

World Trade Organisation agreement aims at privatising public services

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Last month, after a two-day meeting in Geneva, the World Trade Organisation (WTO) agreed to expand its General Agreement on Trade in Services (GATS) and established broad guidelines aimed at opening up the trade and investment in commercial and public services. The accord will entrench privatisation and deregulation worldwide, particularly for the benefit of American, European and Japanese transnational corporations (TNCs).

Its definitions and rules are so wide ranging that it constitutes a back door method of re-introducing the Multilateral Agreement on Investment (MAI) that the OECD was forced to delay in 1998. It will underwrite the profitability of the medico-pharmaceutical, insurance and the new breed of facilities management corporations that increasingly provide the “non-core” services to both commercial firms and public agencies. It is a key element of the restructuring of the global economy, whereby the advanced capitalist countries, in the face of low wage competition from South East Asia, are increasingly abandoning manufacturing and focusing on services.

The prime movers behind the GATS are the US, the European Union (EU), Japan and Canada. While WTO membership consists of nation states, its agenda is shaped by the TNCs that sit on all the important “advisory” committees and determine detailed policy.

The GATS agreement constitutes nothing less than a “Bill of Rights” for the TNCs. While denying access to decent healthcare, education, housing, and long-term care to millions of workers and their families the world over, the agreement will confer ever-greater political power on these corporations as they control and dictate public policy.

Press attention has focused on the liberalisation of trade in commercial services such as banking, insurance, telecoms, shipping, financial, construction, transport, distribution and engineering. But the GATS' agenda includes opening up the largely non-traded public services: healthcare, education, nursing homes and long term care for the elderly, assisted living arrangements and care services provided in the home.

The service sector is vast. It accounts for more than 70 percent of production and employment in the advanced industrial countries. According to the European Commission, “The [service] sector accounts for two thirds of the Unions' economy and jobs, almost a quarter of the EU's total exports and a half of all foreign investment flowing from the Union to other parts of the world.”

In the USA, more than one third of economic growth over the last five years has been due to service exports. The World Bank has calculated that in the developing world, privately backed infrastructure developments (water, sewage, transport, telecoms and energy) rose from \$15.6 billion per annum in 1990 to a peak of \$120.4 billion in 1997, totalling \$496.2 billion between 1990-98. Around 15 percent of this investment was direct foreign investment by corporations.

Much of the service sector is owned and regulated by governments. In the EU, health and education account for 15 percent of GDP and is largely closed to corporate profit. This was why, in 1994, the Uruguay Round of

talks under the WTO's predecessor, GATT (General Agreement on Tariffs and Trade), established the GATS: to encompass services—including public services—in the multilateral trading system and bring them under the aegis of the WTO.

Under an extended GATS to be agreed at Qatar in November, regulations imposed by governments on the trade in services would have to satisfy two conditions. Firstly, the “necessity test” requires governments to prove that a regulation is necessary. Secondly, even if necessary, governments would have to show that the regulations were the “least trade restrictive” and “pro-competitive”. The WTO will determine what is necessary and least restrictive. Its definitions and criteria will be used to challenge any social, health or environmental constraints placed upon the TNCs.

Such arrangements have already had a trial run in the North America Free Trade Area (NAFTA) and will prevent national governments taking discriminatory action against foreign capital when considering regulation and investment action. The free market program will extend across the world and across all goods and services, whether produced and provided by the private or the public sector.

The implications are vast. Take the case of education. While a country may set universal access to primary schooling as an objective, a WTO trade panel could rule that the least restrictive means of implementing this would be to give parents vouchers to buy elementary schooling for their children in the education market, rather than funding state schools.

Despite the failure of the ministerial talks at Seattle in December 1999, the negotiations to expand GATS have been continuing behind closed doors. GATS did not need any new mandate, since a clause within the original agreement initiated talks automatically in the year 2000.

The WTO has defined and drawn up the rules so as to give itself enormous powers. According to the WTO website, “The GATS is the first multilateral agreement to provide fully enforceable rights to trade in all services. It has a ‘built-in’ commitment to continuous liberalisation through periodic negotiations. And it is the world's *first multilateral agreement on investment*, since it covers not just cross-border trade but *every possible means* of supplying a service, including the right to set up a commercial presence in the export market.” [emphasis added]

The WTO identifies eleven major categories of services. It extends the normal definition of trade to include “the transfer of a service across national boundaries to include services provided by a foreign owned multinational operated locally”. With its broad interpretation of what constitutes trade, the scope of GATS is potentially enormous. Given also that transport and distribution are categorised as services, even goods can be included within its scope. The US used the GATS as part of its case against the EU over the distribution of bananas to the European market.

Former WTO Director-General Renato Ruggiero pointed out that the GATS extended the WTO into areas never previously recognised as coming under the remit of trade policy. He warned, “I suspect that neither governments nor industries have yet appreciated the full scope of these

guarantees or the full value of the existing commitments.”

