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Debt, The IMF, and the World Bank
Eric Toussaint & Damien Millet

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The World Trade Organization

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This is part III in a simple series. The objective of this production is to show the reader the facts pertaining to the World Trade Organization (from herein to be referred to as WTO).

What is the WTO?

The WTO was founded on January 1st, 1995, and replaced the General Agreement on Tariffs and Trade (GATT). The main innovation is that the WTO enjoys the status of an international organization. Its role is to ensure that no member states adopt any kind of protectionism whatsoever, in order to accelerate the liberalization of global trading and to facilitate the strategies of the transnational corporations. It has an international court (the Organ for the Settlement of Differences) that judges any alleged violations of its founding text drawn up in Marrakesh.

From the WTO:

“...In brief, the World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.”

We shall see, that this isn't the most accurate statement to describe the WTO.

“Deglobalization the cure for inequality”

What causes inequality? The UNDP states: “Specific aspects of globalization, such as inadequately regulated financial integration and trade liberalization processes, whose benefits have been distributed very unequally across and within countries, have played a significant role in determining the upward trend observed over the last decades.”

Globalization causes inequality for various reasons. One is that trade and financial globalization have weakened the bargaining position of relatively immobile labour in relation to fully mobile capital, driving down wages. The chief economist of the Asian Development Bank, in an article that argues that inequality jeopardizes economic growth, notes that between the mid-1990s and the mid-2000s, labour income as a percentage of manufacturing output fell from 48% to 42% in China and from 37% to 22% in India.

The UNDP also says dependence on capital flows made countries more vulnerable to economic and financial shocks, causing lower growth and employment, which both disproportionately affect the poor.

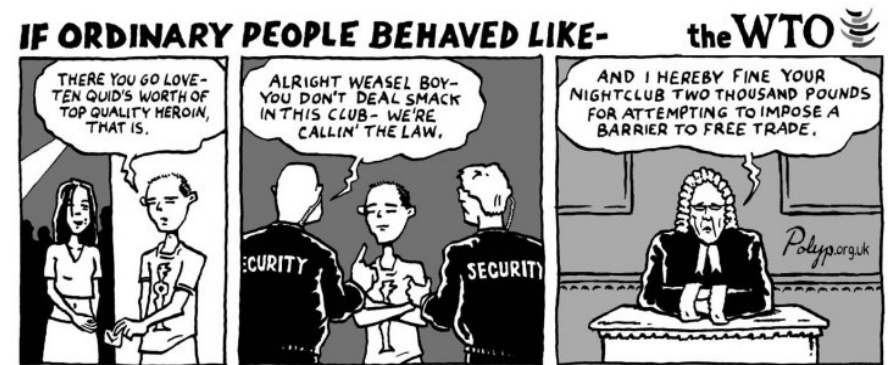
If globalization drives inequality, what are the remedies? The usual list of cures from UN agencies, the World Bank and IMF include measures to stop tax evasion, more progressive income tax policies, incentives for foreign investment, conditional cash transfers, subsidies and credits for small businesses and agriculture, limited expansion of public investment and social safety nets.

The United States and the European Union have been negotiating mainly with Brazil and India to try to reach an agreement. These two countries both hope to become included into the great powers, even if it means sacrificing their populations. However, these negotiations have not yet led to an agreement. This is a good thing, as it has become a matter of urgency to stop the privatization of basic common goods such as water, education, health, and access to seeds through the elaboration of agreements such as the agreements on services, (GATS) and on intellectual property rights (TRIPS).

Some of the most important (and controversial) provisions in the TRIPS agreement concern patent protection. TRIPS signatories are obliged to make patents available for all inventions, whether products or processes, in all fields of technology without discrimination (Article 27.1). Interestingly, TRIPS does not define the term "invention". The agreement states three exceptions that countries may rely on to exclude otherwise patentable subject matter. These include:

1. inventions which are contrary to *ordre public* or morality, i.e. inventions which are dangerous to human, animal or plant life or health or seriously prejudicial to the environment. (Article 27.2)
2. diagnostic, therapeutic and surgical methods for the treatment of humans or animals (Article 27.3(a)).
3. plants and animals other than microorganisms and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. Any country excluding plant varieties from patent protection must provide an effective *sui generis* system of protection (Article 27.3 (b)).

The interpretation of this last clause has been extremely contentious. The term *sui generis* (Latin for 'of its own gender/genus') is not defined in the agreement, but it is generally believed that it enables member countries to fashion their own protection scheme for plants. Possible protection mechanisms include the Plant Breeder's Rights system offered by UPOV Convention, plant patents or a licensing regime. More than one form of plant protection can be implemented in a given member country.



