

Speech to the WTO Symposium April 29 2002

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Introduction

Excellencies, distinguished guests, ladies and gentlemen. Thank you for the opportunity to speak at this post Doha symposium.

Two weeks ago Oxfam launched a campaign to make trade fair. Since then, to borrow from Mark Twain, reports of our conversion to the cause of free trade have been greatly exaggerated. Some of our NGO colleagues have lamented our statements that trade has the potential to be an engine for the kind of economic growth that can deliver sustained poverty reduction. Others, particularly politicians and international organisations, have embraced those parts of our message that reflect their own agendas.

This morning I want to dispel any notion that Oxfam has been born again as a cheerleader for free trade. Our argument is this. Rich countries, and the institutions they control – the IMF, the World Bank, and the WTO – have rigged the rules of international trade to suit themselves.

We live in an upside down world.

- Where rich countries preach the gospel of free trade, while increasing their own spending on agricultural subsidies to the tune of \$1 billion a day.
- Where rich countries use international organizations to prise open the markets of the poorest countries, prescribing a medicine they are unwilling to take themselves.
- Where developing countries' exports to the rich world face tariffs four times higher than those of rich countries.
- Where a new round of negotiations, in which developing countries are being asked to take on new issues that will primarily benefit the rich economies and TNCs in return for progress on things they were promised ten years ago, is dubbed a "development round".

What's needed is not just an extra dose of free trade. To correct this topsy-turvy world we need a radical new approach that puts sustainable development at the heart of trade policy. And an end to the venal double standards of rich countries as they continue to manipulate the making of rules for international trade.

Progress on reforming the TRIPS agreement would be a good place to start.

The Doha Declaration on TRIPS & Public Health was an important step forward

in the campaign for affordable medicines. It was a victory for common sense and decent public policy. It should give developing countries greater confidence to use the public health safeguards in TRIPs to improve access to medicines.

But the ink on the Doha declaration is not yet dry, and some rich countries are already back-tracking on their promises to put patients' rights ahead of patent rights. Here, in Geneva, the US, Switzerland and Canada are again trying to protect the patent rights of the pharmaceutical industry, attempting to deny the world's poorest people their rights to good health through cheap and essential medicines.

The fast-track legislation now in the US Congress pushes for TRIPs-plus rules, which would contradict the letter of the Doha Declaration.

Some might think the pressure from public opinion and developing country governments that led to the Doha declaration is winding down and that business as usual will prevail. OXFAM and hundreds of other civil society groups are watching closely to make sure it does not. Nor will we sanctify an agreement that is fundamentally bad for development and transfers something like 40 billion dollars per year from the South to the North.

Agricultural subsidies

Oxfam can see no justification – or justice – in a global trading system that allows wealthy countries to massively subsidize their own industries to compete against vulnerable economies that have been prised open by Bretton Woods loan conditionalities.

Massive surpluses generated by farm subsidies are dumped into developing countries, pushing down the incomes of local farmers and putting many out of business.

It is morally repugnant for this to happen in agriculture, where it affects the food security of poor communities so drastically. People should not starve because of free trade.

In Haiti, where OXFAM works with poor rice farmers to upgrade the quality of their produce, we have seen the disastrous effects of rapid, across the board import liberalisation.

Unable to compete with super-subsidized Miami rice, poor farmers and farm workers have lost their livelihoods and consumers in rural areas, where poverty is worst, have not benefited from cheaper prices because of market structures and transport costs. Haiti's macroeconomic balance has also suffered to the point that the country cannot sustain its level of food imports without the life-line of donors and further indebtedness.

Current agricultural negotiations must redress these imbalances. Promises made in Doha should be respected. Export subsidies should be quickly eliminated and domestic support reformed so that it meets social and environmental needs without destroying farmers' livelihoods in poor countries. Rich countries need to stop opposing the 'development box.' This measure would protect small farmers and food security crops in developing countries from unfair liberalization and provide effective safeguards to deal with import surges.

Market access

Nor should poor countries continue to suffer because they are locked out of markets in Europe and North America. That wealthy countries can force open vulnerable economies while targeting their most restrictive trade barriers at the very goods that are produced by poor people in poor countries; textiles, clothing and agricultural products, makes a mockery of the idea of free trade.

Rich country trade barriers deny developing countries a hundred billion dollars a year in export earnings. Twice the value of annual aid flows. The rich world gives with one hand, and takes back with two.

It is estimated that a mere 1% increase in developing country exports would lift 128 million people out of poverty. An increase of one percent of Africa's exports would yield seventy billion dollars – five times the amount Africa gets in aid and

debt relief.

If we look at textiles and clothing for example, at Uruguay the rich countries promised to phase out by 2005 the Multi-Fibre Arrangement which restricts textiles and clothing imports from developing countries. While they spared no effort in complying with the strict letter of the phase-out agreement, they blatantly violated its spirit by back-loading liberalisation of those products of most export interest and highest value to developing countries until 2005, and front loading those of least interest.

