



## International Trade Justice

International trade can provide a tremendous impetus to development and poverty reduction. The performance of the so-called 'Asian tigers' (South Korea, Hong Kong, Taiwan and Singapore), and more recently China, are widely cited examples of trade-led development. China's economic growth, estimated by the International Monetary Fund to be around 10 per cent per annum, has been the single greatest contributor to the reduction in the proportion of the world's population living on less than \$US2 a day.

The more open international trading regime brought about by the General Agreement on Trade and Tariffs (GATT) and more recently the World Trade Organization (WTO) has the potential to benefit both developed and developing countries. For developing countries, however, these benefits are not always easy to realise and are not without significant costs to the environment, to labour standards and to the ability of governments to carry out effective social and economic policy.

In some countries, poorly managed international trade has actively stifled development and undermined good governance. Conflicts in places such as Bougainville, Aceh and West Papua have also been linked to resource trade. In these circumstances, trade can only be translated into development where there are mechanisms in place (such as a strong civil society and rules for open disclosure of information for transnational corporations) to ensure that the gains from trade are not squandered.

It is also the case that the international system of trade remains strongly tilted against the interests of developing countries. While access to many markets in the developed world remains highly restricted, developing countries have faced an aggressive push to liberalise their own markets. As a result, developing countries may lose the right to protect emerging industries, essential public services and critical food crops from unfair competition.

At the same time, the dislocation caused by rapid reductions in tariffs (taxes on imports) has the potential to cause both individual hardship and immense damage to economies in developing countries without necessarily leading to the growth of internationally competitive industries. In Brazil alone, for example, trade liberalisation in the 1990s led to an estimated 600,000 people losing their jobs.

### The World Trade Organisation and the Doha Round

The WTO is the main body responsible for encouraging international trade. It is based in Geneva and has a secretariat of over 600 staff. The two main roles of the WTO are to conduct negotiations for multilateral trade agreements involving all 149 WTO members and to resolve disputes arising from those agreements. WTO agreements are intended to reflect a consensus of its member states, and are negotiated on the principle that all member states must sign up to the whole of an agreement, except for elements that are specified as voluntary (such as services negotiations).

The current round of WTO negotiations (known as the Doha Round) was launched in November 2001 at Doha, the capital of Qatar. This is also called "The Development Round" because the intent of the round was to make trade rules fairer for developing countries.

Developing countries had been under pressure to make wide-ranging concessions in exchange for relatively modest improvements in access to markets in developed countries. In the agricultural area, while the planned removal of all European Union and US export subsidies by 2013 was welcome, research by **Oxfam International** suggests that overall trade distorting expenditure would actually have increased under the package of proposals put forward in the Doha Round negotiations.

Developing countries were also concerned at the proposal to adopt a so-called 'Swiss formula' in Non-Agricultural

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Market Access (NAMA) negotiations. This would mean the higher the original tariff the larger the reduction in tariff rates that would be required, with an unfair impact on developing countries. In theory, Doha round commitments were to remain voluntary, however, developing countries were facing increasing pressure for rapid liberalisation. This could significantly undermine their ability to regulate basic services in the public interest - for example to cross subsidise services to poor and remote areas.

The **Doha Round** of multilateral trade **negotiations** was suspended for almost six months in 2006 primarily because the European Union and the US could not reach agreement on agricultural reform. In June 2007, a major disagreement occurred between the US, the EU, India and Brazil over opening up agricultural and industrial markets in various countries and on cutting wealthy countries' farm subsidies. India, which was a member of the Group of 6 key negotiating parties, was also criticised for its reluctance to make concessions in the final stage of negotiations.

Many developing country governments expressed deep concern at the outcome of the negotiations. Like others, they feared that the Doha round may not resume substantively until after the next US Presidential election in November 2008. By that time, most commentators believe that the bargaining position of developing countries will be diminished as bilateral (individual country to country) and regional trade agreements involving the major economies increase in number.

