

Exploitative Trade Rules: The World Trade Organisation

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The World Trade Organisation (WTO) makes the rules that govern global trade. Its stated purpose is “expanding...trade in goods and services.” Its guiding principle is that governments should not have laws that ‘distort’ trade. In theory this means creating the supposed ‘level playing field’ that was discussed in earlier posts. We saw that in the real world, a level playing field creates advantages for big companies from rich countries, and destroys developing industries in poor countries.

Rules Biased in Favour of Rich Countries

This is evident from the rules on subsidies (payments from governments to help companies). The WTO allows subsidies for research, which are mostly used by rich countries, but it does not allow subsidies that protect infant industries (small industries that might grow if given protection) which are mostly needed by poor countries. Negotiations are based around the notion of trade-offs.(1) That is, if rich countries agree to stop subsidising their farmers, they expect poor countries to offer something in return. This would be reasonable if every country was starting from a position of equal strength, but makes no sense with existing imbalances in wealth and power.

In the WTO, each country has one vote. This makes the WTO appear to be fairer than other international organizations, such as the IMF and World Bank. Unfortunately, negotiations take place in a very biased way, and often in secret. Many insiders have explained that policy is determined by the advanced nations, predominantly America and Europe, who then threaten or bribe developing countries to make them accept those policies.(2) It was claimed by rich countries that recent WTO meetings would focus on helping poor countries develop(3) but negotiators from poor countries have explained that this is not true. Rich countries mostly focus on trying to open up markets in developing countries so that big businesses can take control of the trade there and make even more profits.

The WTO has been a huge obstacle to improving the global trading system and stopping wealth extraction. For example, when big companies engage in tax evasion, they lie about the value of goods entering and leaving a country.(4) Customs officials should be able to challenge this, but since 1994 the WTO has insisted that customs officials cannot question the values written on invoices.

Rules Written By US Companies

Many US trade representatives have strong business links, and US negotiating positions are strongly influenced by American companies. In practice, WTO rules are written by and for corporations. The grain company Cargill, one of the biggest food producers in the world, helped US trade negotiators develop their policy on agriculture.(5) The pharmaceutical company, Pfizer, together with other US corporations actually drafted the WTO agreements on Intellectual Property.(6)

At its peak there were approximately 1,000 WTO meetings per year, some of them going on at the same time. The money and effort that corporations spend trying to manipulate events within the WTO are immense, but some of the poorest countries do not have a single permanent member of staff.(7) Small countries find themselves unable to negotiate against armies of lawyers from rich countries.

Biased Judgements

If there is a trade dispute between countries then a panel of experts chosen by the WTO will meet to make a judgement, but most of these people come from corporate backgrounds. They meet in secret and are chosen because of their expertise in trade matters. They are not experts on health, safety, legal or environmental issues, yet their rulings have touched upon all of these areas. Not surprisingly, on most occasions when the WTO has ruled on a dispute that pitches corporate interest against government regulation, corporate interest has been the winner. WTO rulings have been summarised as follows:

“Acting as the supreme global adjudicator, the WTO has ruled against laws deemed ‘barriers to free trade.’ It has forced Japan to accept greater pesticide residues in imported food. It has kept Guatemala from outlawing deceptive advertising of baby food. It has eliminated the ban in various countries on asbestos, and on fuel economy and emission standards for motor vehicles. And it has ruled against marine-life protection laws and the ban on endangered-species products. The European Union’s prohibition on the importation of hormone-ridden U.S. beef had overwhelming popular support throughout Europe, but a three-member WTO panel decided the ban was an illegal restraint on trade. The decision on beef put in jeopardy a host of other food import regulations based on health concerns. The WTO overturned a portion of the U.S. Clean Air Act banning certain additives in gasoline because it interfered with imports from foreign refineries. And the WTO overturned that portion of the U.S. Endangered Species Act forbidding the import of shrimp caught with nets that failed to protect sea turtles.”(8)

If the WTO rules against a country’s laws, the penalties can be severe. In country after country, the WTO has forced governments to adopt policies that give more power to corporations. These tend to be accompanied by propaganda suggesting that these policies will benefit everyone. In practice this has not been the case. Even supporters of the WTO have been surprised by its power. In 2000 the WTO ruled that US corporate tax policy was unfair.(9) Hardly anyone understood that the WTO could rule on a country’s tax system. We now have an unelected body telling politicians what they can and cannot do. This is not how democracy is supposed to work.

