#3 "WHOSE TRADE ORGANIZATION? The Comprehensive Guide To The WTO"

Excerpts from the *new* book by Lori Wallach and Patrick Woodall of Public Citizen

The WTO and the Developing World: Do As We Say, Not As We Did

During the Uruguay Round GATT negotiations, developing countries raised concerns about the expansive set of 17 new international commercial agreements to be enforced by a global commerce agency, the WTO. Rich countries and the GATT Secretariat staff promised developing countries that they would experience major gains as industrialized countries lowered and eventually eliminated tariffs on such items as textiles and apparel and cut agricultural subsidies that had enabled large agribusinesses to dominate world commodity markets. Think tanks, public opinion-makers and newspapers editorials have continued to relentlessly promote this notion of developing countries being the primary beneficiaries of WTO and globalization – despite a paucity of evidence to support such contentions and a growing record proving the opposite. After nearly nine years of the WTO, few if any of the promised economic benefits materialized for developing countries and for many, poverty has worsened. The number of people living on less than $1 a day (the World Bank's definition of extreme poverty) has risen since the WTO went into effect.

Our main findings on the economic impact of trade liberalization in developing WTO member nations are as follows:

- **WTO agreements have effectively pulled up the ladder behind the now-rich countries by banning developing countries from using the same policies that they did to develop.** From the perspective of developing countries, the Uruguay Round agreements can be viewed as effectively transforming the core components of the failed IMF economic development policy into new binding multilateral commitments which are cross-linked to export market access. This means that for developing countries, the ability to gain market access for exports under global trade rules is now conditioned on implementing changes to domestic policy—such as new intellectual property protections and elimination of industrial policies—that undermine the ability of countries to develop. The reality is that no country has ever developed under the conditions and terms required by WTO rules.
- **Poverty has increased in the era of the WTO**. Defenders of the global economic status quo often toss around the notion that the number of people living on $1 per day has declined thanks to the IMF-WTO model. In fact that claim relies solely on China's massive population combined with China's impressive record of per-capita income growth. Of course, until 2001, China was not a WTO member and indeed has grown rapidly while employing mainly policies that the WTO forbids. If one removes China, the world's largest economy and one that has operated outside the WTO-IMF model, the number and percentage of people living on $1 a day increased during the period of WTO. Worse, the LDCs who are strong participants in global trade have suffered from higher rates of extreme poverty than the average. Between 1997 and 1999, 69% of the people in nations specializing in commodity exports lived in extreme poverty, significantly higher than the average extreme poverty rate in LDCs (50%).

- **The developing countries that did not adopt the "Washington Consensus" model fared better than those who did.** The dismal outcomes that this model has produced for developing countries required by IMF/ World Bank "structural adjustment" programs to adopt it suggest that these countries will derive no greater benefit from adopting it under WTO auspices. The per-capita income growth rates of developing regions before the period of structural adjustment are higher than the growth rates after the countries implemented the IMF-WTO model. For low and middle-income countries, per capita growth between 1980 and 2000 had fallen to half of where they were between 1960 and 1980.
  - Latin America's per-capita GDP grew by 75% between 1960-1980, but between 1980-2000 it grew by only six percent.
  - Sub-Saharan Africa's per-capita GDP grew by 36% between 1960-1980 but declined by 15% between 1980 –2000.
  - Arab states' per-capita GDP declined between 1980-2000 after it grew 175% between 1960-1980.
  - South Asia, South East Asia and the Pacific all had lower per-capita GDP growth subsequent to 1980 than in the previous 20 years. (Only in East Asia was this trend not sustained, but this is because China's per-capita GDP quadrupled during this period prior to China joining the WTO).
  - In sharp contrast, the nations that chose their own economic fortunes and policies such as China, India, Malaysia and Vietnam, had more economic success. These countries had among the highest growth rates of the developing world over the past two decades—despite ignoring the directives of the WTO, IMF or World Bank.
- **Least developed countries' share of world trade has declined since the launch of the WTO.** The developing world's share of world trade has not increased under the WTO as promised and in some instances—notably among least developed countries—it has declined. The 1998 Least Developed Countries Report of UNCTAD found that the share of world exports and imports had fallen sharply in the LDCs since the Uruguay Round. The 2002 UNCTAD report found that one in three LDCs saw their exports contract between 1997-2000, even as the global economy was expanding.
- **Falling commodity prices under the WTO have destroyed developing economies and increased poverty.** Nonpetroleum primary commodity prices fell by more than a quarter in the nearly nine years the WTO has been in effect and now are at historic lows. The Uruguay Round eliminated the commodity agreements that had stabilized world prices. At the same time, tariff cuts in a range of commodities increased volume and decreased prices. Compounding the problem of lower export earnings caused by plunging commodity prices is the fact that LDCs have become net importers of food and therefore must have a steady stream of foreign exchange simply to finance the imports needed to feed the population.
- **Corporate globalization has increased income inequality within and between countries**. Instead of generating income convergence between rich and poor countries, as WTO proponents predicted, the corporate globalization era of the 1990s actually exacerbated the income inequality between industrial and developing countries as well as between rich and poor within countries worldwide. According to UNCTAD, "…in almost all developing countries that have undertaken rapid trade liberalization, wage inequality has increased, most often in the context of declining industrial employment of unskilled workers and large absolute falls in their real wages, on the order of 20-30% in Latin American countries." According to the United Nations Development Program (UNDP), the differential in per-capita incomes between the countries with the poorest

20% of the world's population and the richest 20% is widening; by 1997, the richest 20% captured 86% of world income, with the poorest 20% capturing a mere one percent. In 1960, the 20 richest countries had per-capita incomes 16 times greater than non-oil producing LDCs, and by 1999 the richest countries had incomes 35 times higher – doubling the income inequality.

- **The harmful precedent set by the successful U.S. WTO challenge to the EU's Caribbean banana trade policy (undertaken on behalf of Chiquita)**. The fallout from this WTO ruling, which ordered the elimination of a small set-aside in the EU market for bananas from its former colonies could be seriously damaging to both the islands directly involved and to the U.S. The end of the banana "middle-class" in the Caribbean will destabilize the economic foundation of the region, leaving thousands of people with no means of independent livelihoods. Given the tenuous standard of living of these island nations—almost all of whom are democracies with voter turnout double the U.S. rate--the threat to the well-being of the Caribbean people is enormous.
- **Developing Countries show strong opposition to opening WTO negotiations on the so called "New Issues."** The final section of this chapter includes an annex written by Third World Network Director and economist Martin Khor describing the developing country perspective on the Doha Agenda and the Cancun Ministerial. Khor explains why many developing countries and NGOs from around the world are adamant that new issues—investment, competition, procurement and trade facilitation—do not belong in the WTO, as they are not trade issues but rather seek to meddle with countries' domestic policies and priorities.