

Open letter to G20 Trade Ministers

September 9, 2006

Dear Trade Minister,

You recently received a letter from WTO Director General, Pascal Lamy, regarding the June 23rd suspension of the Doha Round negotiations. In that letter, and in other communications from Director General Lamy, you have been asked to engage in a period of reflection. WTO negotiations are of vital concern to all people, a fact which Mr. Lamy notes in his letter. As members of civil society who would be greatly affected by the outcome of WTO negotiations, we would like to take this opportunity to share our reflections concerning the best path forward for all of us regarding WTO negotiations.

We share with you two main streams of thought. First, we believe that this period of reflection must consist of national examinations, with broad participation, of the implications of the potential conclusion of the current Doha Round for all peoples. In such examinations, the WTO's actual past record – the failure to date for poverty to be reduced in the world's poorest regions under the Uruguay Round agreements – and the meagre projections for a few nations' gains and the projected net loss for many poor countries under the likely Doha Round outcomes – must be considered given the Doha Round is an expansion of the existing WTO model. We also think, based on the WTO's past record and current projections, that the suspension of talks provides an extraordinary moment to reflect upon the need for a re-imagined global economy that would actually contribute to real development and poverty eradication for future generations.

Past Experience with WTO's Failure to Increase Incomes, Decrease Poverty

Ever fewer politicians or pundits now repeat the disproved slogans about the current Doha Round framework offering gains for poor countries' economic development or poverty reduction. This shift has occurred in part because of the recent findings of net losses for many developing countries under the likely Doha Round scenarios and in part because the record of the WTO's decade in effect has left the majority of people in developing and developed countries alike worse off than they were before.

The WTO decade has clearly demonstrated the failure of the WTO model in agriculture, the primary issue of the G20. While the volume of food traded worldwide has increased, the prices paid to farmers for their production have fallen dramatically. This has resulted in the loss of livelihood for innumerable farmers worldwide, such as in India, where over 100,000 farmers have committed suicide because they can no longer earn a living from traditional agriculture. In addition, world hunger has actually increased in the WTO decade. At the same time, consolidation in the global agriculture industry has allowed just a few transnational corporations to control over two-thirds of world trade in primary grains.

The core of the agricultural proposals in the Doha Round merely continue the same model, while allowing a few more countries to expand their participation in global agricultural trade. The proposals of the G33 to allow developing countries to exempt 20 percent of their farm production from tariff cuts, and to preserve important flexibilities for developing countries in the use of the Special Safeguard Mechanism, are a step in the right direction – but they are insufficient. Instead, at this determinative moment in the global trade debates, there is a unique opportunity to fundamentally re-design a completely different model of agricultural

trade that will provide true food sovereignty – based on ensuring food security, promoting rural development, and safeguarding farmers’ livelihoods.

The WTO has not only failed in food and agriculture policy. It has also failed to achieve the most basic progress in reducing poverty. The number and percentage of people living on less than \$1 a day (the World Bank definition of extreme poverty) in regions with some of the worst forms of poverty – Sub-Saharan Africa and the Middle East – have increased since the WTO began operating, while the number and percentage of people living on less than \$2 a day has increased at the same time period in these regions, as well as in Latin America and the Caribbean.

The number of people living in poverty has also increased in South Asia, while growth rates and the rate of reduction in poverty have slowed in most parts of the world – especially when one excludes China, where huge reductions in poverty have been accomplished, but not by following WTO-approved policies (China became a WTO member only in 2001). Indeed, the economic policies that China employed to obtain its dramatic growth and poverty reduction are a veritable smorgasbord of policies outside the WTO model: high tariffs to keep out imports and significant subsidies and government intervention to promote exports; an absence of intellectual property protection; government-owned, operated and subsidized energy, transportation and manufacturing sectors; tightly regulated foreign investment with numerous performance requirements regarding domestic content and technology transfer; government-controlled finance and banking systems subsidizing billions in non-performing debt; and government-controlled, subsidized and protected agriculture. Many of these same policies are those employed by the now-wealthy countries during their period of development.

