

Harnessing Trade for Development

World trade rules have been developed by the rich and powerful on the basis of their narrow commercial interests. Rich countries and powerful corporations have captured a disproportionate share of the benefits of trade, leaving developing countries and poor people worse off. Trade rules should be judged on their contribution to poverty reduction, respect for human rights, and environmental sustainability.

Executive Summary and Policy Proposals

International trade can be a force for poverty reduction by overcoming local, national, and regional scarcity, and by creating livelihoods and employment opportunities. However, rich countries and powerful corporations have captured a disproportionate share of the benefits of trade, while developing countries and poor men and women have been left behind or made worse off. This is because world trade rules have been developed by the rich and powerful on the basis of their narrow commercial interests. Governments and companies who preach the virtues of free trade the loudest are the most guilty of practising protectionism when it suits them.

Trade has a role to play in narrowing the gap between the winners and losers from global economic integration. But trade, and trade liberalisation as a means of promoting trade, is not a panacea for poverty any more than protectionism. Trade policies, rules, and institutions should be devised and judged on the basis of their contribution to poverty reduction, respect for human rights, and environmental sustainability. This paper focuses on some aspects of international trade rules and policy-making processes that Oxfam believes require urgent reform in order to redirect the world trade regime towards the achievement of these goals. The paper also sets out Oxfam's position on a new round of World Trade Organisation (WTO) negotiations.

Oxfam supports:

- A multilateral rules-based trade system, which is needed to manage trade in the interests of poverty reduction and sustainable development. Such a system is in the interests of developing countries because it helps to protect them against unfair unilateral trade practices of more powerful trading partners.
- All WTO negotiations guided by, and judged against, the principles of poverty eradication, respect for human rights, and environmental sustainability. This implies the need for an independent review of the social and environmental impacts of the Uruguay Round, and for assessments of the likely social and environmental impacts of any future WTO agreements.

Oxfam opposes the launch of a 'comprehensive' new WTO round incorporating a range of new issues (such as investment, competition, and government procurement) until previous commitments have been honoured and imbalances in existing agreements addressed. In particular, Oxfam believes that:

- The key changes needed to address the imbalances in existing WTO agreements, that would have a significant positive impact on the situation of people living in poverty, do not require the launch of a new round. They can be achieved in the short term within the context of the WTO 'built-in' negotiations on agriculture, the mandated reviews of the Trade Related Aspects of Intellectual Property (TRIPS) Agreement and dispute settlement agreements, and the General Council Special Sessions on the implementation of existing agreements.

- Expanding the WTO negotiating agenda to include a range of new issues would overstretch the capacity of many developing countries which are already struggling to participate effectively in the WTO process and implement their existing WTO commitments. It would also distract attention from the priority development issues that need to be addressed within the context of negotiations already underway.
- Industrialised countries have consistently failed to demonstrate sufficient political will to address the concerns of developing countries about the imbalances in existing agreements. Until they do so, it is inappropriate to discuss the launch of a comprehensive new round.

The liberalisation debate

Growth in international trade flows has been accompanied by growing inequalities between and within countries. Policies guided by the theory of trade liberalisation, and trade rules that regulate only government interventions, fail to take account of social and environmental costs and of market failures that arise, for example, from the concentration of market power in the hands of a small number of private corporations. Poor men and women are most likely to lose out from trade reform because they lack the resources and skills necessary to participate in markets on beneficial terms.

Key areas of WTO reform

Industrialised countries and their powerful corporations have secured imbalanced WTO agreements and a disproportionate share of the benefits of trade, at the expense of developing countries and people living in poverty. This paper outlines Oxfam's proposals for changes in WTO agreements relating to agriculture, market access, and intellectual property. It also proposes changes to WTO policy-making processes and to the way in which the WTO relates to other international institutions and agreements. It does not present a comprehensive Oxfam statement on trade and poverty, but covers those issues on which Oxfam plans to carry out advocacy work in the near future.

Agriculture

The Agreement on Agriculture (AoA) is the most blatant example of rich-country double standards and hypocrisy at the WTO. Agricultural production or employment provides a livelihood for the majority of poor men and women in many developing countries. Yet the 'special and differential' provisions in the AoA focus on helping industrialised countries continue their existing systems of agricultural subsidies, rather than enabling poor countries to secure their populations' right to food and sustainable livelihoods, or to promote other important national development objectives.

Agricultural support to farmers in the European Union and the USA has devastating implications for poverty-reduction efforts, not least because agricultural growth is a strong determinant of overall growth and poverty reduction in poor countries. Subsidised EU and US produce is frequently dumped on international markets with the help of additional export-specific supports. These products create unfair competition in world markets, depriving developing countries of market share and foreign exchange.

Trade liberalisation in developing countries locks producers – many of whom already live below the poverty line – into competition with subsidised imports which drive down local prices. This has been the experience of corn farmers in the Philippines, after liberalisation in line with the WTO AoA, and maize producers in Mexico, following liberalisation under NAFTA (North American Free Trade Agreement) which led to an increase in imports from the USA. Developing-country producers can find it just as difficult to compete with imports of unsubsidised produce from internationally competitive agricultural exporters, such as Australia, Canada, and New Zealand.

Agriculture is too important a sector for poverty reduction and environmental sustainability to leave its development to market forces. WTO agreements must not undermine the right of developing-country governments to devise and implement pro-poor agriculture policies, including trade measures which promote food security, rural development, a more equitable distribution of assets, and the sustainable use of natural resources. Similarly, government support to farmers in industrialised countries may be justified on social and environmental grounds, but this should be provided in the form of carefully targeted schemes which do not lead to negative impacts for developing-country producers.

Action is also needed to regulate the activities of the huge corporations that dominate world trade in agricultural commodities. Around 70 per cent of this trade is controlled by no more than six companies. Their activities affect the share of value captured by different actors along international supply chains, with implications for poor men and women producing crops for export. The downward trend and increasing volatility in international commodity prices have a negative effect on both the income of poor farmers involved in global markets, and the revenue of governments in commodity-dependent developing countries, thus reducing resources available for essential public investment in health, education, and infrastructure.

Policy proposals: Reform of the Agreement on Agriculture

- 1 Dumping, and specifically the use of all forms of support for exports, including direct export subsidies and export credits, provided by industrialised WTO member countries, should be eliminated.
- 2 The EU and the USA should redesign domestic support policies so that they effectively promote social and environmental objectives without causing negative impacts on developing-country producers.
- 3 WTO rules should recognise the right of developing countries to implement national agricultural policies which promote food security and sustainable livelihoods. This could be achieved by incorporating a 'development box' or food security clause in the AoA. This would expand the types of interventions which developing countries could make exempt from trade liberalisation commitments, including the use of import barriers.
- 4 Developing-country governments should devise and implement pro-poor agricultural trade and rural development policies which promote food security and sustainable livelihoods, in consultation with all stakeholders, including civil society organisations.
- 5 Developed countries should improve market access for agricultural exports from developing countries by substantially reducing general tariffs, eliminating tariff escalation, and reducing non-tariff barriers such

as seasonal import restrictions. It is essential that developed countries avoid the arbitrary use of SPS (Sanitary and Phyto-Sanitary) measures. They should also provide technology, financial assistance, and longer time periods to help developing-country exporters meet new standards and participate in international standard-setting bodies.

- 6 Developing countries should be exempted from the WTO's minimum market access obligations, especially for staple foods. This would allow them to retain the flexibility to choose from the full range of policy options for achieving food security and sustainable models of agricultural production.
- 7 Major agricultural exporting countries should establish a fund to assist net food-importing developing countries to meet their food import bills, and to finance programmes to enhance agricultural productivity, through investment in food storage and processing facilities, for example.
- 8 Governments should initiate greater scrutiny of the role of multinational corporations in international agricultural trade, and examine the issue of competition in international agricultural markets as part of the AoA review.¹
- 9 Producer and consumer countries should research, fund, and implement schemes to manage commodity supply and stocks with the objective, wherever possible, of increasing and stabilising prices. International institutions and donor governments should support agricultural diversification and the development of processing capacities in developing countries.

Intellectual property

The WTO TRIPS Agreement considerably increases the length, scope, and geographical coverage of patent protection for many countries. It guarantees companies a minimum 20-year patent term on both products and processes, in all fields of technology, including microbiology. In so doing, the underlying rationale of the TRIPS Agreement is antithetical to the overall liberalisation objectives of the WTO, since it erects barriers to trade and undermines competition.

The strengthening of intellectual property protection through its inclusion in the WTO illustrates graphically how globalisation is being managed in the interests of powerful corporations. It is large companies that pushed intellectual property on to the WTO agenda in pursuit of monopoly rents. There are real concerns that WTO rules on intellectual property will raise the cost of and inhibit technology transfer to developing countries. In turn this will undermine the capacity of poor countries to compete in an increasingly knowledge-based global economy.

WTO intellectual property rules fail to strike the right balance between the need to reward innovation, and the ability of governments to promote broader social objectives, particularly in relation to the needs of poor men and women in developing countries. The rules concerning the rights and obligations of patent holders are also imbalanced. Oxfam is particularly concerned about the potential negative impact of the WTO intellectual property agreement on technology transfer to developing countries, and on poor people's ability to buy affordable medicines, seeds, and other technology-rich products.

Access to essential medicines is already a major problem for one-third of the world's population. The impact of the TRIPS Agreement on the price of

medicines poses acute health risks, given the huge and growing burden of disease in the world's poorest countries. The Agreement contains some flexibility for countries to protect public health. However, developing countries are frequently subject to intense bilateral pressure from governments and legal pressure from companies not to use these safeguards, and to comply with an unduly strict interpretation of WTO patent rules.

WTO intellectual property rules also promote the monopolisation of corporate control over plant genetic resources, and enable companies to increase the price of seeds and related agricultural products. By patenting certain traits in genes, seeds, and/or plants, companies can acquire monopoly rights to the production and marketing of important crops. This threatens to undermine the livelihoods and food security of poor farmers. In contrast, WTO rules do not recognise or protect community-based and traditional knowledge, and fail to protect the rights of farmers and indigenous peoples, even though these groups have developed and maintained the plant varieties now being exploited for profit in Northern laboratories.

Bio-piracy is a major concern. If just a two per cent royalty were charged on genetic resources developed by local innovators in the South, it is estimated that the North would owe more than US\$5bn in unpaid royalties for medicinal plants. Patent rules are driving many of the developments in the field of agriculture, including bio-technology. The promises made by bio-technology companies in terms of tackling world hunger are vastly exaggerated. WTO rules should be revised to extend the precautionary principle² and secure the rights of governments to restrict and/or require the mandatory labelling of GM food and seed imports, given inadequate scientific evidence on the health and environmental risks.

Policy proposals: Intellectual property

- 1 WTO members should agree a timetable to conduct a substantive review of the health and development impacts of TRIPS. This should aim to ensure a better balance between the interests of inventors and the obligations of governments to achieve broader social and development goals, and establish concrete mechanisms to promote technology transfer.
- 2 WTO members should agree a moratorium on disputes with developing countries over TRIPS compliance until a substantive review has been completed. Members should agree longer transition periods for introducing TRIPS based on development milestones rather than arbitrary dates.
- 3 WTO intellectual property rules should be changed to allow developing countries to retain the right to make, sell, or import the cheaper generic medicines they need. Existing public-health safeguards should be strengthened to allow countries greater choice in determining the length and scope of pharmaceutical patenting, including the option for developing countries to exempt medicines from patenting on public-health grounds. New publicly funded incentives should be created for the research and development of priority medicines and vaccines, including the creation of a global fund financed by donors.
- 4 The obligation in TRIPS to provide for plant variety protection should be removed, and flexibility maintained for countries designing sui generis systems of intellectual property protection.³

- 5 TRIPS should prohibit the patenting of plants and their parts (i.e. genes and gene sequences and cells) and micro-organisms.
- 6 WTO members should clarify that the TRIPS Agreement must be consistent with the Convention on Biological Diversity. In order to combat bio-piracy, patent approval should be made conditional on prior informed consent, benefit sharing, and the disclosure of the source of genetic material.

Market access

Trade liberalisation has been an unequal bargain, with the greatest gains from WTO agreements accruing to industrialised countries. The costs of Northern protectionism for developing countries are huge, amounting to a loss of US\$700bn in annual export earnings, or 12 per cent of their combined GDP. The sectors of greatest interest to developing countries – agriculture and textiles – are subject to the highest trade barriers. Developing countries have opened up their economies far more rapidly than industrialised countries, often under World Bank and IMF programmes, but this unilateral trade liberalisation has not been taken into account in multilateral agreements.

Escalating tariffs are a particular problem. These rise according to the level of processing, and obstruct the efforts of developing countries to diversify into higher-value production as a means of promoting industrialisation and employment. In Japan and the EU, tariffs on imports of fully processed food products are twice as high as those on products in the first stage of processing. In addition, as average tariffs have fallen in most sectors, industrialised countries have erected new, non-tariff barriers that restrict entry to their markets. These include informal protectionism through, for example, the excessive use of anti-dumping measures. The true level of protection afforded to European industry rises from 5.1 per cent if tariffs alone are included to 9 per cent if both tariff and non-tariff barriers are included.

An acid test of the commitment of industrialised countries to promote a more equitable distribution of the benefits of world trade is the proposal that they provide free access to their markets for products exported from the 49 least-developed countries (LDCs). Although the LDCs are home to 10 per cent of the world's population, they account for a tiny 0.4 per cent of world trade. Rich countries failed to agree to this proposal at the Seattle WTO Conference, and the offers they have made since are full of loopholes which exclude products of particular interest to poor countries.

The economic benefits obtained by developing-country producers from improved access to industrialised country markets may have negative effects on some low-income people employed in competing sectors in industrialised countries. Industrialised-country governments should assist low-income groups to adjust to increased competition from imports, through re-training, regional development programmes, and other targeted policies.

Policy proposals: Improved market access for developing-country exports

- 1 Developed countries should provide substantive reductions in tariffs applied to developing-country exports, particularly peak and escalating tariffs.

