**THE WOLF IS DEAD, LONG LIVE  
THE WOLF**  
Raj Patel\*

Paul Wolfowitz is the US nominee to head the World Bank, replacing Jim Wolfensohn, who retires this year. The US gets to pick the head of the Bank, the Europeans pick the head of the IMF, and it's unlikely that the US will brook any criticism of its annointed candidate. (1)

FYI, Wolfowitz is the nice man who mops up the oil and starts the wars - Wolfensohn liked to see himself as the man who mopped up the wars and started the oil flowing again.

I'm having trouble seeing, though, why the nomination is a bad thing. The shrill and self-righteous end of the European NGO spectrum has put out a petition to denounce the US nomination, which I'm not going to dignify with a signature. They're entirely correct that the nomination process is shrouded in secrecy, and that Wolfowitz's career since being US ambassador to Indonesia during the Suharto regime has rendered him less than authoritative on the issues of good governance and probity on which the Bank prides itself. Wolf-2 is sensitive to this critique. In his words

"In order to develop my own vision, I intend to rely on a lot of listening and improving my understanding of the views of those who have served the world's poor with skill, devotion and compassion."

(When he talks about "those who have served the world's poor", he's talking about the people at the World Bank.)

There are a number of reasons to think Wolfowitz's appointment isn't so bad. First, it'll stop the people who think that the Bank can be fixed. They've long been a problem to the movement, and a comfort to [the current president] Jim Wolfensohn during his ten year stint: he has always been able to drape an avuncular arm over the nearest pasty white boy from London or Brussels or Washington, squeeze their shoulder, and make them feel the Bank was becoming a better place. I'm told Wolf-2 is a little too oleaginous to quite manage a firm grip. Either way, any NGO that tried to get too close would be much more widely seen for the parasites they are.

Second, it's much easier to see how war and the Bank are linked if the man who's good at one can move to the other without skipping a beat. This helps movement-building, and makes it harder for the media to ignore the links, though in this, I imagine ignorance will prevail.

There may even be reasons to think that the Bank's budget may shrink under Wolf-2, with Bush preferring the direct imperial control that the US Treasury offers, and able to throw a bone to the non-passport-holding members of his party who wonder why they spend so much money on black people. If this is true, then this is again good. The governments of the global South need to wean themselves from the Bank, and there's no time like the present to do it.

In short, the World Bank has a president that everyone knows and loathes, and this is going to make change easier. Welcome on board, Slick.

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(1) The World Bank Executive Board unanimously endorsed the nomination of Paul Wolfowitz on 31 March, 2005. He will take up the position on 1 June 2005.