## The Australian Government Position

Australia is unusual in the developed world in having shared trade interests with primary product exporters from the developing world. Australia is the leader of the 'Cairns Group' of 18 agricultural exporting countries, a grouping which has campaigned actively against the entrenched subsidy policies of the US and European Union.

Except for a small number of industries such as car manufacturing, Australian tariff levels are generally less than 5 per cent. Australia was also one of the earliest countries to introduce tariff-free and quota-free access for all Least Developed Countries. Australia contributes to trade-related capacity building, including training programs for government personnel in its region and support for WTO and other multilateral programs.

Under successive governments in the 1980s and 1990s, Australia has, actively promoted the opening of markets in developing countries and has pushed aggressively for opening of services markets. The former federal government and the Labor Government until recently were reluctant to consider trials of an appropriately designed scheme to permit temporary entry for Pacific workers, despite the substantial need by Australian business to attract workers into seasonal industries. The World Bank and most development economists argue that allowing such labour access is a key way to help developing countries. Canada has operated a successful scheme of this kind for 30 years.

## What needs to be done

The Australian Government should continue to fight for agricultural trade reform through its leadership of the Cairns Group. It should support the principle agreed at the 2005 Gleneagles G8 summit that developing countries need flexibility in the way that liberalisation is applied to their economies. In practice, this would mean reducing unreasonably high levels of tariff cuts demanded of developing countries and supporting selective safeguards to shield vital industries and food crops from the effects of rapid market opening.

In a welcome development, the Labor Government has reiterated Australia's fifty-year commitment to a rules-based system trade system and shifted away from the primary focus of recent years on bilateral trade deals.

In early 2008, the Labor Government initiated a negotiation process with Pacific Island governments under the Pacific Agreement on Closer Economic Relations (PACER). This involves 16 member states of the Pacific Forum. While Trade Minister Simon Crean has assured Pacific nations that they have nothing to fear from the negotiations, a report by the US Washington-based Nathan Associates says that some Island nations could lose as much as \$US10 million (\$A10.6 million) in annual revenue if tariff walls were quickly removed due to PACER.

Given the concerns in some regional capitals, it will be important for Australia to ensure that a long term, development-focussed approach is taken by its trade officials so that benefits outweigh the costs of any liberalisation through these negotiations. In view of the relative economic significance of remittances and training opportunities through access to the Australian labour market by

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Pacific Island workers, the Australian Government should also proceed to trial a scheme for unskilled Pacific workers to come to Australia on a temporary basis and it should increase its level of trade-related capacity building. It would also be appropriate to increase Australia's contribution to the multilateral 'aid for trade' package being developed by the WTO to enhance the ability of developing countries to participate in international trade.

Corporations, non-governmental organisations (NGOs), and the public all have important roles to play in promoting fairer trade. Corporations should maintain the highest ethical standards in their dealings with the developing world, and should support international measures to ensure openness and availability of information such as the Extractive Industries Transparency Initiative.

NGOs should emphasise trade justice in their development advocacy work, promote fair trade labelling measures and work to develop trade-related skills in partner communities. The Australian public can assist by making representations to government on trade issues, by supporting fair-trade products, and by getting involved with organisations such as Australian Fair Trade and Investment Network that work on international trade justice.

## Useful sources

Carnegie Endowment for International Peace, 'Winners and Losers: The Impact of the Doha Round on Developing Countries'

<http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18083>

Oxfam International, 'A Recipe for Disaster: Will the Doha Round fail to deliver for developing countries'

[http://www.oxfam.org/en/files/bp87\\_recipefordisaster\\_060427/download](http://www.oxfam.org/en/files/bp87_recipefordisaster_060427/download)

World Trade Organisation, 'Understanding the WTO'

[http://www.wto.org/English/thewto\\_e/whatis\\_e/tif\\_e/tif\\_e.htm](http://www.wto.org/English/thewto_e/whatis_e/tif_e/tif_e.htm)

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