- 2 Developed countries should remove non-tariff barriers applied to developing- country exports, including the excessive use of anti-dumping and countervailing duty measures.⁴
- 3 Industrialised WTO member countries should provide immediate tariff- and quota-free access for all goods exported from the LDCs, and compensate low-income groups in non-LDC developing countries for any consequent negative effects.
- 4 Unilateral trade liberalisation, undertaken by developing countries as part of structural adjustment programmes, should be taken into account in multilateral negotiations at the WTO.
- 5 Developing-country preferential tariff schemes must be subject to appropriate rules of origin that are not overly restrictive.
- 6 Industrialised countries should agree to the early removal of import quotas on textile and clothing products of particular interest to developing countries, in line with the spirit of the WTO Agreement on Textiles and Clothing (ATC). High tariffs on developing-country textile and clothing exports should also be reduced, and technical and financial assistance provided to Bangladesh and other countries which stand to lose from implementation of the ATC.
- 7 Industrialised-country governments should assist low-income groups in their own countries which are negatively affected by increased competition resulting from improvements in market access for developing countries.

WTO rules, mechanisms, and agenda

Strong trade rules are essential to make markets work for poor men and women through regulation and redistribution. However, current WTO rules favour the interests of the rich and powerful at the expense of people living in poverty. Future trade negotiations must be informed by the experience of the socio-economic and environmental impact of past trade policy reforms. Greater transparency and public accountability in trade policy making is needed at national, regional, and international levels. The role of the WTO should be subject to an independent review under the auspices of the United Nations, and made consonant with other international institutions and agreements relating to poverty reduction, human rights, and the environment.

Many developing countries have experienced difficulties in implementing their WTO commitments and, after five years of implementation, many have not derived the benefits they were led to expect. The requirement that all WTO members sign up to a package of agreements in a 'Single Undertaking', as in the Uruguay Round, does not allow sufficient flexibility for developing countries to decide whether certain agreements are in their national interests.

Special and differential (S&D) treatment for developing countries is institutionalised in the WTO, but it has become little more than longer transitional periods to implement the same rules as industrialised countries, rather than positive discrimination in the rules in favour of developing countries. Many S&D provisions have proved meaningless. For example, the commitment in the intellectual property agreement to promote technology transfer to developing countries lacks any implementation mechanism, and relies solely on the 'best endeavour' of industrialised countries.

The unequal bargaining power of WTO member countries is a key issue. Some developing countries have no representation at all in Geneva, putting them at a major disadvantage in comparison with the well-resourced missions of industrialised countries. Constraints in capacity, and imbalances in political and economic power, also affect use of the WTO's dispute settlement system (DSS). The financial and technical resources required to use the DSS are beyond the reach of many poor countries. Moreover, the effect of imposing sanctions against more economically powerful WTO members may be inconsequential for developing countries, if not harmful to themselves.

There are genuine concerns and fears on both sides of the argument for and against the incorporation of labour standards into WTO rules. In particular, many developing countries consider a WTO 'social clause' to offer the potential for disguised Northern protectionism. Oxfam fully supports the core International Labour Organisation (ILO) conventions on workers' rights, but it does not support the inclusion of them all in a trade-based mechanism. Trade sanctions would not necessarily address the root cause of the problem of the denial of workers' rights – for example, where child labour is used in family businesses or farms. They could even make matters worse by impoverishing hard-pressed families.

The main responsibility for protecting and promoting workers' rights should remain with the ILO, national governments, and workers' organisations.

Policy proposals: Reform of the WTO

- 1 Governments should commission an independent review of the role of the WTO and its consonance with other international institutions and conventions under the auspices of the UN Secretary-General.
- 2 Governments should carry out impact assessments of existing WTO agreements prior to negotiating future agreements, drawing on the expertise of specialised UN agencies and civil society groups, with a focus on poverty reduction, environmental sustainability, and gender equity. Financial and technical support needs to be provided to assist developing countries wishing to do this.
- 3 Mechanisms to operationalise special and differential treatment should be strengthened. S&D provisions should be reviewed on the basis of their contribution to development objectives, and in support of the right of governments to devise and implement national strategies for poverty reduction, the promotion of human rights, and environmental sustainability. Transition periods for implementing WTO agreements should be based on development milestones not arbitrary dates.
- 4 WTO decision-making processes should be reviewed in order to increase effective participation of developing countries.
- 5 WTO members should replace the Single Undertaking with an arrangement that allows developing countries flexibility in signing future WTO agreements.
- 6 WTO documents should be automatically de-restricted, with minimal exceptions. There should be greater public scrutiny of trade policy making at the WTO through more active involvement of national parliaments and regular consultations with civil society.
- 7 The WTO dispute settlement system should be reviewed and reformed to make it fair and workable for developing countries. Rulings should

take account of poverty, human rights, and environmental considerations (for example by establishing joint panels with specialist UN rights bodies). The transparency and accountability of the dispute settlement system to the general public should be increased.

- 8 Donor governments should provide substantial technical and financial assistance to support trade policy capacity-building for developing countries, to improve their negotiating capacity and participation in WTO and other trade policy fora, and to assist them to take advantage of market opportunities. Developed-country commitments to provide assistance for implementing any future WTO agreements should form an integral and binding aspect of these agreements.
- 9 The prime responsibility to protect workers' rights should remain with governments and the ILO. The ILO's supervisory role should be strengthened, and donor governments should channel resources to ILO programmes which strengthen the capacity of countries to comply with core labour standards.
- 10 Companies should respect, and demonstrate their compliance with, core labour standards as defined in national legislation, ILO conventions, and international human rights law.
- 11 A forum of relevant international institutions, including the ILO, UNCTAD, and the WTO, should be established to examine the links between trade liberalisation, employment, and workers' rights. The forum should ensure that the concerns of developing countries are taken fully into account.

Conclusion

Oxfam believes that substantial and wide-ranging changes are essential to ensure that the world trade regime promotes poverty reduction, respect for human rights, and environmental sustainability. These changes will involve radical reform of trade policies, agreements, and institutions at national, regional, and international levels, and a fundamental change of approach by governments.

WTO rules must not undermine the right of governments to devise and implement nationally determined development strategies. National governments should devise and implement pro-poor policies, including trade policies, which preserve and protect the rights of all their citizens, especially people living in poverty. These policies should be designed in consultation with all stakeholders, including civil society organisations.

Oxfam opposes the launch of a 'comprehensive' new round of WTO negotiations. This paper identifies a number of changes which Oxfam believes should be agreed and implemented at the international level as a matter of priority. If governments demonstrate sufficient political will, these policy proposals can be addressed in the short term, within the context of existing WTO negotiations on agriculture, intellectual property, and implementation issues. Successful completion of these existing negotiations, and the implementation of radical reforms as outlined in this paper, are necessary to redirect international trade rules in support of poverty reduction and sustainable development, and to rebuild the confidence of developing countries in the multilateral trading system. Until this happens, it is inappropriate to discuss the launch of a comprehensive new round of negotiations incorporating a range of new issues.

Strong international rules are needed to manage trade in the interests of poverty reduction and sustainable development. But the current rules favour the narrow commercial interests of the most powerful trading nations and their large corporations, at the expense of poor men and women. Governments must turn this around, and take action to place people at the centre of trade policy making.

1 Introduction

In 1999, the value of world trade rose by five per cent to reach a record of close to US\$7 trillion.⁵ Over the past decade, growth in world trade has consistently outstripped growth in world income, at times more than threefold. Trade has the potential to make a substantial contribution to poverty reduction: it helped to lift more than 370 million people out of poverty in East Asia. But Oxfam is concerned that rich countries and powerful corporations have captured a disproportionate share of the benefits of trade, while developing countries and poor men and women have been left behind or made worse off.

Current patterns of trade have resulted in rising inequalities between countries, and worsening income distribution in a large group of developing countries. Narrowing this gap poses the greatest development challenge of the 21st century. Oxfam believes that trade can be made to work for poverty reduction, the promotion of human rights, and environmental protection. This will, however, require radical changes in trade policies, agreements, and institutions at national, regional, and international levels. Equally important are measures relating to debt relief, public investment in health and education, conflict prevention, and reforms which provide poor people with assets such as land and credit. The international community must address all these issues in an integrated way.

The 1999 Seattle Ministerial Conference put the World Trade Organisation (WTO), the global institution responsible for formulating, administering, and enforcing international trade rules, in the public spotlight. Protests in Seattle both inside the conference, by developing countries which felt excluded from the negotiating process, and outside on the streets, as well as at recent meetings of the World Bank and IMF, reflect growing concern about the unequal distribution of the benefits and costs of globalisation. The debate about the appropriate pace, scope, and regulation of international economic integration is intensifying.

This paper focuses on a number of aspects of international trade rules and policy-making processes that Oxfam believes require urgent reform in order to redirect the world trade regime toward the achievement of poverty reduction, respect for human rights, and sustainable development. These include:

- 1 making WTO decision-making processes democratic and transparent;

- 2 strengthening special and differential treatment for developing countries;
- 3 improving access for developing-country exports to Northern markets;
- 4 ending unfair practices, particularly agricultural dumping and the use of new forms of protectionism, such as anti-dumping actions;
- 5 ensuring that agricultural trade rules do not undermine the right of governments to implement policies that promote food security and sustainable livelihoods, and that protect the livelihoods of vulnerable communities;
- 6 amending intellectual property rules to ensure a better balance between the interests of patent holders on the one hand, and development goals and the public good on the other;
- 7 reviewing the role and mandate of the WTO in relation to other international institutions and conventions, including those governing labour standards.

If governments demonstrate sufficient political will, these issues could all be addressed within the context of existing WTO negotiations on agriculture, intellectual property, and implementation issues. For this and other reasons, Oxfam opposes the launch of a new round of WTO negotiations (Box 1).

This paper is not comprehensive. It does not cover, for example, the WTO negotiations on services that started this year as part of the built-in agenda. Nor does it address many of the 'new' issues (investment, competition policy, government procurement, and the environment) which some countries would like to see included on the future WTO agenda, and which relate to the longer-term question of the WTO's mandate on different trade-related issues. Nor does it cover the proliferation of regional and bilateral trade agreements between and within regions, such as the Southern African Development Community (SADC), the ASEAN (Association of South-East Asian Nations) Free Trade Area, or the proposed Free Trade Area of the Americas.

However, the underlying principles set out in this paper for guiding trade rules, such as the primacy of human rights and the need for effective special and differential treatment, as well as the importance of government regulation in the public interest, apply equally to the areas of trade not covered. Oxfam is in the process of developing its analysis and policy proposals on many of these other trade-related issues, which will be addressed in its Trade Report to be launched in the first half of 2002.

Box 1

Oxfam's position on a new WTO round

Oxfam supports:

- 1 A multilateral rules-based trade system, which is needed to manage trade in the interests of poverty reduction and sustainable development. Such a system is in the interests of developing countries because it helps to protect them against unfair unilateral trade practices by more powerful trading partners.
- 2 All WTO negotiations guided by, and judged against, the principles of poverty eradication, respect for human rights, and environmental sustainability. This implies the need for an independent review of the social and environmental impacts of the Uruguay Round, and for assessments of the likely social and environmental impacts of any future WTO agreements.

Oxfam opposes the launch of a 'comprehensive' new WTO round incorporating a range of new issues (such as investment, competition, and government procurement) until previous commitments have been honoured and imbalances in existing agreements addressed. In particular, Oxfam believes that:

- 1 The key changes needed to address the imbalances in existing WTO agreements, that would have a significant positive impact on the situation of people living in poverty, do not require the launch of a new round. They can be achieved in the short term within the context of the WTO 'built-in' negotiations on agriculture, the mandated reviews of the TRIPS and dispute settlement agreements, and the General Council Special Sessions on the implementation of existing agreements.
- 2 Expanding the WTO negotiating agenda to include a range of new issues would overstretch the capacity of many developing countries which are already struggling to participate effectively in the WTO process and implement their existing WTO commitments. It would also distract attention from the priority development issues that need to be addressed within the context of negotiations already underway.
- 3 Oxfam has no confidence that any new WTO agreements will promote development. Industrialised countries have consistently failed to demonstrate sufficient political will to address the concerns of developing countries about the imbalances in existing agreements.

Section 2 of this paper describes the context of the debate on trade liberalisation and poverty. Section 3 details Oxfam's key concerns about existing WTO rules and processes, and proposes policy changes to agricultural trade rules, intellectual property rules, market access, and WTO institutional issues, including trade and labour. Section 4 concludes the paper.

2 The liberalisation debate

Trade liberalisation creates winners and losers. In the short term at least, the losers are likely to include those people previously working in protected sectors. The winners will include consumers, and those who are able to take advantage of market opportunities. The costs of adjusting to more open trade policies frequently fall on people living in poverty, particularly in the short and medium term. This is because poor men and women lack the resources and skills that are essential prerequisites for participating in markets on beneficial terms. Moreover, small-scale enterprises find it difficult to withstand the pressures of foreign competition.

Poor men and women can lose out absolutely from trade liberalisation, for example when their livelihoods are damaged through competition from imports. Alternatively, they can lose out in relative terms – i.e. the rich may capture a bigger share of growth than the poor. In both cases, the result is rising inequality, which undermines poverty reduction. Oxfam believes that trade policies should aim to promote both poverty reduction and greater equity, and that governments must design strategic pro-poor trade policies based on considerations of poverty and equity.

Box 2

Trade theory

The relationship between trade, growth, and poverty is a subject of intense economic and political debate. Several studies claim that countries with open markets grow faster than closed economies, and that this has a positive impact on development.⁶ Others argue that the benefits of integration into world markets are not automatic and have been consistently overstated.⁷

The latter do not simply advocate protectionism over liberalisation. They emphasise the importance of pacing and sequencing liberalisation carefully in order to manage growth in the interests of poverty reduction. This is essential because, even where trade liberalisation has contributed to economic growth, it has often not been the broad-based, equitable growth that is necessary to reduce poverty and promote sustainable development.

