



report

WTO in Hong
Kong

11 years of
failure - and
counting

December 2005

Introduction

It has been more than 11 years since the world's trade ministers signed the founding document of the World Trade Organization (WTO) in Marrakech, Morocco.

The document starts with laudable statements committing the body to raising the standards of living of the world's poor, ensuring full employment and improving real income.

When judged by these criteria, the bulk of the policies enacted by the WTO can only be seen as abject failures.

Indeed, the outcome of the international trade agreements has taken us in the opposite direction of their stated goals – towards more global inequality, more poverty, social and environmental destruction, and massive migration and global insecurity.

Even the resolutely pro-free trade World Bank has issued an analysis showing that the benefits of freer trade are marginal at best. Most go to developed countries, which contradicts the oft-repeated claims that free trade benefits the poorer nations of the world. Moreover, the total benefit of freer trade, even for developed nations, is economically almost insignificant, according to World Bank calculations.

After 11 years of this failed approach, the National Union, along with trade unions and social justice organizations from around the world, believes it is time for a change of course.

We hoped the Ministerial Meeting in Hong Kong, held December 13-19, 2005, would provide an opportunity for the world's nations to look back on the past 10 years and re-evaluate their commitment to corporate driven free trade.

Instead we saw trade negotiators from the world's wealthiest nations attempt to coerce the planet's weakest countries to accept undemocratic policies that violate their own best interests.

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<p>But there is hope. It is to be found in the global coming together of people's organizations, all demanding that the world's economy be used to benefit the world's people and not for corporate profit.</p>	<p>for corporate profit.</p> <p>It is to be found in the diversity and unity of millions of people struggling together.</p> <p>From the onset the National Union of Public and General Employees (NUPGE) saw the importance of international trade agreements to its members and all Canadian workers – both in the public and private sectors. The National Union has participated in most of the NGO Ministerial Meetings since Seattle, and other forums, as an accredited body, and has worked closely with the Public Services International.</p>
<p>It is to be found in the diversity and unity of millions of people struggling together.</p>	<p><i>National Secretary-Treasurer Larry Brown attended the WTO Ministerial in Hong Kong as an accredited NGO delegate. His meeting reports form the basis of this report.</i></p>

On the road to Hong Kong

The Hong Kong meeting took place amidst a difficult round of WTO negotiations. The current series of negotiations, called the Doha Round, has had difficulty making any headway, and is facing growing opposition by the people of the developed and developing worlds.

Negotiations reached an impasse at Cancun, Mexico in 2003 and all indications were that there had been very little movement since then. Reports out of negotiating sessions had been encouraging for those who challenge the current model; it appeared that the negotiations were in deep trouble.

As a backdrop, these Hong Kong negotiations were taking place at the end of a year of untold devastation in many of the world's poorest regions – the tsunami in Asia, earthquakes in Guatemala and Pakistan, hurricanes in the Caribbean. There had been enormous outpouring of support for many of these ravaged regions of the world.

At the same time the Global Call to Action Against Poverty (the Make Poverty History campaign) had been successful in putting the issue of global poverty and inequality on the international agenda. In many ways concern about the plight of the world's poorest reached remarkable heights.

The GATS

One significant concern for the Hong Kong meeting involved negotiations for the General Agreement on Trade in Services (GATS). As negotiations stalled in other sectors there was a strong desire among some trade negotiators to get a deal – any deal – on the GATS.

Negotiators from many developed countries continued to pressure developing countries to open up their countries' social and public services to increased privatization – to make 'quality offers' in key service sectors. The effect would be to add to the misery of the world's poor by stripping their governments of the ability to offer publicly delivered services.

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In the months leading up to the Hong Kong Ministerial, GATS negotiations took a further unacceptable turn when the European Union (EU) proposed to establish what have been called benchmarks, or complementary approaches. Other countries added their own versions of this approach.

