

Focus on Trade

No.57

December 2000
Seattle Anniversary Issue

Focus on the Global South
c/o CUSRI, Chulalongkorn University,
Bangkok 10330
Thailand
Ph: 66-2-2187363; Fax: 66-2-2559976
Email: admin@focusweb.org
web: <http://focusweb.org>

IN THIS ISSUE

**The Success of Being Dangerous:
Resisting Free Trade & Investment
Regimes**

Gerard Greenfield

**The WTO: Boon or Bane for the
Developing World?**

A debate between Walden Bello, executive director of Focus on the Global South and professor at the University of the Philippines and Philippe Legrain, special adviser to WTO Director General Mike Moore and former trade and economics correspondent at the Economist.

**Malaysian NGOs call on government to
reject launching of new WTO round**

THE YEAR AT THE WTO: ANALYSIS AND KEY ISSUES FOR 2001

**Transparency and institutional issues a
year after Seattle**

Aileen Kwa

**The 'a la carte' undertaking: a new
approach to special and differential
treatment?**

Aileen Kwa

**The Agreement on Agriculture: change
requires a hero's journey**

Aileen Kwa

Introduction

A year on from Seattle, very little had changed in terms of making the World Trade Organisation's practices and rules more democratic, transparent and development friendly.

Developing country governments in Geneva sometimes underplay the importance of fighting for greater transparency and democracy on the pretext that substantive issues are ultimately more important. However, the lack of movement on key issues such as implementation show that real progress in addressing developing countries' concerns will come only if both substantive and process issues are tackled simultaneously.

In this issue of *Focus on Trade*, Aileen Kwa reviews the year at the WTO. In the first of three articles 'Transparency and institutional issues a year after Seattle' Aileen assesses the state of negotiations and highlights the trend towards legitimising the Green Room consultations rather than eliminating them. She points out the key institutional problems plaguing the WTO and makes some suggestions on how the organisation can be more democratic and responsive to developing countries' interests and needs. 'The a la carte undertaking: a new approach to special and differential treatment?' describes how the single undertaking structure of the WTO "slipped" into the Uruguay Round negotiations as a result of intense pressures by the EU

and US on developing countries. The article calls for special and differential treatment for developing countries by allowing them the flexibility to endorse only those agreements they perceive to be of benefit at their particular stage of development.

The final article looks at the failure of the current negotiations on the Agreement on Agriculture to take into account the needs of small farmers. It argues that we urgently need a new agricultural model based on production for local and national needs using local knowledge and inputs. It concludes with some suggestions on how the AoA could support small farmers to farm more sustainably and in a way which benefits them economically but, as Aileen warns, such an undertaking requires a 'collective hero's journey.'

But first, labour research activist Gerard Greenfield argues that we need to "deepen the crisis at the WTO" and open spaces for "localisation and democratisation," Walden Bello takes on Mike Moore's top adviser Philippe Le Grain and Malaysia's NGOs ask Prime Minister Mahathir to stick to his guns (notwithstanding Gerard Greenfield's view that "we don't need a responsive state, we need a democratic state").

Happy Anniversary WTO!

The Success of Being Dangerous: Resisting Free Trade & Investment Regimes

Gerard Greenfield

In the neoliberal ice age of the early 1980s through to the end of the 1990s, global capitalists and their supporters expressed supreme confidence in their victory over us. This confidence is symbolized in the posters and billboards launched by The Financial Times in the mid-1990s, declaring: "Capitalists of the world unite!" By taking our slogan ("Workers of the world unite!") and turning it upside-down, they were - in a sense - ridiculing our own internationalism. They forcefully claimed that the internationalism of the post-Cold War era was an internationalism built and defended by capitalists, for capitalists.

Lately, however, this confidence has been shaken, if not shattered. The lead editorial in a recent issue of The Economist views anti-capitalist protests as "angry and effective." More importantly, the editorial warns that globalization is not inevitable and irreversible as the neoliberal ideologues have insisted for the past two decades. Rather, the very fact that globalization can be reversed is what makes anti-globalization movements so dangerous:

"The protesters are right that the most pressing moral, political and economic issue of our time is third-world poverty. And they are right that the tide of 'globalization', powerful as the engines driving it may be, can be turned back. The fact that both these things are true is what makes the protesters - and, crucially, the strand of popular opinion that sympathizes with them - so terribly dangerous." (The Economist, September 23, 2000)

The Economist makes it very clear that open declarations of capitalist confidence are harmful at the present time. Instead, the legitimacy of globalization - and, crucially, of capitalism - must be restored. The tactic for achieving this is to focus on Third World poverty. That's why The Economist then goes on to argue that the greatest beneficiaries of globalization are the Third World poor, and it's the anti-globalization protesters who are condemning them to continued poverty.

The post-Seattle WTO has also recast itself as the ally of the poor and marginalised. As Mike Moore, the Director-General of the WTO, declared:

"It is poor people in poor countries who are grasping the opportunities provided by trade and technology to try to better their lives. Mexican farmhands who

pick fruit in California, Bangladeshi seamstresses who make clothes for Europeans, and South African phone-shop owners who hawk time on mobile phones to their fellow township dwellers. They and countless other real people everywhere are the human face of globalization."

So it seems that restoring the legitimacy of the WTO, after what they called "the setback in Seattle", involves greater emphasis on world poverty as the main issue. At the same time, some of the world's largest TNCs - with the worst records of labour repression, cultural and ecological destruction and genocide (of which Nike and Shell are just two examples) have founded a new partnership with the United Nations to save the world's poor. Helping the world's poor under the UN corporate partnership makes it a commercial activity - a commodity like everything else. Without having any effect whatsoever on what these TNCs actually do to the planet and the mass of the people on it, this tactic serves to restore the legitimacy of corporate rule and regain the confidence of previous years.

But Mike Moore has gone a step further in these troubled times. In sharp contrast to the days of ridiculing our internationalism by misusing our slogans, we now find Comrade Mike talking about our internationalism as the shared tradition of the WTO:

"We on the Left have a lot to be proud of. We built the Welfare State that looks after people when they are sick, poor, or old. We fought for the equality of women and minorities. We argued passionately for internationalism, for solidarity between workers in Sweden and those in Africa." (Mike Moore, WTO Director General, July 26, 2000)

At one level this is just a change in rhetoric. It's a tactical maneuver, not a change in strategy. It's certainly not a fundamental shift in the nature of the globalization project. This tactic seeks to restore a degree of legitimacy and limit the damage done by the anti-globalization movements. In other words, it's a way of making us less dangerous.

However, it's important to recognise that the protests in Seattle also produced its share of rhetoric. The slogan "Shutdown the WTO" may have meant "abolish the WTO" for many progressive labour and social activists, but for more conservative unions and social groups it meant "shutdown this particular WTO meet-

ing.” In this sense it was merely symbolic. Dozens of WTO-related meetings among technocrats preceded the Seattle meeting, and as many have taken place since.

The rhetoric was even more apparent when the president of the AFL-CIO, John Sweeney, declared at the start of the protests, “Today we are making history!” Even before the protests had ended he announced, “We have made history!” It was less a first step than the last. The WTO was shaken, but not broken, and it was time for the AFL-CIO to get back to the negotiating table to insist on a reformed WTO - with a social clause and without China. The tactics behind the slogans were not only lacking a strategy, but lacked a common goal.

It no longer makes sense to simply accuse the WTO and other agencies of global capitalism of neglecting the poor, failing to recognise the importance of ... (insert any social or environmental issue here), or lacking democracy. Since Seattle there have been numerous speeches and publications churned out by the WTO technocracy which assert the importance of democracy, human rights, environmental protection, social needs, the primacy of “the social market” over the “the free market”, and the need to eradicate poverty. Meanwhile, since Seattle, five more countries have joined the WTO (Another 25 will join in the next couple of years). Key agreements have been expanded, and the number and intensity of trade talks and backroom deals has increased - not decreased. So where does that leaves us?

As an oppositional strategy, pointing out what is missing in the WTO doesn't really tell us very much about what it is we're up against. Those unions, NGOs and social coalitions which want to reform agencies like the WTO employ tactics of lobbying, alternative policy input, and social clauses. The tactic of including those things they believe are missing from the WTO agenda is based on certain key assumptions about what the WTO is and what it does. For a start, they assume the WTO and agencies like it are institutions or organisations. They also assume that the main function of institutions like the WTO is to make and implement policies or trade agreements. Based on this, the problem becomes narrowly defined: in running these institutions and making policies and agreements there is too much corporate control and not enough control by social, labour and environmental groups (collectively called ‘civil society’). This then means that globalization itself is not seen as a problem. It's the kind of globalization that is in question. This then becomes a contest between corporate globalization and a people-centred or more humane kind of globalization.

By accepting globalization and focusing on the rhetoric of poverty, democracy and social inclusion, these civil society groups are in fact helping the WTO out of its crisis of legitimacy. This occurs at a time when the

very thing we should be doing is deepening the crisis. More importantly, these civil society and social groups are creating conditions that would render the anti-globalization movements less dangerous both for themselves and for the political and economic elite. They've clearly missed the point. We can only be effective if we continue doing whatever it is that makes us dangerous - and do it better. It's in being uncivil society that we find we can challenge the WTO and what really lies behind it.

To launch such a challenge it's important to understand that the WTO is not about institutions and agreements. It's not even about trade. The following is an example of the changes under globalization which suggest that trade is not the primary issue. In 1999 the value of global exports totaled US\$7 trillion. In the same year the value of sales by the 690,000 foreign affiliates of the world's 63,000 TNCs was nearly double, at US\$13.5 trillion. It's also significant that while worldwide exports tripled in the period from 1982 to 1999, the sales by TNCs' foreign affiliates increased six times - at twice the rate (UN World Investment Report 2000). What this suggests is that free trade is not really about increasing the flow of goods and services across borders, but in increasing the dominance and control of local markets by TNCs. More fundamentally, it increases our dependence on these TNCs.

This dependency reflects a critical dimension of what the WTO, NAFTA and other free trade agreements really are. They are not just institutions and agreements, but are regimes. Basically, a regime is an arrangement of political power. In this case free trade and investment regimes refer to an arrangement of political power between countries and between corporations and governments. For example, under the WTO regime the arrangement of power between countries freezes the members of the WTO into a hierarchy of ‘developed’, ‘developing’ and ‘least-developed.’ By banning certain kinds of industrial and development policies in the ‘developing’ and ‘least-developed’ countries and increasing overall dependency on TNCs, the WTO regime ensures that only those countries which are already ‘developed’ stay at the top of this hierarchy.

Free trade and investment regimes also establish an arrangement of political power between corporations and governments. It's already well understood that the free trade agenda is about increasing the power and freedom of corporations, especially TNCs. This kind of freedom is what defines globalization:

“I would define globalization as the freedom for my group of companies to invest where it wants when it wants, to produce what it wants, to buy and sell where it wants, and support the fewest restrictions possible coming from labour laws and social conventions.” (Percy Barnevik, President of the ABB Industrial Group)

Getting rid of these restrictions has meant redefining domestic regulation in ways that protect the interests of TNCs while placing new restrictions on the ability of governments to regulate them. For example, between 1991 and 1999 there were 1,035 changes worldwide in laws on foreign investment. Of those changes, 94 per cent increased the freedom of foreign investors and reduced government regulation (UN World Investment Report 2000). The effect of such changes is not only to force policy-making and the judicial process to become more like the US, but to restrict the future possible actions of governments and isolate them from the pressure of labour and social movements.

As we saw in the NAFTA challenge by Ethyl Corp against the Canadian government in 1997, and in the recent NAFTA ruling in favour of Metalclad Corp against the Mexican government, it's not just an assault on environmental regulation that we should be concerned about. It's an assault on the original local struggles that brought this legislation into being in the first place. In this sense, rolling back social and environmental legislation under free trade means rolling back the past victories of labour and social movements.

What the NAFTA challenges also showed was that federal governments are often willing to lose these cases so that they discipline provincial, state or municipal governments which have adopted progressive social and environmental policies. Where federal governments do not have the legal or political power to reverse such legislation, it can allow the external intervention of NAFTA and the WTO to act on its behalf.

The WTO is often accused of secrecy and a lack of democracy. This easily leads to proposals for greater transparency and openness. Yet such an approach ignores the fact that we need to have the ability to do something about what we see, otherwise we'll just be spectators in a transparent process. It's not just the absence of democracy in the WTO and NAFTA that is the problem, but the outright hostility towards democracy. Aggressively cutting back our ability to impose democratic priorities on capital is not an afterthought - it lies at the very heart of the globalization project. It also reminds us that the entire WTO process of becoming a member and obeying the rules rests on threats and coercion. It's the threat of trade sanctions that drives it, not human needs or common sense.

The continued spread of international and local protests against globalization in recent months has deepened the WTO's crisis of legitimacy - a crisis which was most apparent in Seattle in November 1999. This is not only an external crisis. There are serious disagreements between the governments of developing

and developed countries over the WTO rules, deadlines and procedures which have stalled several negotiations. Despite this, key governments (especially the US, EU, Japanese and Canadian governments) are attempting to expand the scope of WTO agreements and to strengthen its powers. To effectively challenge this we must not help the WTO out of its crisis of legitimacy by calling for its reform. Instead we need to deepen the crisis and create the political conditions necessary to abolish the WTO and the free trade and investment regimes which lie behind it.