The theory of comparative advantage underpins arguments in favour of trade liberalisation as a means of promoting growth and economic welfare. The premise is that all countries can benefit from trade by

specialising in the production of those goods that they can produce most efficiently, and by importing from other countries those goods they find most expensive to produce, even if they could produce the latter more efficiently themselves. Even if one country can produce all goods more efficiently than another country (that is, if it has an absolute competitive advantage), both countries can still benefit from trade based on their comparative advantages.

In theory, trade liberalisation will promote an efficient allocation of domestic resources through specialisation in those sectors in which the country has a comparative advantage, and will maximise output to the benefit of all. In practice, however, trade liberalisation can have either positive or negative effects on development, depending on the context. Discussions about trade theory often obscure key policy questions that are important for poverty reduction, such as:

- Who will win and who will lose from trade reforms, nationally and internationally, both in absolute and relative terms? Will the viability of poor people's livelihoods be further compromised? Will different groups, such as men and women, be affected differently?
- Should governments protect or support some industries in the short term, believing that they can acquire a comparative advantage in the longer term?
- Should governments remove tariffs on all imports or continue to discourage the import of luxury consumption goods on fiscal and equity grounds?
- What sort of regulations and institutions are needed to ensure that the benefits of growth are shared broadly, and to protect vulnerable communities?
- How can social and environmental costs be 'internalised' so that unjust or unsustainable production is not promoted in the pursuit of international competitiveness?

Oxfam is concerned at the evidence of growing inequalities accompanying growth in international trade flows. These inequalities are apparent at the international, national, and sub-national levels. For example, the world's major trading powers (the USA, the EU, Japan, and Canada) jointly account for around 60 per cent of world trade, whereas the 49 least-developed countries (LDCs) account for a tiny and declining share of less than 0.5 per cent.

National experience of trade liberalisation has been mixed. A recent World Bank study showed that increased openness to international

markets can result in a deterioration in the incomes of the poorest 40 per cent in society, at least in the short term, as a result of the greater vulnerability of poor people to external economic shocks.⁸ The differences in national experience are well illustrated by comparing trade liberalisation in Latin America with the early experience of the 'tiger' economies in East Asia.

South Korea, Taiwan, and Singapore succeeded in harnessing the benefits of increased trade flows for development during a period of rapid export-led growth in the 1960s and 1970s. Their success in doing so resulted not from across-the-board trade liberalisation, but from a variety of strategic government interventions. These included protecting a labour-intensive manufacturing sector while opening the market to essential imports in order to boost productivity. In many cases, governments simultaneously promoted export expansion through the provision of subsidised export credits and preferential access to foreign exchange. Many of these policies would contradict current WTO rules, and are therefore no longer available to developing countries seeking to follow a similar development path.

There are important lessons to be learned from East Asia. The region's relatively successful experience of achieving growth with a degree of equity is that across-the-board liberalisation is not a viable policy prescription. Instead, government interventions must be tailored to the specific domestic circumstances of each country and designed to promote pro-poor development, in order to achieve poverty reduction.

In contrast, the experience of trade liberalisation as part of a broad package of economic reforms in many Latin American countries in the 1980s was that inequalities increased. In Mexico, the benefits of trade liberalisation under NAFTA (North American Free Trade Agreement) have largely accrued to the northern regions which border the USA. These areas are dominated by commercial agriculture and export industries which serve the US market. The majority of poor people in Mexico are concentrated in the southern regions of the country, where small-scale producers have faced substantial reductions in the price they receive for maize due to competition from cheap imports of US maize, liberalised as part of the NAFTA deal.

A key factor determining the outcome of trade liberalisation is the level of initial inequality, and particularly the degree to which productive assets – such as land, credit, skills, and government services – are equitably distributed prior to the period of trade liberalisation and export promotion. This was a major difference between the experience of trade liberalisation and the pursuit of

export-oriented growth in East Asia – where distribution was relatively equitable – and in Latin America, where it was not. It is impossible for poor men and women who have limited education, poor health, and no access to assets to participate in markets on beneficial terms. Government intervention is essential to ensure an equitable distribution of the skills and resources that are necessary for poor people to benefit from trade. Carefully designed and sequenced liberalisation policies, combined with the development of important regulatory institutions, are also key, as governments seek to balance the strategic protection of labour-intensive sectors with more open policies for strategic imports.

Not only is the outcome of trade liberalisation critically determined by existing inequalities, but trade liberalisation itself also affects the allocation and distribution of assets and resources at the national and regional levels. The distribution of resources such as land, capital, technology, and biodiversity determines the options for national development policies and their effectiveness. It also has an impact on people's social and economic rights. The distribution of assets and resources cannot, therefore, be left to market forces, but requires regulation in the public interest.

2.1 Gender and trade liberalisation

Trade policies have different consequences for women and men because their economic and social status differs. There cannot be equal benefits from trade unless there is relatively equitable distribution of assets between member groups in societies. Similarly, unequal distribution of assets between men and women within households tends to lead to further gender inequalities in trading and in access to the benefits from more open trading regimes. Some two-thirds of the world's poor are women. Liberalisation increases the trend towards the 'feminisation of poverty' in places where it exacerbates existing inequalities in such areas as pay, levels of exploitation, and educational opportunities.

Women may benefit from new employment opportunities in export-oriented, light manufacturing industries, but the quality and security of jobs in this sector are often low, particularly in the informal sector. Numerous studies have found that employers may seek a female workforce because of their perception that women are less organised, and lack leadership experience and assertiveness, and with the expectation of being able to impose poor working conditions on their employees.⁹

In many countries, such as those of South Asia, trade liberalisation has led to the collapse of the subsistence sector, pushing women out

of their villages to earn a living. Taking up new, often urban-based, employment opportunities often contributes to family break-ups and migrant labour patterns. Women have gone overseas as housemaids, moved into factories, and also into the sex industry, a relatively lucrative but degrading and exploitative sector. Changes in patterns of agricultural production induced by trade liberalisation are also likely to have an impact on intra-household income distribution. For example, in many societies where women are responsible for providing food for their families, a switch from staple food to cash crop production will have negative implications for women if they have little say or control over the income derived from the sale of cash crops.

Women's needs and priorities are different from those of men, as are their opportunities and constraints. Yet women are inadequately represented in national and international trade policy-making fora. Even within civil society, women's voices are not always heard. This highlights the need for policy makers and civil society groups to pay attention to the distribution of the benefits and costs from trade reform between men and women, and between sectors and countries, and to design policies which take this into account.

2.2 Trade and corporate power

More than two-thirds of world trade involves at least one multinational company, half of which occurs within the same corporation (i.e. intra-firm exports). This reflects the global reach of multinational corporations through their subsidiaries or corporate partnerships, which positions them to take better advantage of international trade than smaller unaffiliated companies.¹⁰ Given the extent of their involvement in trade, multinational companies have a clear interest in influencing global trade rules, and have achieved considerable success. For example, powerful lobbying of their governments during the drafting of the Trade-Related Aspects of Intellectual Property (TRIPS) Agreement secured stringent intellectual property regulations promoting monopolistic corporate control over the global knowledge economy (see section 3.2).

International trade rules regulate the actions of governments, not private corporations. Where companies enjoy monopolistic power, markets are distorted. In such a context, the removal of government intervention will not automatically promote competition and ensure that the most cost-effective producers find a market for their goods, as theory predicts. Governments must develop binding international regulations for companies if markets are to be managed effectively in the interests of poverty reduction and sustainable development.

Box 3

Fair trade

Oxfam's fair trade programme is based on an alternative approach to conventional international trade. Key is the trading partnership between Oxfam and excluded or disadvantaged producers, which is underpinned by the objective of promoting sustainable development. Fair trade seeks to achieve this objective by providing better trading conditions for small-scale producers, including a fair price and access to markets, as well as training support and technical advice.

Fair trade offers consumers the opportunity to make a positive choice in favour of trade that supports sustainable development, and does not harm the rights of workers and small producers, by paying a premium price for goods labelled as 'fairly traded'. Fair trade is well established in many industrialised countries, with a turnover of more than US\$250m in 2000, a market share of up to 15 per cent for some products in some countries, and more than 100,000 active volunteers in Europe alone.

2.3 Trade liberalisation and the environment

It is crucial that trade policy takes account of environmental considerations and does not promote the unsustainable use of resources. The problem is that market prices determine the competitiveness of products, and these prices seldom reflect the true costs of production, including environmental costs or 'externalities'. According to its advocates, the increased economic growth resulting from free trade generates the funds needed to invest in environmental protection. However, higher national income does not automatically lead to increased environmental protection.¹¹ Moreover, when the cost of the environmental degradation caused in the very process of pursuing further trade exceeds the revenue generated by it, then it is clear that trade cannot be said to be beneficial for the environment. This could happen, for example, if exports are produced using unsustainable methods, or as a result of higher energy use associated with trade-related transportation.¹²

Trade liberalisation can have some positive environmental effects, particularly in correcting the failure of trade policy interventions – for example, subsidies which promote environmentally damaging, intensive production activities, such as some of those under the EU Common Agricultural Policy. The challenge is to ensure that trade policies and agreements are compatible with the objective of environmental sustainability, and that this is not undermined on grounds of so-called 'international competitiveness'. One way in

which this could be achieved at the international level is to amend WTO agreements to permit trade measures as set out in Multilateral Environmental Agreements (MEAs),¹³ or in the pursuit of internationally agreed environmental standards. Such standards should be agreed in a transparent, participatory, and equitable way, by a body with appropriate environment and development expertise, not in the WTO.¹⁴

2.4 Designing strategic trade policies for pro-poor development

Although trade can play an important role in poverty reduction, it is clear that there is no single trade policy prescription that will suit the needs and circumstances of all countries. Countries must design and implement strategic pro-poor trade policies within the context of their national development strategies, based on an integrated assessment of their impact on poor people, environmental sustainability, gender equity, and basic rights. From a national perspective, the trade elements of a strategic pro-poor development policy are likely to include:

- A precautionary approach to the liberalisation of sectors on which large numbers of poor men and women depend for their livelihoods, particularly in the agricultural sector.
- Prioritisation of the liberalisation of products which account for a high proportion of poor men and women's expenditure, or that constitute important inputs for labour-intensive agricultural and manufacturing sectors, particularly for the production of higher-value goods and services.
- Careful sequencing of liberalisation, with the implementation of measures to promote the ability of poor men and women to take advantage of new market opportunities, and to protect themselves from increased exposure to risk associated with closer integration into the market system. These measures might include improved access to land, credit, marketing infrastructure, skills training, health care, and education provision.
- Consideration of the nature of the global market when determining which sectors require support or protection in order to promote national development objectives. For example, a developing country may have the potential to become internationally competitive in certain agricultural products, but be held back by distortions in world market prices caused by high levels of EU and US subsidies.

- Balancing the short-term gains to be derived from the liberalisation of certain capital and investment goods, with a longer-term policy of building a strong domestic economy through strategic investment in those industries and sectors that have genuine potential to achieve international competitiveness.
- Holding regular consultations on trade policy with all relevant stakeholders, and making trade policy-making processes more transparent and accountable, for example by increasing democratic scrutiny by national parliaments.

National trade policies should be devised (in terms of the scope and degree of liberalisation) and implemented (in terms of the pace and sequencing of policy reforms) on the basis of an integrated assessment of the likely impact of trade liberalisation on poverty and environmental sustainability, at both the aggregate and sub-group levels. It is essential that international trade rules do not undermine the right of governments to implement national development strategies, including trade policies that promote poverty reduction, respect for human rights, and environmental sustainability.

3 Key areas of WTO reform

Trade is a means to an end, and international trade rules and the WTO should be judged on the basis of their contribution to broader development goals. The UN Committee on Economic, Social and Cultural Rights reminded WTO members at the 1999 Seattle Ministerial Conference that trade liberalisation should promote the conventions on international human rights. It also called for a review to be undertaken as 'a matter of highest priority' into the impact of WTO policies on the most vulnerable sectors of society, as well as on the environment.¹⁵ If WTO rules undermine the ability of governments or their citizens to achieve food security at the national or household level, or to access affordable medicines needed to achieve minimum standards of public health, it can be argued that they violate human rights.

Box 4

A brief history of the WTO

When two new international financial institutions, the World Bank and the IMF, were created at the end of World War II, the establishment of a third body, the International Trade Organisation (ITO), was also proposed. The 1947 Havana Charter envisaged an ITO with responsibility for the regulation of domestic policies – for example, in relation to competition policy and labour standards – as well as trade and price stabilisation. But the ITO Charter was never ratified. Instead, a group of industrialised countries negotiated the General Agreement on Tariffs and Trade (GATT). This was intended as a provisional system for trade negotiations, but it remained in place until the establishment of the WTO in 1995.

The UN Conference on Trade and Development (UNCTAD) was established in 1964 to act as a counter-weight to GATT and provide a forum to promote the trade interests of developing countries. Since the end of the Uruguay Round of GATT negotiations in 1994, a growing number of developing countries have joined the WTO, fearing that they will lose out by remaining outside the new international trade regime.

With the establishment of the WTO and replacing of GATT, there has been a dramatic expansion in the coverage of international trade rules. Prior to the Uruguay Round, the focus of GATT was on reducing tariff barriers among developed countries. Today,

developing countries make up three-quarters of the WTO's membership, and the WTO's agenda extends beyond tariffs and trade in goods to include services, investment, and intellectual property. As a result, developing-country trade policies are more directly affected by WTO rules than ever before.

Despite this, for many developing countries, particularly in Africa, a key driver of trade liberalisation is often the conditions they are required to fulfil in order to receive World Bank and IMF loans. This unilateral liberalisation undertaken as part of structural adjustment programmes has not been reciprocated in WTO negotiations and reinforces the unequal outcome of the Uruguay Round agreements. WTO agreements have the effect of 'locking-in' unilateral liberalisation by making it difficult for countries to change their policies in the future. For example, the Agreement on Agriculture (AoA) disallows countries that have not provided agricultural support in the past from introducing it in the future.

