

Trade Imbalances

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The Cancun round of WTO talks is a chance for developing countries to get a fairer deal. But don't count on that happening

Trade ministers from around the world will meet in the Mexican resort of Cancun from September 10-14 for the next stage of what is supposed to be the development round of trade talks. At their last meeting in Doha in November 2001, ministers recognised the inequities of the previous round of trade negotiations, the Uruguay round. This round was supposed to redress those imbalances.

One would have thought that the developing countries would look forward to the meeting as a chance to achieve a fairer global trading system. Instead, many fear that what has happened in the past will happen again: secret negotiations, arm twisting, and the display of brute economic power by the US and Europe aimed at ensuring that the interests of the rich are protected.

While some progress has been made in making the negotiations more open and transparent, efforts to go further have met with resistance, and for good reason: unbalanced processes help ensure unbalanced outcomes. Ironically, the World Trade Organisation (WTO), where each country has one vote, might seem far more "democratic" than, say, the International Monetary Fund (IMF) where a single country, the US, has a veto. Yet the realpolitik of economic power has ensured that the interests of the developed countries predominate.

Here is a checklist against which to assess whether the outcomes of Cancun represent a move towards a true development round.

Agriculture. Most people in the developing world live in the rural sector, which is why free and fair trade in agriculture matters. It's not just a question of providing access, but of eliminating the subsidies that encourage production in rich countries and harm farmers in poor countries. The numbers are alarming: subsidies in advanced countries exceed the total income of sub-Saharan Africa; the average European subsidy per cow matches the \$2 per day poverty level on which billions of people barely subsist; America's \$4bn cotton subsidies to 25,000 well-off farmers bring misery to 10 million African farmers and more than offset the US's miserly aid to some of the affected countries. Although both Europe and America accuse each other of unfair agricultural policies, neither side seems willing to make major concessions.

Drugs and intellectual property. The intellectual property regime adopted in the last round of trade negotiations - Trips - deprived millions in the developing world of access to life-saving drugs. As a chorus of researchers has pointed out, the provisions, pushed by the pharmaceutical companies, were so unbalanced that they were bad for scientific progress. Here, there has been some progress - but not enough. Provisions demanded by the US would have made it difficult for small countries to gain affordable access. Developing countries also continue to worry about bio-piracy - the patenting by western firms of traditional foods and drugs.

Textiles. The Uruguay round promised the elimination of quotas in 2004, enabling many developing

countries to exploit another area of comparative advantage. But many developing countries worry that trade restrictions will remain, whether through "safeguards" to protect jobs or through high tariffs. Many also fear that the west will find some way to wriggle out of its commitments.

A more balanced liberalisation agenda. With services comprising an increasing share of production in developed countries, attention has shifted to liberalisation of trade in services. A more equally distributed agenda would balance attempts to ease capital flows with efforts to facilitate the flow of labour, including unskilled labour.

Competition. Everyone advocates "fair competition". But discussions about competition and fair trade again demonstrate the intellectual poverty and inequity of trade negotiations. Anti-dumping laws are intended to ensure fair trade by preventing the sale of goods below cost. Within the developed countries, there has long been concern about such behaviour - so-called "predation" - and well-defined standards have been developed. With globalisation, it would be natural to extend such principles to the international arena, making it irrelevant whether a producer is domestic or foreign when judging whether it is engaged in an unfair trade practice. But it does make a difference whether goods are produced at home or abroad. Foreign producers are accused of "unfair" competition far more easily than domestic producers. Indeed, if the standards of domestic trade laws were applied internationally, perhaps a majority of firms within the US would be guilty of dumping. Yet America's supreme court has set standards so high for US firms to be found guilty of predation that few cases are successfully prosecuted domestically. The trade negotiators are not even discussing eliminating this double standard. So developing countries worry that efforts to introduce "competition" within trade negotiations will only make life even more difficult. They worry that efforts to promote domestic industries or provide preferential treatment to disadvantaged groups (the kind of affirmative action programmes that have been so important, both in developed and less developed countries) will be labelled "unfair" to foreign firms and be prohibited.

There is a danger that what was intended to remedy the imbalances of previous trade rounds will not only fail to do so, but may introduce new imbalances. Pushing countries to liberalise their capital markets and open them up to speculative capital flows is one example. At the very moment when the IMF has finally recognised that such liberalisation may produce instability but not growth, the WTO is now pursuing it.

Failure at Cancun would confirm the fears of those who resisted a new round of trade negotiations. Needless to say, it would also provide support for the anti-globalisation protesters everywhere.