Deepening the crisis of legitimacy in the WTO, NAFTA and other free trade and investment regimes requires ongoing mass mobilizations and protests. However, we should not forget that the official trade talks we're protesting against are essentially symbolic. Shutting down a WTO meeting is important, but technocrats are meeting in a dozen other places both before and after the official event. In combination with (not instead of) these mass protests, we should organize sustained, widespread popular education activities - activities which move beyond the symbolic events of official meetings and become events in themselves. This popular education should not only raise a critical awareness of the impact of the WTO regime on working people, but must explore the necessity of democratic controls over capital and the ways this can be achieved. Whether it's a Tobin tax on speculative currency transactions, the nationalization of banks, or the participatory budget experience in Brazil, a greater popular awareness of the absolute necessity of such measures is an important step towards abolishing the WTO, NAFTA, the IMF, etc. To achieve this popular education activities should encourage a creative sense of urgency about collective action and collective solutions. By a 'creative' sense of urgency means a sense of urgency that does not generate fear and uncertainty, but compels people to imagine democratic alternatives and struggle for their immediate implementation. Through this we can deepen the WTO's crisis of legitimacy while creating legitimacy for a wide range of radical solutions.

We should be clear that a world without the WTO and NAFTA would not be a world without rules on international trade. Rules already exist at the local and national level in most countries, providing much needed social and environmental protection and regulating the trade in goods and services in ways that are less harmful (and sometimes even beneficial) to working people. What is needed now is that these rules are strengthened and expanded to manage trade more effectively in the interests of working people on both sides of any trading relationship. But this isn't simply a matter of replacing free trade with fair trade. Having fair trade makes no sense if a country has been forced for the last hundred years to grow and export coffee, or if people are starving and exporting rice at the same time. What this suggests is that we

need a fundamental rethinking about why we trade, what we trade and the need for local alternatives.

However, for the countries in the South such alternatives can't even be considered as long as they are burdened by international debt. The pressure of debt repayment is a driving force behind exports, locking these countries into the free trade and investment regime of the WTO and the structural adjustment policies of the World Bank and IMF. The total and immediate cancellation of Third World debt and increased, unconditional international social assistance is necessary before any system of fair trade can be truly effective.

The claim that a world without the WTO would be a world without rules is untrue because at the international level we already have a wide range of rules: treaties and conventions on human rights, labor and trade union rights, economic, social and cultural rights, as well as rules which restrict harmful forms of international trade such as toxic waste and military arms. These international rules were the result of a long history of popular struggles worldwide, and it's necessary now more than ever before to reassert the priority of these conventions and principles. We should do so not by including them in the WTO or NAFTA so that our principles and rights are absorbed, distorted and commercialized under free trade and investment regimes, but by reasserting the importance of fundamental rights and freedoms over and above trade and investment, and regaining ground against the globalization project.

This makes it necessary to abolish those free trade and investment regimes which lock the state 'upwards' into the global interests of TNCs and 'away' from popular pressure from below. However, it also means that pressure from below must be transformed into something more structured or systematic so that the state (at all levels) is not simply 'pressured' by the shift in popular opinion against globalization, but is controlled by it. In other words, we don't need a re-

sponsive state, we need a democratic state. Clearly that is a massive project. But the abolition of free trade and investment regimes like the WTO, the subordination of TNCs to democratic controls, and the reversal of the globalization project, require the democratization of the state at national and sub-national levels. Restoring and expanding the rights of governments over capital, especially the right to regulate the activities of TNCs, is only a first step. This would involve immediate measures such as increased corporate taxes, restrictions on capital outflows, and stricter ecological protection, as well as more fundamental changes like the democratic (not bureaucratic) nationalization of the banks and other public utilities, and the reversal of the past two decades of privatization. At the same time progressive localization strategies must be strengthened. This may include self-organized cooperatives, community-based resource management, the social conversion of industries, and directly-elected local jobs councils. Whatever the range of initiatives involved, these localization strategies not only require government support, but also need effective protection from aggressive attacks by TNCs.

The combined effect of democratization and localization is a radical re-ordering of the domestic arrangement of political power in ways which fundamentally contradict - and therefore weaken - the global arrangement of political power under free trade and investment regimes. This in turn creates the political conditions in which an effective, popular counter-project can be launched to reverse the globalization project. Only through such a project would we then be dangerous enough for the capitalists' worst fears to come true.

** Gerard Greenfield is a labour research activist working with unions and labour groups in the Asia-Pacific. He is an editorial collective member of *Quan Qiu Hua Jian Ca-Globalisation Monitor*, and is currently working with the *Canadian Auto Workers (CAW)*.*

The WTO: Boon or Bane for the Developing World?

An exchange of letters between Walden Bello, executive director of Focus on the Global South and professor at the University of the Philippines and Philippe Legrain, special adviser to WTO Director General Mike Moore and former trade and economics correspondent at the Economist. It appeared in the Ecologist, December-January, 2000, Volume 30, Number 9.

Dear Philippe,

The idea that the world needs the World Trade Organisation (WTO) is one of the biggest lies of our time. The WTO came about, in 1995, mainly because it was in the interest of the US and its corporations. The European Union, Japan and especially the developing countries were mostly ambivalent about the idea; it was the US which drove it on.

Why? Because though the US, back in 1948, blocked the formation of an International Trade Organisation (ITO), believing that, at that time, the interests of its corporations would not be served by such a global body, it had changed its mind by the 1990s. Now it wanted an international trade body. Why? Because its global economic dominance was threatened. The flexible GATT (General Agreement on Tariffs and Trade) system, which preceded the WTO, had allowed the emergence of Europe and East Asia as competing industrial centres that threatened US dominance even in many high-tech industries. Under GATT's system of global agricultural trade, Europe had emerged as a formidable agricultural power even as Third World governments concerned with preserving their agriculture and rural societies limited the penetration of their markets by US agricultural products.

In other words, before the WTO, global trade was growing by leaps and bounds, but countries were using trade policy to industrialise and adapt to the growth of trade so that their economies would be enhanced by global trade and not be marginalised by it. That was a problem, from the US point of view. And that was why the US needed the WTO.

The essence of the WTO is seen in three of its central agreements: the Agreement on Trade Related Intellectual Property Rights (TRIPs), the Agreement on Agriculture (AOA), and the Agreement on Trade Related Investment Measures (TRIMs).

The purpose of TRIPs is not to promote free trade but to enhance monopoly power. One cannot quarrel with the fact that innovators should have preferential access to the benefits that flow from their innovation for a period of time. TRIPs, however, goes beyond this to institutionalise a monopoly for high-tech corporate innovators, most of them from the North. Among other things, TRIPs provides a generalised minimum patent protection of 20 years; institutes draconian border regulations against products judged to be violating intellectual property rights; and – contrary to the judicial principle of presuming innocence until proven

guilty – places the burden of proof on the presumed violator of process patents.

What TRIPs does is reinforce the monopolistic or oligopolistic position of US high tech firms such as Microsoft and Intel. It makes industrialisation by imitation or industrialisation via loose conditions of technology transfer – a strategy employed by the US, Germany, Japan, and South Korea during the early phases of their industrialisation – all but impossible. It enables the technological leader, in this case the US, to greatly influence the pace of technological and industrial development in the rest of the world.

The AOA is all about consolidating the monopolistic competition between the US and the EU for third country markets. The agreement does provide for cuts in certain subsidies, but these cuts are relatively small measured against the tremendous overall level of subsidisation in the US, EU, and other developed countries. Moreover, the AOA exempts a very important channel of subsidisation: direct income payments to farmers, which in the US comes to one-fifth to one-third of farm income.

The subsidisation of agricultural production in the US, EU, and other developed countries is now nothing short of scandalous. OECD figures show that instead of decreasing under the WTO regime, overall subsidisation has increased tremendously, from around \$182 billion in 1995 to \$362 billion in 1998! Naturally, this situation creates conditions of over-production and a huge need for export markets to relieve surplus. These markets are in the developing countries, which the AOA mandates to remove agricultural quotas, bind agricultural tariffs, accept 'minimum access volumes' of agricultural commodities, and prevent from significantly raising their minimal levels of subsidisation. Food insecurity and the displacement of millions of families who cannot compete with subsidisation from elsewhere are among the bitter harvests of the AOA.

Trade-Related Investment Measures (TRIMs), such as trade-balancing mechanisms or local content policies, had been used by many Third World countries to build up industrial sectors by pushing transnational firms to source components and inputs within the country. However, these measures interfered with the inter-subsidiary trade of transnational corporations. Alongside the banning of quotas and the binding of tariffs, the TRIMs agreement, by outlawing trade-balancing and local content policies, effectively eliminates

the use of trade policy for industrialisation and development.

These agreements provide just three examples of the fact that the WTO is fundamentally flawed; and fundamentally flawed agreements resist reform.

So why does the line about the necessity of the WTO keep on being repeated despite the empirical evidence? Because Washington has learned from the Nazi propaganda master Joseph Goebbels that a lie repeated often enough might ultimately attain the status of truth. Fortunately, after Seattle, people now see through this Big Lie. The world does not need the WTO. The US corporate elite does.

Walden Bello

Dear Walden,

A convincing case for the WTO's abolition must show two things. First, that the world would be better off without the WTO. Second, that the WTO's abolition is preferable to any politically feasible reform. You fail to show either.

Abolishing the WTO would not destroy globalisation, capitalism, or US corporate power. But it would wipe out a forum for governments to negotiate multilateral trade rules and a mechanism for holding them to those rules. That would make every country worse off, but the biggest losers would be the poor and the weak.

One benefit of rules is that they apply to big, rich countries as well as small, poor ones. When America blocked imports of Costa Rican underwear, Costa Rica appealed to the WTO. It won, and America lifted its restrictions. Do you honestly think Costa Rica would have such clout in Washington without the WTO? Granted, the dispute-settlement mechanism is not perfect: America has a battery of lawyers to fight its corner, whereas small countries scrimp. It should be improved. But it is already much better than the alternative: the law of the jungle, where might makes right.

Another merit of WTO rules is that they tie governments' hands. Once countries open their markets to foreign trade and investment, they cannot close them again at whim. Without this stability, companies would be reluctant to invest abroad, particularly in developing countries with a protectionist or politically unstable record. Abolishing the WTO would further marginalise developing countries.

If there were no prospect of further multilateral liberalisation and no body to enforce existing rules, trade barriers would creep up as protectionists gain the upper hand. The world might split into hostile regional blocks, with rich-country exporters seeking captive markets in developing countries. Developing countries, which need access to rich-country markets

more than rich countries need access to theirs, would have to join on unfavourable terms or be left out in the cold.

In any case, there would be less trade. And less trade means slower economic growth, stagnating living standards and more people trapped in poverty – like in the Great Depression. Over the past 50 years, the 15-fold rise in world trade has driven a seven-fold rise in world output. Thanks to trade, Japan and South Korea are no longer developing countries. Jeffrey Sachs and Andrew Warner of Harvard University found that developing countries with open economies grew by 4.5 per cent a year in the 1970s and 1980s, while those with closed economies grew by 0.7 per cent a year. At that rate, open economies double in size every 16 years, while closed ones must wait a hundred. Of course, in the short term, some people lose from trade liberalisation. But in the long run, everyone gains: even the poorest South Koreans today are much richer than their counterparts 30 years ago.

Let me briefly address your specific points.

If the WTO mainly serves US corporate interests, why have 139 countries freely joined? Why are 30 others, including China, trying to join? Why is Castro, hardly a US stooge, a big WTO supporter? Presumably, they think WTO membership benefits them. Moreover, if the WTO mainly serves US corporate interests, why do America's steelmakers oppose WTO membership? And how come the US lost the biggest WTO case ever, when its foreign-sales corporations, worth some \$4 billion a year to US companies, were judged to be illegal export subsidies?

On TRIPs, you recognise that innovators should have some rights over their inventions. So why shouldn't high-tech corporate innovators, such as Microsoft and Intel? True, intellectual-property rights give companies market power: that is how innovators are rewarded. But as recent US antitrust cases involving Intel and Microsoft show, patent protection does not prevent the exercise of competition law.

It is simplistic to think that countries can industrialise by copying or reverse-engineering foreign technology. Most technology can only be used effectively with the co-operation of the companies that developed it, which have associated secret know-how. Such technology transfer is more likely with a functioning intellectual-property system. Research shows that strong patent protection is positively correlated with FDI, technology licensing and international trade. Contrary to your claim, patent protection was built into the American constitution and has a long history in Germany, Japan and South Korea.

On agriculture, you cannot blame the WTO for US and EU subsidies: they existed before the WTO. I agree

they should be cut. So you should welcome the current WTO negotiations on agriculture, which aim to reduce agricultural protectionism. How would abolishing the WTO reduce farm subsidies?

The TRIMs agreement does not 'effectively eliminate the use of trade policy for industrialisation and development' Yes, it outlaws trade-balancing and -domestic-content requirements, which in any case research shows are ineffective. But governments can still use investment measures such as technology-transfer requirements. Moreover, developing countries can invoke exceptions to promote economic development, and have a five-year transition period (seven for least-developed countries). Nine developing countries have requested a further extension, but most have not needed to.

The WTO is not perfect. But it is still a powerful force for good in the world.