The following section outlines key areas requiring reform at the WTO, and policy proposals relating to agriculture, intellectual property, market access, and WTO rules, mechanisms, and agenda. Oxfam believes that all these changes must be implemented if the world trading system is to promote poverty reduction, respect for human rights, and environmental sustainability.

3.1 Agriculture

Agriculture and agricultural trade are critically important to poor countries. In many developing countries, and most LDCs, agriculture accounts for a substantial proportion of GDP. It is a crucial source of livelihoods, especially in rural areas and for women, and a major source of foreign exchange earnings. It also provides the bulk of basic food consumed by the population.

Many developing countries are heavily dependent as both exporters and importers on agricultural trade. In approximately one-quarter of developing countries, agricultural exports in the mid-1990s exceeded two-thirds of total exports, while in a further 20 per cent they exceeded one-third.¹⁶ Low-income countries are the most heavily dependent on agricultural trade, often still relying on very few items for the majority of their foreign exchange earnings. However, many poor and small-scale farmers produce primarily for national and regional rather than international markets, with the exception of producers of primary commodities such as coffee and cocoa.

Table 1: The importance of agriculture in developing and developed countries

Country	Agriculture as share of GDP, 1997 (%)	Population dependent on agriculture for their livelihood (%)	Agriculture as share of total merchandise exports, 1995-97 (%)
LDCs	29.0	72.0	29.7
Developing countries	26.3	50.4	27.3
Developed countries	3.0	8.7	8.3

Sources: FAO (1999b); UNCTAD (1999b).

This means that existing WTO rules on agricultural trade have substantial implications for developing countries, and that these countries have a crucial stake in any further WTO negotiations on agriculture. It also means that it is essential that WTO rules do not undermine the right of developing countries to implement agricultural policies that support important national development objectives, including the right to food and sustainable livelihoods.

However, developing countries have very different interests in relation to agricultural trade. Some countries are major exporters of agricultural commodities, and their governments support further multilateral liberalisation.¹⁷ On the other hand, many others wish to maintain some level of protection as a means of promoting domestic production, food security, and rural livelihoods. Thus, developing-country priorities and strategies at the WTO vary significantly, precluding the formation of a single alliance.

WTO rules and negotiations

The 1995 AoA made agriculture subject to systematic international trade disciplines for the first time, and defined reduction commitments relating to export subsidies, domestic support, and market access. Although only 10 per cent of global agricultural production is traded, international rules affecting this 10 per cent have a substantial impact on the remaining 90 per cent of production which is consumed domestically.

The AoA falls far short of removing distortions in international agricultural trade and creating a 'level playing field'. Even if this were achievable, promoting direct competition between agricultural producers at very different levels of economic development and

productivity will not achieve equitable and sustainable development. This is because markets do not take account of the huge variations between countries and regions in terms of climate, agro-ecological conditions, and the social and cultural importance of the agricultural sector. Nor do they take account of power relations between farmers (South and North) and large agri-business and commodity-trading corporations.

Agriculture (together with services) forms part of the so-called WTO built-in agenda, meaning that further negotiations were mandated to begin in 2000. Between March 2000 and March 2001, members submitted proposals setting out their negotiating objectives, which were presented and discussed in a number of meetings of the WTO Committee on Agriculture. In March 2001, WTO members met to take stock of the proposals, and agreed to continue to work on all the issues and options for policy reform they had set out. No deadline was agreed for concluding the talks. Given the importance of agriculture for many developed as well as developing countries, the WTO agricultural negotiations are highly contentious.

Agricultural subsidies

Government intervention in agriculture can be crucial for the achievement of legitimate rural development, food security, and environmental objectives in both North and South. Yet the current systems of agricultural subsidy in the EU and USA fail to deliver the social and environmental outcomes they claim to promote, and have devastating impacts on poor farmers in developing countries. Furthermore, although implementation of the AoA was intended to reduce the level of agricultural subsidies, overall levels of support in OECD countries have increased rather than decreased.

In 1999, the total level of support provided to OECD farmers was higher than that in the late 1980s. It amounted to US\$361bn, or 40 per cent of the value of agricultural production. This is because both the EU and USA have changed (or, in the case of the EU, are still in the process of changing) the way in which they provide support to farming. The general direction of these changes is away from price support, supply management, and direct production subsidies to (more costly) direct payments to farmers, which in the USA mostly take the form of disaster payments.

In Europe, because subsidies are closely related to quantities produced and size of farm, large farmers receive the lion's share of support. In 1996/97, around 70 per cent of EU subsidies went to the largest 25 per cent of European farms.¹⁸ Similar patterns of distribution of agricultural support can be seen in the USA where, out of US\$22.9bn paid in agricultural subsidies between 1996 and

1998, 10 per cent of the recipients collected 61 per cent of the money. The top 10 per cent of recipients received an annual average of US\$32,000 during this period, 27 times higher than the US\$1,200 per year received by the average recipient.¹⁹ Current forms of EU and US support also have adverse impacts on the environment by promoting intensive production systems.²⁰

Existing EU and US domestic support policies encourage over-production. The resulting surpluses are often disposed of on international markets, which depresses world prices to levels even lower than the costs of production. This has a negative impact on producers in developing countries who find it difficult to compete against these low prices, whether in their home or third markets. This is not to argue that there should be no support provided to small and family farms in the EU and USA. However, existing support regimes should be redesigned in consultation with relevant stakeholders, and carefully targeted towards the achievement of social, rural development, and environmental objectives, rather than subsidising the activities of large agri-business exporters. The key issue is to ensure that such support systems do not cause negative impacts on developing-country producers.

EU and US support for agricultural exports, whether through direct export subsidies or in other forms such as export credits, is especially problematic for low-income countries, because these mechanisms are used to reduce export prices and expand market share. The negative impact of this on developing-country exporters seeking to compete in world markets is exacerbated by the fact that support for exports tends to be most often used when world prices are low, thus depressing them further.

The use of export supports places additional pressure on domestic producers in developing countries, who face competition from cheap imports at prices that do not reflect the true costs of production. The practice of exporting goods at less than the cost of production is known as dumping, and is outlawed by WTO rules in all sectors other than agriculture.

Competition from unsubsidised imports

Developing-country farmers do not only face problems in competing with imports of subsidised EU and US agricultural produce. They can find it equally difficult to compete with unsubsidised imports from internationally competitive agricultural exporting countries such as Australia, Canada, and New Zealand (where the relative abundance and low price of land allows producers to exploit economies of scale), as well as from other, more competitive developing countries. For example, Sri Lankan rice farmers are being

undercut in their domestic market by cheap imported rice from India. While this may bring some benefits for poor consumers in Sri Lanka, it has negative implications for the large numbers of poor people who depend on rice production for their livelihood. ²¹

Box 5

The impact of dumping

Following import liberalisation in 1992, competition from exports of subsidised EU milk powder undercut local dairy production and resulted in the loss of livelihoods for small Jamaican dairy farmers, many of whom were women. Reported fresh milk production in Jamaica fell by over 30 per cent between 1992 and 1997. Jamaican farmers could not find a market outlet for their milk in the face of cheap imports, and had to resort to throwing away fresh milk. During the 1990s, and with the help of export subsidies, EU milk powder exports to Jamaica more than doubled from less than 2,000 tonnes to over 4,000 tonnes per year. This illustrates the problem for developing countries that open their markets to competition with heavily subsidised Northern producers. ²²

Oxfam research in the Philippines in 1996 estimated that, as a result of cheap US imports, following implementation of the Uruguay Round minimum access commitments, corn-producing households could see their average incomes decline by 15 per cent by the year 2000, and by as much as 30 per cent by 2004. Although this trend may benefit poor consumers in the short term, it exposes Filipino farmers to competition with US producers, who are able to sell at prices equivalent to half the real cost of production, as a result of subsidies provided by the US government. ²³

WTO agreements must enable developing-country governments to devise and implement agricultural policies – including trade measures – that both protect and support vulnerable rural livelihoods and secure the right to food.

Market access

Access to agricultural export markets is a particular problem for developing countries. While World Bank and IMF structural adjustment programmes and the WTO AoA have required poor countries to open their markets to cheap agricultural imports, industrialised countries retain a complex array of trade barriers in this sector. Under the AoA, developing countries had to commit themselves to maintain tariff levels on agricultural imports below a maximum ('bound') level. Although some developing countries achieved some flexibility by binding their tariffs at a higher level

than the rates they actually apply, WTO rules 'lock-in' the unilateral liberalisation that many developing countries have undertaken. In addition, all developing countries were obliged to provide minimum levels of access to their markets of up to five per cent of domestic consumption by 2004, ruling out agricultural self-sufficiency as a policy option.

The tariffs applied by developed countries on agricultural exports from developing countries, especially on sugar, meat, and dairy products, are almost five times higher than those applied on manufactured goods. The EU continues to maintain high tariffs against agricultural imports which average 17 per cent (compared with an average tariff for imports of industrial products of only four per cent) It also maintains a range of other barriers, such as seasonal restrictions, quotas, and specific duties.²⁴ Tariffs in excess of 70 per cent are imposed by industrialised countries on some agricultural products which offer export potential for poor countries, including maize, peanuts, and some dairy products.²⁵ The EU imposes tariffs on meat products as high as 252 per cent.²⁶

Among the many non-tariff barriers to agricultural trade, new restrictions resulting from implementation of the WTO Sanitary and Phyto-Sanitary (SPS) Agreement are of particular concern to many developing countries (Box 6). Although these standards can play an important and legitimate role – for example in relation to food safety – they should be applied in proportion to the risk they seek to address, and should not be used as a disguised form of protectionism. A recent World Bank study on the impact of EU food safety standards calculated that EU regulations on aflatoxins are likely to save only two lives in every billion people – approximately one person every two generations. The same regulations will cost nine African countries a total of US\$700m in lost export revenue, which might have funded public investment in life-saving health services for thousands of people.²⁷

Such protectionist policies should not be used to prevent developing countries from implementing national development policies that include the objective of increasing agricultural exports. However, Oxfam recognises the limits of export-oriented agriculture because it can divert the best resources, such as the most fertile land, away from domestic food production, with implications for the national and regional supply of food. In addition, the promotion of cash crops for export in the absence of effective supply management or price stabilisation mechanisms at the international level can expose poor farmers to highly volatile international markets.

Domestic support and market access in developing countries

While the EU and US governments have maintained, or even increased, the level of support they provide to agriculture (albeit in different forms), very few developing countries provide subsidies for export or domestic production. This is primarily due to a lack of resources, but the AoA also prohibits countries that have not provided agricultural support in the past from introducing it in the future. This has potentially serious implications for the ability of governments to devise pro-poor agricultural and rural development policies.

Box 6

Sanitary and Phyto-Sanitary Agreement (SPS)

The WTO SPS Agreement recognises the right of governments to apply measures to ensure food safety and to protect human, animal, and plant health. It aims to prevent such measures from unduly restricting international trade by requiring that they are based on scientific principles and evidence, avoid arbitrary or unjustifiable discrimination, and are no more restrictive than required to achieve the desired level of SPS protection.

There are a number of cases where, due to absolute bans or restrictions, developing countries face barriers to trade as a result of the application of SPS measures. For example, an EU directive on sanitary standards for milk production in the EU and third countries requires that dairy products are manufactured from milk derived from cows that have been kept on farms and mechanically milked. India is one of the world's largest producers of milk and dairy products, but many smallholders there produce milk by hand. The EU directive excludes Indian smallholder producers and, thus, the majority of India's milk output from being exported to the EU.²⁸

According to one recent study, a number of developing countries consider SPS requirements to be one of the greatest impediments to the export of agricultural and food products, particularly to the EU.²⁹ In addition to a general lack of awareness and understanding of SPS measures and the WTO SPS Agreement, developing countries often lack the technical expertise and resources necessary to fulfil the time-consuming and complex assessment procedures necessary to prove that their exports comply with SPS standards.

Many international institutions and donor governments, as well as agricultural transnational corporations (TNCs), claim that trade liberalisation to allow the import of cheap food promotes poverty

reduction by benefiting urban consumers. However, long-term food security in many developing countries requires an increase in domestic production and the purchasing power of poor people. Developing countries will need to use a range of policy measures to achieve these objectives, including the option to use protective import tariffs, since many poor countries lack the resources to pay subsidies.

The strategies adopted by different countries in pursuit of the right to food – for example, the extent to which a country aims for self-sufficiency in staple food production, or relies on export earnings to buy imported food – will depend on a range of factors. These include the volatility of world food prices, the availability of foreign exchange, the availability of alternative livelihood and employment opportunities for farmers and farm workers who may be displaced by agricultural trade liberalisation, and the importance of the agricultural sector in promoting rural development and environmental objectives.

Some countries, such as Taiwan and South Korea, successfully created sufficient new jobs in emerging export sectors to absorb (at increased income levels) rural labour displaced as a result of trade liberalisation. It is far from clear, however, that this strategy will work in many low-income food deficit countries. Many of these countries lack alternative employment opportunities for the huge numbers of people, including many poor men and women, who currently depend on the agricultural sector for their livelihoods. They also face great difficulties in generating sufficient export earnings to cover their existing food import bills.