Why do politicians agree to WTO policies?

The obvious question is why do politicians sign up to agreements that enable organisations

like the WTO to overrule them? The truth is that most politicians do not understand the implications of these agreements. In 1995 \$10,000 was offered by a famous campaigner, Ralph Nader, to any US politician who read the whole of one of these trade agreements. (It was hundreds of pages long.) Only one senator agreed and, after he read it, he was the only one to vote against it.(10)

If a poor country is outside the mainstream of the global trading system, then it has very little bargaining power in negotiations with rich countries. Leaders of some poor countries believed that the one-country-one-vote system of the WTO would enable poor countries to negotiate with rich countries on a more even footing, because there are a lot more poor countries than rich ones. In practice this has not been the case. Some new members join believing that they will benefit from increased trade with rich countries. There has also been a huge amount of propaganda suggesting that poor countries would benefit from the WTO because rich countries would have to eliminate subsidies and tariffs on textiles and agriculture(11) but this has also not happened. Many countries end up losing out because they are no longer able to regulate trade adequately. In theory they can leave the WTO but there is a risk that rich countries would refuse to trade with them. This would make it difficult for them to import more advanced goods.

This is not always a case of IMF/World Bank/WTO bad guys vs everyone in poor countries. We saw in earlier posts that the US has gone to great lengths to get politicians into power in developing countries who support US policies. Some of these politicians, together with some wealthy business owners, do benefit from these exploitative trade arrangements. As one WTO insider put it, the WTO:

“is the place where governments collude in private against their domestic pressure groups.”(12)

Wrong Priorities

We live in a world that requires higher standards of education, healthcare, environmental laws and labor laws for ordinary people. We saw in earlier chapters that if poor countries are to develop they must be allowed to structure trade rules to protect themselves, yet our global institutions focus on helping big corporations. The key part of the WTO's Agreement on Agriculture says market forces (that means big companies wanting big profits) should determine each country's agricultural policies, whereas a more sensible approach would focus on making sure that everyone gets fed, and everyone who produces food gets paid enough to live on.(13)

The WTO, together with the IMF and World Bank, have been nicknamed “The Unholy Trio” due to their role in holding back the developing world through economic means. If governments accept the rules laid down by any of these organisations then they end up ensuring that big corporations and their shareholders can make profit anywhere they choose, despite the downsides to local populations. One of the leading researchers on these issues has said:

“Don't get too confused between the IMF, the World Bank and the WTO - they are interchangeable masks for a single government system”(14)

The WTO is Dieing...

At one point, the strength of the WTO (and the IMF) was so great that they were described as Ministries of Trade (and Finance) for a world government. Corporations from rich countries have tried to include agreements on all sorts of things, such as patents, services and investment. They realised that the WTO was the ideal way to persuade developing countries to change their policies. Poor countries finally woke up to what was going on. They worked together to stop rich countries using the WTO to exploit them. Between 2001 and 2015, negotiations collapsed.(15) The head of the WTO resigned in May 2020 saying that it is going nowhere.(16)

...But neoliberalism is a multi-headed beast

Even if the WTO closed down, this would not be the end of the problem. Corporations and their lobbyists, and the US government, will try to achieve the same goals by other means. Many existing trade agreements are not primarily about trade at all – they are about the rights of investors. They contain what is known as ISDS (Investor State Dispute Settlement).(17) This uses secret courts, similar to the ones described above. Incredible as it may seem, these courts allow companies to sue governments for the loss of potential future profits that are no longer available because of new laws. This has been described as a parallel legal universe, only open to corporations, with rulings that would not occur under domestic law. It is even being used by convicted corporate criminals to escape the law.(18) Just the threat of ISDS is enough to convince governments to roll back public-interest laws. These problems will continue until we remove all forms of excessive corporate power.

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Notes

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- 4) Jason Hickel, 'Aid in Reverse: How poor countries develop rich countries', The Guardian, 14 Jan 2017, at <https://www.theguardian.com/global-development-professionals-network/2017/jan/14/aid-in-reverse-how-poor-countries-develop-rich-countries>
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- 6) Lori Wallach and Patrick Woodall, *Whose Trade Organisation*, p.350

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