In practice, the EU and US have removed less than one quarter of import-restricting quotas that should have gone by now. Even when the quotas are phased out, tariffs on textiles and clothing will remain as high as 12 per cent, three times higher than the average tariff on industrial goods in rich countries.

And more smoke and mirrors with the Rules of Origin double standard. For example, the US' Africa Growth & Opportunity Act offers duty and quota free access for African exports of clothing, but only for clothes made using American yarn or textiles. In the case of the EU's rules of origin, only 40 per cent of Bangladesh's clothing exports qualify for duty free access to the EU.

Commodities

Industrialized countries have been quick to load the WTO agenda with non-trade items at the behest of transnational corporations: TRIPS, GATS, competition and investment. But the single most important trade issue for least developed countries – the declining and volatile prices of commodities – is mysteriously absent.

The poorest countries are the most dependent on a handful of commodities. Trade rules in this case means no rules. A handful of transnational corporations enjoy the power of monopoly and unprecedented profits while the billion people who depend on commodity production for a living are driven into poverty.

It is absurd that the G8 and the world's finance ministers struggle to find aid money and debt relief for sub-Saharan Africa, while completely ignoring the slump in commodity prices that has forced these economies right back into unsustainable debt. Something has to give.

Services

Despite assurances from the WTO secretariat that public services are not covered by GATS and that no member has entered into explicit commitments on water, the 1000 page draft negotiation request from the EU, leaked in the media last week, demands opening essential services to foreign competition, such as water, sewage, telecommunications, post and financial services. Sure, there is

no compulsion yet, but it is an obvious indication that the price of dismantling European subsidies and tariffs is untrammelled market-access to services in developing countries.

If true this is clearly unacceptable. Governments shouldn't be pushed to trade away access to potable water or other essential services.

Competition and investment

Under the guise of the need for transparency, developed countries are pushing developing countries into multilateral rules on investment and competition which they don't need and cannot afford.

For instance, there is no evidence that existing bilateral investment treaties have led to increased investment flows in poor countries. Lack of market access, stringent rules of origin or lack of infrastructure have much more bearing on investment flows than trade rules. But there is little doubt that rules on the model of NAFTA or the MAI put governments at risk of losing millions of dollars whenever they try to exercise their legitimate right to regulate the activities of foreign investors to minimize environmental costs, or respect labour rights.

Oxfam's view is that multilateral negotiations on investment and competition under WTO auspices will bring no major benefit to poor countries.

Governance and capacity building

The WTO has rightly put a lot of emphasis on capacity building for countries to participate more effectively in WTO processes. Oxfam applauds this and we have long argued that it is an essential prerequisite if the WTO is to be an effective institution for the poorest as well as the powerful. However while we regard the increases negotiated by the WTO as welcome, we do not believe they are sufficient.

It is also too easy to blame the poor participation of poor countries on governance and low capacity, when the real problem is the double standards of wealthy countries.

The real governance question is how *do* we hold the EU or the US accountable for their failure to reduce their own subsidies and protectionism?

Reform of the WTO

A more general point about criticism of the WTO. We have made some suggestions for reform which I think you will agree are quite reasonable – increased technical assistance for poor countries, greater transparency on

informal influence, improved transparency of both developing and developed country governments.

Like many others we are in favour of a rules-based trading system – the WTO - and recognise that the alternatives are far worse, in particular regional trade agreements. The real issues therefore are about the rules themselves and how they should be determined fairly and democratically. The idea that achieving consensus equates with real democracy has clearly not been borne out in the past, so let us see whether the improvements in processes that Oxfam has acknowledged really will provide the accountability and fairness that are needed.

Conclusion

International trade can work for the poor or against the poor. Just as in any national economy, economic integration in the global economy can be a source of shared prosperity and poverty reduction, or a source of increasing inequality and exclusion. Managed well, the international trading system can lift millions out of poverty. Managed badly, it will leave whole economies even more marginalised.

At present trade is managed badly, both at the global level and, in many countries, at the national level. Continuing on the current path is not an option. But a retreat into isolationism would deprive the poor of the opportunities offered

by trade. It would counteract a powerful force for poverty reduction. That is why we need a new world trade order, grounded in new approaches to rights and responsibilities and in a commitment to make globalisation work for the poor.

At the beginning of this so-called Development Round, there is an added urgency to bring a pro-poor perspective to the debate. Oxfam's campaign is a contribution to civil society efforts to make trade fair. Together with others we hope to build the kind of movement that helped end apartheid, banned landmines, and reduced Third World debt.

To echo the theme of the World Social Forum in Porto Alegre: another world is possible.

Thank you for the opportunity to put these arguments before you.

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