At the end of the second world war, the IMF and the World Bank were not the only two organizations that were supposed to be set up to build the postwar world economy. The allies, mainly the U.S. And U.K., had decided to create and International Trade Organization. The U.S. abandoned the idea, and the ITO never came into existence. What did, however, was the lowering of tariff barriers. The committee that had been set up to organize the negotiations, (which by definition was supposed to be a temporary structure of limited institutional status) remained in existence as the GATT.

Over the next 50 years, the GATT organized 8 rounds of negotiations, each round liberalizing trade farther then the one before. The last of these rounds, the Uruguay Round (1986-94), ended with the creation of the WTO in April 1994. The “Final Act” of this round, was in the words of the WTO, an “umbrella agreement” widening the scope of negotiation to sectors that had not been part of the

GATT, such as agriculture, textiles, and services. It was also the first time the question of intellectual property rights had been addressed within the context of international trade. The WTO was given the mandate to organize these wide ranging negotiations and to intensify the liberalization of trade. Free trade had become the impassable horizon of the WTO, even though this free trade was the same as “putting the fox in charge of the hen house.”

Free trade is, in fact, the strategy adopted by those who have become powerful economic actors to ensure that they remain powerful. Once they have reached the top, it is in the interest of the powerful to say, “Now we must allow the market forces to work.” For the WTO, to liberalize means obliging developing countries to abandon all forms of protection and to open up their economies to the ferocious appetites of the transnational firms.



The WTO hit the headlines near the end of 1999, when its ministers held a conference in Seattle. Large sectors of public opinion had been very quick to realize the threat of this new international actor, which had such enormous and uncontrolled power. The demonstrations in Seattle were big enough to prevent the summit from taking place, and the representatives of the various countries had to leave without achieving their goals.

The September 11, 2001 attacks in the United States, enabled the great powers, blocked for nearly two years, to put on the pressure so that the WTO conference in Doha succeed in launching new negotiations to further increase the liberalization of trade. It is not by chance that this meeting was held in the highly policed state of Qatar, so far from potential mass demonstrations. In Doha, it was decided that the new round of negotiations should be completed before the end of 2004, but after that the divisions between industrial countries, developing countries, and poor countries remain strong. At the next conference, which took place in Cancun, Mexico in 2003, the developing countries formed an alliance that was dubbed the G20, and stood up to the great powers of the North. The intransigence of the rich countries, especially in the negotiations concerning agriculture, led Mexico to walk out of the summit. After Seattle, this was the second setback for the WTO.

Each country in the WTO has one vote, and decisions are reached by consensus. Much pressure is put on countries that are not willing to toe the line, and the great powers thought at first that this would be enough to forge ahead with liberalization. Fortunately, this was not the case. That is why the present director general of the WTO Pascal Lamy, who is the former European commissioner for trade and as such used to be the negotiator representing the European Union at the WTO, has often expressed his desire for an institutional reform so that the neoliberal reforms he was defending along with the great powers could no longer be blocked by informal coalitions of other member countries.

The WTO has its own international tribunal, the Dispute Settlement Body (DSB), whose arbitrator makes the final decision when a country contests an agreement. The arbitrator's decisions are binding for all member states. Although the Havana treaty specifically referred to the United Nations and announced the creation of an International Trade Organization subject to UN laws (such as the Universal Declaration of Human Rights), the main economic powers made sure that the WTO had no institutional link with the United Nations.

Along with the IMF and the World Bank, the WTO completes the powerful war machine set up to prevent the southern countries from protecting their economies against the ferocious appetite of the multinationals, which are now so vital for them. For example, Article III of the Marrakech agreement establishing the WTO says, “With a view to achieving greater coherence in global economic policy making, the WTO shall cooperate, as appropriate, with the International Monetary Fund, and the International Bank for Reconstruction and Development and its affiliated agencies.”

How does this cooperation work? The IMF and the World Bank impose very strict neoliberal conditionalities that force indebted countries to open up their economies to a world market dominated by the most industrialized countries and the multinational companies that usually have their headquarters in them. The way the economies of developing countries are linked to the world market is always to the detriment of local producers, the internal market, and the possibility of producing South-South relations. Contrary to what the neoliberal dogma would have everyone believe, a more open economy, with more open connections to the world market, is a handicap to development, with only a few exceptions like China. (The downside of China's success is an over-exploitation of the Chinese workforce and a productivist model

that destroys the environment and harms the population first and foremost.)

Integrating a developing country into the world market generate a structural deficit in the balance of payments, since imports increase more quickly than exports, and this deficit tends to be closed by borrowing from abroad., which increases the debt. (The example of China does not contradict this argument: China holds a particular place in the world market because of its strong protections and considerable size of its internal market.) Most developing countries have entered a downward spiral of debt and dependance.