This impenetrable language obscures the reality – these proposals would turn the GATS process on its head. The idea is to exert further pressure on all countries, especially developing countries, to open up key service sectors, including public services. This new approach would require countries to make commitments in a set number of areas, completely contrary to the promise originally built into the negotiating process in the GATS, that allowed countries to choose which service sectors (if any) to liberalize.

There was also pressure to change the process from one country making requests of one other country, to groups of countries combining to make requests of several countries at a time. This would severely strain the limited negotiating resources of smaller countries, and allow for more coercive pressure tactics.

The chair of the WTO services negotiations then chose to introduce some coercive pressure tactics of his own, unilaterally declaring that none of these controversial proposals could be removed from the table without a consensus of all the members.

The GATS negotiations are only one symptom of a larger concern. There is a fundamental problem with the process by which the WTO negotiates these international trade agreements. Powerful nations engage in backroom negotiations to privately twist the arms of developing nations. Combined with the infamous ‘green room’ process, whereby only selected countries are invited to participate in negotiating specific issues, this makes the WTO an extremely undemocratic body.

Letter to Peterson

Prior to the meeting the National Union wrote to the Honourable James Peterson, the federal minister of international trade under the Martin Liberal government,

demanding that negotiators of the Hong Kong Ministerial be accountable to Canadian citizens and not just corporations.

The letter stated in part:

The Canadian government's approach to trade negotiations is increasingly out of touch with the reality Canadians face under these trade deals and with the available empirical evidence that shows the supposed benefits have not been realized. Our government seems to be operating on autopilot, continuing to advocate for a position that has lost its credibility.

The National Union called the government's attention to a number of ways in which Canada's ability to act as a sovereign nation have been undermined. These included:

- loss of the Autopact;
- threats to the Wheat Board;
- provinces prevented from introducing new programs, like public auto insurance, because of trade deals; and
- the hollowing out of our manufacturing sector as jobs move to lower wage environments.

The letter argued that the WTO, as it exists, goes far beyond trade rules and significantly infringes on national sovereignty, an infringement focused exclusively on the interests of the corporate sector. There is no mention of human rights, workers' rights and environmental protection, only what governments can't do to control corporate behaviour.

As part of a move to more democratic decision making, there must be some ratification process for the trade deals governments negotiate.

Negotiations about trade should be limited to that: trade should be the only thing on the agenda. The right of countries to have social programs, public services, regulations, national agendas, domestic industry – all should be enhanced, not limited, by trade deals.

Finally, although the content of the agreements should be limited to trade matters, access to the rights accruing under these agreements should be conditional on countries taking positive steps to ensure that human rights, including workers' rights, and the environment, are protected in their jurisdictions.

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As it stands governments that torture and murder trade union leaders or others of their own citizens, or that carelessly degrade the world's environment, can still participate in WTO agreements. This is an outrageous situation and cannot be allowed to continue.

Canadians have repeatedly said they want to preserve and protect our public services. These services are an integral part of our national identity. Yet there is still no unqualified protection for public services contained in the GATS. Furthermore, a number of countries have been clear that they fully expect existing protections will be weakened, not surprisingly, because that is the commitment made in the original GATS agreement.

Protests in the streets World's people meet

As trade ministers from nations around the world gathered in Hong Kong to negotiate the way forward for the World Trade Organization, so did representatives from many of the world's trade union and civil society organizations.

A deep conflict between the rich and poor nations of the world is becoming more and more pronounced. The governments of many of the richer nations are convinced the WTO should be strengthened – its already strong influence deepened. They claim, without providing empirical evidence, this will aid development for poorer nations.

The governments of most of the poorer nations of the world are not convinced of the benefits of increasing trade liberalization. These nations, having lived through a decade of WTO imposed freer trade, see the costs as far outweighing the gains. Many are unable or unwilling to make any more concessions and are starting to publicly say so. These nations had been successfully able to hold off the demands for more concessions, and they enjoyed the support of widespread public opposition to the WTO.

