

Clinton interview sparks warnings of WTO split

Nick Beams

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Comments by US president Bill Clinton in an interview with a Seattle newspaper calling for so-called "labour standards" to be written into trade agreements have brought warnings that the WTO trade round could collapse even before it is launched.

The Thai commerce minister, Supachai Panitchpakdi, who takes over the position of World Trade Organisation (WTO) director-general in 2002, warned the Clinton agenda could split the organisation.

"I know it is an important issue for the United States administration, but to have trade sanctions linked to labour rights violations would be really ultimately highly detrimental," he said. It could even prompt some trade ministers from developing countries to "walk away from any agreement on the new round."

The conflict erupted after Clinton outlined a clear strategy for the eventual adoption of trade sanctions for breaches of labour standards. This went much further than the official US position which has been that a working party should be set up within the WTO to examine the issue.

"What we ought to do first of all is to adopt the US position on having a working group on trade and labour, within the WTO, then that working group should develop these core labour standards, then they ought to be part of every trade agreement, and ultimately I would favour a trade system in which sanctions would come for violating any provision of a trade agreement," he said.

When told of Clinton's remarks, which were made in a telephone interview, US Trade Representative Charlene Barshefsky is reported to have said: "My God, he's blown it." Following the publication of the interview US trade officials were engaged in a "damage control" operation insisting that Clinton was "expressing an ultimate goal not an immediate negotiating objective in the WTO."

At a press conference on Wednesday, Barshefsky stuck to the official line that the US proposal was not a protectionist device as the proposed working group was "explicitly a non-negotiating, analytic working group."

But the publication of the interview seems to have confirmed the fears of almost all the so-called developing countries that the US position on labour rights is aimed at setting up a mechanism for the protection of US industries against international competition.

Following the publication of the interview, the Malaysian Secretary of Trade and Industry Dr Asmat Kalamuddin said the comments confirmed the poor countries' worst fears. "We have been suspicious all along that these were the motives behind the US initiative ... now it is clear that this was the intention all along. We will not support any WTO work on trade and labour standards."

In an editorial on the labour standards issue, the *Times of India* said

that while these concerns were raised by non-governmental organisations and trade unions for humanitarian reasons, "Western governments which echo them do so out of an impulse that is unmistakably protectionist. After getting the developing countries to commit themselves to allowing the free entry of goods and services, the industrialised countries are keen to ensure that they do not have to reciprocate.

"During the Uruguay Round of negotiations, the US, Europe and Japan forced the developing countries to frontload their concessions on tariffs, services and patents even as they secured a long time-frame for granting free access to textiles and agricultural products. Now these deadlines are coming to an end, the search to devise other means of maintaining an uneven playing field is on in earnest."

The editorial went on to state that if countries such as the US were genuinely concerned about the welfare of workers then they should insist that their own transnational corporations adhere to equitable employment practices and allow the free movement of labour. Until Clinton was "prepared to agree to the free mobility of workers across international borders, his concern for labour rights is just so much humbug."

Dissatisfaction with the existing trade regime and concerns that the proposal for a new round were heavily weighted in favour of the major capitalist countries were expressed in many of the ministerial statements by representatives of poorer countries.

Speaking on behalf of the Less Developed Countries (LDC), the Bangladeshi Minister for Commerce and Industry, Tafail Ahmed, raised concerns that they were falling even further behind despite carrying out the liberalisation measures of the Uruguay Round.

"However, despite our liberalisation efforts, we have failed to benefit from global increases in trade and investment. Instead of benefiting developing countries, liberalisation has worsened their balance of trade and reduced their growth rate. Thus, the average trade deficit for developing countries in the nineties is higher by 3 percent compared to the seventies, while the average growth rate is lower by 2 percent."

The LDCs, he said, continue to be "marginalised from the mainstream of the world economy" and the "gap in per capita income between the rich and poor countries has widened further."

Similar issues were raised by the Indian Minister of Commerce and Industry, Murasoli Mara. "Our assessment has been all along that the Uruguay Round Agreements have not served all the membership well. There are critical gaps that need to be urgently addressed."

He said the "non-realisation of expected benefits from agreements such as textiles and agriculture" had been a matter of "great concern" and that even where developing countries acquired trade

competitiveness “anti-dumping or subsidy investigations have been initiated in increasing numbers.”