DEREGULATION

The actions of the WTO affect much more than mere trade. The WTO is a key element in the system set up to give free rein to neoliberal interests. The policies promoted by the trio of the World Bank,

From the WTO:

The result is assurance. Consumers and producers know that they can enjoy secure supplies and greater choice of the finished products, components, raw materials and services that they use. Producers and exporters know that foreign markets will remain open to them.

The result is also a more prosperous, peaceful and accountable economic world. Decisions in the WTO are typically taken by consensus among all member countries and they are ratified by members' parliaments. Trade friction is channeled into the WTO's dispute settlement process where the focus is on interpreting agreements and commitments, and how to ensure that countries' trade policies conform with them. That way, the risk of disputes spilling over into political or military conflict is reduced. By lowering trade barriers, the WTO's system also breaks down other barriers between peoples and nations.

At the heart of the system - known as the multilateral trading system - are the WTO's agreements, negotiated and signed by a large majority of the world's trading nations, and ratified in their parliaments. These agreements are the legal ground-rules for international commerce. Essentially, they are contracts, guaranteeing member countries important trade rights. They also bind governments to keep their trade policies within agreed limits to everybody's benefit.

The agreements were negotiated and signed by governments. But their purpose is to help producers of goods and services, exporters, and importers conduct their business.

The goal is to improve the welfare of the peoples of the member countries.

Having read the facts so simply put thus far, we can conclude that the above statement from the WTO is a total crock of shit, like the organization its self.

As Ricupero (2003), Secretary-General of United Nations Conference on Trade and Development observes, “ instead of open markets, there are too many barriers that stunt, stifle, and starve. Instead of fair competition, there are subsidies by rich countries that tilt the playing field against the poor.” The EU tops the list of agricultural subsidies to farmers with nearly \$68 billion spent on agricultural subsidies in 2000. The US comes to be a close second with \$24 billion spent in farm subsidies in 2000. The disastrous consequences of the huge farm subsidies in the rich countries on the farmers of poor countries was dramatized by the tragic suicide of a South Korean farmer, Kyung Hae Lee who stuck a knife into his heart while protesting outside the WTO meeting in Cancun. He was a very successful farmer before the advent of the WTO and won many South Korean government awards. But, with the increase of global trade, South Korean farmers had to cope with increasing, subsidy-backed, low-priced farm imports from the rich countries. As a result, the farm prices in South Korea plummeted, driving the farmers into deep debt.

The WTO Cancun conference clearly demonstrated to the world that differences between the developed and developing countries on issues such as trade liberalization in agriculture and the four Singapore issues are too wide to be bridged.

the IMF, and the WTO are mutually coherent and follow a clear cut agenda with many facets (political, economic, financial, and geo-strategic), which the social movements must continue to oppose.



Seattle N30, 1999

Excerpt from N30 by Crimethinc:

I wake up before dawn and walk to SCCC, where the festivities begin. Before long I am surrounded by thousands of friends, and at 7 a.m. we set out for the Washington Trade and Convention Center, where the summit is supposed to be held. As we near it we fan out, taking over the surrounding streets and blockading entrances to the building. Everything you can imagine turns into a barricade. Bodies, puppets, lockboxes, a fifty foot tripod, barrels full of concrete, dumpsters, cars. We begin to form a human chain around the convention center. In an amusing display of either arrogance or stupidity the delegates all wear matching beige suits and big ID tags that say "DELEGATE." Whenever they try to approach the building we stop them and chase them off. Without the protection of their armed servants they are as powerless as a brain without a body, and their expressions are priceless as they run away. Before long the chain is complete, and the only ways in are through parking garages, hotels, and underground tunnels. We cut these off one by one. I dart around by myself, patching up holes where blockades need help and trailing delegates to their secret entrances. I dog one for blocks, grinning malevolently at him as he searches in vain for a way into the convention center. He finally gives up and asks a cop for advice, and I listen in, rubbing my hands with glee. "How do we get inside?" "Well, sir... right now there is no way to get inside." The opening ceremonies of the summit are postponed, then canceled altogether. This is when the cops begin to riot. They have failed their masters miserably and they are pissed.

The demonstrators protested about the 'impact of trade liberalization on working conditions, economic development, the global environment, national sovereignty, as well as issues of transparency and democratic accountability. Overall, the protestors were not against trade, but demanded to know how and when trade would benefit workers and the environments of developing nations, as well as it did those in the

Argentina uprising. Inside the Ministerial, accredited NGOs continued to disrupt proceedings and an African delegation led by Kenya was threatening revolt. A WTO spokesperson held a press conference during which he intimated that the Ministerial Conference was almost unsalvageable. That evening about 100 demonstrators posing as tourists infiltrated the Red Zone and blocked the road in front of the WTO Convention Centre. The front line locked arms and sat facing traffic while the rest sang and danced behind them, reclaiming the real sense of the place, the so-called Party Zone. This very effective action demonstrated our ability to breach police lines and cause more than just symbolic disruption. Some WTO delegates and NGOs came out to applaud the action.

