

World Trade Organisation: no deal is better than a bad deal



The World Trade Organisation (WTO) is at a crisis point.

Talks remain in deadlock because developing country governments are resisting a package of unfair WTO agreements that place the legal rights of corporations above those of elected governments and communities. The proposals include:

- Opening up essential services like education, water and postal services to investment by transnational corporations and restricting the ability of governments to regulate these services.
- Making much larger tariff cuts on goods in poor countries than in rich countries, which will threaten local industries and jobs.
- Fast-tracked opening of trade in environmentally sensitive sectors of forestry, fisheries and mining.
- Undermining laws designed to protect the environment and promote social welfare, on the basis that they are 'non-tariff' barriers to trade, eg. measures to control the use of toxic chemicals and regulate essential services.

The WTO is run by elected governments and the Australian government is playing a key role in these negotiations. We must act now to hold the Government to account.

From Seattle to Hong Kong

The current WTO negotiations, deceptively named the Development Round, have repeatedly stalled as rich governments, lead by the US and EU, have refused to address their own unfair agricultural subsidies while still demanding that poor countries open up their markets in services, agriculture, goods and resources. Agricultural subsidies in the US and EU lead to the displacement of vulnerable small-

scale farmers in poor countries that cannot compete with subsidised products from industrialised countries.

The Ministerial Meeting in Cancun collapsed in 2003. At the 2005 Hong Kong Ministerial, after a week of all-night informal meetings and arm-twisting, negotiators emerged with a face-saving deal. In return for some small and conditional concessions in agriculture, the Hong Kong deal set a timeline of negotiations that aims to pressure developing country governments to agree to a deal in 2006.

WTO myth 1: Democracy behind closed doors

The decisions being made in the WTO negotiations will limit the policy choices of current and future governments at national, state and local levels. Yet decisions are being made behind closed doors. The negotiations at the Hong Kong Ministerial occurred in unofficial exclusive meetings, without minutes or a record of participants. Most of the negotiations in 2006 will occur at small informal 'mini-ministerial' meetings, which exclude the majority of governments from poor countries and which are relatively shrouded from public and media attention.

WTO myth 2: Bullying as consensus

WTO decision-making is supposedly based on consensus. But developing country governments are under intense pressure to agree

to the demands of rich countries. In Hong Kong, large amounts of aid were offered to developing countries by the US, EU and Japan to persuade governments to drop their resistance to unfair proposals. Many of these 'aid for trade' pledges were either rebadging of old aid or money in the form of loans.

WTO myth 3: Doha development doublespeak

Over 2 billion people live on less than \$2 a day. There is mounting evidence that WTO's model of rapid trade liberalisation is exacerbating global inequality by threatening food security, promoting privatisation of essential services and fuelling a race to the bottom on wages and working conditions.

A recent World Bank study on the projected outcomes of the Doha Round predicted that most benefits from the proposals on the table would go to rich countries (World Bank, *Global impacts of Doha trade reform scenarios on poverty*, October 2005). Many developing country governments and community groups are now saying that 'no deal is better than a bad deal' in the Doha Round.



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What is GATS and why should you care?

The WTO's General Agreement on Trade in Services (GATS) aims to remove barriers to trade in services. It potentially covers all service sectors.

Many GATS rules apply only to services that governments agree to list as part of the GATS, but governments are expected to increase over time the range of listed services. Once a service is listed in the GATS governments must treat transnational companies as if they were local, and cannot limit foreign ownership, require them to use local products or train local people.

Global service companies have been lobbying governments to list essential services, such as education, electricity and water, which they see as potentially million-dollar markets.

Listing essential services in GATS would mean that those services are treated like traded goods and are opened up to foreign control. It would reduce the ability of governments to regulate essential services to ensure that they are available to all. This would lock in global service corporations, increase prices and put services like electricity, water and education beyond the reach of the local population.

GATS rules are enforced by a strong disputes resolution process which allows the laws of one country to be challenged by another country on the ground that they are a barrier to trade. Disputes are heard by trade experts on the basis of trade law, without regard to whether the law was enacted in the public interest. The most recent GATS case ruled that restriction of Internet gambling (enacted to prevent social harm) was a barrier to trade.