Philippe Legrain

Dear Philippe,

Your method of arguing is to set up a straw man: opponents of the WTO are opponents of the growth of trade. This is silly. Trade can be good or bad for national development – it all depends on the rules that guide it. The relative flexibility of the old GATT has disappeared under the WTO, which imposes policies which advance the interests of superpowers.

Your most prominent example of the benefits of liberalisation – South Korea – proves the opposite. Far from being a paragon of free trade, South Korea systematically subordinated trade to developmental goals. The recent paucity of foreign cars in Korea was a key condition for the emergence of its car industry. The 'South Korean miracle' was based on protectionist/mercantilist trade practices, not on the doctrinaire free trade principles that undergird the WTO.

I had expected a more reasoned reply than a doomsday scenario asserting that without the WTO, the international economic order would degenerate into anarchy or hostile regional blocs. The history of the international economy in the last 55 years refutes this hysterical contention. The seventeen-fold increase in global trade between 1948 and 1997 took place without a powerful trade bureaucracy, without an all-encompassing system of trade rules.

Five years into the WTO, hardly any developing countries claim it has benefited them. Just look at the record: US and EU dumping of subsidised grain and meat is destroying agricultural industries, like the poultry industry in the Philippines. The US and other trade superpowers have scarcely implemented the lifting of quotas on textile and garment imports of interest to the developing countries, as stipulated by the Agree-

ment on Textiles and Clothing. The Ministerial Decision approved at Marrakech in 1994 to take measures to counteract the negative effects of trade liberalisation on the net food importing countries (NFID) has never been implemented. These are among the reasons why the majority of developing countries oppose a new trade round.

So why are they in the WTO? In the case of most, it is not from the prospect of gain but out of fear that the rate at which they are being marginalised would increase if they were not members. You can hardly blame them: in 1994, Washington stampeded Third World governments to ratify the WTO by saying they would otherwise be isolated 'like North Korea'.

You say that the function of the WTO is to provide rules to protect the weak from the strong. Do you really believe this? It is power, Philippe, not justice, which is the currency of unequal international economic arrangements like the IMF, World Bank, and WTO. The main rationale for the WTO's existence is to reduce the cost of policing the less powerful and less developed economies that would be incurred by the hegemonic power if there were no system of rules backed up by a bureaucracy with coercive powers. This is the reason Washington's academic point man on trade, C Fred Bergsten, could tell the US Senate that what was not possible under GATT was possible under the WTO: '[W]e can now use the full weight of the international machinery to go after those trade barriers, reduce them, get them eliminated.'

The WTO is the incarnation of a paradigm that subordinates almost every other good – environment, development, food security, culture – to free trade. Shot through with this fundamental flaw, it cannot be reformed. Instead, it must be disempowered, if not abolished, and replaced by a system of global economic governance that regards the market as a mechanism to be controlled and guided to achieve social priorities.

Walden Bello

Dear Walden,

I'm disappointed that you seem not to have read my letter carefully. I didn't say that 'opponents of the WTO are opponents of the growth of trade' I said trade would be lower without the WTO. Nor did I say the world 'would degenerate into anarchy or hostile regional blocs' without the WTO. I said protectionism would creep up and the world might split into hostile regional blocs. Do you disagree? If so, you haven't said why. If not, you haven't shown how the reduced trade and increased protectionism that would result would benefit the world.

My position is clear. The WTO is good for the world

because it helps lower trade barriers and keep them down, which boosts trade and thus economic growth. Countless country studies show this. Moreover, a rules-based system is of particular benefit to weaker countries. Of course, with or without the WTO, America is much more powerful than Cuba or Costa Rica. But equally clearly, WTO rules constrain America's ability to act unilaterally. Surely this is a big benefit for weak countries? What I'm saying is not inconsistent with your statement that WTO rules benefit America. The multilateral trading system is not a zero-sum game, where one country gains at another's expense, but a positive-sum game, where everyone can gain.

You claim most developing countries are in the WTO because they 'fear that the rate at which they are being marginalised would increase if they were not members' Even accepting your premise, this means they are not as badly off in the WTO as outside. In fact, developing countries benefit from WTO membership, by opening their domestic markets and gaining better access to foreign ones. That is why none has left the WTO. I agree rich countries have been slow to lift textile-import barriers. But they will do so by 2005. Without the WTO, that would not happen. Moreover, a new WTO round could bring even bigger benefits. The Tinbergen Institute estimates developing countries would gain \$155 billion a year from further trade liberalisation – over three times the \$43 billion in average annual overseas aid.

You also claim the WTO 'subordinates almost every other good – environment, development, food security, culture – to free trade' Not so. WTO rules allow governments to protect human, animal or plant life and health however they want so long as their measures are not arbitrarily or unjustifiably discriminatory and are not disguised protectionism. Take the recent asbestos case. Although a WTO panel found that France's ban on white asbestos discriminates against Canada, it upheld the ban on health grounds. WTO rules also give developing countries plenty of flexibility, as I described in my first letter. The Agreement on Agriculture makes allowances for non-trade concerns, such as food security and environmental protection. Perhaps more importantly, by fostering trade, the WTO raises economic growth, which is the only long-term route to development. Growth also generally helps the environment, because when people get richer they usually want a cleaner environment and are able to pay for it.

From the false premise that WTO subordinates everything to free trade, you leap to the conclusion that it 'cannot be reformed' Yet the GATT became the WTO. So why couldn't the WTO change? Reform of the dispute-settlement mechanism is already being discussed. Moreover, a new WTO round will have to address developing countries' agendas or they will not agree to its launch.

It is a pity that you blame the WTO for everything you dislike. Your prejudice blinds you to the fact that, in an unequal world, the WTO makes people richer, freer and safer.

Philippe Legrain

Dear Philippe,
Before you muddy things further, let me say this: I am for fair trade – trade that is subordinated to priorities such as development, the environment, and food security. You are for free trade – trade that is liberated from such restraints in the belief that some 'invisible hand' will bring about 'the greatest good for the greatest number' The WTO institutionalises this paradigm, which has brought about the opposite of the global prosperity that you touchingly have faith in.

Statistical projections are only as good as the assumptions that determine the numbers. I prefer historical evidence. The latest World Bank Development Report shows that, in the 90s, poverty and inequality increased in Eastern Europe, Latin America, the Caribbean, Sub-Saharan Africa and South Asia. All these areas were subjected to SAPs that embodied the IMF-WTO free-trade paradigm.

If we must forecast, let us rely on universally respected sources such as the UN Development Programme. The UNDP estimates that, under the WTO, in the period 1995-2004, the 48 least developed countries will actually be worse off by US\$600 million a year and Sub-Saharan Africa by US\$1.2 billion a year! 70 per cent of the gains of the Uruguay Round are expected to go to developed countries.

We cannot conclude without touching on one of the WTO's biggest flaws: its undemocratic decision-making process. Shortly after Seattle, even US Trade Representative Charlene Barshefsky conceded that the 'Consensus/Green Room' method was 'a rather exclusionary one,' where 'all meetings were held between 20 and 30 key countries, and 100 countries were never in the room.' But barely 10 weeks later, Director-General Mike Moore said that the Consensus/Green Room method was 'non-negotiable'. So much for Mr. Moore's reform agenda.

Add all this up, Philippe, and it might finally dawn on you why the case for disempowering the WTO is so compelling.

Walden Bello

Dear Walden,
Whether you or I believe in free or 'fair' trade is beside the point. It is simply incorrect to assert that the WTO subordinates development, the environment and food security to trade. Read the GATT and Uruguay round

texts. It is also ridiculous to blame the WTO for world poverty, which existed long before the WTO was set up. As for the IMF's structural-adjustment programmes, they have nothing to do with the WTO.

We are debating whether the WTO should be abolished, not whether there is injustice or misery in the world. Our question can only be answered by comparing the state of the world with the WTO (or a plausibly reformed WTO) with the likely state of the world without it. You say 70 per cent of the gains of the Uruguay round are expected to go to developed countries. That means 30 per cent go to developing countries. So, even by your figures, both developed and developing countries gain from the Uruguay round.

I am glad you brought up the alleged lack of democracy in WTO decision-making. The WTO operates by consensus. This means every country, however small, has a veto. How is that undemocratic? It is this consensus principle, not the Green Room process, which

Mike Moore said was non-negotiable.

One of the myths about Seattle is that there were no Africans and hardly any developing-country representatives in the Green Room. In fact, there were six Africans and a majority from developing countries. Moreover, any deal reached in a Green Room must still be approved by all WTO members. In any case, the WTO is changing. More General Council meetings, where all members can put their case, were held this year than ever before. Proceedings take longer, but every country has a chance to participate. Perhaps you should come to Geneva and see.

Philippe Legrain

Malaysian NGOs call on government to reject launching of new WTO round

It has been one year since the 3rd Ministerial Conference of the World Trade Organisation (WTO) collapsed in Seattle. Several Malaysian NGOs were among thousands of NGOs worldwide that expressed their serious concerns on the many problems caused by the WTO.

Last year the developed countries wanted to launch a "New Round" of trade talks. Their attempts failed because many developing countries felt this would be against their interest. Now the developed countries are again applying great pressure on all countries (including Malaysia) to launch a New Round in 2001.

On this 1st Anniversary of Seattle, we the undersigned Malaysian NGOs are strongly against this New Round and we call on the government to resist and reject the pressures for such a New Round. Instead the government should work together with other developing countries to insist that the WTO concentrate on reviewing and reforming its existing Agreements and its non-democratic processes of decision-making (including the so-called "Green Room" meetings, where key decisions affecting all WTO members are made by a small group of countries behind closed doors).

At the recent APEC meetings in Brunei, Malaysia had stated there should not be a New Round unless an appropriate agenda is agreed to by all WTO members.

Indeed there is a dispute on what constitutes the future agenda of the WTO. Malaysia, as with other developing countries, is facing difficulties trying to implement our obligations from existing WTO agreements. For example, the TRIPS Agreement on intellectual property rights will raise prices of medicines and other consumers items. The TRIMS Agreement on investment measures forbids the use of "local content" policy that encourages the use of local materials in industry. The services agreement is putting pressure on Malaysian firms and banks and professionals to face competition from big foreign companies. The Agriculture Agreement threatens small farmers and food security.

Therefore the future Agenda of the WTO must resolve the problems caused by its existing rules. This is certainly not the time to launch a New Round, through which the developed countries want to inject New Issues into the WTO that will further cause disadvantages and problems. Among these New Issues in their agenda are an investment agreement, government procurement, multilateral rules on competition, labour and environment standards. These New Issues will force the Malaysian economy to come under the domi-

nation of big foreign firms at the expense of our local farms, local economy, jobs and consumer welfare.

If a New Round is launched in 2001 with the agenda of these developed countries, it will eventually lead to adverse economic, social and environmental consequences for Malaysia and other countries.

We therefore urge the government to stand firm against the proposals for New Issues and reject a New Round aimed at introducing such new issues.

We also urge the government to join with other developing countries to make demands to reform the WTO, including:

— The TRIPS Agreement should be changed to disallow the patenting of life forms. — The TRIMS Agreement should be amended to allow developing countries to use "local content" policy.

— The Agriculture Agreement should be changed so that Malaysia and other developing countries can protect the livelihoods of small farmers, and ensure food security.

— More open, transparent and democratic procedures, including meetings and decision-making processes.

We hope that the Government will act in the interest of Malaysia and other developing countries by rejecting a New Round in the WTO and working towards the creation of a fair and sustainable international trading system.

This statement is jointly endorsed by the following: Consumers' Association of Penang, Sahabat Alam Malaysia, Center of Peace (CENPEACE), Bar Council Malaysia, Malaysian Sociological Research Institute (MSRI), Persatuan Wartawan Melayu Malaysia (PWM) (Association of Malay Journalists) Persatuan Ulama Negeri Kedah (PUK) (Association of Ulamas, Kedah State) Majlis Belia Malaysia (MBM) (National Youth Council of Malaysia), Angkatan Belia Islam Malaysia (ABIM) (Islamic Youth Movement Malaysia), Teras Pengupayaan Melayu (TERAS) Persatuan Bidan Wilayah Utara (PBWU) (Regional Association of Traditional Midwives), Environmental Protection Society Malaysia (EPSM), Penang Inshore Fishermen's Welfare Association (PIFWA), Persatuan Pengusaha Pertanian Kecil Felda Chini (CISNET)

Transparency and institutional issues a year after Seattle

Aileen Kwa

The non-transparent process was a key factor causing the Seattle chaos and its infamous outcome. Following the Ministerial, this has been identified as one of the components of the 'confidence-building package' in the WTO's post-Seattle agenda. However, a year on, there has been no progress. It has essentially been a process of going around in circles, in fact, with the dangerous effect of tending to legitimise the non-transparent nature of WTO consultations, especially the Green Room consultations which received wide criticism at the Seattle Ministerial.

A key step in this direction of legitimising 'Green Rooms' was the 'interim progress report' given by the chair of the General Council in July, which apparently was based on his informal consultations with members. (It was 'interim' because there were some objections to various points in his reports.) In this report, he concluded that it was his impression that members did not want to see major institutional reforms even in terms of the decision-making process.