During the Uruguay Round negotiations, import-dependent developing countries were particularly concerned that their ability to meet essential food import bills may be threatened by higher world prices resulting from the reduction of export subsidies by the EU and USA. The Marrakesh Ministerial Decision on Least Developed and Net Food-Importing Developing Countries³⁰ was intended to address these concerns, but the lack of political will on the part of developed countries means that it has not been implemented. This is despite the fact that the food import bills of least developed and net food-importing countries were some 22 per cent higher in 1998/99 than immediately before implementation of the AoA.³¹

Recent FAO research found that food import bills for 11 of the 14 developing countries studied have grown faster than agricultural export earnings since implementation of the AoA. The study concluded that 'a cautious approach to trade liberalisation [is needed] if social costs are to be minimised'.³² In the words of an

Indian WTO delegate in July 2000: 'One solution, namely free trade and market-based agricultural systems cannot solve the problems that [developing] countries are facing. Agriculture, for these countries, is too serious a matter to be left to the markets alone to determine. Indeed, the approach that is adopted in the agricultural negotiations for dealing with the problems of developing countries would necessarily have to ensure that agriculture remains a viable sector supporting the vast majority of their population.'³³

One of the options for ensuring that WTO rules do not undermine the right of governments to implement pro-poor agricultural policies would be the incorporation of a 'development box' or 'food security clause' in the AoA. This could allow for the introduction of a 'positive list approach', i.e. that developing countries could declare which agricultural products or sectors they would like to make subject to WTO disciplines, enabling them to exclude staple foods, for example. This approach was proposed by the 'Like-Minded Group' of developing countries in papers submitted to the WTO Committee on Agriculture in June 2000.³⁴ More radically, some civil society groups, such as La Via Campesina, are calling for agriculture to be completely taken out of the WTO.³⁵

TNCs and commodity trade

The AoA favours the interests of agri-business over small and family farmers, and is rapidly spreading an intensive model of food production. This is because only large producers have the power to take advantage of the opportunities created in new markets by trade liberalisation, and to survive the rigours of competition from agri-business in other countries. They also have the power to negotiate effectively with the powerful marketing intermediaries such as Cargill and global supermarket chains in order to obtain a better price for their products. Small farmers, both North and South, are unable to compete in this context and many have gone out of business. The recent FAO study referred to above found that there has been a general trend towards the consolidation of farms, as competitive pressures built up following trade liberalisation.³⁶

Trade in commodities is dominated by a small number of transnational corporations, and this distorts markets. It is not therefore possible that reduced government intervention will promote competition and ensure that the most cost-effective producers find a market for their goods, as its proponents claim. Around 70 per cent of world trade in agricultural commodities is controlled by six or fewer companies, and there is evidence that large trading companies have been able to influence the transmission of world commodity prices to domestic prices.³⁷ The introduction of

WTO disciplines on competition in international agricultural trade could help to ensure that benefits resulting from the reduction of government intervention in agricultural markets will be transmitted to farmers and consumers, rather than being captured by multinational companies.³⁸

Worldwide, approximately one billion people derive their main income from the export of commodities (UNCTAD, 2001). Primary commodities account for about three-quarters of African export earnings, and more than 50 developing countries depend on three or fewer commodities for more than one-quarter of their export earnings. As a result, developing countries, and particularly LDCs, are extremely vulnerable to commodity price volatility. According to UNCTAD (1999a), African export earnings fell sharply by 16 per cent in 1998 as a result of declining prices for commodities such as coffee, cocoa, tobacco, tea, and sugar. This downward trend is mainly due to production increasing at a faster rate than demand, causing over-supply and increasing stocks.

Increased public investment is desperately needed in areas such as health, education, and economic infrastructure in commodity-dependent developing countries. When export prices fall, government revenue and the resources available for essential public investment are also reduced. In addition, falling export prices result in sharp reductions in consumption among producers who are already suffering from high levels of poverty. In the long term, diversification of agricultural production and the promotion of more environmentally and socially sustainable production methods in developing countries are essential to bring about a better balance between world demand and supply of commodities. In the shorter term, efforts to manage supply and production could help to stem the downward trend in prices, although these schemes have proved difficult to implement in the past due to mistrust among producing countries, and lack of donor support.

International co-operation to reduce the exposure of poor producers to commodity market volatility could also help in the short to medium term. For example, the recent initiative of the International Task Force on Commodity Risk Management to provide poor producers with access to market-based price risk insurance instruments could help to mitigate the short-term negative impacts of price volatility for some well-organised producer groups in countries with functioning financial markets.³⁹ But this will not meet the needs of the poorest and most vulnerable commodity producers.

Policy proposals: Reform of the AoA

- 1 Dumping, and specifically the use of all forms of support for exports, including direct export subsidies and export credits, provided by industrialised WTO member countries, should be eliminated.
- 2 The EU and the USA should redesign domestic support policies so that they effectively promote social and environmental objectives without causing negative impacts on developing-country producers.
- 3 WTO rules should recognise the right of developing countries to implement national agricultural policies which promote food security and sustainable livelihoods. This could be achieved by incorporating a 'development box' or food security clause in the AoA. This would expand the types of interventions that developing countries could make exempt from trade liberalisation commitments, including the use of import barriers.
- 4 Developing-country governments should devise and implement pro-poor agricultural trade and rural development policies which promote food security and sustainable livelihoods, in consultation with all stakeholders, including civil society organisations.
- 5 Developed countries should improve market access for agricultural exports from developing countries by substantially reducing general tariffs, eliminating tariff escalation, and reducing non-tariff barriers such as seasonal import restrictions. It is essential that developed countries avoid the arbitrary use of SPS measures. They should also provide technology, financial assistance, and longer time periods to help developing country exporters meet new standards and participate in international standard-setting bodies.
- 6 Developing countries should be exempted from the WTO's minimum market access obligations, especially for staple foods. This would allow them to retain the flexibility to choose from the full range of policy options for achieving food security and sustainable models of agricultural production.
- 7 Major agricultural exporting countries should establish a fund to assist net food-importing developing countries to meet their food import bills, and to finance programmes to enhance agricultural productivity, through investment in food storage and processing facilities, for example.
- 8 Governments should initiate greater scrutiny of the role of multinational corporations in international agricultural trade, and

examine the issue of competition in international agricultural markets as part of the AoA review.⁴⁰

- 9 Producer and consumer countries should research, fund, and implement schemes to manage commodity supply and stocks with the objective, wherever possible, of increasing and stabilising prices. International institutions and donor governments should support agricultural diversification and the development of processing capacities in developing countries.

3.2 Intellectual property

The WTO TRIPS Agreement considerably increases the length, scope, and geographical coverage of patent protection for many countries. It guarantees companies a minimum 20-year patent term on both products and processes, in all fields of technology, including microbiology. In so doing, the underlying rationale of the TRIPS Agreement is antithetical to the overall liberalisation objectives of the WTO, since it erects barriers to trade and undermines competition.

Oxfam believes that the WTO's intellectual property rules fail to strike the right balance between the need to reward innovation, and the right of governments to promote broader social objectives, particularly in relation to the needs of poor men and women in developing countries. The rules are also imbalanced in relation to the rights and obligations of patent holders. Oxfam is particularly concerned about the potential negative impact of the rules on poor people's ability to buy affordable medicines, seeds, and other technology-rich products.

The strengthening of intellectual property rights through their inclusion in the WTO illustrates graphically how globalisation is being managed in the interests of powerful corporations. It was the US government, with the backing of large US corporations, which pushed intellectual property onto the GATT agenda during the Uruguay Round, from fear that these companies would lose profits as a result of others copying their products. In practice, such companies stand to gain from the monopoly rents created through patents. Of all the patents held worldwide, 97 per cent are held in industrialised countries. In 1995, more than half the global royalties and licensing fees were paid to companies in the USA.

There are real concerns that WTO rules on intellectual property will raise the cost of and inhibit technology transfer to developing countries. In turn, this will undermine the capacity of poor countries to compete in an increasingly knowledge-based global economy. WTO rules grant companies a 20-year monopoly on knowledge, far

beyond the useful life of many new technologies, creating an unfair barrier to new competitors from poor countries, and preventing these countries from going through one of the 'usual' stages of development: that of copying and adapting technologies.⁴¹ Although the TRIPS Agreement includes a provision (article 66.2) requiring industrialised countries to encourage their own enterprises to promote technology transfer to developing countries, it fails to identify mechanisms by which this should happen, nor systems for monitoring progress in this regard. Neither is this provision mandatory, unlike the provisions for patent holders' rights in the Agreement. As a result, industrialised countries have done little to fulfil this commitment.

While Oxfam is concerned about the impact of the TRIPS Agreement, it is also a matter of great concern that developing countries are coming under pressure from companies and governments to go beyond their WTO commitments on intellectual property and to adopt 'TRIPS-plus' rules. This is often happening in the context of negotiations to establish bilateral trade agreements. For example, a recent EU-Bangladesh bilateral agreement included a requirement that Bangladesh should seek to adopt a stronger intellectual property regime for plant variety protection than that required under TRIPS.

Successful participation in world trade is increasingly based on knowledge and expertise. The World Bank estimates that the share of high-technology goods in international trade has doubled over the past two decades, now representing around one-fifth of the total.⁴² The degree of monopolistic corporate control promoted by the TRIPS Agreement restricts the diffusion of knowledge and innovation, and potentially excludes developing countries from opportunities to participate in the global 'new economy'. This threatens to exacerbate existing inequalities between countries.

Given the potential negative impact of the TRIPS Agreement on developing countries, as well as the cost of its implementation (see section 3.4 below), it is essential that the review of the entire Agreement includes the option to amend it in ways which achieve a better balance between the interests of corporations and the greater public good.

Impact on agriculture

WTO intellectual property rules promote the monopolisation of corporate control over plant genetic resources, and enable companies to raise the price of seeds and related agricultural products, and introduce inappropriate seed technologies. This threatens to undermine the livelihoods and food security of poor farmers.

Most of the patents on the world's staple crops (rice, wheat, sorghum, cassava, maize, millet, potato, and soybean) are owned by large agro-chemical, seed, and bio-technology companies.⁴³ By patenting certain traits, such as higher oil content or disease-resistance, or by making broad claims on genes, seeds, and/or plants, companies can acquire monopoly rights to the production and marketing of important crops. These companies have only been able to develop their patentable innovations by using plant varieties developed and maintained over centuries by generations of farmers. Yet WTO rules do not recognise or reward community-based and traditional knowledge, or protect farmers' rights and privileges, as required under the UN Convention on Biological Diversity.⁴⁴

The TRIPS Agreement allows some flexibility for developing countries to develop their own sui generis intellectual property systems for the protection of plant varieties.⁴⁵ However, there is concern that strong intellectual property regimes for plant variety protection (beyond the requirements under TRIPS) are being introduced in some developing countries as a result of pressure from subsidiaries of foreign seed companies, sometimes with support from donor governments.⁴⁶ It is essential that developing countries retain the flexibility to develop their own sui generis regimes, so that farmers' rights over traditional crop varieties are recognised and their rights to save seeds are secured.

The argument that tight intellectual property protection is needed to promote socially important innovation is questionable. Multinational companies are more likely to invest in researching crop varieties that meet commercial requirements, such as long shelf-life or the ability to withstand long-distance shipping, than those that are more nutritious or suitable for the range of climatic and environmental conditions facing poor farmers in developing countries.

Patenting of life, genetic patenting, and bio-piracy

The possibility of exercising broad bio-technology patents over genetic resources is driving many of the developments in the field of agriculture. The agricultural bio-technology lobby has successfully influenced the EU, US, and Canadian governments to allow patents on genetically modified (GM) plants.⁴⁷ Again, intellectual property rules appear to be driving market concentration. Eighty per cent of all the patents on GM foods are owned by only 13 multinational companies. The top five agro-chemical companies control almost the entire GM seed market.⁴⁸

As noted above, patenting of plant genetic resources can reduce poor farmers' access to these resources and introduce inappropriate seed

technologies threatening livelihoods and food security. It can also stimulate the appropriation of plant genetic resources from the South, usually by powerful Northern-based companies, without due compensation to poor communities. The Africa Group of nations at the WTO has strong ethical and development objections to the patenting of life forms, and deeply resents its members' biological resources being taken in this way, to be sold back later to them at high prices. The WTO should therefore prohibit the patenting of staple plants and their parts (i.e. genes and gene sequences and cells) and micro-organisms.

In relation to the patenting of transgenic plants, GM organisms, and gene functions, Oxfam believes that patents should be restricted to processes rather than the products themselves. Moreover, there should be a tight application of the inventiveness criteria, thereby preventing spurious and broad claims. Any claims should also be compatible with other international conventions, such as those on human rights and the environment, and should not conflict with public morality.

The promises made for GM crops by bio-technology companies in terms of tackling world hunger are vastly exaggerated. In addition, there are serious health and environmental concerns relating to the use of GM technology. WTO rules should be revised to extend the 'precautionary principle' and secure the rights of governments to restrict and/or require the mandatory labelling of GM food and seed imports in the face of inadequate scientific evidence on these risks.⁴⁹ It is possible that GM crops could in the future offer some benefits to poor farmers if proven safe. However, a major concern is that research into new applications will not be geared to the needs of poor farmers, and that intellectual property legislation will channel all the gains to large companies.

Existing intellectual property regimes provide no protection for the rights of indigenous peoples and farmers over community-based and traditional knowledge, which they have developed and maintained over generations, and which is now being exploited for commercial profit in Northern laboratories. More than half the world's most frequently prescribed drugs are derived from plants or synthetic copies of plant chemicals. If just a two per cent royalty were charged on genetic resources developed by local innovators in the South, it is estimated that the North would owe more than US\$5bn in unpaid royalties for medicinal plants. Making WTO patent rules consistent with the Convention on Biodiversity would help to combat bio-piracy by requiring companies to obtain 'prior informed consent', and to disclose the source of genetic material used in research into new applications.

TRIPS and public health

Strict patents allow companies to raise the cost of knowledge-intensive technologies, thereby denying poor men and women affordable access to essential medicines, seeds, and other important technologies. In India, which does not allow patenting of pharmaceuticals, a strong generic industry has a long history of producing cheaper versions of new drugs coming on to the market elsewhere, and forcing lower prices for brand-name medicines. In contrast, in Malaysia, which has product patents, drug prices are up to 760 per cent higher than in India. The HIV treatment Zidovudine (AZT), produced by GlaxoSmithKline, costs US\$239 in the USA while the same drug costs US\$48 in India. With TRIPS now taking effect in India, the country will no longer be able to manufacture these low-cost generic equivalents of vital medicines. Cheap local production can also lead to competition, which forces international drug prices down. For example, the price of fluconazole (a treatment for fatal meningitis contracted by one-sixth of HIV patients in Thailand) dropped from US\$14 to US\$2 when local manufacturing began.⁵⁰

Access to essential medicines is already a major problem for one-third of the world's population. Even without WTO patent rules, current prices put many medicines beyond the reach of poor people in the developing world. HIV/AIDS is a case in point. It is a major killer in sub-Saharan Africa, yet even the basic medicines needed to treat resulting infections are not affordable to low-income families. As an African minister put it during the 2000 World Health Assembly: 'HIV is in the South and treatment is in the North.' An offer from Cipla, an Indian drug company, to give anti-retrovirals to Ghana was immediately attacked by GlaxoSmithKline, the originator company. Cipla was warned, but not prosecuted, because its offer was for a free donation rather than commercial supply. In the face of the huge and growing burden of disease in the world's poorest countries, the potential impact of the TRIPS Agreement on the price of medicines poses acute health risks. Women will tend to bear the bulk of this impact, since they are traditionally the primary carers, responsible for the health and well-being of their families.