This public opposition was represented in Hong Kong by a wide range of progressive community based organizations, national civil society groups, international development agencies and organizations – from around the world. There is a surprising degree of agreement on the issues. The WTO, it is agreed, prevents governments from acting on the wishes of their people, because the power to decide is given instead to transnational corporations. The market is put ahead of people's needs, and ahead of democratic decision-making.

On the ground, coordination of the labour and civil society organizations was conducted under the umbrella of the Hong Kong Peoples Alliance which had been meeting and planning for months. The first major demonstration, held a couple of days before the opening of the Ministerial, was a large and impressive event.

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Participants representing Thai workers with AIDS, trade unionists from countries on every continent, women's organizations, a citizens group from Italy and development organizations, and many more. People were dressed in elaborate costumes, including one giant spider, and there was a vast ensemble of colours and noise. There was a babel of different voices, with signs and banners in dozens of languages.

The march moved through the crowded streets of Hong Kong where passers-by stopped to watch and take thousands of pictures. There were police everywhere but no intrusions and no violence on this first day.

The next major demonstration took place on Tuesday, December 13, 2005 and marked the official opening of the Ministerial session. An added twist to this rally was that representatives of Korean organizations – many noted for their militant tactics – were there in force. The first unusual event was that at the end of the march route, about 120 of the

But protests were not the only activities that were organized to coincide with the WTO Ministerial. Koreans jumped into the harbour, a cold and pretty unhygienic body of water. It wasn't very clear what the intent was, at first, until the rest of their group took advantage of the distraction to rush the police lines. The protests continued during the rest of the week with the Koreans among the most militant.

There were meetings between movement organizations as well as between official government negotiators and union and civil society groups. But protests were not the only activities that were organized to coincide with the WTO Ministerial. There were meetings between movement organizations as well as between official government negotiators and union and civil society groups.

The International Confederation of Free Trade Unions and SOLIDAR (an international civil society/NGO group) held a session for trade unionists and others from around the globe, to share information and analysis regarding the WTO Ministerial and the prospects for the talks. Special guests included Peter Mendelson, the trade negotiator for the European Union, a key player in the talks, and also Pascal Lamy, Director General of the WTO.

Mr. Mendelson was full of reassurances about this being the 'Development Round', aimed at improving the lot of the world's developing nations. A fine sentiment indeed, but one made hollow by the fact that the developing nations themselves don't want this version of development, where the corporate sector is allowed to do pretty much as it pleases. Mendelson also

stressed the EU did not feel any obligation to improve its offer on agricultural subsidies, the key issue in these talks, because they have already moved and it is now the turn of others.

Mr. Lamy bluntly stated that workers' rights are simply not in the Doha agenda, and cannot now be added, so the only option was to get the Doha Round successfully concluded and insist on workers' rights in the next Round. 'Better luck next time' was the attitude.

Another noteworthy meeting was organized as a strategy session on GATS – the General Agreement on Trade in Services. This is an issue of considerable concern to the National Union and for public sector unions internationally, given that almost everything public sector unions do involves services, and any extension of this agreement is potentially bad news for public services, for all levels of government from the federal to the municipal, and for public sector workers.

There was virtually no discussion during the official GATS negotiations about making public services more efficient, or more protected from privatization, or safer from the intrusion of for-profit companies.

Especially worrisome was the growing pressure for more concessions from developing countries, not to mention developed countries like Canada, incorporated in the new GATS proposals.

Meetings with various parliamentarians and country representatives, from several nations, provided an opportunity for unions and other civil society organizations to share information and analysis on the GATS talks. Many countries expressed real appreciation because all they were getting from their negotiators were assurances that the new proposals were just harmless changes. The negotiators from some countries, primarily in the developing world, used the presence of grassroots opposition at the Ministerial to bargain for positive change to the various trade deals.