In terms of the informal consultations, the supposed consensus was that:

- 1) Members are advised of the intention to hold such consultations
- 2) Members with an interest in the specific issue under consideration are given the opportunity to make their views known,
- 3) No assumption should be made that one member represents any other members
- 4) The outcome of such consultation is reported back to the full membership expeditiously for their final consideration (SUNS #4711 19/7/2000).

It remained vague whether or not others not invited who were interested would be allowed to attend the meetings. Following this, there have been several other proposals, informal and formal, presented by other members.

The EU proposal of 6 October 'Improving the Functioning of the WTO System' also covered the issue of transparency. Some very problematic points, however, included the proposal that participation in informal meetings should be broadly representative of the WTO membership, but that it would be the Chairman of the WTO body or the DG which would have the responsibility to ensure 'adequate representation' in the meeting.

The EU however, did not give details of the criteria, for example, which the DG or Chair would have to use in order to ensure 'adequate representation'. Clearly, in the past, this was not ensured, which led

to the anger and deep frustration on the part of developing countries. How it would now be different is unclear.

The EU also brought up the possibility of establishing a consultative group (formal or informal), broadly representative of the WTO members, which could advise the Director General, and present recommendations to the General Council where appropriate. Although the EU makes clear that this group would not constitute an alternative to the informal process of negotiations, the members making up the group (most likely the QUAD members, several other developed countries and a small handful of developing countries) would clearly be advantaged over others in being able to put forward their own agenda.

The other rather alarming feature of the EU paper is that it suggests enlarging the role of the Director-General 'with a view to enhance his/her capacity to provide the members with independent, objective analysis and advice.' Clearly, this seems to be an attempt by the EU to ensure that should it be outnumbered any time in the future by developing countries, it would have a counterweight in the position of the DG.

The Mexicans have also circulated an informal paper on internal transparency issues. Similar to the 'interim report' and the EU paper, it essentially suggests ways of 'improving' the present Green Room informal consultation process. There are some interesting elements in the Mexican proposal, in terms of how the 'Green Room' can be transformed into a Glass Room. Yet other elements regarding representation are dangerous, bordering on legitimising inequality.

The interesting elements on increasing transparency include the following:

- 1) That all members are sent notice by fax indicating the date and time of the consultations to take place.
- 2) The Room becomes a Glass Room by possibly even having 'live transmission' of the discussions taking place in the Glass Room, although others listening in would not be able to intervene.
- 3) That the documents disseminated at the Glass Room would be circulated to all members. Reports on the meeting would also be sent to all members.

The proposal also makes the point that there would be no final agreement or position taken in the Glass Room. Positions arising would be taken back to the formal plenary to allow for others to express their views.

While some of these elements are refreshing (some NGOs have even taken this a step further, suggesting

that 'live transmission' could also include internet transmission), the key issue remains that some members would be 'more equal' than others in terms of access to participation. The Mexican counter argument is that others' views can still be expressed in the plenary session held after each small group consultation. However, as a representative from the Egyptian delegation has commented, what usually happens when these groups report back is 'decision-taking' and not 'decision-making'. Experience tells that the pressure is often extremely strong on the others who have not been involved, to merely accept the consensus coming out of the small group consultation.

Again the representation issue is further compounded by the extremely problematic suggestion in the paper to limit the participation to a fixed number of 34, with 15 permanent members chosen on the basis of the largest share in trade in goods and services, and 19 members based on category or region (4 members from each region – Africa, Asia and GRULAC, 2 from LDCs, 3 developed countries and two Members from transition economies).

Transparency and Institutional Problems for Developing Countries Today

In evaluating the proposals above, it is also fitting to take a look at the institutional challenges faced by the WTO around transparency issues today. Some of the key problems which have contributed in no small measure to the loss of legitimacy and lack of confidence of developing countries in the system include:

1) Institutional 'Deafness': This is a deep-seated and pervasive problem. For example, all developing countries can repeatedly call for implementation issues to be addressed, before new issues are brought on the agenda, yet these appeals are not heeded by the developed countries and the pressures to take on new topics remain. Developing countries before Seattle and up to now, a year since Seattle, have been calling for implementation issues to be addressed, but as yet, not concrete results have been reaped, and the talks underway today seem to be at the level of best endeavour clauses. The US, for example, refuses to actively participate and make any significant commitment.

The other aspect of this 'deafness' also includes the calls for assessments to be done before further negotiations proceed. For example in the area of services (GATS), developing countries have continually asked for such an assessment and for more data of the impact of GATS embark on the new negotiations. No heed to being paid to their call because the developed countries are not interested in slowing down the process of negotiations.

2) Lack of Transparency in Consultations: Some developing country Geneva based delegates feel that since Seattle, the Director General seems to have improved on the process of informal consultations. How-

ever, others report that informal consultations and negotiations are still being conducted in secret, without inviting those who are interested in the subject. One delegate of a Net-Food-Importing Developing Country (NFIDC) recounted that she was invited to an NFIDC Green Room consultation recently as an after-thought. She had happened to be there when others who had been invited to it were talking about the consultation that had been planned. They asked if she had been invited. She said no and she received an invitation the next day. When she went for the meeting, she brought two other NFIDC member representatives with her. They found, upon their arrival that they were the only NFIDC members in the group, yet the topic of negotiation was on NFIDCs.

Yet another recent example of non-transparent process was the Libreville meeting for African Ministers and delegates, which was planned and co-ordinated by the WTO Secretariat with the EU and the US. Without prior notice, nor the participation of the African countries, a draft declaration was sprung onto the participants a day before they arrived at Libreville, apparently endorsing a new round of trade negotiations. The non-transparent process angered many of the African Geneva ambassadors and their aides. The process, as in Seattle, backfired and African governments there refused to allow any references to be made to a 'new round' in their final communiqué.

Critic and journalist on WTO issues, Raghavan, has aptly termed the way that consultations groups are constructed as 'concentric circles of consultation', beginning with the US and the EU, expanding to the QUAD members, and then moving outwards to the OECD and G7 countries. The majority of developing country members sit at the periphery of WTO decision-making.

3) Harassment: Harassment by the US and the EU when a developing country resists the direction set by the US or EU is also a well-known phenomena, but is seldom talked about as an institutional problem. What commonly happens when a developing country refuses to buckle down from a position which is in opposition to key countries, for example, the US, is that the US administration would ring up the capital (contacting, for example, the Minister of Trade or the President) in that country to complain that a delegate is 'not behaving'. Threats of cuts in aid are delivered, or even simply, that the next shipment of shirts to the US would be held up at the port. One government representative has even reported that his US colleague at the WTO would then inform him (even before he has heard from his capital) that his position would have to change and that he would be hearing about that shortly from the capital.

4) Biased Secretariat: It is also widely known that the WTO Secretariat is a puppet of the developed country members. For instance, documents written by the Sec-

retariat are often edited by certain countries, and only then sent out as Secretariat papers.

A clear example of this was the October 6 1999 Draft Ministerial Text which was edited by some developed countries. They removed several pages of implementation issues which had been mooted by the developing countries. This new version of the draft text was then released as the October 7 Draft. This had caused a lot of ill-feeling and frustration by developing countries prior to Seattle.

A Geneva developing country official, in recently describing this process of some countries having editorial access but not others, said that certain developed countries in fact attack developing country proposals at two levels. Firstly, by editing Secretariat summaries which could include developing country proposals and secondly, on the floor at the WTO, when the issue is being debated.

Where Do We Go From Here?

Informal Consultations: Little has come out of the talk on how to democratise the informal consultations. One key reason is that the most active and influential developing countries are in fact already 'permanent' members of the existing Green Room consultations. It has therefore not been in their interest to push for a different structure.

However, the argument that has held appeal to the other countries seems to be that they are convinced that these informal consultations cannot be held in a large group. The tendency at the WTO would be that members reiterate their positions. There would therefore be no movement in reaching agreement.

It seems, however, that for most issues, this may not be a problem since not all countries would want to participate on all issues. There would already be a natural process of self-selection which could make the group size more manageable.

In issues such as implementation, it would be likely that most countries would want to be present. In which case, there should not be opposition to this, no matter how unwieldy the group might seem. The fear of the key developed countries no doubt (and the motivation in constantly preaching how impossible it is to conduct negotiations in big groups) is that they would be outnumbered and would not be able to ride rough shod over all developing countries by making deals with a few.

As a principle, all informal consultations should be notified to all members, and detailed written reports provided on what has transpired. In addition, no member should be excluded from participating should the country so wish to be there in order to represent their interest, no matter how big the group might be.

There should also not be an assumption that some countries, due to their large trade volumes, have more right to be there than others, as suggested by Mexico. If this kind of 'trade' criteria is adopted, critics would no doubt argue that instead, representation should be made based on population numbers for example, since trade policies impact so heavily on people's livelihoods and well-being.

At an intellectual level, the argument should be made that how 'efficiency' is defined needs to be re-defined. It is not how quickly a decision can be reached, but in fact how fair it is, and how beneficial it is to the majority.

The reality, however, as to why there is a paralysis remains political – on the one hand, a deep fear by the key developed countries of being outnumbered in big negotiating forums, and on the other, a resistance towards change by the stronger and more significant developing countries whose interests are already included in the present arrangements.

Fundamental Problems with the Rule of Consensus: Vote when there is No Consensus

The rule of consensus works well amongst players of equal power. However, the reality amongst players of unequal power is that it results in domination.

As an experienced developing country Geneva representative has observed, the consensus rule only allows developing countries to oppose, not to propose. The question therefore is: How can we determine the agenda of the WTO when we cannot propose? It is also true that a very small number of developing countries can stand up and oppose an issue – ie block consensus.

While voting is in the rules, it has never in the history of the WTO been used. There would also be great opposition to its use. The US, for example, had assured Congress at the conclusion of the Uruguay Round that it would never be used at the WTO. Therefore, there would be many arguments that it is politically unacceptable.

It would, however, work in the interest of developing countries when there is difficulty in coming to a consensus, for the vote to be used. Furthermore, the following features should apply:

- Voting should be secret (so that countries will not face harassment, or vote out of fear)
- Strict adherence to a set deadline for a decision. In the process of electing the present Director General, the deadline was pushed back further and further with arms being twisted in the process. The result was that the choice at the end was quite different from the one at the outset.
- A mechanism to deal with harassment. For example, the jury before a judgement cannot be tempered with in any way. Similarly, it should be equally an offence

for some big countries to influence or harass delegates from weaker countries before a vote is cast on a contentious issue.

- Institutionalise national consultations by slowing down the WTO negotiating machinery so that member countries have time to consult nationally with parliaments and civil society before taking a decision at the WTO. If there is wide enough consultation in developing countries, developing country governments would probably find it easier to stand by their decisions at the WTO and resist outside pressures.

Slow-Down the WTO Machinery

Not only should the WTO consultations and negotiations be slowed down in order for national processes to take place, it is also important that meetings be cut down and rationalised so that small delegations (also the majority of members) can cope and actively participate in all issues of concern to them. This has already been brought up by the developing countries many times at the WTO, but the message again seems to have fallen on deaf years.

The reason given for why informal consultations are only by invitation is that too large a group will lead to the sacrificing of efficiency. It is perhaps time to redefine efficiency. Usually assumed to mean the shortest time taken for a decision, it is time to think of efficiency in terms of a decision which will be most acceptable to all and which will be beneficial for all, not just a few.

Need for A Fair and Impartial Secretariat

The WTO Secretariat should not be allowed to promote certain interests. It needs instead to be as impartial as a judge or jury. In order for this to happen, it would help if there were more proportional national or regional representation amongst Secretariat staff. At present, WTO Secretariat staff are overwhelmingly from developed countries. Of over 500 personnel, 74 are from the UK alone.

Secondly, instances of partiality should not be treated lightly. For example, practices like the access to and editing of Secretariat papers by some delegations before they are released should be made public and treated as a serious offence.

Indeed, an unbiased Secretariat, would go some way in terms of ensuring that the institution responds more readily to developing countries' concerns. Developing countries' agenda would more likely be taken up by the Secretariat and reflected in the agenda of meetings. (For instance, a common complaint before Seattle was that there was reluctance for the DG to hold consultations on implementation issues, even though this was the main concern of developing countries. Instead, consultations were held on many other issues, including the new issues such as transparency in government procurement, which some developed countries were pushing hard for).

Important Decisions Should Require the Presence of $\frac{3}{4}$ of Membership

There should also be a categorisation of types of decisions taken by the General Council. For most decisions, such as agreement on negotiated texts, or whether or not a certain issue should be brought into the WTO agenda, a presence of $\frac{3}{4}$ of membership should be present before a decision can be taken.

CONCLUSION

These questions of non-transparency of the WTO were brought to international attention at Seattle. However, a year later, momentum to bring about change seems to have died down. More civil society campaigning on the issue would be helpful at this point, in order to continue the pressure on the key developed countries to evaluate what the UK Minister of Trade, himself, in Seattle, termed as 'archaic practices'. Without broader civil society pressures, the unfortunate outcome may be that the existing non-democratic and non-transparent processes in fact become legitimised as a result of manoeuvres by some Members in order to maintain the present fulcrum of power at the WTO.

The a la carte undertaking: a new form of special and differential treatment?

Aileen Kwa

The old GATT was not a single undertaking agreement. Contracting parties were free to be signatories of the various codes on an *a la carte* basis, in accordance to their needs and levels of development.

