

Trade Justice Movement

Policy Briefing January 2005

Trade Justice

We believe that everyone has the right to feed their families, make a decent living and protect their environment.

But the rich and powerful are pursuing trade policies that put profits before the needs of people and the planet.

To end poverty and protect the environment we need Trade Justice not free trade.

The UK Government should:

- Fight to ensure that governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment.
- End export dumping that damages the livelihoods of poor communities around the world.
- Make laws that stop big business profiting at the expense of people and the environment.

In the UK, Europe and globally, the UK Government has been a leading promoter of 'free markets', which in practice means trade liberalisation, privatisation and deregulation. Faced with growing evidence about the social, economic and environmental costs of these policies, and under pressure from public opinion, the Government's rhetoric has begun to change. However, while the rhetoric has shifted, the practice remains substantially the same. On a number of vitally important issues the Trade Justice Movement believes the Government has still got it wrong.

The UK Government should fight to ensure that governments, particularly in poor countries, can choose the best solutions to end poverty and protect the environment.

Stop EPAs and change the negotiating mandate

The UK Government must ensure that the EU drops its demand for reciprocal trade liberalisation and new rules on competition policy, investment and public procurement in its new Partnership Agreements with the African, Caribbean and Pacific (ACP) countries.

The European Union is currently negotiating free trade agreements with groups of former colonies. In return for these countries having access to European markets, the EU is demanding duty free access into their markets for substantially all European products and services. The EU is also using these agreements to negotiate trade rules that poor countries have already rejected at the WTO. The EU's own impact assessment says that, in their current form, these 'Economic Partnership Agreements' (EPAs) could be disastrous for poor communities.

Rather than take responsibility for what is happening, the UK Government is hiding behind the European Commission and WTO rules covering regional agreements. Whereas the Government claims to support special treatment for the poorest countries at the WTO – this is not followed through in EPAs, where even the poorest could face the full force of European competition. The Trade Justice Movement wants the UK Government to stop free-trade EPAs and look for alternative ways of ensuring continued

ACP access to European markets. Poor countries need trade with the European Union but not on the terms currently being offered.

Let poor countries decide their own trade policies

The UK Government should stop the IMF and World Bank imposing trade conditions on poor countries.

The IMF and World Bank impose risky and unproven economic reforms on poor countries by attaching conditions to debt relief and aid. Countries are pressured to cut public spending, to open their markets to foreign trade and investment, to cut state subsidies and to privatise state-owned enterprises, including public services. Many poor countries also require an IMF seal of approval in order to get aid from other countries, giving the IMF power behind the scenes.

The UK Government, which together with European partners is a major shareholder in the World Bank and IMF, says that it opposes the use of conditions and supports 'country-owned' development strategies. However the World Bank and IMF continue to exercise huge influence, shaping countries' strategies through policy advice that is biased in favour of free trade, and 'signing-off' the final document. Imposing trade conditions on countries in return for giving aid is unfair, undemocratic and ineffective. Poor countries should be in control of their own economic development.

Water supply should not be covered by international trade rules

The UK Government should insist that the EU withdraw its demand that water is included in GATS.

The GATS – General Agreement on Trade in Services – is a WTO agreement that increases the ability of big business to supply services (e.g. health, transport and education). The EU is now proposing that water delivery becomes part of the agreement. Under the agreement, governments are not, for example, free to favour local companies with start-up subsidies, nor earmark part of the market for not-for-profit companies. And, once a country places its services under GATS rules, this decision is effectively irreversible.

The UK Government is supporting the EU in its demands to include water in GATS and for 72 countries to make binding commitments in this sector, claiming that it will help poor countries attract investment. Additionally they say that GATS is a flexible treaty and that countries do not have to offer access to their water sector if they do not wish to. However even if countries do not offer to liberalise their water sectors this time, they will continue to come under pressure to liberalise in the future. And once they have made a virtually unbreakable commitment in their water sector, the WTO could overrule attempts to reverse privatisation. This is particularly worrying given the numerous examples where water privatisation in developing countries has resulted in disaster. And although the UK Government claims that nothing in GATS prevents countries from 'regulating appropriately' in water or any other sector, the whole point of GATS is to steadily eradicate a whole raft of government regulations that can be used to ensure foreign investment benefits the domestic economy.