Plurilaterals – who needs enemies with friends like these?

The Hong Kong Ministerial made a dangerous change to the way GATS is negotiated. This change has intensified the pressure on governments to increase their

GATS commitments and open up key essential service sectors to competition from large multinational companies. Previously, governments negotiated to increase their GATS commitments on a bilateral basis. For example, Australia would request that Thailand increase its GATS commitments in education or vice versa. Thailand could then make an offer in education or refuse to negotiate.

The Hong Kong Ministerial introduced 'plurilateral negotiations', which allow a group of governments to join together as 'friends' in a particular sector (for example, Friends of Education), draft an ideal schedule of liberalisation and present this schedule as a request to targeted governments. Recipients of the request are now pressured to enter into negotiations. This could see Bangladesh at the table with a group of powerful 'friends' – hardly a fair negotiating dynamic.

The Australian government supported the move to plurilateral negotiations, despite strong opposition from developing country governments and civil society. Since Hong Kong, 'friends groups' have formed across many service sectors.

There are also separate negotiations to change the rules of GATS which could reduce the rights of governments to regulate across the board, whether a service is listed or not. For example, there is a proposal to reduce the right of governments to regulate by imposing a 'necessity test' to ensure that regulations in areas like qualifications and licensing must be "least trade restrictive." Public interest regulation of services could then be challenged more easily on the grounds that they are a barrier to trade.

Where does the Australian government fit in?

The Government's offer to increase Australia's GATS commitments is back on the table. This means that previous community wins to exclude

water for human use and other essential services are again up for grabs.

Australia is a part of plurilateral 'friends' groups making requests in environmental services (which includes some water services), telecommunications, energy, maritime transport, financial and education services. These requests have been sent to a number of poor countries, despite pressure from community groups in Australia and around the world to not target vulnerable countries.

The Government has received requests from 'friends' groups to increase the numbers of temporary service workers (known as GATS mode IV), as well as requests to list commitments in our postal service sector and our audio-visual sector. Including the audio-visual sector would threaten Australia's local content laws that enable Australian stories to be seen on film and television.

The Australian government has also supported a "necessity test" that would enable public interest regulation to be challenged under GATS rules.

There is a tight timetable set for these negotiations:

- Australia's revised second round offer due on 30 July 2006
- Australia's final schedule of GATS commitments due on 30 October 2006
- The WTO Director General wants to reach agreement across services, agriculture and goods by the end of 2006.

Commitments that the Australian government makes in GATS in 2006 will bind future governments. Once made, commitments are very difficult to reverse, as compensation must be paid to other WTO members.

These decisions will not only trade away the current government's right to regulate essential services, but will also trade away the right of future generations to implement different policies.

Water services – FOR SALE!

Community groups in Australia and around the world have campaigned for many years to exclude water services from GATS completely. Access to clean safe water is a human right that should not be subject to market rules. But global companies continue to lobby the WTO and individual governments to expand the coverage of water in GATS, because of the potential for enormous profits in this basic necessity.

Australia is part of a group called 'Friends of Environmental Services' that has drawn up an ideal schedule of liberalisation that includes some water services. This request has been sent to a number of developing country governments, including Colombia, Ecuador, Indonesia, Nigeria, Pakistan, Peru and Thailand.

Due to strong community campaigning, this request does not include water for human use. But it does include sewerage and sanitation services. With increasing water shortages and proposals to move to recycled water, this request potentially impacts on the community's access to clean water, and should be withdrawn. Australia has already committed our wastewater and water remediation sectors in GATS.

Water privatisation is failing communities around the world. At the World Water Forum in March, Argentina, Bolivia, Brazil, Uruguay and Venezuela joined to call for an end to all trade negotiations on drinking water and basic sanitation. In the face of such strong statements from the developing world, the Government should withdraw our requests to developing countries to open up water-related services and, likewise, should not include water-related services in Australia's GATS commitments.

Education services – FOR SALE!