In the course of the Uruguay Round, the developed countries made a concerted effort to push for the inclusion of new issues into the GATT - services, intellectual property and investment - and for these to be treated as parts of a 'global accord'. That is, members had to accept all parts of the multilateral trading system or chose to opt out entirely. In the 1980s, prior to the Punta Del Este Ministerial of 1986, the US even went so far as to threaten that should developing countries refuse to agree to 'strengthening' the multilateral trading system in this direction, US and her allies would resign as contracting parties and set up an alternative system.

The developed countries were insistent on this type of 'global' multilateral framework primarily because they wanted to ensure that the new issues which they were so aggressively putting into the Uruguay Round agenda - services liberalization and the tightening of intellectual property rules - would be enforced upon all members. The Uruguay Round took place at the time when the industrialized economies were slowing down and when certain sectors of their services industries were mature and ripe for expansion abroad. It was also the start of the information technology revolution, and the information technology multinationals were keen to expand and preserve their monopoly globally. To keep up economic growth in the developed countries, it was necessary for these countries to gain greater access to markets of the third world, not only in goods, but also in services and the sale of technology.

Transforming the multilateral trading system into a single undertaking was therefore a tremendously powerful tool that would serve the interests of developed countries' multinational corporations. Never before in history, did any one institution have such overarching and penetrating control over the economies of developing countries. Today, as new sectors and issues arise, the industrialized countries continue to attempt broadening the scope of the WTO, hence finding effective and new ways to gain markets in developing countries.

The single-undertaking transformed the trade regime and trade negotiations in several ways:

1) Firstly, a single-undertaking means that the WTO

trade package is an all or nothing package. Members either accept the different parts or reject it in its entirety.

2) It allows trade-offs across sectors during the trade negotiations.

3) It made it easy to engage in cross retaliation in disputes. In a trade dispute, a wronged country, after a process of mediation, can retaliate against the wrongdoer by limiting imports from that country. If it is impossible to restrict imports of the same product involved in the dispute, or a product under the same agreement, it is then possible to take action against imports of any product, and under any of the agreements.

4) In terms of the process during negotiations, the single undertaking meant that nothing is agreed to unless everything is agreed to.

THE PERILS OF TODAY'S MULTILATERAL TRADING SYSTEM

Five years into the life of the WTO, developing countries are finding that the package of Uruguay Round commitments have not served them well. On the contrary, for most of the developing world, conditions have worsened. The single undertaking structure has contributed to this situation because it has forced developing countries to take on board liberalization in all areas covered by the WTO, often even before their industries are competitive enough.

The latest UNCTAD Trade and Development Report (1999) published only weeks before the Seattle Ministerial gave a very dismal evaluation of the Uruguay Round package. The report states that not only have the expected gains from valiant efforts to be integrated with the world economy not materialized, but empirical evidence has shown that in fact 'the downside risks have proved far greater than expected'.

'The predicted gains to developing countries from the Uruguay Round have proved to be exaggerated... Poverty and unemployment are again on the rise in developing countries which had struggled for many years to combat them. Income and welfare gaps between and within countries have widened further... As the twentieth century comes to an end, the world economy is deeply divided and unstable. The failure to achieve faster growth that could narrow the gap between the rich and the poor must be regarded as a defeat for the entire international community. It also raises important questions about the present approach to development issues. Asymmetries and biases in the global system against the poor and under-

privileged persist unchecked' (our emphasis).

The Report delivers a grim warning:

'Leaving global economic integration to markets has not helped, and that should hardly come as a surprise. Unbridled competition, particularly among unequals, has never, by itself, delivered faster growth and shared prosperity even in today's developed countries, and it has at times been destructive. There is no reason to expect a different outcome in a globalising world.'

The bleak situation of developing countries is characterized as follows:

1) Average growth rates for developing countries (excluding China) as compared to the 1970s has been lower by 2 per cent per annum.

2) In almost half of the developing countries examined by UNCTAD, the trend is that of widening trade deficits, with falling or stagnant growth rates. The trade deficit for non-oil exporting developing countries in the 1990s is approximately the same proportion of GDP as in the 1970s.

3) The terms of trade for developing countries as a whole has fallen by more than 5 per cent per annum during the 1980s. UNCTAD findings are that terms of trade losses are no longer confined to commodity exporters. Many manufactures exported by developing countries are now behaving more like primary commodities as more countries are trying to raise exports in relatively stagnant and protected markets of the industrial countries. The prices of manufactures exported by developing countries fell relative to those exported by the EU by 2.2 per cent per annum from 1979 to 1994.

For example, change in the terms of trade and its destructive impact on real income in Africa, from 1996-1998, is as follows:

	1996	1997	1998
Change in terms of trade (percentage change over previous year)			
All Africa	5.9	-0.2	-9.9
Terms-of-Trade impact on real income (Percentage of GDP)			
All Africa	1.4	-0.1	-2.6

(Adapted from UNCTAD 1999; p. 29).

The Report states that the 'big bang' style of liberalization the developing countries have been forced to take on has been detrimental to their economic needs. In comparison, developed countries in the past and even today, continue liberalization only at a very gradual pace. The mix and sequencing of trade, industrial and technology policies are crucial, as shown in the East Asian economies.

The infant industry protection mechanism, which the Uruguay Round package of agreements is putting out of reach of developing countries should, in UNCTAD's opinion not only be strengthened, but even 'extended beyond the earliest stages of manufacturing and include nourishing more advanced competitive industries through appropriate protection and support'.

The report also states that, unfortunately, the post Uruguay Round trading regime has 'circumscribed the scope in most developing countries for replicating some of the policy measures' which contributed to the economic growth of East Asia. 'If existing multilateral rules are indeed impeding the learning and upgrading process in the industrial sectors of developing countries, then a re-examination is called for' (our emphasis).

Change to the present system is therefore essential. The dark abyss developing country economies are in is to a large extent due to the inflexibility of the multilateral system, whose rules have been tailored to suit the needs of the developed country economies and multinationals.

HISTORY OF THE SINGLE UNDERTAKING

How did the multilateral trading system come to take on board the single-undertaking structure? A peep into history provides useful insight into one of the most crucial structures of the WTO. It will become apparent that in fact this new structure 'crept' into the WTO agenda. It rode on board the negotiations on new issues, where developed countries were putting forward unrealistic demands such as the complete liberalization of services (without detailing exactly what sectors or how liberalization will take place). Furthermore, these negotiations took place only amongst a small group of countries. When there was opposition to the single undertaking, developed countries resorted to threats.

The first time the term 'single-undertaking' appears in any GATT agreement or Declaration is in the Punta del Este Declaration in 1986. There was a huge disagreement prior to the Ministerial between especially the US and developing countries. The US was pushing hard for services to be included into the new round that was being launched. Washington wanted all negotiations launched in Punta del Este to be treated as one undertaking 'both politically and legally'. If it did

not get its way, US first threatened withdrawal from the GATT and, at one point during the Punta Del Este ministerial itself, also suggested that it would resort to the two-thirds vote if some developing countries continued to resist.

Developing countries in the early 1980s were vehemently opposed to any inclusion of new issues. They pointed out that services liberalization within GATT would be skewed against their interest and that the socio-economic and political goals of a country should not be subordinated to the concept of liberalization. Subsequently, as the pressure from the industrialized countries continued unabated, the developing countries suggested instead that the issue be explored in another arena independent of the GATT framework.

The final Punta del Este outcome was a compromise. Multilateral Trade Negotiations covering both goods and services were launched as one single political undertaking, but as legally separate and distinct processes. As Contracting Parties of the GATT, the ministers present launched multilateral trade negotiations in goods 'within the framework and under the aegis of the GATT'. The launch of negotiations in services was done separately by ministers in their political capacity, as opposed to their capacity as Contracting Parties of GATT.

Both negotiations in goods and services would commence and end at the same time. However, it was agreed that at the conclusion of the negotiations, Ministers in their capacity as Contracting Parties 'shall decide regarding the international implementation of the respective results'. In concrete legal terms, this meant that developing countries still had the possibility of rejecting the incorporation of the services package within the GATT at the end of the Uruguay Round.

In the Punta del Este Declaration, the term 'single undertaking' was not used to refer to multilateral negotiations in both goods and services as a single package. Rather, it appears under the 'General Principles Governing Negotiations' of Part I 'Negotiations on Trade in Goods'. The sentence reads

'The launching, the conduct and the implementation of the outcome of the negotiations shall be treated as parts of a single undertaking', hence referring only to the fact that the various subjects for goods negotiations should be treated as one package.

That the US was not prepared to accept this fact at the end of the compromise was evident when it suggested to the participants after the compromise was struck, that each participant should ignore the media of the others and not react to them over the next two weeks!

Subsequently, the concept of a single undertaking was aggressively pushed by the US, EC and other devel-

oped countries to refer to the 'globality' of the entire Uruguay Round negotiations. In February 1987, the EC flagged this 'globality' issue, however, making it clear that it was using it in the goods negotiations. Yet a year later, the EC expanded the concept to include both goods and services negotiations. At the time, India stepped in to put on record that apart from the fact that the negotiations would begin and end at the same time, there was no other linkage – legal, procedural or otherwise.

During the mid-term review in Montreal in late 1988, it was also agreed that the institutional implementation of TRIPS, as in services, would be decided only at the end of the negotiations.

However, as the Uruguay Round progressed, the developed countries began to exert unrelenting pressure on developing countries to give in. By October 1990, both the EC and US had floated non-papers basically stating that Third World countries either accept the new trading system and Organisation incorporating all the agreements in old and new areas, or withdraw completely from the GATT. The US suggested that the results of the Uruguay Round should be integrated with the existing GATT in a successor agreement, 'the Integrated Trade Accord'. This approach would therefore allow the GATT to expand automatically whenever new rules, disciplines or agreements emerged.

The G77, in the run-up to UNCTAD VIII in 1991, made a public statement that the single undertaking had been introduced at a 'very late stage' and was tantamount to 'breach of good faith'. It pointed out that the concept had not been part of the negotiations and had been introduced merely to force developing countries to accept all the results of the Round. Instead, the G77 stated that there should be meaningful evaluation of the outcome of negotiations, as allowed for in the Punta del Este mandate. The statement also pointed out that the establishment of the Multilateral Trade Organisation was not in the Uruguay Round mandate. Such an institutional arrangement would be limited in scope and will not be fully responsible for the needs of the international trading system, especially the developmental aspirations of the Third World. Instead, it could legitimatise retaliation over Third World policies on services, technology and foreign investment.

Furthermore, the G77 pointed out that the process of negotiations was highly problematic because 'the conduct of negotiations has not permitted broad-based participation in decision-making'. The results of the lop-sided control was clear in the continued lack of meaningful liberalization favouring Third World countries. On a separate occasion, developing countries including Brazil, India, Venezuela and Tanzania also expressed concern that the single undertaking would be used as an instrument for cross-retaliation.

By 1993, the US went even further and was pushing the line that only a single protocol would be fair for developed countries. Andrew Stohler who was then heading the US GATT team said that it would put an end to the 'free riders' in the system – meaning that developing countries have been getting benefits without offering tariff concessions of their own. Thus, the single undertaking was being framed as an expectation, that in all fairness, all members should take on similar obligations, as opposed to the concept of liberalization in accordance to Members' levels of development.

In this vein and under the overwhelming demands in the negotiations by the EC and US on developing countries in new areas, the single undertaking structure was included in the Dunkel draft text of the Uruguay Round Agreements, and was subsequently instituted as a structure of the Uruguay Round Agreement. In the usual style of GATT negotiations, dominated by the interests of the industrialised economies, unbearable pressures were put on developing countries. Take for example, the push for the liberalisation of services and the inclusion of services in the GATT. The compromise in the negotiations which developing countries only achieved after a hard fight, was for services to be liberalized on a positive list approach ie, only the items listed are included for liberalisation. The single undertaking structure slipped into the Uruguay Round package amidst these compromises. Developing country negotiators concluding the Round probably did not realize the full implication of this new structure.

An UNCTAD published study in 1993 made the following comment on this matter:

'The all-or-nothing approach of the MTO (WTO) should be judged on its merits or as the outcome of negotiations among a small group of countries in 1991, but never formally placed before all negotiators, and included in the Dunkel text. There was no consensus on it, nor could it be blamed on the Punta del Este declaration and the references there to 'single undertaking'.

The single undertaking therefore brought on board services, TRIPS and TRIMS in addition to liberalization in goods, into the multilateral trade system.

Since the conclusion of the Uruguay Round, electronic commerce has already been included in the WTO deal. The other areas the developed countries are pushing hard for inclusion are government procurement, further liberalization in investment, trade facilitation, environment, labour issues and products which have been genetically modified.

WEIGHING THE PROS AND CONS OF THE SINGLE UNDERTAKING STRUCTURE

The single undertaking structure is now a taken for

granted feature of the multilateral trading system, and is sometimes touted by some as one of the strengths of the system. Some of the points which have in the past been made in favour of the single undertaking include the following:

- 1) Some developed countries have said that the single undertaking eliminates confusion and fragmentation of the plurilateral system.
- 2) The structure has been lauded by some for creating only one class of membership. Developing countries now abide by the same set of rules in all areas. Special and differential treatment is now confined mainly to transitional measures.
- 3) Concessions in one area can be offset by gains in another.

