

The WTO and Trade in Services (GATS): Where to Next?

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The WTO

The World Trade Organisation (WTO), formed in 1995, now has 147 members, including Australia. WTO negotiations to expand existing agreements and negotiate new ones occur in 'rounds' of several years. Every two years Trade Ministers from each of the member governments meet at Ministerial Meetings, with meetings of trade officials in between. The current 'Doha round' started in 2001, after the 1999 negotiations had collapsed in Seattle.

Many developing country governments and community groups have complained about the domination of WTO decision-making and rules by its most powerful members, led by the US and the EU. The September 2003 WTO Ministerial meeting at Cancun, Mexico collapsed because a new bloc of developing countries, supported by civil society groups, stood firm against the unreasonable demands of the richest countries.

In July 2004 the WTO produced a new 'framework agreement', which sets new deadlines for the ongoing Doha Round. However the negotiations were still dominated by a handful of countries and it fails to deal with some key concerns of developing countries.

The next WTO Ministerial Meeting will be held in Hong Kong in December 2005.

Collapse of the Cancun WTO meeting, September 2003

The Cancun talks collapsed because developing countries refused to negotiate new WTO agreements on Investment, Competition Policy and Government Procurement, pushed by the EU and the US as a condition for reducing agricultural export subsidies.

Before Cancun a new bloc of developing countries emerged, called the G20, led by Brazil, India, China, Argentina, South Africa, Nigeria and Indonesia. It also includes Bolivia, Chile, Cuba, Egypt, Mexico, Pakistan, Paraguay, the Philippines, Thailand, Venezuela, Tanzania and Zimbabwe. These countries put forward their own positive agenda for fairer agricultural trade. They were supported by over 70 other developing countries, and by global networks of civil society groups which campaigned against the new agreements and for fairer trade rules.

WTO July 2004 negotiations and Framework Agreement

Flawed Process

At the July 2004 WTO General Council meeting the processes had not improved. It was not a full Ministerial Meeting, but 40 mostly industrialised countries sent Ministers. The US and the EU convened informal meetings of some Ministers, who agreed in private on what the framework agreement should contain. The remaining mostly developing countries were only shown the text a few hours before being required to vote on it. The key issues in the text are analysed below. The text can be found at:

www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm



Investment, Competition Policy, Government Procurement off the agenda for the Doha Round: a victory for community campaigning

These proposed new WTO agreements were supported by business groups representing transnational corporations, like the International Chamber of Commerce, which wanted to limit governments' rights to regulate their activities. They were promoted by the EU and the US at Cancun as a condition for reducing their own unfair farm subsidies.

Such agreements would have limited the ability of countries to make laws about foreign investors. Governments could not have placed limits on foreign investment in particular industries, or required foreign investors to transfer skills and technology, use local products or develop relationships with local firms, or placed any of these conditions in government purchasing contracts. This is the discredited agenda of the Multilateral Agreement on Investment, which was attempted through the OECD but defeated by community campaigning in 1998. The same agenda is being promoted through bilateral agreements like the Australia US Free Trade agreement.

Developing country governments strongly opposed such agreements, as they need to be able to regulate foreign investment to ensure that it contributes to local development. AFTINET and other civil society groups have also strongly campaigned against them. The removal of these issues from the Doha Round is a great achievement for developing countries and for civil society. However they may be resurrected in a future WTO round.

Agriculture

Under WTO rules, all countries, including developing countries, have had to reduce tariffs and open their markets to agricultural imports. But rich countries like the EU and the US have kept their export subsidies for agriculture, which lower their prices on world markets. Cheap subsidised imports have flooded the markets of developing countries, ruining many small farmers.

At the Cancun meeting developing countries, led by the G20, demanded that the WTO fulfill the 'Doha development agenda' commitment to end unfair export subsidies, and to consider food security and other development issues.

After Cancun the EU and the US adopted a different strategy to deal with the G20. They invited two of the leaders of the group, Brazil and India, as well as

Australia, to join them in private meetings to draft a new text on agriculture. This group was known as the Five Interested Parties (FIP). This undemocratic and non-transparent process left out developing countries that are smaller than Brazil and India and have different agricultural priorities. The text on agriculture does make a commitment to the phasing out of export subsidies but has the following problems:

- no clear deadline for the reduction and phasing out of export subsidies
- the US and EU may be able to continue some direct payments to farmers with the same effects as subsidies. US Trade Representative Robert Zoellick wrote in a letter to Congress on 5 August 2004 that the reductions required 'will not weaken our ability to support our farmers'
- no clear deadline for phasing out of cotton subsidies that undermine African producers
- no deadlines for special safeguards for the food security of developing countries
- trading enterprises like the Australian and Canadian Wheat Boards are targeted as 'trade distorting measures', which would harm Australian farmers
- changes in agriculture are conditional on liberalisation of services markets in the Trade in Services (GATS) negotiations (see below).