NGOs in the Canadian delegation attended official briefings by the Canadian negotiators present in Hong Kong. The minister of trade, the Hon. James Peterson, made it clear that the government's delegation was there primarily to negotiate for Canadian business interests.

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Negotiations in Hong Kong

The major issue remained trade rules for agriculture. The US and the EU provide large subsidies to their farmers – to the extent that each cow in the EU is subsidized by more than agricultural workers in developing countries make in a month. The developing countries said they will not give any more concessions on anything, will not open their doors to any more corporate activity, unless they get some real relief on subsidies, so that the agricultural products of the developing world can legitimately compete with products from the US and EU.

The talks themselves started slowly – although the negotiating dynamic was powerful and the rich nations came with offers of cash if developing countries accepted their proposals.

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But the EU said they have no more room to move, that they have given all they can give. This may be true, or it may be a means of putting more pressure on countries to agree to the GATS proposals – the EU has companies that dearly want more access to the service sectors of other countries.

The pressure for more concessions on services is driven by groups of companies that provide services because, under the existing rules, countries are allowed to choose which service areas they will open up, and the industry groups are furious that most countries have been slow to open up their markets to the companies' tender mercies. The industry groups are furious, that is, that democratic government decisions about how countries want to operate are interfering with their right to make a profit!

The Canadian government's position is that we need to be 'ambitious' about the GATS amendments, that we want the right of Canadian companies to insert themselves into the economies of other countries at will. So much for the rhetoric about the Development Round. Our government's position is the same as the services industry; we don't want democratic decisions to interfere with the right of our companies to make a profit.

The other issue on the table was the issue of Non-Agricultural Market Access (NAMA) which is principally concerned with

tariff reductions – the richer nations want the developing world to lower their tariffs. That is, the world’s wealthy governments are asking the developing countries to abandon the very tools that made them wealthy countries in the first place.

A Deeply Flawed Process

Negotiations at the WTO are conducted in what can only be called a misleading, ill-equipped, unbalanced, and manipulative way. For example – there was, in the initial proposed new agreement regarding GATS, a clause stipulating that, under certain conditions, countries ‘shall’ commence negotiations over specific services. The official explanation of this clause is that it is purely voluntary – that ‘shall’ really means ‘should’.

The negotiations have an obscure language, impenetrable to all but the initiated. How many mere mortals would know whether the simple Swiss formula, with two coefficients, is better than the amended Swiss formula with more coefficients? How many people other than policy wonks would care? Yet these are very important issues.

The Ministerial session covered agriculture, and tariffs on non-agricultural goods and services, and a wide range of other issues. Small countries, with only one or two advisors, found themselves unable to participate on a level playing field with the wealthy countries with their large teams of advisors. The richer nations and the WTO secretariat had an enormous advantage. This was compounded by the fact that the richer nations have economic power and levers, which they use to full advantage, employing both threats and promises.

In one particularly egregious situation, the chair of the services negotiations took the position that, because there was disagreement in the room, the disputed language in the original text would be considered agreed to unless a consensus could be found! An amazing tactic – unless the disagreement ends, the source of the disagreement will be taken to be the agreement.

As the negotiations in Hong Kong approached their conclusion there was obviously no real progress on any of the serious issues. Suddenly things began to move. A new text on

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What finally emerged after an overnight negotiating session was a deal that did not appear to make any of the participating governments very happy. The European Union called the deal disappointing. Brazil and India, two of the big players in the developing world, said it required a big concession from them and that it is now the turn of the Europeans to make a major concession. The huge community of groups there to press more for the developing world, and to fight to limit the expansion of the rights of corporations to move internationally without government controls, were very disappointed.

services appeared, and although it was still one aimed at more 'liberalization' of services – liberalization meaning fewer rules limiting companies and more guaranteed access by companies to the service sectors of more countries – there were significant improvements over the original draft.