The Trade Justice Movement believes that water should be excluded from GATS negotiations and is calling for the EU to withdraw its proposal.

Governments must be free to regulate investment in order to benefit development and the environment

The UK Government should oppose any restrictions on the ability of governments to regulate foreign investment in accordance with their development and environmental needs.

Foreign investment can play an important role in creating employment and incomes, but governments need to have the power to regulate it to ensure that it brings maximum benefits to the country and does no harm. Such regulations might include controls on profit repatriation and requirements to transfer

technology and employ local staff. Countries may also need to protect their fledgling industries and services from foreign competition – that is how all the rich countries developed their economies in the past.

The UK Government supports a number of existing agreements – such as GATS – that undermine the ability of governments to do these things. The Government also initially supported EU efforts to introduce new WTO agreements that would have further restricted the ability of countries to regulate investment. These efforts were blocked by developing countries, though the EU is now trying to get the same agreements passed in regional trade negotiations (such as EPAs – see above.)

Give poor countries the right to exclude agricultural products from liberalisation

The UK Government should ensure the EU supports trade rules which retain the right of developing countries to protect their domestic agricultural sectors on the grounds of food security, livelihood security and sustainable rural development. As a first step at the WTO, the EU should ensure developing countries are able to self-select products to be exempt from further tariff liberalisation.

More than 70% of the world's poorest people live in rural areas and depend on agriculture for part or all of their income. For many, local markets are far more important than international ones and it is essential they are able to sell their produce locally. However, liberalisation via the WTO, regional trade agreements and the World Bank and IMF is opening these local markets to produce from other countries where farmers and agricultural businesses have the advantages of technology, a developed infrastructure and, in many cases, huge subsidies from their governments. The result is disastrous for small-scale farmers.

The UK Government has made some supportive comments about enabling developing countries to exclude some agricultural products from liberalisation, but they see it as a very limited and short-term option. The Trade Justice Movement is calling for the UK Government to give clear political backing, particularly in the WTO negotiations, to proposals from poor countries that enable them to protect vulnerable farm sectors.

The UK Government should end export dumping that damages the livelihoods of poor communities around the world.

In 2005, the UK Government must use its EU Presidency to bring forward reform of the Common Agriculture Policy (CAP) that ends the dumping of agricultural goods on international markets and only supports environmentally and socially sustainable agriculture.

Specifically, by the end of 2005 the UK must:

- *Publish a new UK policy consistent with this demand*
- *Use its EU presidency to bring forward reform of the Common Agriculture Policy from 2013 and ensure:*
 - *An early end date for direct export subsidies;*
 - *That domestic support is not linked – either directly or indirectly – to production or historic subsidy levels (i.e. support should be genuinely decoupled);*
 - *That the EU support system is re-oriented to deliver sustainable farming, environmental protection, job creation, rural development, support to small-scale farmers, the development of local food economies, enhancing public health etc;*
 - *These measures must be carefully targeted so as not to harm the interests of the world's poorer people.*

Free trade policies are not the answer to the problems of world agriculture

Despite recent reforms, current EU policies fail to deliver an environmentally and socially sustainable agricultural sector in Europe. The large majority share of benefits continues to go to large-scale farmers and processing companies, and subsidies tend to encourage industrial farming methods, with negative impacts on the environment and development. The dumping of EU agricultural exports, such as sugar, at prices below the cost of production drives down world prices, costing vulnerable households income and poor countries foreign exchange. In some cases, subsidised EU exports also push farmers in developing countries out of local markets.

2005 provides a unique opportunity for the UK Government to progress further reforms of the CAP. The UK holds the Presidency of the EU during the second half of the year and negotiations on reform of the sugar regime should be completed during this period. The outcomes of the current WTO disputes on sugar and cotton are also likely to be resolved early in 2005 – and likely to go against the EU and the US. The WTO Ministerial in Hong Kong in December 2005 should also agree an early date to the end of subsidised exports from developed countries.

