

Trade Justice Movement

Policy Briefing June 2005 (update)

Stop Forced Liberalisation

The Trade Justice Movement's 2005 Challenge to the UK Government

2005 represents a unique chance for the UK government to put in place the trade policy changes needed to reduce poverty and to help achieve the Millennium Development Goals (MDGs) – especially as it assumes the presidency of the EU in July. Yet the UK government's overriding emphasis on trade liberalisation as the model for developing countries to follow is highly detrimental to the needs of poor people and the environment, and undermines the ability of developing countries to put in place the right policies to achieve the MDGs.

The central difference between the Trade Justice Movement and UK government on trade policy is the government's insistence on 'free trade' as the blueprint for developing and developed countries alike. In the face of mounting evidence of the social, economic and environmental damage caused by 'free trade', and under pressure from UK public opinion, the government has begun to soften its rhetoric on trade liberalisation. For instance, the Labour Party manifesto issued prior to the May 2005 General Election stated: "We do not believe poor countries should be forced to liberalise." Yet in practice the UK government remains one of the foremost proponents of the 'free trade' model, and continues to press for greater access to the markets of developing countries for UK exporters.

The Trade Justice Movement's opposition to the 'free trade' agenda promoted by the UK government is not an opposition to trade itself. We recognise that regional and international trade forms an important part of the economic policies of many developing countries, and we believe that appropriate policies are needed to link trade with development. Our call for Trade Justice stems from the evidence that the 'free trade' model has been responsible for increasing poverty, harming the environment and eroding labour standards across the world.

The world's poorest countries have often been required to open their markets to foreign exporters as a condition of receiving aid, loans or debt relief from donors such as the UK government and from international financial institutions such as the World Bank and International Monetary Fund (IMF). Similarly, developing countries come under pressure to liberalise their markets in bilateral or regional negotiations with more powerful trading partners, such as the Economic Partnership Agreements (EPAs) currently being negotiated between the EU and African, Caribbean and Pacific (ACP) countries. Developing countries also come under pressure to accede to rich country demands in negotiations at the World Trade Organisation (WTO), where representatives of poor countries face threats that they will lose aid, trading preferences or even their own jobs if they do not drop their resistance to the liberalisation demands being made of them.

The Commission for Africa stated in its March 2005 report *Our Common Interest*: "Forcing poor countries to liberalise through trade agreements is the wrong approach to achieving growth and poverty reduction in Africa, and elsewhere." Although Tony Blair committed the UK government to implementing

the Commission's recommendations, there has been no practical shift in trade policy. The Trade Justice Movement calls on the UK government to stop putting pressure on developing countries to open up their markets still further, at the expense of poor people and the environment. This pressure is exerted in a number of institutional settings in which the UK, along with its EU partners, is a major player:

1. the core WTO agenda of industrial, services and agricultural liberalisation
2. the Economic Partnership Agreements (EPAs) between the EU and ACP countries
3. the economic conditionality policies of the World Bank and IMF

1. STOP FORCED LIBERALISATION THROUGH THE WTO

The core WTO agenda leading up to the Hong Kong Ministerial at the end of 2005 is already seeing developing countries exposed to huge pressure to open up their industrial, services and agricultural markets. Meanwhile, talks on special and differential treatment for developing countries languish, having received scant attention in the interim 'July package' finally agreed by WTO members in August 2004.

The UK Government must ensure that developing countries are not forced to liberalise their industrial, services or agricultural sectors through the trade negotiations at the WTO. The UK government must:

on non-agricultural market access (NAMA):

- reject the current 'Annex B' text as a basis for the NAMA negotiations, in which developing countries are being rushed into potentially disastrous liberalisation of their manufacturing, forestry and fisheries sectors
- agree that developing countries should have the right to determine for themselves which tariff lines to bind and at what rates, so as to secure the principle of 'less than full reciprocity' at the heart of the NAMA negotiations

on services (GATS):

- call publicly for water to be removed from the General Agreement on Trade in Services (GATS), and for the EU to withdraw its requests of other countries to commit their water sectors under the WTO's services negotiations
- call publicly for the EU to make a statement in support of the right of all developing countries to abstain from making either initial or further offers in the services negotiations
- make good on its claims that GATS is flexible by calling publicly for there to be no 'benchmarks' prescribing minimum levels of liberalisation commitments, and instead confirm the right of all countries to decide how much or whether to commit individual service sectors under GATS

on agriculture:

- call publicly for developing countries to have the right to self-select an unrestricted number of agricultural 'special products', allowing them to protect domestic agricultural producers on the grounds of food security, livelihood security and sustainable rural development

- call publicly for developing countries to have access to a special safeguard mechanism for all agricultural products, in order to address the harmful effects of market volatility
- agree that developing countries should have the right to determine for themselves which tariff lines to reduce and at what rates, in order to safeguard rural livelihoods and rural development

2. STOP FORCED LIBERALISATION THROUGH EPAS

The future development of African, Caribbean and Pacific (ACP) countries risks being seriously undermined by the inequitable bilateral Economic Partnership Agreements (EPAs) currently being negotiated between the EU and ACP countries. The EU's proposals for EPAs include trade liberalisation demands that go far beyond anything currently under discussion at the WTO and could lead to deep and dramatic market opening by ACP countries. In addition, the EU is pushing for trade negotiations in areas including investment and public procurement liberalisation that ACP countries have long opposed at the WTO. This is undercutting ACP countries' negotiating positions at the WTO and will deepen poverty in ACP countries.

The EU is asking ACP countries, including those belonging to the category of Least Developed Countries, to liberalise substantially all their markets over a very short time period, possibly 10-15 years. The EU proposals would lead to free trade areas in which the poorest African countries, their farmers, producers and companies would compete openly with the richest European countries, their producers and companies – and their heavily subsidised farmers.

In March this year the UK government took a stand on EPAs, recommending that the 'new issues' of investment, public procurement and competition policy should only be negotiated at the request of ACP countries, and that ACP countries should have longer to liberalise. This is a welcome and important step towards a fairer deal.

The UK government must now:

- work to ensure that this new position delivers substantive change in the negotiations
- support ACP countries' right to decide what they will liberalise and when
- give ACP countries a choice between signing an EPA and a pro-development alternative

We therefore call on the UK government to use every political opportunity, including making maximum use of its presidency of the EU, to work with other EU member states to:

- secure the necessary changes to the European Commission's EPA negotiating mandate to ensure that the EU:
 - *drops its demand for reciprocal trade liberalisation*
 - *drops its demand for negotiations on the 'Singapore issues' of investment, competition policy and public procurement*
- urgently honour the EU's commitment to provide ACP countries with viable non-reciprocal alternatives to EPAs, in parallel to EPA negotiations in 2005. At a minimum these should preserve current values of market access into the EU, as per the commitment made in the Cotonou Agreement.

3. STOP FORCED LIBERALISATION THROUGH THE WORLD BANK AND IMF

Developing countries continue to face economic policy conditions attached to the loans and debt relief administered by the World Bank and IMF. The G8 leaders who are meeting in Gleneagles in July 2005 have overwhelming influence in this regard, given that the G8 countries enjoy built-in control over the policies implemented by the Bretton Woods institutions by virtue of their 'one dollar, one vote' governance structure. As host of the G8 summit, the UK government has a particular responsibility to ensure that it sends a clear message to the World Bank and IMF that economic policy conditions such as trade liberalisation are unacceptable.

The UK government adopted a new policy on aid conditionality in March 2005, in which it stated that it would no longer make UK aid conditional upon adoption of policies such as privatisation and trade liberalisation – a welcome acknowledgement of the damage which such conditions can cause. On the instigation of the UK government, the World Bank has also embarked upon a review of its policy and practice on conditionality, and is due to report on this to the Annual Meetings of the World Bank and IMF in September 2005. Now is the time to ensure that developing countries are allowed to dictate their own paths to development, rather than having to follow the economic blueprints drawn up for them by donors and financial institutions such as the World Bank and IMF.

The UK government must:

- ensure that its new policy is fully implemented by abandoning all forms of economic policy conditionality, including conditions linked to trade liberalisation
- call publicly for the World Bank and IMF to abandon all forms of economic policy conditionality, including conditions linked to trade liberalisation

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). The call to Stop Forced Liberalisation represents the Trade Justice Movement's lead call for 2005, as one of the three overall demands in the 'Vote for Trade Justice' campaign action.

We believe 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 for rules that ensure 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.

MAKE POVERTY HISTORY 