It’s not as if the status quo is working for most people in the rich countries either. During the WTO era, the U.S. trade deficit has risen to historic levels – from \$130 billion (in today’s dollars) in 1994 (the year before the WTO went into effect) to more than \$717 billion in 2005. The U.S. trade deficit is approaching 6 percent of national income – a figure widely agreed to be unsustainable, putting the global economy at risk. Soaring U.S. imports during the WTO decade have contributed to the loss of 3 million manufacturing jobs in the United States – or nearly one in six. Real median wages in the United States have scarcely risen above their 1970 level, resulting in declining or stagnant standards of living for the nearly 70 percent of the U.S. population that does not have a college degree.

A close examination of the WTO’s past failure to improve peoples’ livelihoods and eradicate poverty is essential to any reflection regarding the future course of global trade talks and rules.

Doha’s Deadly Recipe for “Development”

Based on the past failed record, is no surprise that estimates by World Bank and other economists show that very few, if any, positive results for development would result from even the most ambitious Doha Round and net losses would accrue for many developing countries. Doha Round negotiations became deadlocked because a majority of WTO signatory countries concluded that the current Doha Round framework would harm the interests of the vast majority of the populations in countries across the world.

The World Bank’s Fall 2005 study of projected Doha Round outcomes found extremely limited possible gains from a “Doha Round” overall. The study projected net losses for many developing countries. The study found that the vast majority of possible gains would accrue to

rich countries, and that developing countries would gain mere \$16 billion – in ten years. *That's a miniscule 0.16 percent of developing-country gross domestic product or less than a penny a day per capita.* The Least Developed Countries would gain only 1.9 percent of the total gains of \$54 billion: *that means that the poorest billion people are projected to increase incomes by a mere \$1 per year.* Meanwhile, the Middle East, Bangladesh, much of Africa and (notably) Mexico would actually face net losses under the Doha Round. A proper analysis of the World Bank data is available in the study “Doha Round and Developing Countries: Will the Doha deal do more harm than good?” available at <http://ase.tufts.edu/gdae/Pubs/rp/DohaRIS2Apr06.pdf>.

In addition, a recent study by the Carnegie Endowment for International Peace also demonstrated that any of the plausible Doha scenarios will produce only modest gains for the world. Their study showed that the poorest countries may actually lose from any agreement based on what is on the table at present, and that additional special measures will be needed to ensure that the Least Developed Countries succeed. The study is available at <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18083&prog=zgp&proj=zted>.

In the face of these projections and the data on WTO outcomes to date, we must reflect on the continued efforts of the WTO Secretariat, World Bank President Wolfowitz, and others to manipulate the data on projected Doha Round outcomes in order to push for a conclusion of the Doha Round under the current framework – even though this would result in foreseeable outcomes that would completely contradict the Doha “Development” mandate.

In addition, the United Nations Conference on Trade and Development has estimated that losses to developing countries from reduced tariff revenue – incomes that are used to fund national health care and education budgets – would be 2 to 4 times the projected gains for developing countries from the Doha WTO expansion. In addition, various trade unions including COSATU in South Africa and the CUT in Brazil have evaluated the potential impacts of a conclusion of the Doha Round on their industrial sectors. They have found grave negative implications for employment if the tariff cuts proposed in the Non-Agricultural Market Access negotiations were to be applied. This period offers a great opportunity to reflect on potential impacts of the proposed NAMA tariff cuts on jobs, industrial production, and the policy space needed to create future development possibilities in your country, together with workers in your country.

These are some of the reasons why civil society organizations from the global South and North have been unified in our opposition to the conclusion of the Doha Round in its current form. An analysis of the state of play of the negotiations on Agriculture, Services, and NAMA, and their potential impacts on workers, farmers, and the environment is available in a recent letter sent to all trade ministers from over one hundred civil society organizations, available at <http://www.ourworldisnotforsale.org/showarticle.asp?search=1622>.