Development-friendly outcomes of these negotiations and disputes would mean a radical overhaul of the current CAP. These external pressures will provide the UK with extra leverage to demand urgent and prompt action in Brussels. The current CAP package, agreed in 2003, is not due to expire until 2013; the Trade Justice Movement believes that major reforms cannot be left until this date. Further, negotiations around the CAP Budget for the period 2007-2013 should also be finalised during the UK Presidency and the Government must ensure that the CAP budget is linked to environmental and social goals and not used to facilitate dumping.

The UK Government must make laws that stop big business profiting at the expense of people and the environment.

Social and environmental standards should not be undermined by a rush for free trade

The EU must ensure that global trade policies and practices do not undercut internationally agreed social and environmental standards, in particular core labour standards and as a first step ensure that the ILO is granted full observer status at the WTO.

Alongside international agreements on trade there are a number of agreements and institutions that cover issues such as the environment and social standards. However the World Trade Organisation tends to take precedence over all others. Free trade can be in direct conflict with maintaining labour and environmental standards, as countries can feel under pressure to waive these standards in order to gain investment and increase trade.

The UK Government says that it supports international regulations on labour and environmental safeguards. The Trade Justice Movement wants this support turned into action. An important first step to ensuring labour standards are not further eroded would be to give the International Labour Organisation observer status at the WTO.

Make laws that stop big business profiting at the expense of people and the environment

The UK Government (and EU) must enact its own legislation and support international initiatives to ensure that companies are held accountable for their social, environmental and economic impacts at home and abroad.

Companies trade not governments. So it is impossible to talk about trade justice without considering the impact of business on people and the planet. If trade is to be a driver of poverty reduction, then

companies must be accountable and responsible for their impact on society and the environment, and communities must have access to justice when that impact is negative.

Everyone accepts that companies' activities should not undermine social and environmental standards, should contribute to economic welfare and that they should operate within the law. But too often multinational corporations, because of their size and power, are able to cause harm to communities, damage the environment, violate workers' rights and avoid taxation with impunity. They have effectively outgrown existing forms of legislation and local regulation.

The Trade Justice Movement believes that, while efforts to encourage the positive impact of companies should continue, new laws are now needed to hold increasingly powerful corporations to account for their negative impact.

At the World Summit on Sustainable Development in Johannesburg, 2002, the UK Government committed itself to '... actively promote corporate responsibility and accountability ...' But it is currently relying on a variety of international initiatives to fulfil this commitment, such as the UN's Global Compact and the OECD's Guidelines for Multinational Enterprises, which are entirely voluntary in nature and not legally binding on companies. Indeed, in 'Making Globalisation a Force For Good,' the recent white paper on trade, the Government says it will '... encourage and enhance ...' best practice but dismisses any action on binding international standards for business.

Yet a plethora of studies and cases where companies involved in such 'best practice' initiatives still cause harm to workers, communities and the environment indicate that voluntary measures are not sufficient and must be made binding or be replaced by others with legal teeth. At worst, some multinationals are using voluntary initiatives as fig leaves behind which they can hide bad practice or in order to argue for fewer laws and less regulation.

The Trade Justice Movement is calling on the UK Government to follow the principles for business established by the Corporate Responsibility Coalition (CORE) and:

- make reporting of the global social, human rights and environmental impact of UK companies mandatory.
- change the law in order to make directors of UK companies who do not take all the necessary steps possible to limit the negative social and environmental impact of their businesses liable for the damage they cause.
- allow communities to bring cases against UK companies in the UK, if justice fails them in the country in which an abuse took place.

www.tjm.org.uk

All Trade Justice Movement member organisations support the policy positions outlined in our founding statement 'For Whose Benefit?: Making trade work for people and the planet' (available online at www.tjm.org.uk).

*This briefing is an expanded version of the Trade Justice demands set out in the **MAKEPOVERTYHISTORY** manifesto (available online at www.makepovertyhistory.org).*

MAKEPOVERTYHISTORY