On the issue of labour standards, he reiterated the position of all the opponents of the Clinton agenda, saying that the issue had been decided “once and for all” at the Singapore ministerial meeting of the WTO in 1996 which declared that labour issues fell within the province of the International Labour Organisation and not the WTO.

“India resolutely rejects renewed attempts to introduce these in the WTO in one form or another. Any further move will cause deep divisions and distrust that can only harm the formation of a consensus on our future work program.”

The Tanzanian Minister for Industry and Commerce, Iddi Simba, speaking on behalf of the 14-member South African Development Community, said that since the Uruguay agreements had come into force “SADC members have been beset by problems arising from the implementation of these agreements.”

One of the main areas of concern for poor nations, which comprise the overwhelming majority of the world's population, is the Treaty on Trade-Related Aspects of Intellectual Property (TRIPS). According to Bernard Hoekman, the principal economist for the World Bank, “developing” and “least developed countries” will have to spend a total of \$15 billion to comply with the agreement which was drawn up by the American Pharmaceutical Association to protect the profitability of major drug companies.

Under the TRIPS agreement for medicine, which starts to come into effect from January next year, costs will increase by between 10 and 50 percent by the middle of the next decade when it is fully implemented. The total welfare cost for India is expected to be as much as \$1.3 billion; Indonesia \$133 million, the Philippines up to \$237 million and Thailand up to \$189 million.

The TRIPS agreement was secured through promises to poorer nations that they would secure better access to markets in agriculture and textiles. But the promise of market opening has not been fulfilled. Under the present agreement to phase out the textile quota system by the year 2005, tariff levels in the US will still be between 15 and 50 percent and in the European Union between 20 and 25 percent compared to an average level of 3.5 percent for other industrial goods.

While US Trade Representative Charlene Barshefky continues to express “complete confidence” that a “full and complete agenda” for a new round of trade negotiations will be reached by the scheduled end of the ministerial meeting on Friday, there are still deep divisions between the major capitalist countries.

The European Union, Japan, Korea and Norway have maintained their opposition to the demands of the US and the Cairns group of agricultural exporting countries for the ending of subsidised agriculture, insisting that it is necessary to take into account its “multifunctional” role in the preservation of rural communities. EU representatives have pointed to the street demonstrations outside as a reminder as to why protection must remain in place.

In his address to the meeting, the EC Commissioner for Trade, Pascal Lamy, said that while further reductions in export subsidies, domestic support and tariffs were “on the table” this meant that “non-traded concerns must be taken into account, and we cannot concede on that point.”

He also advanced the European proposal for a wider agenda to include negotiations on investment, competition and trade facilitation—a demand which has been opposed by the US on the grounds that it is a means for avoiding reductions in European agricultural protection.

Japan is continuing to press its demand that US anti-dumping measures, which have been used to restrict steel and other exports, be placed on the agenda for a new trade round. But the US is refusing to discuss the issue. Questioned on the issue at her Wednesday press conference, Barshefky conceded that while the issue of dumping was on the table “it is obviously not an issue that is resolved, except to say that the United States does not believe that new negotiations on dumping are appropriate.”

Trade officials are still putting on an optimistic face, but there is concern in leading economic and political circles that the divisions may be too great to overcome, even if a final statement is put together.

In an editorial on Thursday, Britain's *Financial Times* said the question at the WTO was “how much can be rescued from the chaos”. Any agreement would be difficult “partly because of the inability of the US and the European Union to agree on the shape of the new round and partly because of the insistence of the US and EU on the need to ‘humanise’ the WTO, at the expense of the developing world.”

The “great powers”, it continued, could not start a new round without the participation of developing countries but their desire to “humanise” the WTO “appears to developing countries to be hypocritical ethical imperialism.”

“Rich countries could humanise the WTO by allowing developing countries to export the goods in which they are competitive. But the EU intends to resist agricultural liberalisation. The EU and the US have failed, almost completely, to deliver on their commitment to eliminate import restrictions on textiles and clothing.

“As for Mr Clinton's proposal for a WTO working group to develop core labour standards—which ultimately could be backed by trade sanctions—this is the thin end of a very thick wedge. ... The EU and the US are still at loggerheads, and are still intent on bullying developing countries without offering much in return. This way lies deadlock.”

The editorial ended with a call for far-sighted leadership. An earlier editorial on the WTO published last Monday, held out the prospect that Clinton could provide the type of “enlightened leadership” which was needed. But the tone of the latest comment suggests that, in the view of the FT, Clinton has now “blown it.”



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