The Politics of Manipulation, Undemocratic Process and Pascal Lamy’s Dangerous Role
As negotiations in the WTO have been repeatedly deadlocked because the current framework would harm the interests of the vast majority of the populations in countries across the world and as deadlines have been repeatedly missed due to a lack of agreement, the WTO Secretariat – and a few powerful WTO signatory nations – increasingly deployed manipulative strategies to try to subvert the will of the majority of WTO member nations and force a deal that would be against the interests of most WTO members. If you are one of the

majority of ministers who had expressed concern about the direction of the negotiations, the current suspension offers a key opportunity to reflect on why the proposals – and suggestions of the majority of WTO member nations starting in 2001 with the Implementation Agenda tabled at Doha – have been systematically sidelined in favor of the proposals of a few powerful nations in a WTO Round whose mandate is supposedly “development.”

As a basic rule of democracy, and in accordance with the WTO’s procedures and mandate, any negotiations towards potentially concluding the Doha Round must allow for the effective participation of all Ministers. We can understand that many Ministers have expressed concern that the G-6 countries and the WTO Secretariat are continuing to hold informal discussions in an attempt to break the present impasse. While no one objects to negotiators holding private meetings, matters affecting the possible resumption of the talks must be transparent and inclusive of all Members. This period offers an important moment to reflect upon the undemocratic, non-inclusive process of the WTO negotiations and the right of all Members to take part in any decision-making about the future of the Round.

In addition, Mr Lamy’s recent calls for “real market access” in the negotiations – echoing the position of the United States – are completely out of line with the Doha mandate. It is outrageous and unacceptable for any WTO Director General to take the side of any bloc of countries. Mr. Lamy has been indiscreetly lobbying for the developed countries’ demands and in doing so is advancing new negotiating goals outside of the agreed mandate and with bias relative to some WTO signatory nations rather than playing the facilitating role the Secretariat is to provide equally for all signatory nations. This undemocratic process has resulted in negotiations that, if concluded, would harm the majority people in a majority of WTO nations, and must be brought to a halt.

As the WTO Expansion Agenda Fails, it’s Time for a New Model

The current crisis in the Doha Round has demonstrated that the current framework of the WTO has not achieved and will not achieve the goal of expanding trade to promote development. Instead of pinning blame on specific countries, the focus of energy should now be on how the world’s governments can develop a multilateral trade system that would actually leverage trade to promote development. The current failure of the Doha negotiations is, indeed, a clarion call for a new system of democratic multilateral governance based on people-centred, ecologically sustainable development. The critics of corporate globalization are *for* international trade between different, unique countries or regions when it is mutually beneficial.

In many countries across the globe, citizens are electing leaders who reject the current model of “corporate globalization” embodied in the WTO in favour of policies that promote economic development, social equity, and environmental protection. Processes of regional integration in Latin America and other regions are developing new models of trade based on complementarity, solidarity, cooperation and respect for sovereignty. We now have a unique opportunity to stop the expansion of the model of corporate globalization embodied in the WTO and its top-down, one-size-fits-all policies.

At this crucial moment, we can take a moment to reflect upon the basic characteristics of a new global trade policy that would truly promote development, human rights, and poverty eradication. The new global trade system must be significantly reduced in scope from the current WTO, to remove many of the constraints on countries’ democratic policy space for future development. Currently, the WTO trumps all other international agreements. The WTO

must be scaled back so that the human rights, environmental, labor and other multilaterally agreed public interest standards already enshrined in various international treaties can serve as a floor of conduct for corporations seeking the benefits of global trade rules. For instance, the International Labor Organization provides core labor standards; there are more than 200 multilateral environmental treaties; and the World Health Organization and the U.N. Charter on Human Rights provide many standards on access to medicine and the human right to food security. Countries' fundamental right to develop economic, industrial, and agricultural policies that foster genuine economic development, create decent jobs, protect farmers' livelihoods, promote access to essential services and enhance the environment, must not be subordinated to the commercial interests of the increasingly powerful corporate elite. These are just some of the building blocks of the future global economy. A full evaluation of the negative impacts of the model of corporate globalization embodied in the WTO, and the basic principles of an alternative vision of global economic rules as agreed to by over two hundred civil society organizations from around the world, is available at <http://www.ourworldisnotforsale.org>.