Downsides to the single undertaking include:

- 1) Developing countries have lost more than they gained by agreeing to a single undertaking. Not all agreements in the WTO, for example TRIPS, TRIMS and agriculture are on balance beneficial for most of the developing world.
- 2) The single undertaking is anti-development because it is not being balanced by real special and differential treatment (S and D) clauses. The S and D provisions today are very superficial, relating to transitory time frames and are not related to Members' level of development.
- 3) Cross-retaliation in the dispute settlement system is now possible. Most developing countries, however, only export a small range of products, some even only a single product. Developed countries tend to export a greater range of products. Retaliation against a single product exported by a developing country will have greater effect than it would on a developed country.
- 4) The single undertaking structure puts liberalization before the development needs of countries. Instead, development must be the objective of trade. The single undertaking limits the ability of developing countries to integrate gradually. The big bang style of liberalization, as UNCTAD warns, is detrimental to developing countries' economies.

Apart from developing countries benefiting from cross-sectoral concessions, the other two points – less confusion and the creation of one class of membership – are minor in comparison with the downside effects. The plurilateral system may in fact be more complex, but complexity is a small price if the economic situation of developing countries were to improve. Nor should a single class of membership be an important consideration. On the contrary, in order to ensure development priorities, there should be as many different categories of membership as there are the different levels of development of members.

Furthermore, even with a plurilateral system, cross-sectoral concessions and gains can still be a feature of the multilateral trading system. The complexity will only be a characteristic of a system that is much more

development-friendly.

DEVELOPMENT OBJECTIVES VERSUS THE SINGLE UNDERTAKING

The WTO and its single undertaking structure is problematic and contrary to the development needs because it attempts to integrate all 136 members into a common set of rules. Who sets the rules in this situation, becomes a key question.

GATT / WTO negotiations have always been dominated by the QUAD countries – US, EU, Canada and Japan. By putting up a fight, developing countries usually get some compromise, but the situation invariably is a position that is further than what developing countries on their own accord would otherwise be prepared to agree to. Refusal to give in at least in some way to the developed countries usually results in some form of political or economic pressure on a resistant country. For example, threats to withhold aid or market access, or the withdrawal of political support in one form or another. These tactics combined with dividing developing countries as a unified bloc at the WTO has led to a weak Southern bloc unable to hold up to intense pressure.

With each compromise that developing countries give in to, the WTO rules move incrementally towards the direction set by the developed countries. With each compromise, the development priorities of developing countries get eroded. This was how, over the course of seven years of Uruguay Round negotiations, many developing countries which in the first place were vehemently opposed to new issues, found themselves signing on to the single undertaking structure and an all-embracing WTO institution.

This incredibly first-world-biased process is therefore aggravating the economic situation of developing countries. The results after five years of the Uruguay Round are now clear, as elucidated by UNCTAD.

Enforcing a compulsory liberalization agenda according to the present Uruguay Round package is counter development for the following reasons:

1) It is not how open an economy is, or how protected it is, but in fact, how internationally competitive domestic firms are, and therefore, whether or not they can withstand liberalisation. Developing countries do need protection from foreign suppliers, who have had all the advantages of an early start. They have already consolidated the market, and have gained sophistication in creating the technology.

Many developing economies today, because of structural adjustment programmes have almost completely opened up. But there is no growth. In fact, the evidence surfacing is that there has been deindustrialisation.

If protectionist trade policies lead to a healthier domestic economy with more dynamic growth, then there will be gain all round. It will not be a 'beggar thy neighbour' situation, as free trade theory concludes, since a healthy domestic economy will also stimulate neighbouring economies through imports. On the other hand, liberalisation policies which do not restrict imports, but end up deindustrialising a country, depresses demand, output and employment. This seriously damages not only the domestic economy but also the larger trading environment.

Domestic governments must therefore play an activist role in trade regulation. This means actively discerning which sectors are ready for liberalisation, and protecting sectors which cannot survive the competition.

2) The present WTO liberalisation package puts the emphasis on trade and exports as the engine for growth for developed and developing countries. The experience of the developed countries showed that in fact, most of their early growth was a result of stimulating the domestic economy. Trade and exports were follow-on effects of growth and a robust domestic economy.

The WTO, however, places restraints on the ability for developing countries to build up their domestic industries and sector. For example, the TRIMS agreement has made it almost impossible for countries to implement local-content requirements. This again was instrumental in the industrial development of many developed countries, as well as the newly industrialising developing countries. The other restraint placed on developing countries is in the area of bound tariffs. In some cases, these tariff levels are even lower than those of developed countries and in future negotiations, there will be pressure to lower these even further.

3) A third problem with a single undertaking has to do with technology. The WTO package has ignored the fact that countries require technology to maintain a position of comparative advantage. The diffusion of technology is therefore critical to continued economic growth. Rather than encouraging technological diffusion for developing countries, the WTO is concerned about protecting the rights of innovators. The TRIPS agreement stops the process of technological diffusion and basically makes cutting edge technology inaccessible. UNCTAD has described it as 'a premature strengthening of the intellectual property system... 'that favours monopolistically controlled innovation over broad-based diffusion'.

4) As mentioned earlier, the S and D provisions that are meant to off-set the liberalization disciplines inappropriate for development are inadequate and ineffective. (In contrast, the OECD countries even claim

'S and D' rights for themselves— despite the rules. The Agreement on Textiles and Clothing is a major derogation from the GATT.)

CONCLUSION

If all were well with developing countries' integration into the world economy, exploration of this issue would not be necessary. However, given that the big-bang exercises in liberalization and the past five years of the Uruguay Round package have worsened the economic and development situation of developing countries, it is prudent to take some steps back and re-evaluate the status quo. The most glaring defect of the multilateral system today, is that development priorities have been put on a back burner. A peek into history shows that there was great resistance by developing countries to an all-or-nothing structure of the trading system. Many developing countries, for example, represented by the G77, were reluctant to agree to the strengthening of the institution in this direction. They were also opposed to the prospect of continuously facing new issues being added on, which they would have to implement under a single undertaking. However, the eventual outcome, as with other many other aspects in the Uruguay Round was brokered by a small group of countries with pressures on the rest to accept the results.

Today, as governments are toying with the institutional reform questions, it would be prudent to seriously evaluate its benefits and drawbacks of the single undertaking for developing countries. The system works well for the developed countries, and the present structure should be continued for them. However, an a la carte multiple undertaking system for developing countries would be much more development friendly, even if it may be complex. Such a plurilateral system would

- 1) Give developing countries the sovereignty, autonomy and policy freedom that they need at this juncture to decide when and how to integrate into the world economy. This would also give developing countries' industries adequate time to mature and become competitive before liberalisation;
- 2) Allow developing countries to opt out of agreements that are counter development, such as TRIPS, TRIMS, agriculture and various agreements in the GATT;
- 3) Avoid false S and D provisions which only serve to legitimate the first-world-biased liberalization agenda. S and D measures providing slightly lighter disciplines, longer transition periods, or even measures to offset the negative effects of liberalisation still mean that developing country economies must change structurally, as new areas are brought into the WTO. Providing the flexibility available an a la carte system for developing countries, is the best and perhaps even the only appropriate 'S and D' measure.

The Agreement on Agriculture: change requires a hero's journey

Aileen Kwa

This paper was presented Seminar on the Agreement on Agriculture co-organised by the South Centre, Institute for Agriculture and Trade Policy (IATP), Action Aid and Focus on the Global South.

I feel today as if we are witnessing a very frightening movie unfold. And we are at that point in time, where the music, loaded with suspense, is being played. And in a second, BANG, something catastrophic is about to happen (eg somebody is about to be murdered). And we are at that point just before the catastrophe hits.

And I feel extremely distressed, because we seem, as a collective, to be quite blasé about the destruction that is about to descend.

I feel distressed because after Seattle, there was a mood of upbeatness, a sense of having had some amount of efficacy, that to an extent, we had put our foot down, and it made some difference to the turn of events. Today, I get the sense that we have returned to the pre-Seattle mood of becoming victims again. When I say that, I mean that we again get into this mindset where we think that well, these are the realities at the WTO. For the most part, if the US and EU decide that they want X, then there is nothing much we can do about it. The most we can do is damage control.

And yes, what has been taking place here in Geneva since Seattle has been wearing down of the fighting spirit of the South. Since then, the WTO has been telling the public that negotiations are underway, things have been moving along. We know that in terms of texts or concrete positions, there hasn't been much movement in positions.

BUT in fact, they are right. Something else HAS been happening. And that something is that the EU and US appear to look interested and to listen in developing countries' concerns, but do nothing about it. They dangle the carrot in front of us, hold consultations on the issues of interest to us, such as implementation, but never in the end deliver. In the process, we are being tired out and worn down. It has diminished our fighting spirit, so that increasingly, we narrow down our vision of what might be possible. When before we might have had a bigger vision of what we wanted, that vision through this type of process gets slowly but surely strangled.

The second step in this process is that after wearing us down, one of the powers – maybe the EU, comes along and plucks a crumb that has been dangling before us and puts it in our hands. And by that point, we are so desperate and therefore so grateful for that crumb, that we open our arms and embrace the EU. In one hand, we receive crumbs, and with the other, we

invite the other party into our countries and give them full rights to our markets and to exploit our resources.

Maybe this is just slightly pessimistic, but I think it is also quite a good reading of what has been happening since Seattle (or largely, what happens daily at the WTO). After some time, we become increasingly pragmatic. And pragmatism can mean several things:

- 1) That we narrow down our vision of what we really want. (eg, from extracting full equity and asserting our rights, we decide that we will accept extracting a tenth of what should be our fair share).
- 2) We accept crumbs given to us, and give away our jewels (we agree to give the other party just about anything they want in return for maybe just a bit of market access) because we have become so desperate.
- 3) Pragmatism also leads us to betray our compatriots. We act in our own interest and take a position that lets our compatriots down.
- 4) This is the worst level – but is unfortunately, intrinsic to the nature of the WTO. We become cannibals. We eat up our best friends, and think that this is normal. My oil palm producers can destroy your oil palm producers and increase their hardship and poverty, but so what?

Maybe, just maybe, there could be a different way? Let me come back to this later and now address where we are in agriculture.

The Importance of a Basic Level of Food Self-Sufficiency in Developing Countries

For the majority of developing countries the Agricultural sector is different from other sectors and requires particular care when formulating policies – especially those oriented towards liberalisation because

- 1) It is the main source of employment. For low-income countries (which make up the majority of WTO members), it accounts for 70–80 per cent for the labour force. It is about 30–40 per cent for middle income countries, and only 4% for high-income countries.

The crux of the matter is that it would be impossible for governments to provide stable jobs and income to the rural masses, if agriculture, as a source of livelihood AND food security is destroyed. In other words, if governments are to implement import policies to replace local production, there must be alternative employment.

The reality is that for the majority of the rural popula-

tion in developing countries, access to food is secure only if they have the means to produce their own food.

2) Local food production is crucial for most developing countries because to import food aggravates the already tight budgets of developing countries, and in the long run, can lead to aggravating debt problems. And the other problem here when budgets are tight is that the country becomes very vulnerable to price fluctuations (over which they have no control). Slight fluctuation in prices can lead to food shortages.

3) Food Security, National Security and Political Sovereignty

The Question of Political Sovereignty: There is no surer way for the US or EU to keep a developing country under their thumb, then when that country has neglected its own food production capacity and is directly dependent on them for food.

This is WHY the EU's CAP came into being. And the same goes for Japan and US. Japan continues to support their rice farmers even when their production costs are many times the cost of rice from Thailand. Yes, they are concerned about their small farmers. But that is not the crux. The crux is political sovereignty. What alternatives do I have when I need urgent food supply, but at the WTO, I'm opposing new multilateral rules in government procurement? How strong can my opposition be?

National Security: There is no better way to get an internal conflict started or to have political instability when there is shortage of food. Under GATT Article XXI, national security issues are exempted from the WTO trade disciplines. Food security is inextricably linked to national security and, for developing countries, should also be treated in the same manner.

4) Broad-based development in most developing countries necessitates that the rural sector is not neglected, but in fact developed. But when I say agricultural development, though, I do not mean industrial agricultural development, and the production of cash crops. By agricultural development, I mean giving the support to small farmers so that they can firstly sustain their own needs, and secondly trade their surpluses.

Improving the welfare of the rural masses is important for the overall development of a country because it stimulates the broader economy. When the rural masses are so poor that they do not have purchasing power, they do not constitute an important market for domestic industry. This in turn means that domestic markets are too small to stimulate economic activity, so that production is largely directed toward foreign markets and urban elites.

When this happens, there is a lack of structural incentives at the national level, to provide better living standards for the poor. Poverty then becomes a vicious

cycle that in itself is an obstacle to development.

Developing Countries' Agricultural Liberalisation Experiences

Agricultural liberalisation either through structural adjustment or WTO has not had a positive impact on small farmers, food security, livelihood security and rural employment. In many cases, it benefits a very small group of the bigger exporting farmers. However, small farmers have tended to become increasingly disenfranchised.

In conducting 14 country case studies of WTO agricultural liberalisation, the FAO has come up with these dismal results:

1) Few studies reported improvements in agricultural exports in the post UR period. The typical finding was that there was little change in the volume exported, or in diversification of products and destinations. And NOTE THIS: Developing country agricultural exports as a percentage of world exports today are slightly below the levels they were in the 1970s.