As mentioned before, the G-21, continued their efforts to start negotiations on the reduction of agricultural subsidies in the rich countries. The EU delegates continued to insist that the four Singapore issues must be dealt with first before any discussions on the development issues that are already on the top of the agenda items. The G-21 over night swelled into G-70. The developing countries refused to be pushed into a corner and have proved that they are now a force to be reckoned with. The WTO Cancun conference came to a dramatic end without any agreement, leaving the negotiations in a deadlock.

all were prepared to physically combat the riot cops. But none of them expected the individual action of one of their number, Lee Kyung Hae.

On September 10th, as the campesino march reached the barricade, Lee climbed up on the fence separating the protesters and the WTO, seven kilometres from the Convention Centre and there, at a point called kilometre zero, committed suicide by plunging a knife into his heart. Everything changed, changed utterly, and suddenly the gravity of what the protests were all about became stark. So too the business behind the fence. Before falling, Lee held up a placard - "WTO Kills Farmers", and led the chant, "Down Down WTO."

The next day, a rambunctious 'cacerolazo' of 1,000 people snaked its way across downtown Cancun. Some black bloc-ers took advantage of the event to smash up a Pizza Hut, causing the usual immediate arguments in the ranks about property destruction. When the police responded by sending hundreds of riot cops to the vicinity, a sense of unity amongst the marchers was re-established. Emboldened protesters were not intimidated and the police dispersed, allowing the dance to continue into the wee hours under the warm tropical sky. The following day showed a great increase in activity. An audacious early morning banner drop in front of the Convention Centre demanded "Que se vayan todos!" - "They ALL must go!", a slogan from the

developed nations.

Against Globalization

When referring to anti-globalization, what is meant is neoliberal globalization or corporate globalization. This refers to the shrinking of space and increased transnational borders. Hawken explains that the WTO was trying to cement a plutocracy (where a small group of wealthy people rule). 86% of the world's goods go to the top fifth of the wealthiest people, where the bottom fifth gets 1%. One example is Microsoft's 1999 market value, which was equivalent to the gross domestic product of Spain, GE's to Thailand, Wal-Mart's to Argentina, and Hewlett Packard's to Greece. The anti-globalization movement encompasses many groups and can take many forms, the term has become an 'all-purpose pejorative' one and as a result many problems are linked and attributed to globalization. Groups who pursue many different causes will unite behind one anti-globalization banner. Globalization is seen to be the main instigator behind all problems.

The revolutionary anti-authoritarian brigade, referred to more often as the Black Bloc symbolized the radicalism at the Seattle protests. They were organized and wore black masks, they armed themselves with crow-bars, and hammers. The reason for their hatred against Fidelity Investments was due to their large investment in Occidental Petroleum, an oil company most responsible for violence against the U'wa tribe in Columbia. The reasoning for GAP was due to their purchases of Northern California forest, and for Starbucks it was their non-support of fair-traded coffee. Any multinational corporations, 'benefiting from repression, exploitation of workers and low wages' were

at risk of facing the Black Bloc. Some believe in property damage as a legitimate form of protest, and argue firmly that it is not violence unless a person is harmed: 'for Black Blocs, breaking windows is intended to shatter the smooth exterior façade that covers corporate crime and violence'. One anarchist admitted that the techniques used range 'from locking down in intersections and doorways, to squatting a building downtown, to breaking the windows of targeted multinational corporations.

Cancun 2003

The fifth WTO Ministerial Conference was held in Cancun, Mexico in September 2003. Even from the outset, the trade talks appeared to be in trouble. As soon as the text of the agenda was released, delegates from the developing countries were dismayed to see that many of their pre-submitted items were left out. Some of these items were part of a detailed agenda that had been negotiated in preparation for the conference among the developing countries. One of the important items left out was the issue of reduction and elimination of the huge EU-US farm subsidies. As a result, 21 of the developing countries formed, led by India and Brazil, formed the, G-21 Group initiated to insist on discussions of the EU-US farm subsidies.

As Hernandez Allende states, the goal of the Cancun conference was to review negotiations to continue

freeing up international trade. But, there exists a hidden agenda of protectionism for developed countries. For example, the EU and US governments approved agricultural subsidies that allow their farmers to have a competitive advantage in international markets while shutting down agricultural producers in developing countries. According to Hernandez Allende, there is a contradiction between the rhetoric of free trade that is proposed by the rich countries and the zeal with which they are willing to protect certain of their own national industries from competition.



From Korea had come 200 small farmers and trade unionists. This group knew how to demonstrate and had a lot of experience of militant resistance and hard struggle. All of them embraced radical direct action as a way of protesting against the WTO, and