

# PRESS RELEASE

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## **NEW DEAL EXPOSES FLAWS OF TRADE (OFFS) SYSTEM**

The trade deal struck in Geneva today is a blueprint for deeper trade liberalisation that will not deliver poverty reduction to the poorest countries, say development campaigners the World Development Movement (WDM). After an intensive week of backroom meetings a framework agreement for the rest of the WTO trade round has been reached.

While the very fact that WTO members have done a deal is being hailed as breathing life back into the much hyped Doha 'development' round following the collapse of trade talks in Cancun, Mexico last September, as usual the devil is in the detail.

Poor countries won an important and hard fought victory by ensuring that there will be no negotiations to create potentially damaging new WTO rules on investment, competition policy and government procurement. However, under the deal, developing countries will have to open up their economies to imports of manufactured goods and to large service companies in return for vague promises on agricultural reform.

While an overhaul of agricultural subsidies and import taxes is important, this is being used as a bargaining chip to lever open poor country markets in more lucrative sectors such as industrial products and services. Peter Hardstaff, Head of Policy at WDM, today said: "There is no doubt we need to stop farmers in poor countries being undermined by the outrageous subsidies given to European and US agri-business. But this should not be at the expense of policies – such as regulating foreign service companies and using import taxes on manufactured goods - that can be crucial for development." [1]

The deal intensifies the pressure on developing countries to place more of their service sectors under the free trade rules of the General Agreement on Trade in Services (GATS), with a deadline for revised offers being set for May 2005. "Members who have not yet submitted their initial offers must do so as soon as possible" reads the text, exposing the myth that the GATS talks are 'flexible' and allow countries to choose not to make any liberalisation offers.

Meanwhile, no concrete commitments have been made on the priority issues for developing countries, such as a system of different rules for poor countries (known as 'special and differential treatment' in the WTO), the need to address the problem of collapsing prices for many commodities important to poor countries and the need to reform existing WTO rules that poor countries are struggling to implement (known as 'implementation issues' in the WTO).

World Development Movement, 25 Beehive Place, London SW9 7QR  
Tel: 020 7274 7630 Fax: 020 7274 8232  
Email: [wdm@wdm.org.uk](mailto:wdm@wdm.org.uk) Website: [www.wdm.org.uk](http://www.wdm.org.uk)  
A company registered in Britain no 29098198 VAT no 480 7757 14

Peter Hardstaff commented: "While poor countries were successful in preventing the creation of damaging new WTO rules, this latest trade deal represents another failure to address the fundamental issue of reform. So much emphasis has been placed on agricultural subsidies by the media, some governments and some campaigners that key issues central to developing country proposals – including the need to redress the balance of WTO rules and roll back liberalisation – have been ignored or sidelined."

"The idea that poor countries should trade-off opening their own markets for agricultural subsidy reform by the rich is the flaw that lies at the heart of this trade round. Free trade will not lift people out of poverty. We need Trade Justice instead."

"The negotiating process has once again been characterised by secrecy, power politics and the exclusion of the poorest countries. The past week of talks has seen Africa sidelined, while the group of 'five interested parties' – USA, EU, Brazil, Australia and India – has negotiated on the rest of the world's behalf."

On the positive side, the text consigns the 'new issues' of investment, government procurement and competition to the wilderness for the duration of this round.[2] Large numbers of developing country members of the WTO have repeatedly stated their opposition to the new issues since they were first tabled in 1996, and civil society groups all over the world had mounted campaigns to oppose them. Confirmation that these issues have been dropped from this round is an important victory and is the result of an unprecedented alliance between campaigners from across the world and poor country governments.

ENDS

### Notes for editors

[1] In *The Global Governance of Trade As If Development Really Mattered*, Harvard Professor, Dani Rodrick concludes, "The exchange of reduced policy autonomy in the South for improved market access in the North is a bad bargain where development is concerned." Rodrik, D. (2001). Background Paper. New York. United Nations Development Programme.

[2] The framework agreement does require negotiations on the issue of 'Trade Facilitation' but developing countries were successful in limiting this largely to changing existing WTO clauses and also in achieving caveats relating to the funding of any reforms.

### Contact:

Beverley Duckworth (Head of Campaigns) on +44 7711 875 345