Trade in Goods

Many developing countries objected to the commitments for reductions of tariffs (taxes on imports) but were pressured to agree to 'initial elements' that will be expanded in the process of negotiations. Key concerns include a formula for tariff reduction which could mean greater reductions for developing countries, and 'fast-tracking' of some industrial sectors for total elimination of tariffs. The fast track to zero tariffs could also have negative impacts on manufacturing industry in Australia, especially in regional areas reliant on the clothing and vehicle industries.



The WTO GATS Agreement

The General Agreement on Trade in Services (GATS) came into force in 1995. It can apply to all services, from banking, transport and telecommunications, to health, education and water. GATS treats services as traded commercial goods, ignoring the social aspects of many services. GATS has been promoted by transnational services corporations which want to expand their markets.

Although some GATS rules apply to all services, many rules only apply to those services that each government agrees to list in the agreement. However, GATS commits governments to increase the range of services included in the agreement, without any review of its impacts. The negotiations are secret, with little public information until after the deal is done.

There are moves in the GATS negotiations to reduce the right of governments to regulate licensing requirements, qualifications, and technical standards. If such regulations were 'trade restrictive' they could be challenged under WTO rules. There is also discussion of whether public funding of services should be treated as unfair subsidies and whether private corporations should have access to public funding through competitive tendering.

Trade in Services: the next steps for WTO GATS negotiations

The GATS negotiations require governments to 'offer' to list more services in the GATS. Only a minority of WTO member governments had made 'first round' offers of increased GATS commitments before the Cancun meeting, and the meeting collapsed before discussion of GATS. Developing countries have resisted the inclusion of essential services like health, education, water and postal services in the GATS agreement, because they fear it will reduce equitable access to these services. Most developing country governments have not yet lodged their first round offers.

The July Framework agreement includes the following commitments on GATS:

- Governments must make first round offers as soon as possible, and make second round offers by May 2005
- No services should be excluded, and governments should offer to include more services
- Negotiations to limit domestic regulation of services should be concluded quickly.
- Governments should note the interest of developing countries in 'temporary movement of people' and be prepared to negotiate conditions to allow temporary workers from other countries to work in service industries.

Australian Government position on GATS

The Australian government has strongly supported expansion of the GATS agreement, despite strong concerns about GATS from many community organisations. Australia's initial offer was only made public in April 2003 in response to a strong community campaign demanding greater accountability and transparency. This campaign also influenced the content of the government's initial offer, which did not include anything new in the areas of public health, public education, water for human use, postal services or audio visual services.

However there is pressure on Australia to list more services in its second-round offers. The EU, for example, has requested that Australia include its postal and water services.

The government has announced the following timetable for consultation on the GATS negotiations:

- **October 2004:** government discussion paper and meetings with community groups
- **November 2004:** public submissions in response to discussion paper
- **February 2005:** draft revised offer
- **May 2005:** revised offer submitted to WTO
- **December 2005:** Hong Kong Ministerial Meeting

What you can do: Join the AFTINET campaign

AFTINET is a national network of 90 community organisations and many more individuals. We support fair international regulation of trade consistent with human rights, labour rights and the environment.

AFTINET conducts community education, political lobbying, media work and organises public events. We also campaign on bilateral and regional trade agreements. We lobbied successfully for a Senate Inquiry into GATS and the US Free Trade Agreement in 2003 which recommended protecting essential services, improving transparency of negotiations and giving Parliament a vote on trade agreements.

We are part of international networks campaigning about the GATS agreement, which are planning an international week of action on the WTO in April 2005. We will keep you informed on the WTO negotiations to ensure that community voices can demand of our governments:

- clear exclusion of public health, education, postal, water and other essential services from trade agreements

- no extension of GATS rules restricting the ability of governments to regulate services
- no definition of subsidies that could threaten funding and provision of public services
- publication of any proposed changes to the Australian government's GATS requests and offers, independent studies of the social impacts of such proposals, and public parliamentary debate before they are submitted in the negotiations
- all trade agreements to be ratified by parliament, not only by Cabinet as at present.

Join AFTINET to get regular bulletins about the WTO GATS and other campaigns. See our website for publications and other campaign materials.

www.aftinet.org.au

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I would like information about joining AFTINET

Name / Organisation: _____

Postal Address: _____

Email Address: _____

Phone: _____

Fax: _____

I would like to make a donation to AFTINET (please tick amount)

\$10 \$20 \$50 \$100 \$200 \$_____ Other amount



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