In principle the TRIPS Agreement allows governments a degree of flexibility to protect the public-health interests of their people. This potentially opens the door to special treatment for essential medicines, for example, by allowing compulsory licensing (where countries authorise domestic production of a drug that is patented without the permission of the patent holder). However, this safeguard only works for countries with a sophisticated pharmaceutical industry. Another potential safeguard, parallel imports (where a country shops around for the cheapest source of a

patented product, rather than buys at the price the patent holder wishes to set for that particular country) is a useful procedure, but countries are under heavy pressure not to use it.

In practice, it may be difficult for developing countries to take advantage of these provisions. They are often subjected to intense bilateral pressure from governments, or legal pressure from companies, to comply with a strict interpretation of such provisions, or to exclude them from new national legislation. Examples of this include the legal challenge by pharmaceutical companies to South Africa's drug legislation (a challenge which was dropped in April 2001 after intense public protest), and the WTO case against Brazil, brought by the USA on behalf of international pharmaceutical companies, but also subsequently withdrawn. In contrast, few developing countries have the specialised legal know-how or resources to interpret with confidence the rules to their own advantage, or to risk costly WTO disputes.

International pharmaceutical companies argue that WTO rules on intellectual property are essential to reward their investment in research and development into new medicines. Clearly, patents do have a legitimate role in stimulating innovation, and this is broadly in the public interest. However, WTO rules are overly protective of the interests of large pharmaceutical companies. The evidence suggests that in practice, patents are less vital in encouraging socially important innovation than drug companies would have people believe. Out of the 1223 drugs marketed between 1975 and 1997, only 13 (one per cent) were specifically for tropical diseases; of these, five were developed from veterinary research, two by the US army, and two were new formulae of old drugs.

A number of arguments challenge the companies' case that strong WTO patent rules are essential to reward innovation in the public interest. First, public funding contributes to research and development. According to research by the Boston Globe newspaper, 48 out of 50 top-selling pharmaceutical drugs approved by the US Food and Drug Administration (FDA) between 1992-97 had received federal funding at some stage of their development. Second, sales of patented products in the poorest countries account for a relatively small share of the turnover of pharmaceutical companies. Reducing patent periods in these countries would not therefore dent corporate research budgets. In 1997, for example, sales in Africa accounted for a mere two per cent of the global sales of the top ten US-based companies.

Third, industry research is geared to producing medicines of potential commercial interest, rather than producing treatments

which are most needed by poor people. Only one per cent of new medicines coming into commercial use treats the diseases of most importance for people in developing countries.

Fourth, patenting can reduce access to scientific data and act as a financial disincentive to research. Strict rules on data exclusivity undermine competition because they delay generic production and waste precious time and resources in repeating clinical trials, resulting in higher prices of generic drugs.

Policy proposals: Intellectual property

- 1 WTO members should agree a timetable to conduct a substantive review of the health and development impacts of TRIPS. This should aim to ensure a better balance between the interests of inventors and the obligations of governments to achieve broader social and development goals, and establish concrete mechanisms to promote technology transfer.
- 2 WTO members should agree a moratorium on disputes with developing countries over TRIPS compliance until a substantive review has been completed. Members should agree longer transition periods for introducing TRIPS based on development milestones rather than arbitrary dates.
- 3 WTO intellectual property rules should be changed to allow developing countries to retain the right to make, sell, or import the cheaper generic medicines they need. Existing public-health safeguards should be strengthened to allow countries greater choice in determining the length and scope of pharmaceutical patenting, including the option for developing countries to exempt medicines from patenting on public-health grounds. New publicly funded incentives should be created for research and development of priority medicines and vaccines, including the creation of a global fund financed by donors.
- 4 The obligation in TRIPS to provide for plant variety protection should be removed, and flexibility maintained for countries designing sui generis systems of intellectual property protection.
- 5 TRIPS should prohibit the patenting of plants and their parts (i.e. genes and gene sequences and cells) and micro-organisms.
- 6 WTO members should clarify that the TRIPS Agreement must be consistent with the Convention on Biological Diversity. In order to combat bio-piracy, patent approval should be made conditional on prior informed consent, benefit sharing, and the disclosure of the source of genetic material.

3.3 Market access

An important factor affecting distribution of the benefits of international trade is the level of access to the markets of industrialised countries which is afforded to developing countries. To date, trade liberalisation has been an unequal bargain, with the greatest gains from WTO agreements accruing to industrialised countries and powerful corporations. Meanwhile, many developing countries have undertaken substantial unilateral trade liberalisation under structural adjustment programmes which has not been taken into account in multilateral agreements.

The costs of Northern protectionism for developing countries are huge, amounting to a loss of US\$700bn in annual export earnings.⁵¹ Even following the implementation of all Uruguay Round commitments by industrialised countries, developing countries continue to face substantial trade barriers in the form of high tariffs, tariff escalation, and non-tariff barriers. Manufactured goods (including food) exported from developing countries fall into categories which incur tariffs on average four times higher than those applied to the categories of manufactured products exported by industrialised countries to the same markets.⁵²

Tariff escalation, non-tariff barriers, and anti-dumping

Developed-country tariffs that rise with the level of processing – so-called tariff escalation – are a problem for developing countries wishing to diversify into higher-value production as a means of promoting industrialisation and employment. This is particularly true for sectors such as metals, textiles and clothing, leather products, rubber products, and wood products and furniture.⁵³ In Japan and the EU, tariffs on fully processed food products are twice as high as those on products in the first stage of processing. A reduction in these tariffs could provide important opportunities for developing countries to diversify their exports into higher-value added products.

As average tariffs have fallen in most sectors, industrialised countries have erected new, non-tariff barriers which restrict entry to their markets in the same way as tariffs or quantitative restrictions. The true level of protection afforded to European industry, for example, rises from 5.1 per cent if tariffs alone are included, to 9 per cent if both tariff and non-tariff barriers are included.⁵⁴

Other forms of informal protectionism used increasingly by developed countries are anti-dumping and countervailing duty measures. The WTO Agreement on Anti-Dumping contains sufficient ambiguities and loopholes to enable powerful countries like EU

members and the USA to place excessive restrictions on imports from developing countries on the grounds of injury to domestic industry from dumped imports. Between 1996 and 1998, the USA initiated 90 new anti-dumping or countervailing duty investigations. By 1999 it had 397 such measures in force. The EU has anti-dumping measures in place against imports from developing countries of iron and steel, electronic products, and chemicals. The number of new investigations initiated by the EU in 1999 was three times higher than in the previous year.⁵⁵ Countries in East Asia have been a particular target of these measures, although Brazil and India have also suffered.

The LDCs

In Seattle, developed countries failed to agree on a long-standing proposal to provide tariff- and quota-free access to their markets for all goods exported from the LDCs. Since then, reaching agreement on this initiative has come to be seen as an 'acid test' of the commitment of industrialised countries to ensure that poor countries derive a greater share of the benefits of world trade. Although a commitment to improve market access for 'essentially all' products from the LDCs was made by the Quad countries (EU, USA, Canada, and Japan) in May 2000, this offer excluded several products of particular importance to LDCs, and gave no clear implementation timetable. It was greeted with disappointment by LDC representatives in Geneva who described it as 'confidence-shattering' rather than confidence-building.

Since then, Canada offered to provide duty-free market access with effect from September 2000 for about 90 per cent of goods exported from the LDCs, with the exception of some sensitive products, such as sugar and textiles.

In February 2001, the EU agreed to grant tariff- and quota-free access for all products, except armaments, exported from the LDCs. As a result of a concerted campaign by EU producers and traditional African, Caribbean, and Pacific (ACP) suppliers (who already benefit from generous preferential access to the EU market, and fear that they will lose out in competition with increased imports from the LDCs) the transition period for liberalisation of three 'sensitive' products (rice, sugar, and bananas) has been extended to 2006 for bananas, and 2009 for rice and sugar.

The US Trade and Development Act of 2000 promises to provide duty- and quota-free access for selected African products to the US market, under the Africa Growth and Opportunity Act (AGOA). Since 39 out of the 49 LDCs are African countries, this sounds positive. However, improved market access under the AGOA is only

available to products deemed by the US Trade Representative not to be 'import sensitive' (i.e. those which are unlikely to have negative effects on US producers). Furthermore, the market access is subject to strict conditions. For example, for textiles and clothing exports, only those products manufactured using US-produced fabrics and yarns will benefit from easy access to the US market. Moreover, the AGOA imposes a range of far-reaching conditionalities for countries seeking eligibility to benefit from its provisions, such as the implementation of market-based economic policies, the rule of law and political pluralism, and the elimination of barriers to US trade and investment.

In addition, some other countries have recently taken initiatives to improve market access for products exported from the LDCs. New Zealand, for example, committed itself to remove all tariffs on imports from LDCs from 1 July 2001.

Textiles and clothing

Northern protectionism remains particularly high in those sectors where developing countries are most competitive: namely, agriculture (see section 3.1 above) and textiles. The Uruguay Round Agreement on Textiles and Clothing (ATC) committed industrialised countries to reduce their import restrictions over ten years to 2005, offering the prospect of employment and income benefits in the export sectors of a number of developing countries. UNCTAD calculated that opening Northern markets for textiles and clothing would increase developing-country export earnings by US\$127bn by 2005.⁵⁶

However, more than two-thirds of the liberalisation was 'back-loaded' to the last two years of the ATC's implementation period. Moreover, industrialised countries have failed to live up to the spirit of the ATC. They have lifted the least important quotas first, such as those which developing countries regularly fail to fill, and left quotas on products of real export interest to developing countries to the final stages of the phase-out. Of the total quantity of imports of textiles and clothing restricted by quotas, only six per cent has to date been freed of quota restrictions by the USA, and less than five per cent by the EU, over a period equivalent to 70 per cent of the overall phase-out timetable.⁵⁷

Following implementation of the ATC, tariffs will be the main tool for protection of domestic textile and clothing sectors in the North. The average tariff on textile and clothing imports will be 12 per cent, compared with 15 per cent prior to the Round. This is still three times higher than the post-Uruguay Round average for all other industrialised products.

Not all developing countries stand to gain from the phase-out of the protective quota system under the ATC. Bangladesh established its clothing export industry on the basis of guaranteed export quotas, which protected its market share from encroachment by lower-cost competitors. Following implementation of the ATC, Bangladesh, which relies on imported inputs for 60 per cent of the value of its textile and clothing exports, will face open competition with other developing countries which have successfully established domestic textile industries and produce key inputs. When Canada removed cotton T-shirts from quota restrictions in 1997, about 95 per cent of Canadian orders were switched from Bangladesh to China.⁵⁸ China is expected to gain most from the implementation of the ATC, followed by India and South Korea.

Oxfam supports early implementation of the ATC, but stresses the need for developed countries to support measures to offset the human costs that this is likely to cause in certain poor countries, such as Bangladesh. Large numbers of redundancies among female workers from the garment industry in Bangladesh, or downward pressure on wage levels as the industry seeks to reduce costs, will create hardship that will need to be addressed through social and economic assistance programmes.

Adjustment in the North

The economic benefits obtained by developing-country producers from improved access to industrialised-country markets may have negative impacts on low-income people employed in industrialised countries in competing sectors, such as textiles and steel. Their governments should assist these groups to adjust to increased competition from imports through re-training, regional development programmes, and other targeted policies.

Policy proposals: Improved market access for developing-country exports

- 1 Developed countries should provide substantive reductions in tariffs applied to developing-country exports, particularly peak and escalating tariffs.
- 2 Developed countries should remove non-tariff barriers applied to developing country exports, including the excessive use of anti-dumping and countervailing duty measures.⁵⁹
- 3 Industrialised WTO member countries should provide immediate tariff- and quota-free access for all goods exported from the LDCs, and compensate low-income groups in non-LDC developing countries for any consequent negative effects.

- 4 Unilateral trade liberalisation, undertaken by developing countries as part of structural adjustment programmes, should be taken into account in multilateral negotiations at the WTO.
- 5 Developing-country preferential tariff schemes must be subject to appropriate rules of origin that are not overly restrictive.
- 6 Industrialised countries should agree to the early removal of import quotas on textile and clothing products of particular interest to developing countries, in line with the spirit of the ATC. High tariffs on developing-country textile and clothing exports should also be reduced, and technical and financial assistance provided to Bangladesh and other countries which stand to lose from implementation of the ATC.
- 7 Industrialised-country governments should assist low-income groups in their own countries which are negatively affected by increased competition resulting from improvements in market access for developing countries.

3.4 WTO rules, mechanisms and agenda

Oxfam supports strong international trade rules as a means of making markets work for poor people through regulation and redistribution. However, the problem is that current WTO rules, processes, and agreements are unfairly loaded against the interests of poor people and countries, and take inadequate consideration of environmental sustainability. The role of the WTO should be subject to an independent review under the auspices of the UN, and made consonant with other international institutions and agreements relating to poverty reduction, human rights, and the environment. One particularly contentious issue is whether or not labour standards should be included in the WTO's remit, which is addressed at the end of this section.

The unequal bargaining power between WTO member countries is a key issue. Although the WTO is nominally more democratic than the 'one dollar, one vote' World Bank and IMF, in practice rich countries, with their large delegations and expertise, have a major advantage over smaller developing countries. Some of the latter – such as Botswana and The Gambia – have no representation in Geneva at all.

