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International Business Readings

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TOPIC: "From the ashes."



Trade Secrets

The real message of the collapse of trade talks in Cancun: business as usual is over for the WTO

Foreign Policy, Jan-Feb, 2004, by Lori Wallach

The World Trade Organization's (WTO) September 2003 meeting in Cancun, Mexico, had barely collapsed before major corporations and their government and media mouthpieces launched into damage control: Blame developing nations--those countries making up the majority of WTO members, and that U.S. Trade Representative Robert Zoellick dismissed as "won't do" countries--for defending their interests. Blame Mexico's Foreign Minister Luis Ernesto Derbez, who hosted the meeting. Or blame advocacy groups and nongovernmental organizations.

This blame game is a wasteful distraction from the reality that, after nine years of existence, business as usual at the WTO is over.

To overcome opposition when the WTO was established in 1995, promoters promised benefits eerily similar to those trotted out before Cancun: billions of dollars in global economic growth and the reduction of poverty in poor nations. Not only has the WTO failed to deliver on such promises, but numerous countries are suffering economic, environmental, and social harm after implementing the global body's mandates. This harm highlights the WTO's key contradiction: Shouldn't those living with the results determine the policies versus having them imposed by the WTO?

Not according to the old powers that be. In the run-up to Cancun, a bloc of powerful economies--the European Union, Japan, the United States, and Canada--plotted with the allegedly neutral WTO secretariat to set the agenda in advance. Their plan was not to negotiate, but to dictate four more WTO agreements that have little to do with trade and that require signatories to rewrite their domestic laws to conform even more to a "Washington Consensus" set of one-size-fits-all policies. Developing countries were expected to provide more privileges for foreign investors, subjugate their government procurement policies to WTO disciplines, prioritize facilitation of imports over other domestic policy goals, and adopt uniform "competition" policies that enable mega-conglomerates to further consolidate markets. The proposal would have undermined economic development and made the WTO even more untenable for scores of poor nations still unable to digest their Uruguay Round commitments, such as requirements to create new corporate patent rights over medicines and seeds.

Unfortunately, the genuine demands of the developing world were not on the agenda. The so-called G-21, a group led by Brazil, China, South Africa, and India--representing half the world's population and two thirds of its farmers--pressed hard to cut rich countries' farm subsidies. Many developing countries also presented a unified position on non-agricultural market access and dismissed an "Implementation Agenda" of 105 specific changes to current WTO rules.

Yet, wealthy countries were shocked (yes, shocked) when Cancun broke down, even though more than 80 developing countries had already rejected the rich nations' agenda. But Cancun followed 18 months of deadlocked WTO talks in Geneva, which began in Doha in 2001 after a similar agenda had fallen apart in Seattle in 1999. Clearly, Zoellick's triumphant remark in Doha that the "stain of Seattle" was erased proved laughable given the outcome of the Doha WTO meeting. Rich countries called it the "Doha Development Agenda" and poor countries called it the "Everything but Development Round." By any name, it papered over gaping disagreements between rich and poor.

On the road to Cancun, the small bloc seeking WTO expansion merrily lectured the developing countries about the WTO's great success to date and imperiously declared that more of the same was in developing countries' interests. But poor nations have lived with nine years of WTO policy, along with 20-plus years of "field testing" the WTO model through International Monetary Fund structural adjustment programs. Today, the least developed countries' share of world trade is more than 45 percent less than its share before the establishment of the WTO. Excluding China, the percentage of people living on \$1 per day worldwide has increased. WTO agriculture rules have led to record low prices paid to farmers and increased food dumping, destroying livelihoods and undermining food security for millions. Countries that most faithfully adopted the "neoliberal" policy package (trade, finance, and investment liberalization; privatization; deregulation; and new property protections) have been the hardest hit. Few developing-country officials believe studies touted in the United States claiming that countries most open to the global economy grow the fastest. They need only look at Argentina's collapse and China's remarkable growth. Ironically, the countries exalted as the most economically open--such as China, Vietnam, and Malaysia--flouted major elements of the model by having no convertible currency, tightly regulating foreign investors, limiting imports, and planning industrial policies. These countries engaged the global economy on their own terms, using trade policy strategically when they deemed it useful.

Given the WTO's record in rich countries, developing countries also question what they can expect in the future. Under the current trading system, the U.S. trade deficit exploded to \$435 billion in 2002, equal to 5.2 percent of U.S. gross domestic product. Nearly 3 million U.S. manufacturing jobs (one in six) have been lost over 10 years under the North American Free Trade Agreement and the WTO, with cascading effects on state and local tax revenues. U.S. real median wages remain below 1972 levels. This record does not even touch on the string of domestic environmental, health, and food safety policies under assault by the WTO. U.S. voters' dismay over this record has forced trade to the top of the presidential primary debate in the United States.

Trade can be beneficial, but under what rules? The Cancun agenda shut out the possibility of real transformation of the existing terms of globalization. The true loss in Cancun was not that a bad agenda was rejected, but that the real issues were never even discussed. No one is calling for an end to trade or trade rules. But what will those rules be, and who will write them? Either those desperately defending the status quo will come to realize that their failed project is over and that change is inevitable, or their ideological intransigence will cause autarchy following the current system's inevitable implosion.

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