The GATS covers “normal” international trade such as telephony and mail; services consumed abroad such as tourism and services provided by a supplier in a member country through its commercial presence in another member country. This includes all foreign investment related to services—from foreign banks setting up branches overseas to a facilities management company supplying, say, cleaning services to a hospital.

There are at present two components to the GATS: general obligations that apply to all service sectors and specific commitments that only affect the services that a government has agreed to. Governments can request sectors from other countries be included. Since membership of the WTO involves successive rounds of GATS negotiations, governments must commit to opening up more services every year. Governments can list limitations on specific commitments, but these will not be permanent. Furthermore, any such limitations will be open to attack from other countries. The present negotiations seek to do away with the distinction between general and specific commitments, so that rules that apply in one sector will apply to all related sectors.

The GATS negotiations, with their “built-in” commitment to continuous liberalisation, aim to promote and extend privatisation and deregulation, which has had such a devastating impact on living standards throughout the world, and then lock governments into such policies, however disastrous the outcome.

The WTO has explicitly stated that one of the advantages of the GATS is that it will help “overcome domestic resistance to change”. While the IMF and World Bank have made loans to developing countries conditional upon “Structural Adjustment Programs” that include privatisation and deregulation, their implementation has not been fast enough for international capital. Governments have dragged their feet in the face of opposition from weaker sections of capital, dependent upon the nation state for protection against their more powerful rivals, and widespread opposition from the masses affected by these policies.

According to a report from the World Development Movement (WDM), in the year 2000 alone, there were over 50 protests involving more than one million demonstrators against IMF and World Bank privatisation packages. In Bolivia, there were mass demonstrations and a general strike against a 350 percent hike in water charges by the giant US Bechtel Corporation, which had taken over the city of Cochabamba's water supply. Soldiers sent to quell the riots killed one person and injured hundreds more. Eventually, the national government annulled the contract and took back control of the water supply. The GATS is being extended precisely to prevent such a reversal happening again. It will extend the liberalisation process that these other international institutions such as the IMF and World Bank have started, and ensure that the Structural Adjustment Programmes are made to stick.

The GATS contains “national treatment rules” aimed at eliminating all restrictions on big business. Under such rules, governments must treat each nation's corporations equally, which will effectively end all attempts by the semi-colonial countries to insulate their economies to some degree from the world market. There are a host of “market access rules” making it illegal to restrict competition or place national restrictions of any kind on foreign ownership. Indeed the US is demanding the abolition of any special treatment for the so-called developing countries.

The WTO, EU and politicians such as Britain's Clare Short, Minister for International Development, have tried to play down GATS' importance—denying that it will affect public services. Mike Moore, head of the WTO, tried to reassure opponents by saying that GATS excludes government services. But GATS does include those services supplied commercially or in competition with the private sector. And this describes an increasingly large proportion of public services, as governments have turned to outsourcing, public-private partnerships and a range of other initiatives that have blurred the distinction between public and private

sector provision of government services. In the UK for example, more than half of annually managed public expenditure is spent on procurement from the private sector, up from 28 percent in 1977. The more that governments move to outsource the delivery of public services, the more the GATS will apply.

The attempt to extend the GATS reflects the sweeping changes in the global economy over the last two decades. To cite but one example, the development of transnational corporations has meant that of the 100 largest economic entities, more than half are corporations and the rest are national economies. For example, a 1997 report showed that economically US retail giant Wal-Mart was bigger than 161 countries, including Greece and Poland; General Motors outstripped Denmark, and Toyota was larger than Norway.

The driving force behind the GATS is the need to find new sources of profit and a reduction in restrictions imposed upon their activities by national governments.

The global activities of the TNCs directly threaten weaker sections of capital that depend upon their national governments for protection against their more powerful rivals. It is the interests of these sections of capital that have been reflected in the activities of the various non-governmental organisations (NGOs), such as the World Development Movement, the trade unions and environmental groups who have started to campaign against the GATS. They see the GATS as a threat to the nation state and seek to repudiate or stop any further extension of its provisions.

It is indisputable that the GATS expresses the drive by the TNCs to extend and deepen their global penetration at the expense of the universal right to safe water, sanitation, transport, energy, health care and education and basic democratic rights. But this cannot be fought by calls for a retreat into the national market and protectionism. Underlying the necessity for GATS is the fact that the productive forces developed under capitalism can no longer be contained by the irrational system of national borders. The efforts of the opponents of the GATS to mobilise opposition to global trade and investment behind their own national corporations and governments will only increase the danger of trade war and military conflict that is the inherent product of the global competition for markets and investment. Only the perspective of socialist internationalism, based upon the unification of the international working class in order to take democratic control of the globally organised productive forces created by capitalism, offers a progressive alternative to the economic and social tyranny of the giant corporations.



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