Special and differential treatment (S&D)

The WTO membership includes countries at very different levels of development. This is reflected in the S&D treatment provided for developing countries in international trade rules. Its principle was substantially eroded in the Uruguay Round, when S&D provisions

were largely reduced to longer transition periods for implementing the same WTO rules as rich countries, rather than positive discrimination in the rules in favour of developing countries. This focus on longer implementation periods implies that in five or ten years, developing countries will no longer require S&D treatment. Yet this idea is difficult to reconcile with the reality that many developing countries will remain at substantially lower levels of development than industrialised countries, and in some cases the gap will have widened. One option is to base transition periods for implementing WTO agreements on development milestones rather than arbitrary dates.

S&D treatment for developing countries should be extended to allow their governments flexibility in signing future WTO agreements. There are strong grounds for developing countries to be allowed to shelter vulnerable sectors from competition, in order, for example, to promote key national development objectives such as food security or support to the livelihoods of poor communities. Protection of certain industries can also be a vital strategy for developing a manufacturing base, as the experience of some East Asian economies has shown. In both South Korea and Taiwan, manufactured exports boomed following a period when domestic investment in labour-intensive manufacturing was promoted through a regime of strategic import controls.⁶⁰

Apart from longer transition periods, many of the Uruguay Round's S&D provisions took the form of 'best endeavour' clauses, which lacked concrete mechanisms for implementation. These include the Marrakesh Decision on Least-Developed and Net Food-Importing Developing Countries, and article 66.2 of the TRIPS Agreement which commits industrialised countries to promote the transfer of technology. Developed countries should agree to make these types of agreements binding, and make their implementation subject to regular monitoring.

S&D provisions should be strengthened to ensure that WTO agreements do not undermine the right of governments to pursue important development objectives on the basis of their specific needs and circumstances. The current classification of countries that qualify for S&D treatment under WTO rules is based on the UN definition of developing and least developed countries. This fails to address the situation of small economies which are highly vulnerable – despite their higher GDP per capita – because of their heavy dependence on very few export commodities. Two factors should be central to determining appropriate S&D treatment within WTO rules: the likely development impact of the rules, and the capacity of a country to adjust to them.

Implementation difficulties

The imbalances in the Uruguay Round agreements reflect the fact that few developing countries participated effectively in their negotiation. Many developing countries did not understand fully the implications of signing individual Uruguay Round agreements, let alone the entire package of agreements as required in the so-called 'Single Undertaking', a new requirement introduced with the establishment of the WTO. Under the old GATT system, countries were allowed to select which sectoral agreements to sign in line with their national priorities and capacity. Devising a more flexible arrangement, which allows developing countries some latitude in deciding whether and when to sign future WTO agreements, would help to ensure that the different needs and circumstances of WTO members are taken into account.

Many developing countries have experienced difficulties in implementing their Uruguay Round commitments due to institutional and financial capacity constraints. Moreover, after five years of implementation, many developing countries are concerned that the benefits they expected to derive from signing the agreements – in terms of improved market access, for example – have not materialised. A World Bank study estimated that implementing just three of the Uruguay Round agreements – on TRIPS, Customs Valuation, and Sanitary and Phyto-Sanitary regulations – can cost more than a year's development budget for the poorest countries.⁶¹ The question is whether the high costs of implementing something like the TRIPS Agreement, which will bring very few benefits to an LDC, can be justified while thousands of children in the same country miss out on primary education due to shortfalls in social sector spending.

Redressing the imbalance

A key challenge for the WTO is to increase the voice of the poorer and smaller countries in negotiations, and their participation in day-to-day activities. Less than half of LDC members of the WTO have representation in Geneva. The majority of small-island-state members are represented either from missions based elsewhere in Europe or from their national capitals. Even those developing countries represented in Geneva frequently have only a handful of staff who are responsible for dealing with the wide range of UN and other international institutions based there, in addition to the WTO. Given the increasing range and complexity of international trade agreements, support from national capitals in technical analysis and legal expertise is essential for effective participation in the WTO.

Lack of institutional capacity in trade policy making and law can be a key problem for governments.

Technical and financial assistance is required to help developing countries represent their national interests effectively at the WTO. This must go further than ensuring that all member countries have representation in Geneva and providing assistance for implementing existing WTO agreements. Donor governments and inter-governmental organisations must also strengthen knowledge and analytical skills across government departments in order to make possible integrated assessments of the potential impacts of trade agreements on national development objectives.

The significant challenges in achieving full participation by developing countries in WTO negotiations and activities have implications for the organisation's agenda and processes. It is clear that launching a comprehensive new round of WTO negotiations which includes major new issues, as proposed by the EU, would exacerbate the problems facing developing countries at a time when they are still seeking to deal with their existing WTO commitments. This is one reason why most developing countries and development NGOs continue to resist the EU's comprehensive round proposal.

WTO decision-making processes currently exacerbate the capacity constraints facing developing countries. The number and timing of meetings, the lack of feedback from meetings, and the ambiguous nature of informal meetings are all key issues. In Seattle, and previously in Geneva, many negotiations were conducted in closed meetings involving around 25 countries - the so-called 'Green Room'. The lack of transparency and the undemocratic nature of this process left developing countries feeling excluded and frustrated. As a result, some developing countries made unprecedented public statements in Seattle threatening to walk away from a 'consensus' if they felt that their interests had not been fully taken into account.

The WTO General Council, meeting after Seattle, identified internal transparency and effective participation of its members as a priority issue for the WTO to address in 2000. Since then, there has been a series of open-ended consultations, and members have submitted proposals on how to improve decision-making processes. Some changes which could help address the constraints facing developing countries include limiting the number of WTO meetings held each week, scheduling meetings on similar subjects together, and timing them to coincide with relevant meetings in other institutions in Geneva. In addition, WTO members should agree guidelines for the organisation of informal consultations, which most members feel will continue as a necessary means of developing consensus.

The need for evidence-based policy making

Substantial gaps remain in understanding the linkages between trade liberalisation on the one hand, and poverty reduction and environmental sustainability on the other. What evidence exists is inconclusive, but suggests that there is no clear relationship between across-the-board trade liberalisation and higher growth rates, let alone poverty reduction and sustainable development.⁶² Moreover, poorly designed trade liberalisation implemented without appropriate complementary measures can increase inequalities between and within countries, as well as damage livelihoods and the environment. The potential benefits of trade liberalisation, including increased competition and efficiency, are not automatic. For example, where market failure allows the formation of corporate monopolies, it may reproduce some of the inefficiencies associated with badly managed public-sector monopolies.

Box 7

The European Commission's Sustainability Impact Assessment

In 1999, the EC commissioned a Sustainability Impact Assessment (SIA) of the EU's proposed comprehensive new WTO Round. This initiative was welcomed by many NGOs as one of the few efforts to assess the impact of trade liberalisation from the perspective of economic, environmental, and social (including gender) considerations. However, the study results were heavily criticised because of a forward-looking approach which failed to take account of the lessons from existing trade agreements. Other criticisms were made of the biases in the methodology, and the level of generality of the findings.

Further research is needed to develop methodologies which will increase understanding of the links between trade liberalisation and sustainable development. This will require the allocation of resources for independent collaborative research – as well as research carried out through WTO mechanisms – and a commitment to review existing and future WTO agreements in light of the research findings.

Oxfam believes that the WTO should be judged on the basis of its contribution to the achievement of internationally agreed targets to reduce poverty and improve environmental sustainability, rather than on the basis of reductions in trade barriers and growth in international trade flows. This implies that further WTO negotiations must be informed by evidence of the socio-economic and

environmental impact of past implementation of trade policy reforms. Governments must demonstrate how future trade agreements will benefit people living in poverty and promote environmental sustainability, making explicit the different policy trade-offs of various reform options.

External transparency

Seattle put international trade rules and the WTO firmly under the public spotlight. Partly as a result of increased public attention, the WTO Secretariat and some governments have made an effort to improve the availability of trade-related information to interested citizens. But external transparency and accountability must be substantially improved in order to rebuild confidence in the world trading system. At the national level, the public must have access to information about the WTO, including who is accountable to them for international trade policy decisions and how they can influence those decisions. Regular consultations should involve all sections of the community with a stake, not just business associations, as has often been the case in the past. Greater parliamentary scrutiny of the WTO would also help to increase accountability and raise the level of public awareness and debate.

More transparency is also necessary at the international level, particularly in relation to the de-restriction of WTO working documents, including agendas, minutes of meetings, and background papers. The WTO should continue to involve civil society organisations in regular symposia, and governments should provide financial support for developing-country civil society groups to participate in such events and to follow the WTO process more generally.

Dispute settlement

The dispute settlement system (DSS) is the teeth behind the enforcement of WTO agreements. Any member which considers that its WTO rights are being transgressed by another member may protect its interests by calling for the establishment of a dispute panel, or by appealing the decision of such a panel to the WTO's Appellate Body.⁶³ If the decision of the WTO panel is not implemented within a given timeframe, or if adequate compensation is not provided, the complainant country can seek permission to withdraw or suspend trading concessions, or impose countervailing duties on imports from the offending country.

In theory, enforcing compliance with the rule of WTO law should strengthen and protect the interests of developing countries, which lack the economic and political clout to exercise informal diplomatic

means for advancing their trade interests. This assumes that WTO agreements reflect developing-country interests, which is questionable (in relation to intellectual property, for example). In addition, there are a number of problems with the operation of the DSS which Oxfam believes should be addressed in a review. These include:

- Using the DSS requires considerable financial and technical resources which are beyond the means of many developing countries. Donor governments should assist poor countries to develop the legal capacity to use the DSS effectively, and provide additional funds for independent legal advisers in Geneva.
- The effect of imposing sanctions against more economically powerful WTO members may be inconsequential for developing countries. Even where imposing sanctions is effective in promoting compliance with WTO agreements, retaliation against a wealthier country can hurt the sanctioning developing country as much, if not more, than the industrialised country 'victim'. WTO members must seek to identify alternative retaliatory actions which are workable for developing countries. For example, a member which fails to comply with DSS rulings could have its access to the DSS restricted or suspended altogether.⁶⁴
- Sanctions imposed against developing countries can have adverse economic effects and exacerbate poverty. WTO rules require that retaliation under the DSS take into account only broader economic, not social, consequences. Greater emphasis should be put on mediation and capacity building to resolve WTO disputes involving developing countries. The DSS should take poverty considerations into account when condoning the application of sanctions.
- The relationship between WTO rules and international human rights and environmental law is unclear. This leaves the WTO DSS to reconcile on a case-by-case basis the complex relationship between trade policy and the objectives of governments with respect to human rights, health, and the environment. Yet the WTO dispute panels do not have the competence or expertise to adjudicate in these areas. Oxfam believes in the primacy of human rights over commercial rules. There should be an international agreement to establish joint panels involving the WTO and other specialised UN bodies to adjudicate in disputes which relate to concerns about human rights, development, and the environment, in order to secure an appropriate balance between the different interests involved.

- There is no provision to involve the public in the DSS. A recent initiative by the Appellate Body to publish procedures for non-party submissions on the dispute between France and Canada over imports of chrysotile asbestos was strongly criticised by the overwhelming majority of WTO members, with the exception of the USA, New Zealand, and Switzerland. The outcome was that a number of submissions from civil society groups were rejected.⁶⁵ Operating procedures for panels and the Appellate Body should be amended to encourage the consideration of relevant evidence submitted by the public, including civil society groups.

Trade and labour

The question of whether labour rights should be incorporated into WTO agreements is among the most contentious in international trade. The debate has focused on whether a WTO 'social clause', which would make market access conditional on a country's compliance with fundamental workers' rights, is an appropriate or fair policy response to further the rights set out in the core labour standards of the International Labour Organisation (ILO).

Many developing countries vigorously oppose WTO involvement in labour standards, believing that it offers the potential for disguised protectionism by keeping cheaper Southern goods out of Northern markets. This view is shared by an alliance of neo-liberals (who dispute that there is any linkage between trade and labour standards), Southern nationalists, and some NGOs. Some Northern governments (particularly the last US administration) and labour unions have expressed their support for the inclusion of labour on the WTO negotiating agenda. The International Confederation of Free Trade Unions (ICFTU) advocates incorporating the core ILO conventions into WTO rules, but with the ILO retaining responsibility for monitoring compliance. The ICFTU position is officially supported by the majority of its members in 143 countries around the world, and by some NGOs. All sides have legitimate concerns and fears.

Oxfam fully supports the core ILO conventions on workers' rights, which are fundamental human rights and which the international community has recognised to be of universal importance.⁶⁶ However, it does not necessarily follow that they should all be incorporated in a trade-based mechanism. The denial of workers' rights is sometimes the consequence of poverty, rather than deliberate exploitation or the result of trade pressures. Child labour, for example, is found mainly in family businesses and farms, rather than the export sector. The removal of trade preferences is a blunt instrument which could easily make matters worse by impoverishing poor families. The main

responsibility for protecting and promoting workers' rights should remain with the ILO, national governments, and workers' organisations.

Policy proposals: Reform of the WTO

- 1 Governments should commission an independent review of the role of the WTO and its consonance with other international institutions and conventions under the auspices of the UN Secretary-General.
- 2 Governments should undertake impact assessments of existing WTO agreements prior to negotiating future agreements, drawing on the expertise of specialised UN agencies and civil society groups, with a focus on poverty reduction, environmental sustainability, and gender equity. Financial and technical support needs to be provided to assist developing countries wishing to do this.
- 3 Mechanisms to operationalise special and differential treatment should be strengthened. S&D provisions should be reviewed on the basis of their contribution to development objectives, and in support of the right of governments to devise and implement national strategies for poverty reduction, the promotion of human rights, and environmental sustainability. Transition periods for implementing WTO agreements should be based on development milestones not arbitrary dates.
- 4 WTO decision-making processes should be reviewed in order to increase the effective participation of developing countries.
- 5 WTO members should replace the Single Undertaking with an arrangement that allows developing countries flexibility in signing future WTO agreements.
- 6 WTO documents should be automatically de-restricted, with minimal exceptions. There should be greater public scrutiny of trade policy making at the WTO through more active involvement of national parliaments and regular consultations with civil society.
- 7 The WTO dispute settlement system should be reviewed and reformed to make it fair and workable for developing countries. Rulings should take account of poverty, human rights, and environmental considerations (for example, by establishing joint panels with specialist UN rights bodies). The transparency and accountability of the DSS to the general public should be increased.