In March, the Government joined 'Friends of Education' to lodge a joint request targeting a number of developing country governments, including Chile, Pakistan, Sri Lanka and Thailand. This request could restrict a government's ability to regulate education services, from ownership of institutions to accreditation to requirements for joint ventures and local representation on boards of educational institutions.

The request is specific to private education and, in response to strong community campaigning, the Government has emphasised that public education is not on the table. However, the definition of 'public' services in GATS is "any service not supplied on a commercial basis or in competition with another service provider". Given that Australia's TAFE, university and schools sectors all have some private providers, it is unclear whether our education sector would be spared under this plurilateral request.

There are also broader proposals to define government funding as a subsidy under WTO rules. If 'national treatment' were applied to government funding in the education sector, foreign education providers would be entitled to at least the same level of funding under a competitive tendering system. Preferential funding for local institutions for research grants would not be allowed. This would reduce the funds available for the public system and pave the way for privatisation of higher education.

Postal services – FOR SALE!

Australia has received a request from the 'friends of postal services' to "move toward full market access and national treatment" of our postal and courier services.

This could threaten the universal supply of quality basic postal services across Australia. Currently, Australia Post is able to cross-subsidise its service to provide a common price of 50c for delivering standard letters throughout Australia, whether the letter is sent from Sydney or from Mt Isa. This is known as the 'reserved service' and it is crucial for rural Australia.

Some parts of Australia's postal market are already open to private competition and the Government is saying that Australia Post would retain the ability to provide the reserved service. But any offer on postal services could undermine Australia Post's ability to continue the reserved service as private companies would 'cream skim' the most lucrative urban markets and threaten Australia Post's viability.

Global postal companies see public postal networks as a barrier to trade. Under NAFTA, US postal company UPS mounted a legal challenge against Canada Post on the basis that Canada Post's public network unfairly subsidised its postal services.

Get active!

The Australian Fair Trade & Investment Network (AFTINET) is a network of 90 community organisations and many more individuals. Many people around Australia and the world are joining together to say no to unfair trade agreements that benefit a small number of corporations and powerful governments. Community campaigning has already achieved a lot in this campaign. It is now crunch time and it is crucial that we act NOW before the Doha Round concludes to make our voices heard!

How?

- Read this publication, pass it on and discuss it with friends, family and workmates
- Write to a letter to the editor of your local newspaper or ring radio talkback
- Write, ring or (even better) visit your local member of parliament
- Join AFTINET, get involved in our campaigns and receive regular campaign updates.

For more information about these campaigns or to join AFTINET and get more involved, visit AFTINET's website www.aftinet.org.au or contact Jemma Bailey on 02 8898 6500 or jbailey@piac.asn.au.

Write a message today to the Trade Minister Mark Vaile about your concerns:

Hon Mark Vaile MP
Minister for Trade
PO Box 6022
Canberra ACT 2600
Ph: (02) 6277 7420
Email: mark.vaile.mp@aph.gov.au

Some points you may want to include:

- The Government should clearly exclude public services from GATS, should not make any new offers on essential services, including education, water, audio-visual, postal or energy services, and should oppose a "necessity test" on public regulation of services.
- The Governments should immediately withdraw GATS requests on essential services made to developing countries.
- The Government should disclose all GATS negotiating requests and offers and should make Australia's offer open to public debate before any commitments are made.
- All WTO agreements should be debated and ratified by parliament, not Cabinet.

Yes, I would like information about joining AFTINET

Name / Organisation: _____

Postal Address: _____

_____ P/Code _____

Email: _____

Phone: _____

Fax: _____

Yes, I wish to make a donation to AFTINET's campaign

\$200 \$100 \$50

Other \$ _____

Please choose a Payment Option:

I enclose a CHEQUE / Money Order (Made payable to AFTINET Pty Ltd) for: \$ _____

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Post / Fax to Jemma Bailey, c/o PIAC, Level 9, 299 Elizabeth St, Sydney NSW 2000. Fax: 02 8898 6555.

Please call (02) 8898 6500 with any enquiries.

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