2) Food imports were rising rapidly in most cases. Some regions were facing difficulties coping with import surges due to 'detrimental effects on the competing domestic sectors' On the whole it was observed that while liberalisation brought about an almost instantaneous surge in food imports, these countries were not able to raise their exports due, amongst other factors, to supply-side constraints.

3) There was a 'general trend towards the concentration of farms in a wide cross section of countries' While the concentration of farms led to increased productivity and competitiveness, in the absence of safety nets, the FAO found that this process marginalised small farmers and added to unemployment and poverty.

4) For many developing countries, key agricultural sectors that were vital for the economy in terms of food supply (i.e. also food security), employment, economic growth and poverty reduction, were being seriously eroded due to the inability to compete with cheap imports.

Developing countries on the whole are not benefiting economically from agricultural liberalisation. The balance of payments situation has worsened. From a socio-economic perspective, the levels of food insecurity, unemployment and poverty have deteriorated.

Case Studies

We have implemented our export-oriented policies, but what is happening? More and more

countries are becoming net food importers. Isn't it ironic, that we are so caught up in thinking about markets abroad, that we have actually forgotten that we have our own markets at home, and we give our own markets away freely?

PHILIPPINES: Take the Philippines for example. The Philippines used to be fairly food self-sufficient. In some years before becoming a WTO member, it was even a net food exporter. They used to have good regulations for their small farmers – for example, the Magna Carta for Small Farmers, 1991 which prohibited the importation of agricultural products that were produced locally in sufficient quantities. This legislation offered blanket production to small farmers through measures such as quantitative restrictions. However, since 1995, tariffs and quantitative restrictions have been dismantled. The country is now on the whole, a net food importer. Rice and corn, the staples, and traditional products which small peasants planted are now being imported. Millions of peasants are facing drastic drops in income because of the cheap corn and rice imports.

The projects peasants have undertaken attempting to export high-value agricultural products unfortunately have largely been a failure. (I will come back to why these projects fail later).

The Philippine government has admitted that 350,000 jobs are lost annually, mainly from labour intensive traditional crops – corn, rice and sugar. In the corn sector alone, 45,000 jobs are lost each year.

KENYA: Kenya used to only import 12% of its cereal needs. Now it imports 35% of its cereal consumption. The food bill has increased 47% between 1991-1996. This is problematic for countries when they have drastic falling terms of trade. Kenya today can buy only ? of what it could buy with the same amount of exports in 1980.

SRI LANKA: The FAO reports that more than 300,000 jobs have been lost as a result of cheap imports and therefore drops in production of onions and potatoes for example.

THAILAND: Thailand is Asia's only net food exporter. One gets the image of Thailand having bounteous food production. But in fact 25-30 per cent of its population are chronically undernourished. Small peasant rice farmers (are integrated into the world economy) but they are caught in a cycle of vicious debt – between the borrowing from the government banks and the loan sharks.

Farmers just cannot make ends meet because of tariff reductions and cheaper imports. Farm gate prices are falling to chronically low levels. In 1997, the price of palm oil was 4 Bht per kg. In 1999, it was 0.75 Baht per kg. Rice before the economic crisis was 8,000-10,000

baht per tonne. It is now 4,000 Bht.

In contrast, the price of fertilizers, pesticides and herbicides have risen by as much as 40% between 1997-1998.

Rice farmers lament that when all the bills are paid, there is not enough left over to buy food, or look after their families' needs.

Small Farmers and Why Export-Oriented Agriculture Does Not Bring Wealth

Why is this happening? According to the theory, once our farmers increase our exports, we should be able to pay for imports and have more left over. Eventually, farmers will be better off and there should be food security and general development.

But in reality, experience on the ground has shown that engaging in export products which are foreign to small farmers, which require technological know-how that is not locally available or familiar, AND which requires expensive inputs that are imported, is fraught with so much risk, that the small farmers very often end up in debt and many even lose their land as a result (if they had some to start with!). The bigger farmers do survive and do well. And then you have the situation of the bigger farmers increasing in size, and greater poverty and disenfranchisement at the level of the small farms.

In converting to new export oriented cash crops, small farmers face unfavourable economies of scale. The costs are prohibitive, and are higher for small farmers, and the risks – pest infestations, huge price fluctuations, the high quality standards demanded in the importing market – are extremely high. Only the big farms have the financial capacity and access to technology to weather the unpredictable price fluctuations and environmental hazards. Too often, the big farms gain and the small farmers find themselves in debt and gradually squeezed out of the sector.

The hazards and risks include the following:

- ❖ Drastic price fluctuations from one year to the next as more suppliers come on board and the export market is saturated with oversupply. When returns do not cover the high costs, and this continues from one season to the next, chronic indebtedness results, leading finally to the loss of land and the loss of a previously viable livelihood.

- ❖ Due to financial constraints, the poor quality seeds which they buy or are supplied with can lead to heavy losses as a result of disease.

- ❖ Difficulty in finding a buyer for their meagre quantity for the overseas market. Packers and exporters often prefer buying from the big farmers. Non-traditional exports are usually not consumed locally. Therefore, surpluses sold on the domestic market fetch little if any returns.

- ❖ Increased land values as a result of this new

and potentially high return the land can fetch. Many peasants are not legal owners of the land they farm. They are often renters, sharecroppers or simply squatters. Landlords are therefore more likely to either demand higher rent, or push them off the land and rent the land out to the big farmers who can grow these high-value crops.

- ❖ Difficulty in attaining credit, as compared to the bigger farmers, especially if small farmers do not own land. The interest rates charged to them are also invariably higher.

- ❖ Weaker bargaining power when negotiating farmgate prices due to the smaller scale of production, resulting in significantly lower prices received compared to the big farms.

- ❖ High rates of rejection of small farmers' produce. This is due to the lack of access to technical knowledge in order to meet the stringent appearance and quality standards of the importing market. In contrast, the larger farms often have the resources to hire foreign consultants with the technical know-how, and buy the equipment that is needed.

- ❖ Inferior yields compared to the big farms because they are less able to afford the amount of inputs required in order to attain the potential yields.

- ❖ Lack of access to knowledge of market trends and marketing contacts. This has resulted for example, in farmers being issued with fictitious contracts where no one would pick up the produce after harvest.

The other consequence of the industrial agricultural model is its environmental unsustainability. As a result of huge inputs of fertilizers and pesticides, the land quality becomes less and less productive. Farmers get into the pesticide treadmill (needing more and more fertilizers to get the same output), which becomes financially difficult for small farmers, and ecologically unsustainable. This again has livelihood implications for those living off the land.

Agriculture that Works for Small Farmers

What type of agriculture works for small farmers? For most developing countries, small farmers require support, not to produce for the export market, but to convert to agro-ecological, organic or sustainable agricultural methods and produce for themselves and the local market.

It may come as a surprise, but this type of small-scale farming is in fact MORE productive and therefore MORE efficient than industrial farming.

In contrast to the industrial, chemical and mechanical-intensive model of food production, small-scale food production in developing countries can be characterized as follows:

- 1) Intensive use of biodiversity rather than external inputs
- 2) Use of crop-livestock integration and coop-

eration, rather than that of competition between crops, livestock and humans

- 3) Use of intercropping and polycultural methods, rather than monocultural production

- 4) Use of internal inputs for both crops and livestock, such as local labour, knowledge, and organic fertilizers, rather than importing expensive external inputs – chemicals, foreign knowledge, machinery.

Socio-economic, Development and Food Security Implications

Perhaps the most important dimension of small-scale, environmentally sustainable food production is that it can provide a decent livelihood for small farmers, with fair returns to their labour - if there is a supportive larger policy environment. These systems have the potential to offer economically favourable rates of return since the costs of inputs are not exorbitant.

Question can arise as to whether the small farmers will be able to produce sufficient food for themselves. Projects in alternative production methods in fact commonly result in increases in production of 50 – 100 per cent. In some of these systems, yields of crops that the poor rely on more – rice, beans, maize, cassava, potatoes, barley – have been increased by several-fold, relying on labour and know-how more so than on expensive purchased inputs. For example, some projects emphasizing green manures and other organic management techniques can increase maize yields from 1-1.5 tones per hectare (a typical highland peasant yield) to 3 – 4 tones per hectare.

Furthermore, not only are yields increased, but crops in fact display more stable levels of total production per unit area than the industrial systems. For example, the yield variability of cereal / legume polycultures is much lower than for monocultures of the components.

Small farmers' food security is therefore increased because yields are more stable. Also food security is assured when small farmers are not constantly at risk to lose their entitlements, such as their land, which provide them with food and income.

In sum, the potential benefits to small farmers include increases in food supply, increases in incomes, reduction of poverty, reduction in malnutrition and general improvement to small farmers' overall livelihoods.

Ecological Implications

Small-holder, environmentally sustainable production methods in fact conserve the soils as well as ensure better water management and harvesting. These methods also enhance biodiversity. Genetic diversity in turn increases resistance to pests and diseases.

For example, researchers have compared crops which have been organically grown with those under chemical intensive methods, only to find that pests were commonly absent in the organically grown crops,

while the chemical intensive plots showed relatively high levels of pests. The same results were also true when comparing plant diseases, soil quality and soil erosion. For example, fewer earthworms (their quantity is an indicator of soil quality) were found in fields planted with chemical intensive methods as compared to the organically planted crops.

Small farmers also tend to invest more labour into their land, and tend to use the land in such a way as to maintain its long-term production sustainability when it belongs to the family. This is in contrast to big corporate farms which use land as a factor of production and source of current and short-term future profits.

The Big Picture: Putting Development at the Centre of the Multilateral Trading System

I would like to refer you to Dani Rodrik's work, where he talks about the need to shift from a 'market access' mindset to a 'development' mindset at the WTO. Essentially, this means that we should stop evaluating the trade regime, from the perspective of whether it maximises the flow of trade, and ask instead – whether or not the trading arrangements – current and proposed, maximise the possibilities of development at the national level.

He bases his argument on his research which shows that there is in fact no compelling evidence to show that reductions in trade barriers systematically and unambiguously leads to superior economic performance. Firstly, he says, governments need to devise DOMESTIC investment plans to kick-start growth and also establish institutions of conflict management. Liberalisation tends to be successful only if there is firstly a strong and vibrant local economy as well as existing governmental institutions which take on substantial responsibility in building physical and human capital.

He also talks about the need to get economic history right and the success of import substitution policies which were used for two decades by developing countries until the early 1970s. These policies in fact worked very well in terms of raising domestic investment and productivity.

The message is that before opening up our economies, we really need to a healthy domestic economy that can withstand liberalisation. Otherwise, openness instead could lead to deindustrialisation. For the developed countries, history shows us that their growth first took place as a result of stimulating their domestic economy. Trade and exports were follow-on effects of growth and a robust economy.

RECOMMENDATIONS

Today, I would like to challenge you to firmly put on

the table, at the WTO, your positions (not those that will benefit your corporations in developing countries at the expense of the masses in poverty), but positions that will bring broad based development to your country.

If we rethink all our WTO agreements from the point of view of what will bring development, it is likely that our proposals will be quite radical.

Many of you will think that this is undoable. But what is the alternative? If we lose our vision of what we need for REAL development, and take on a damage control attitude, we will be heading for another new round, for even less tariffs and protection of our agricultural sector, for opening up our countries to services from foreign providers ... and then the new agreements – government procurement, investment, competition.

There is no new round that is less onerous than the round before. Each round calls us for bigger commitments and therefore, for developing countries, brings us fewer benefits. What will the situation be for developing countries, for the poor when we implement a more severe version of the Uruguay Round in 5 - 10 years? We know, already, that the likely outcome will be more of what is already happening now, so that the poor will become poorer.

So here are my recommendations which I challenge you to take up:

1) For developing countries – Allow developing countries to take on multilateral undertakings, rather than bind them to a single undertaking structure. This has bound developing countries to take on commitments that have been destructive to their economies. It is only a 5-year old structure. Instead, for developing countries, a multilateral trading system that has separate trade agreements which countries chose from – to be signatories or not to be signatories should be seen as the only adequate and meaningful form of Special and Differential Treatment. Developing countries do not need TRIPS, nor TRIMS, and for many, not even agriculture. Trade can still take place. But we can do so on our own terms.

2) Institutional Reform / Transparency: We need to look at the rule of consensus. Amongst players that are unequal, consensus is in fact domination. Consensus does not allow us to propose. We do not get listened to. Our proposals, if not supported by the US or EU, fall on deaf ears. It only allows us to oppose, and even then, with great difficulty. We know, for example, that less than a handful of developing countries can oppose the US. Voting is already in the rules. Insist that we use the Vote and that we use it frequently. We need to categorise decisions and bring the vote back for important decisions. Voting that is confidential is more likely to give us back our voice.