- 8 Donor governments should provide substantial technical and financial assistance to support trade policy capacity building for developing countries, in order to improve their negotiating capacity and participation in WTO and other trade policy fora, and to assist them to take advantage of market opportunities. Developed-country commitments to provide assistance for implementing any future WTO agreements should form an integral and binding aspect of these agreements.
- 9 The prime responsibility to protect workers' rights should remain with governments and the ILO. The ILO's supervisory role should be strengthened, and donor governments should channel resources to ILO programmes which strengthen the capacity of countries to comply with core labour standards.
- 10 Companies should respect, and demonstrate their compliance with, core labour standards as defined in national legislation, ILO conventions, and international human rights law.
- 11 A forum of relevant international institutions, including the ILO, UNCTAD, and the WTO, should be established to examine the linkages between trade liberalisation, employment, and workers' rights. The forum should ensure that the concerns of developing countries are taken fully into account.

4 Conclusion

Oxfam believes that substantial and wide-ranging changes are essential to ensure that the world trade regime promotes poverty reduction, respect for human rights, and environmental sustainability. These changes will involve radical reform of trade policies, agreements, and institutions at national, regional, and international levels. They will also require a fundamental change of approach by governments so that trade is no longer seen as an end in itself, but rather is managed and evaluated on the basis of its contribution to the achievement of internationally agreed development targets. National policies, including trade policies, should be formulated on the basis of consultation with all stakeholders, including civil society organisations.

Oxfam opposes the launch of a 'comprehensive' new round of WTO negotiations. This paper identifies a number of changes which Oxfam believes should be agreed and implemented at the international level as a matter of priority. If governments demonstrate sufficient political will, these policy proposals can be addressed in the short term within the context of the WTO 'built-in' negotiations on agriculture, the mandated reviews of the TRIPS and dispute settlement agreements, and the General Council Special Sessions on the implementation of existing agreements. Successful completion of these existing negotiations, and the implementation of radical reforms as outlined in this paper, are needed in order to redirect international trade rules in support of poverty reduction and sustainable development, and to rebuild the confidence of developing countries in the multilateral trading system. Until this happens, it is inappropriate to discuss the launch of a comprehensive new round of negotiations incorporating a range of new issues.

Oxfam believes that any future international trade negotiations must take account of the needs and capacities of all countries, especially developing countries and LDCs, and must be guided by the principles of poverty eradication, respect for human rights, and environmental sustainability. More fundamentally, governments must commission under the auspices of the UN Secretary-General an independent review of the role and mandate of the WTO in relation to other international institutions and agreements. The urgent need for serious consideration of these issues is highlighted by the current impasse in WTO negotiations, and the lack of public confidence in the WTO's ability to manage trade in the wider public interest, as articulated by civil society groups around the world.

Oxfam believes that strong international rules are needed to manage trade in the interests of poverty reduction and sustainable development. But the current world trade regime favours the narrow commercial interests of the most powerful trading nations and their large corporations, at the expense of poor men and women and of the environment. Governments must turn this around, and take action to place people at the centre of trade policy making.

Notes

¹ UNCTAD could be well placed to take on the role of scrutinising the activities of multinational agri-business.

² Precautionary principle: When scientific evidence is not very clear or is contradictory, governments should err on the side of caution when formulating standards or regulations, in order to protect public health or the environment. This is especially important when the consequences of making an error are grave, e.g. in the case of greenhouse gas effects, and the impact of certain kinds of genetic modification. Thus, technological innovation should be put on hold until proven safe; however, the definition of 'safe' needs to be agreed, and is obviously debatable.

³ *Sui generis* systems: 'an alternative, unique form of intellectual property protection, designed to fit a country's particular context and needs. It can have a wider meaning to cover those aspects of intellectual property not protectable under conventional intellectual property laws, or a system embodying community, farmers' and indigenous peoples' rights.' Extract from CIDSE (2000).

⁴ Countervailing duties: These are special duties imposed on imports to offset the benefits of government subsidies to producers or exporters in the exporting country.

⁵ WTO Annual Report (2000). The report defines one trillion as 1,000 billion.

⁶ For example, Sachs and Warner (1995), OECD (1998), Dollar and Kraay (2000).

⁷ For example, Rodriguez and Rodrik (1999).

⁸ Lundberg and Squire (1999).

⁹ See, for example: Barrientos, S., Bee, A., Matear, A. and Vogel, I. (1999), *Women and Agribusiness: Working Miracles in the Chilean Fruit Export Sector*, London/Basingstoke: Macmillan Press; Wee, V. (ed.) (1998), *Trade Liberalisation: Challenges and Opportunities for Women in Southeast Asia*, New York: UNIFEM and Singapore: Engender.

¹⁰ Vander Stichele, M. (1998), *Towards a World Transnationals' Organisation?*, Amsterdam: Trans-National Institute.

¹¹ Paul Elkins (1995), *Harnessing Trade to Sustainable Development*, Oxford: Green College Centre for Environmental Policy and Understanding; *Dangerous Curves: Does the Environment Improve with Economic Growth?*, WWF International Research Report, Gland Switzerland, February 1996 – both cited in Lequesne (1996).

¹² Lequesne (1996).

¹³ MEA: a legal, inter-governmental agreement dealing with cross-boundary environmental issues.

¹⁴ For a fuller discussion of these issues see Lequesne (1996).

¹⁵ Statement of the UN Committee on Economic, Social and Cultural Rights to the Third Ministerial Conference of the WTO, November 1999.

¹⁶ FAO (1999a).

¹⁷ Several of these countries are members of the Cairns Group, which supports multilateral trade liberalisation and, particularly, an end to all forms of support for exports. Cairns Group members are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

¹⁸ OECD Policy Brief, Agricultural Policy Reform: Developments and Prospects, June 2000.

¹⁹ *Green Acres: How Taxpayers Are Subsidising the Demise of the Family Farm*, Environmental Working Group, <http://www.ewg.org>.

²⁰ See, for example, WWF discussion paper 'Directing WTO Negotiations towards Sustainable Agriculture and Rural Development', November 1999, WWF International, Gland, Switzerland; Michael Winter, Charlotte Fry, and Peter Carruthers (1997) 'Farm Animal Welfare and the Common Agricultural Policy in Europe', A Report to Compassion in World Farming Trust and the World Society for the Protection of Animals; Mark Muller (2000) 'The US Endeavour to "Feed the World": Implications for Farmer Income, Food Security and the Environment', Institute for Agriculture and Trade Policy, Minneapolis, Minnesota, USA.

²¹ Deheragoda, K., and Fernando, S. 'Impact of Globalisation on Food Security, Agriculture, Marginal Farmers, and the Poor in Sri Lanka'. Paper submitted to the National Seminar on Food Security, Colombo, September 1996.

²² Eurostep (1999), Dossier on CAP and Coherence.

²³ Oxfam (1996), *Trade Liberalisation as a Threat to Livelihoods: the Corn Sector in the Philippines*.

²⁴ WTO (2000), Trade Policy Review, European Union.

²⁵ UNCTAD (1999a).

²⁶ Hoekman, B., Ng, F. and Olarreaga, M. 'Tariff Peaks in the Quad and LDC Exports', February 2001.

²⁷ Reported in the Financial Times, 'EU Rules Could Cost Africa \$700m in Exports', 26 October 2000.

²⁸ Centre for Food Economics Research (2000), *Impact of Sanitary and Phytosanitary Measures on Developing Countries*, University of Reading.

²⁹ Ibid.

³⁰ A political decision annexed to the Uruguay Round Agreement.

³¹ WTO Committee on Agriculture, Statement by the Representative of the FAO in the Annual Monitoring Exercise 1998, Document No. G/AG/GEN/31, 15 December 1998, cited in ActionAid (2000). One of the arguments used by developed countries against providing compensation for the increase in food import bills under the Marrakesh Decision is that the increase was not

entirely caused by the implementation of the AoA – a useful ‘let-out’ provided by the vagueness of the Decision and its legal ambiguity.

³² FAO (2000), *Experience with the Implementation of the Uruguay Round Agreement on Agriculture: Synthesis of Fourteen Country Case Studies*.

³³ Statement by India to the 2nd Special Session of the WTO Committee on Agriculture, 29–30 June 2000. WTO document ref: G/AG/NG/W/33, 13 July 2000.

³⁴ See *Agreement on Agriculture: Special and Differential Treatment and a Development Box* and *Agreement on Agriculture: Green Box/Annex 2 Subsidies*. Proposals to the June 2000 Special Session of the Committee on Agriculture by Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, and El Salvador.

³⁵ ‘Agriculture Out of WTO - Towards an Alternative to Neoliberal Policies and Institutions Such as WTO, World Bank (WB) and the International Monetary Fund (IMF)’, The Via Campesina Statement at the 1999 Seattle WTO Ministerial Conference. The Via Campesina is a movement of peasant and farm organisations from all the regions of the world.

³⁶ FAO (2000), *op.cit.*

³⁷ Morisset (1997), ‘Unfair Trade? Empirical Evidence in World Commodity Markets Over the Past 25 years’. Policy Research Working Paper no. WPS 1815, Washington: World Bank.

³⁸ For further discussion of this issue, see *Market Power in Agricultural Markets: Some Issues for Developing Countries*, South Centre TRADE Working Paper.

³⁹ *Dealing with Commodity Price Volatility in Developing Countries: a Proposal for a Market-based Approach*, International Task Force on Commodity Risk Management in Developing Countries, (1999).

⁴⁰ See note 1.

⁴¹ UNCTAD (1996), *The TRIPS Agreement and Developing Countries*; Christopher S. Mayer (1998), ‘The Brazilian Pharmaceutical Industry Goes Walking from Ipanema to Prosperity: Will the New Intellectual Property Law Spur Domestic Investment? *Temple International and Comparative Law Journal*, Autumn 1998; Stefan Kirchanski (1993), ‘Protection of US Patent Rights in Developing Countries: US Efforts to Enforce Pharmaceutical Patents in Thailand’, *Loyola of Los Angeles International and Comparative Law Journal*, February 1994).

⁴² World Bank (1999), *World Development Report*.

⁴³ ActionAid (1999), *Crops and Robbers: Biopiracy and the Patenting of Food Crops*, preliminary findings of an ActionAid investigation, p.3.

⁴⁴ Farmers’ rights arise from the past, present, and future contributions of farmers in conserving, improving, and making available plant genetic resources. Many NGOs consider it essential that farmers should be rewarded for their contribution to the world’s food system through developing and maintaining a diversity of plant genetic resources.

⁴⁵ See note 3.

⁴⁶ The International Union for the Protection of Plant Breeders' Rights (UPOV) is the *sui generis* system promoted by many industrialised countries. This system does not protect farmers' rights over traditional crop varieties and landraces and is unlikely to suit developing countries which are heavily dependent on such varieties for staple food crop production and national food security.

⁴⁷ The Dutch and Italian governments have mounted a legal challenge to the June 1999 EU Patent Directive, and there is considerable NGO resistance to the Directive.

⁴⁸ CIDSE (2000) 'Biopatenting and the Threat to Food Security: A Christian and Development Perspective', International Co-operation for Development and Solidarity, Brussels.

⁴⁹ See note 2.

⁵⁰ <http://www.haiweb.org/campaign/cl/corpfocus.html>

⁵¹ UNCTAD (1999a).

⁵² Hoekman, B. and Martin, W. (1999), 'Some Market Access Issues for Developing Countries in a Millennium Round: Results from Recent World Bank Research'. Paper presented at the Annual Meetings of the Latin American Economic Association, Santiago, 20–23 October 1999.

⁵³ WTO (1996), *Tariff Escalation: A Note by the WTO Secretariat*. WT/CTE/W/25, 22 March, para.13.

⁵⁴ Messerlin, P. (forthcoming), *Measuring the Costs of Protection in Europe*, Washington, DC: Institute for International Economics, cited in UNCTAD (1999a).

⁵⁵ WTO Trade Policy Review of the European Union. Available on the WTO website at <http://www.wto.org>

⁵⁶ UNCTAD (1999a)

⁵⁷ *Agreement on textiles and clothing: evaluation of implementation*. Communication to the WTO General Council on behalf of the Members of the International Textiles and Clothing Bureau, 3 August 1999.

⁵⁸ UNCTAD (1998) *Trade and Development Report*.

⁵⁹ See note 4.

⁶⁰ Oxfam (1998), *Growth with Equity*, Oxfam Insight, Oxford: Oxfam.

⁶¹ J. Michael Finger and Philip Schuler (1999), *Implementation of Uruguay Round Commitments: the Development Challenge*, Policy Research Working Paper No. 2215, Development Research Group, World Bank, Washington.

⁶² Dani Rodrik (2000), commenting on *Trade, Growth and Poverty* by David Dollar and Art Kraay (2000). Available at <http://ksghome.harvard.edu/~drodrik.academic.ksg/>

⁶³ Appellate Body: A standing body established by the WTO Dispute Settlement Body to hear appeals from panel cases.

⁶⁴ For further discussion and ideas see 'Recommendations for Ways Forward on Institutional Reform of the WTO', a discussion paper compiled by

ActionAid, CAFOD, Consumers International, FIELD, Oxfam, RSPB, and WDM, October 2000.

⁶⁵ BRIDGES *Weekly Trade News Digest*, vol. 4, No. 45, 28 November 2000.

⁶⁶ These include: the rights to freedom of association, collective bargaining, equal remuneration for men and women workers, freedom from discrimination, the abolition of forced labour, and minimum age of admission to employment.

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