In sum, as members of civil society who would be affected by any potential conclusion of the Doha Round of WTO expansion, we have reflected on the past record and potential impacts of present negotiations in the WTO. The future of global trade lies in a fundamental shift away from the model of corporate globalization embodied in the WTO and towards a different vision. We offer the following as next steps in the reflection process.

1. The future of the global trading system must be designed with the widest participation of all WTO members and communities that would be affected by the outcomes, particularly the poorest and most marginalized. The Director General must not be permitted to work with a selected group of members to push through final decisions in a Round that is projected to harm the poorest members.
2. Years of experience with the WTO have demonstrated its negative impact on workers, farmers and the environment in rich and poor countries alike. Assessments by the World Bank, Carnegie Endowment and trade unions have shown the negative impact the potential conclusion of the Doha Round would have on the world's poorest countries. After your and our reflection on the past failure to promote development and the current meagre and negative projections for growth, the current Doha Round agenda should be set aside permanently.
3. Following this period of reflection on the WTO's past impacts and present negotiations, it has become clear that we now face an unprecedented opportunity to transform the multilateral trading system for the good of the vast majority of the world's people. We must develop a completely new global economic system based on proven policies that reduce poverty, promote people centred ecologically sustainable development and that is subordinate to global agreements on human rights, labor rights, and environmental protection. The Doha Round must be replaced by a course of negotiations actually designed to fix the current problems in the global trading system and that preserves the policy space essential for governments to pursue domestic strategies that will bring true development to their populations.

We look forward to building that new global trade system with you.

Sincerely,

Action Aid International
Alliance for Democracy – UNITED STATES
Australian Fair Trade and Investment Network – AUSTRALIA
Berne Declaration – SWITZERLAND
Bharat Krishak Samaj (Farmers' Forum India) – INDIA
Campagna per la Riforma della Banca Mondiale – ITALY
Centre for Civil society UKZN – SOUTH AFRICA
Confederation of Labor & Allied Social Services (CLASS) – PHILIPPINES
Consumers Association of Penang – MALAYSIA
Economic Justice and Development Organization (EJAD) – PAKISTAN
Ecumenical Advocacy Alliance – PHILIPPINES
FAIR – ITALY
Food & Water Watch – UNITED STATES
Foundation for Gaia – UK
Friends of the Earth – MALAYSIA
Friendship Foundation – INDIA
Focus on the Global South – GENEVA
Focus on the Global South – INDIA
Focus on the Global South – PHILIPPINES
Focus on the Global South – THAILAND
Forum for Biotechnology & Food Security, New Delhi – INDIA
Humanitarian Group for Social Development – LEBANON
IBON Foundation – PHILIPPINES
Indian People's Campaign against WTO – INDIA
International Gender and Trade Network
International Union of Foodworkers (IUF)
Jubilee South Africa – SOUTH AFRICA
Labour, Health and Human Rights Development Centre (LHAHRDEV) – NIGERIA
Lok Sanjh Foundation – PAKISTAN
Mesa Global – GUATEMALA
Mexican Action Network on Free Trade – MEXICO
Movimiento Boliviano por la Soberanía y Integración Solidaria de los Pueblos – BOLIVIA
Millennium Solidarity Geneva Group – SWITZERLAND
National Council Of Churches in the Philippines (NCCP) – PHILIPPINES
National Fishworkers' Forum (NFF) – INDIA
Pakistan Fisherfolk Forum – PAKISTAN
Public Services International (PSI)
Sanlakas – PHILIPPINES
SEATINI – ZIMBABWE and SOUTH AFRICA
SEND Foundation – GHANA
South Africa Municipal Workers Union – SOUTH AFRICA
United Methodist Church – PHILIPPINES
Womyn's Agenda for Change – CAMBODIA
World Development Movement – UK