AGRICULTURE DEVELOPMENT BOX

- 1) Firstly, for developing countries, without being bound by the single undertaking, countries should be able to opt out of the agricultural agreement altogether. This would be suitable for countries, which have no capacity to compete, but are predominantly agrarian.
- 2) Use the positive list approach. List and liberalise only those products which we are competitive in, or which we export.
- 3) Use tariffs to counter the exporters' subsidies (of all forms). We do not need to open our markets to dumping.
- 4) Much greater flexibility for products which are consumed locally (we can exclude them from being imported and also should be allowed to provide subsidies). Similarly, protection should be given to products produced by small farmers. The local markets should first be the right of the local producers.
- 5) All forms of subsidies in developed countries should be collapsed into a single box and reduced.
- 6) Transnational corporations receive the bulk of subsidies from OECD countries. Because they are already anti-competitive, make it WTO-illegal that they receive government supports of any form.

Conclusion

The outlook for developing countries today at the WTO is extremely bleak. More of the same of these current policies will mean plunging millions, even billions into severe poverty.

The alternative is intellectually simple: To defend our own rights and needs. We can work the technical details out within agreements. But it is courage that we need and a persevering fighting spirit. This is no less than a hero's journey... and a collective hero's journey at that.

I just want to end with a few words which I hope can inspire you. It is by Nelson Mandela in his inaugural speech. He has fought some formidable battles and maybe some simple truth from him can set us, at least, in the right direction.

In the passage, he makes references to 'God'. If you do not ascribe to any God, feel free to substitute it for other words like universe or a larger force, the light, love – whatever you feel comfortable with.

'Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure. It is our light, not our darkness, that most frightens us. We ask ourselves, 'Who am I to be brilliant, gorgeous, talented and fabulous? Actually, who are you not to be? You are a child of God, your playing small doesn't serve the world. There's nothing enlightened about shrinking so that other people won't feel insecure around you. We are born to make manifest the glory of God that is within us. It's not just in some of us; it's in everyone. And as we let our light shine, we unconsciously give other people permission to do the same. As we are liberated from our own fear, Our presence automatically liberates others.'
—— Nelson Mandela 1994.

So go forth, expand yourself, and fight the hero's journey.

APPENDIX

Case Study 1: Agricultural Liberalisation in Kenya

Kenya is an NFIDC. The average daily food consumption is less than 2,000 calories. Almost half the population is chronically undernourished. Agriculture supplies 30 per cent of GDP and 55 per cent of total merchandise exports. The sector also employs 77 per cent of the population. Food imports absorb 17 per cent of foreign exchange earnings.

Kenya had structurally adjusted parts of its agricultural sector since 1979-80. 1993 however, saw the implementation of significant and wide-sweeping liberalisation policies. All government controls over food pricing and marketing were removed. By 1995, with the Agreement on Agriculture, government bans on food imports were removed and tariffs on all products have been bound at 100 per cent.

Since then, domestic production of staples such as maize, wheat, rice, and milk have generally declined, while food imports have surged. For example, the country imported no maize at all between 1987 and 1991. In 1997 and 1998, maize imports hit levels never before experienced, at 1.1 million tonnes and 0.8 million tonnes respectively. According to the figures on cereals (white maize, wheat and rice) in Tables 1 and 2 in the Appendix, Kenya imported 12 per cent of its cereal consumption in 1990, producing 88 per cent of consumption domestically. By 1998, it imported more than 35 per cent of its cereal consumption.

At the same time, the country has attempted to move into new export areas, such as horticulture, but with only measured success due to the high costs of inputs and the EU's high tariffs

during certain seasons. Not surprisingly, the food import bill is increasing rapidly, from an average of US\$164 million between 1985-1990, to US\$302 million between 1991-1996, ie a 47 per cent rise. Agricultural exports too have increased, but by a smaller degree, from US\$727 million to \$965 million during that period – a 25 per cent increase.

Kenya however is not well placed to make these purchases. According to the World Bank Development Report 1998, Kenya's terms of trade have declined by about 75 per cent since the 1980s so that Kenya today can buy only three quarters of what it could buy with the same amount of exports in 1980.

According to researcher Nyangito, 'the availability of food imports allows consumers to access food cheaply... However, most Kenyan consumers depend on agriculture directly or indirectly. Food imports reduce the market for domestic agricultural products and leave the majority of farmers and workers in agriculture-related industries with no alternative sources of income... This problem is made worse by limited employment opportunities (agricultural or industrial)...'

Sources:

FAO 1999 FAO Symposium on Agriculture, Trade and Food Security: Issues and Options in the Forthcoming WTO Negotiations from the Perspective of Developing Countries, Paper No 3: Synthesis of Country Case Studies, Geneva 23-24 September 1999.

Nyangito, H 1999 'Impact of Uruguay Agreement on Agriculture on Food Security: The case of Kenya', Institute of Policy Analysis and Research, Nairobi.

Murphy, S 1999 'Trade and Food Security: An Assessment of the Uruguay Round Agreement on Agriculture', CIIR, London.

Case Study 2: Sri Lanka's Increasing Dependence on Food Imports

Sri Lanka is also an NFIDC. Agriculture supports half of its population, and contributes to 22 per cent of GDP and 21 per cent of merchandise exports. Food consumption averages 2,300 calories per day, an estimated 25-30 per cent of the population is undernourished.

The government has been implementing structural adjustment policies since the late 1980s. As a result, much of government support to agriculture has already been removed. Bound tariff levels for agricultural products are at a uniform rate of 50 per cent. However, the applied rates for most of these products are 35 per cent or less.

There have been marginal increases in exports as a result of post-UR improved market access. However, the exports have not come close to matching the import increases. According to the FAO study, the impact of the AoA has been more pronounced in the area of food imports. Food imports have witnessed

significant increases since 1996 as a result of tariffication and the relatively low tariff bindings for these products. The surge in imports has led to a decline in domestic production in a number of food products, resulting in a clear drop in rural employment. It was reported that a loss of 300,000 jobs occurred as a result of a drop in production of onions and potatoes. The FAO concludes that flexibility in support in the short to medium term is necessary in order to sustain agricultural development and food security.

Sources:

FAO 1999 FAO Symposium on Agriculture, Trade and Food Security: Issues and Options in the Forthcoming WTO Negotiations from the Perspective of Developing Countries, Paper No 3: Synthesis of Country Case Studies, Geneva 23-24 September 1999.

Case Study 3: Liberalisation Dismantles the Philippine Agricultural Sector

Since becoming a WTO member in 1995, the Philippine government stepped up its campaign to embrace the free trade agenda. Sweeping policy changes have been made to the agricultural sector. While previously there was legislation in place to encourage local food production, particularly of staples such as rice and corn, these have been dismantled. Significant amongst these were the Magna Carta for Small Farmers, 1991, which prohibited the importation of agricultural products that were produced locally in sufficient quantities. This legislation offered blanket protection to small farmers through measures such as quantitative restrictions.

The other major policy shift central to Estrada's food programme has been the encouragement of farmers to convert lands from staple foods to non-traditional 'high value crops' for export. Acreage planted to rice and corn have been slashed by more than half, from 5 million hectares to 1.9 million hectares, freeing up land for the production of cut flowers, mangoes, eucalyptus, asparagus etc.

Concurrently, as tariffs and quantitative restrictions have been dismantled, the Philippines has been inundated with imports of staple foods that they have traditionally produced themselves. Rice imports have skyrocketed, from 200,000 tons in 1993, to 2.2 million tons in 1998. A similar scenario is true for corn, beef and pork.

At the same time, the already minimal amounts of government subsidies for staples have dropped further, from 6 to 3 per cent in rice from 1995-98, and for corn, from 2 per cent to zero.

Income from exports has not materialised. Many of the experiments with high-value crops have failed miserably. For small holder farmers who have lost the markets in rice, corn or pork, conversion to these crops requires too high a financial outlay, and knowledge

that is foreign.

That the high-value agricultural exports have not been successful can be gleaned from the numbers. While in the 1980s, the Philippines was in fact a net food exporter, (there was a \$6.7 million surplus in 1988), the trend has now been reversed. Instead the trade deficit has been increasing every year, from 42 million in 1994, to 670 million in 1998.

Poverty is on the rise as farmers of staples, such as rice and corn are being out-priced and are quickly losing their hold on the local markets to imports. Imported corn is only half the price of locally produced corn. It is not uncommon to find Mindanao corn farmers leaving their harvest to rot in the fields because the prices have sunk so low that it would not be worth their while harvesting and selling the corn. The other phenomenon is that corn and rice lands are left empty as small farmers cannot afford conversion to higher-value export crops.

As of 1998, 75 per cent of peasant families in corn production have been living under the poverty line. The situation is set to worsen as 12 million corn-producing families are facing further drops in income. When pressed for specifics, the Philippine government has admitted that 350,000 jobs are being lost annually, mainly from the labour intensive traditional crops like corn, rice and sugar. In the corn sector alone, 45,000 jobs are being replaced each year. The result of dismantling the traditional agricultural sector is evidenced in the high migration rate to the city from the rural areas, as well as the stream of women migrant workers that leave the country for employment abroad.

Sources:

Integrated Rural Development Foundation, 1999, 'Five Year After GATT: What have we got?', Occasional Paper No. 1-99.
Mendoza 1998 'Gender, Growth and Globalisation: Women in a Changing Rural Landscape', Philippine Peasant Institute Briefing Paper Vol VI No. 1, July.
Bello 1998 'The GATT Agreement and Food Security: The Philippine Case', Paper presented at the International Workshop on WTO Agreement on Agriculture, New Delhi, April 30-May 2.
Various interviews with Philippine NGOs, Feb 2000.

Case Study 4: Thailand - Hunger, Poverty and Debt amidst Plenty

Thailand is well known for its bounteous food production, particularly the export of its Jasmine rice. It is in fact Asia's only net food exporter, accounting for at least 35 per cent of the world's rice exports. In addition, Thailand exports rubber, sugar, cassava and chicken meat.

However, behind this abundance, the flip-side is that the majority of Thai farmers have been putting up with very low standards of living. By the early 1990s, 40 per cent of the rural population lives below the pov-

erty line. Food insecurity is a reality even for the rice farmers. According to the FAO, daily food supply on average is about 2,400 calories, with an estimate 25-30 per cent of the population chronically undernourished. The rural crisis has been going on for several decades, set in motion by the commercialisation of agriculture as well as the subordination of this sector to industrial development. However, the crisis has worsened in recent years as a result of further liberalisation coupled with the on-going effects of the 1997 financial crisis.

There are a total of 5.7 million farming families. Of these, 4.7 million have no land or inadequate land to sustain them. Because of price volatility and the increasing costs of inputs, most Thai farmers find themselves in a chronic cycle of debt. The Ministry of Finance has estimated that the total farm debt is at Bht 15 billion (or \$405 million), with 4.77 million families owing money to the banks. This figure does not include debt owed to loan sharks. About one third of farmers owe debts to loan sharks amounting to 5 billion baht, with interest rates as high as 25 per cent. (These are official figures published in the media. NGO estimates are much higher, with about 12 million farmers in debt, as of 1998, owing a total amount of Bht 400 billion, or \$108 billion, i.e. an average of \$9,000 per farmer).

A typical story is like that of the 62-year-old farmer who hung himself outside the government house in Bangkok in 1998. He had borrowed Bht 200,000 (or \$5,405) and pledged to pay back the loan at Bht 270,000. However, because he was not able to pay off the loan on time, the amount increased to Bht 370,000. He borrowed the Bht 370,000 from a relative to repay the loan, and lost his land to the relative. Most small farmers are in a similar debt trap where one loan is taken to pay off the previous loan.

One of the main reasons why farmers cannot make ends meet is that farm gate prices have been falling to chronically low levels. In 1997 - 98, the price of palm oil was Bht 4 per kg. In 1999, the price dropped to Bht 0.75 per kg. The price drop is due to opening up of the Thai market to palm oil from Malaysia. Similarly, the price of rice before the economic crisis was Bht 8,000-10,000 per kg. It is now Bht 4,000 per kg. Rice was also one of the items that Thailand had to liberalise due to AoA commitments. The tariff on rice is being lowered by 0.2 per cent every year until 2003. In addition, prior to the AoA, importation of foreign rice was prohibited unless it was imported by the government. This is not the case today. Thailand must import up to 250,000 tones of rice a year by 2004. In a similar vein, the price of milk has also been greatly depressed in the last 2 years as a result of opening the market to EU subsidised milk powder (see case study 4).

As farm gate prices are on a rapid decline, the cost of farm inputs - fertilizers, pesticides and herbicides -

have risen by as much as 40 per cent between 1997-1998.

Farmers are finding it impossible to make ends meet. Rice farmers are lamenting that when all the bills are paid, there is not enough left over to buy food or look after their families' needs. Rural public health clinics saw the number of cases of stress-related illnesses increase by more than 100 per cent in 1997-98, with many suffering from an overdose of low-quality alcohol or mind-numbing drugs.

Sources:

Bello et al 1999 'A Siamese Tragedy: Development and Disintegration in Modern Thailand', Zed Books, London.

FAO forthcoming, 'Implementation of the Agreement on Agriculture in Thailand'.

Bangkok Post Feb 8 1999 'BAAC has extended B7.4 bn to almost 124,000 farmers', 25 Jan 1999 'Jobless farmers issue dire threat: Plan to seize forest land to make a living', 25 June 1998

'Shattering the rice bowl: Thailand's farmers are suffering, will the 'nobility' ever pause to care?' 25 June 1998 'Northeastern farmers groups muster 2,000 for city rally'.

Interview with Phitthaya Wongkul, Chairperson of Thai Development Support Committee (TDSC), Feb 2000.