The negotiations around the final draft text were conducted behind closed doors. Ministers, and their senior negotiators, worked through the night, emerging finally around 10:00 am Sunday with a possible agreement on one of the stickiest areas, agriculture. They took a two-hour break and then resumed discussions on the other areas, including services.

At this point many of the activists present in Hong Kong had a sense of inevitability about the process. The pressure to reach some kind of agreement, to avoid the collapse of the talks that happened in Cancun that would make any final outcome almost impossible, was too hard to ignore.

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On the key issue of agriculture, the best they were able to do was to agree that finally, in 2013, the worst of the subsidies given out by Europe and the US will be reduced. On non-agricultural market access, the whole issue of tariffs, the only agreement was to delay the talks until April. On services, the agreement was not nearly as bad, not nearly as mandatory, as the initial draft had been. All of the intense work and pressure paid off with a partial but still significant victory.

What next?

This is not the final agreement on the WTO and all its included agreements like GATS. This was a step along the road. It is still very unclear if there will be that all important final agreement. The process could still fall apart.

It is going to be quite difficult to produce a complete new package in time to meet the deadlines of the process.

The Hong Kong Ministerial Declaration provided political direction for WTO members to conclude the Doha Round. The next critical step towards completing this round of negotiations is reaching detailed commitments, including numerical targets, for further liberalization of trade in agriculture, industrial goods, services, and natural resources. WTO members set a deadline of April 30, 2006 to achieve this – not an easy feat.

Despite assurances otherwise the Hong Kong Ministerial Declaration clearly demonstrated the Doha Round is focused on achieving aggressive trade liberalization. The rich nations continued their push for greater access to the markets of developing countries, plain and simple.

WTO members from the developing countries are struggling to minimize potential negative impacts of the Round. A variety of alliances are forming with the purpose of negotiating increased flexibility or exemptions from specific commitments. Many keep trying to raise the much ballyhooed development objectives cited in the Doha Round.

Sadly, the fact remains that this round of negotiations is not focused on development issues. Small and Vulnerable Economies (SVEs), while attempting to maintain their ability to address their specific development concerns, face a proposed formula for tariff reductions far deeper than in the past – with much less room to move.

But there is a bumpy road ahead for the WTO. Many point to the expiry of the US president's Fast Track Trade Negotiating Authority, mid-2007, and upcoming elections in key countries (e.g. Brazil and France) as presenting potential problems for negotiations.

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For Canadian activists the bottom line is that the government of Canada did not make any effort to represent our views, our concerns. The delegates from Canadian unions and civil society organizations were able to work effectively not with the Canadian government but in spite of it.

To complete the Doha Round, WTO members must break the deadlock between the US, the European Community (EC), Brazil and India in agriculture and NAMA.

The EC has given a specific deadline for ending export subsidies and calls on the others, in particular Brazil and India, to now make further concessions on non-agricultural market access and services. On the other hand Brazil and the US see more concessions from the EC on agricultural market access as necessary to move the negotiations forward.

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For Canadian activists the bottom line is that the government of Canada did not make any effort to represent our views, our concerns. The delegates from Canadian unions and civil society organizations were able to work effectively not with the Canadian government but in spite of it.

Like other progressive organizations, the National Union was able to work effectively with our allies and the progressive international community, not with our own government. This disconnect between what our government is saying on behalf of the business community, and what they are not saying on behalf of all the other interests must be addressed. The Canadian government at the WTO talks is seen as a cheerleader for business interests, and a cheerleader for the positions taken by the rich nations.

The position of the people of Canada is not just the reflection of those who will profit from freer trade. Many Canadians want to retain the ability of the government to govern effectively, and they are weary and distrustful of the mantra that freer trade will solve all the world's problems. That position is being reflected at the international meetings because we are there to put it forward, not because our negotiators acknowledge it.

It will now be up to the new federal government to listen to the will of Canadians, and indeed the world's people. Initial signs

are not encouraging. But we will continue to work hard to hold them to account, to force another agenda onto the world stage.

Eleven years of failure is enough.