

Briefing Paper

THE WORLD TRADE ORGANISATION

Allan Clausen

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1. Origins

In 1944, before WWII had concluded, a conference of the allied powers was held at Bretton Woods in the USA to plan for peace. It was believed that lasting peace would only be possible if there were speedy reconstruction of war-torn countries and avoidance of a return to the high unemployment of the 1930s, which was seen as leading to nationalist policies that in turn restrained world trade. Three institutions were mooted: an International Bank for Reconstruction And Development (later called the World Bank), an International Monetary Fund, and an International Trade Organisation.

It was believed that a significant cause of the high unemployment of the 1930s was the competitive currency devaluations that countries instituted, designed to increase exports and reduce imports. For example, if one English pound equalled ten French francs, and Britain devalued by 10 percent, then French consumers would then pay only nine francs to buy a one-pound British item (increasing demand for British exports) but the English would pay more than a pound to buy a ten-franc French item (discouraging imports into Britain). The effect was tantamount to a tariff increase by the devaluing country - increasing production and employment, but at the expense of their trading partners, who would retaliate, leading to contraction of world trade. The governments' solution: the International Monetary Fund. Members agreed to fix their currency exchange rates in return for the offer of short-term loans to help avoid currency devaluations when exports were insufficient to pay for imports.

It was also believed that a critical factor in the outbreak of WWII was the denial of various countries' access to markets and raw materials. Japan, in particular, needed to import almost all raw materials for transformation into industrial exports. Yet the 1930s was a time of raising tariffs, embargoes and quotas. The allied nations saw Japan's invasion of Manchuria and Southeast Asia as motivated by the desire to secure access to raw materials.

Of the three institutions mooted at the Bretton Woods conference, two - the World Bank and the International Monetary Fund - were quickly formed. In name, both were established under a UN mandate, but in practice they have always been dominated by their major donor, the US. The International Trade Organisation (ITO) proved to be more difficult to launch. The US wanted an extensive trade liberalization program and a weighted voting system that would have given it a fifth of the votes. This was opposed by a hostile majority in the UN, so the US instead sought an alignment with more compliant Northern countries.

In October 1947 these countries agreed to a package of tariff reductions contained in a "General Agreement on Tariffs and Trade" (GATT). The Havana Charter of 1948 provided for a much broader trade liberalization package than the GATT, but for a range of reasons, only a few countries ratified the Charter, and it collapsed. The General Agreement on Tariffs and Trade (GATT) came into being in January 1948 as an interim agreement among 23 countries, who then accounted for two-thirds of world trade.

2. The functioning of GATT

Gradually the GATT became the main vehicle for settling trade disputes worldwide. Yet for much of its history the GATT failed in its aims because of what free traders called protectionist "backsliding". The GATT did bring tariffs down, but members were most inventive in creating new, non-tariff barriers. France, for example, had a struggling VCR manufacturing industry. GATT prevented it from raising tariffs on imported VCRs, so it required all imported VCRs to be inspected on entry. A reasonable move - except that the one inspection point was set up far from seaports, and had such a small staff that there was soon a mountain of machines awaiting inspection. It was seen as a de facto import restriction, rather than a concern with safety, but was not against GATT rules.

Similarly, Australia had had a 57.5 percent tariff on imported cars and a quota ensuring only 20 percent of car sales were imports. Post-GATT, Australia introduced strict design and exhaust emission rules. Many saw them not so much as a commitment to safety and the environment, but as a way to keep out imports from overseas producers who did not import in sufficient numbers to justify the cost of conforming to the rules.

By the mid-80s, many were predicting that GATT would eventually peter out. Yet the rise of economic rationalism, and ever-growing dominance of transnational corporations reversed this process. Transnationals had long pushed for the creation of one world market, while economic rationalists regarded globalization of world markets as both desirable and unstoppable. Every few years a round of GATT negotiations was held, and in the late 1980s a new round began, called the Uruguay Round because of where the meetings began.

3. The Uruguay Round

Free traders saw the tariff reduction achievements of the Kennedy Round (1964-67) and Tokyo Round (1973-79) as positive, but were very concerned about the growth of non-tariff barriers. A tariff does not restrict the quantity of imports as long as the tariff is paid, whereas non-tariff barriers aim to restrict or ban the item entirely. It was mainly these barriers that the Uruguay Round addressed.

The negotiations took almost eight years to complete. Officially commencing in 1986, their genesis was actually the G7 1981 Summit. Final sign-off was 15 April 1994, by governments of 110 nations. The most contentious areas of trade liberalization were brought into the Uruguay Round agreement, including integration of textiles, clothing and agriculture into GATT.

The basis of the agreement on agricultural products was to increase market access by eliminating non-tariff barriers and reducing of tariffs, reducing export subsidies and limiting o domestic support systems that effectively subsidize local producers. Agricultural product quotas were to be converted to tariffs, and tariffs reduced by 36 percent for developed countries and 24 percent for developing countries. Implementation was supposed to be over a six- to ten-year period, and for the first time

the agreement included trade in commercial services. The General Agreement on Trade in Services covered such things as air and sea transport, telecommunications and finance. For example, it required that member countries give overseas suppliers access to telecommunications and information networks.

The Agreement on Technical Barriers to Trade sought to harmonize technical regulations such as product standards, labelling and packaging requirements to reduce the impediment of these to free competition. Most contentious, particularly amongst developing countries and non-government organisations (NGOs) was the US-sponsored proposal to roll back a wide array of restrictions on direct foreign investment. This would have been very pleasing to big business. Eventually it was agreed to include only those restrictions that affected trade, and an Agreement on Trade Related Investment Measures was concluded. Also highly contentious was the Agreement on Trade Related Intellectual Property Rights - an anomaly, in that enforcement of patents and copyrights restricts rather than frees up trade. Patents, for example, were extended to 20 years - more than was normal for most countries.

Perhaps most significant of all, the agreement finally brought into existence the third of the Bretton Woods institutions, the World Trade Organisation (WTO). Officially established on 1 January 1995, it co-existed with GATT for a year, after which GATT ceased to exist.

4. The World Trade Organisation

The whole rationale of WTO policy is based on that most revered theory of economists, the theory of comparative advantage. This asserts that individuals will all be better off materially if they each produce that good at which they are relatively most efficient in producing, and obtain other goods by exchanging with others (division of labour). In similar fashion, countries are supposed to become better off by removing protection from local inefficient industries, producing only those goods which they do produce relatively efficiently, and then exchanging them for those goods that others produce efficiently.

There are three basic principles under which the WTO operates that flow from this assertion:

Trade without discrimination:

The GATT and WTO have generally outlawed all non-tariff restrictions on imports, such as import quotas and export subsidies. Tariffs are permitted, however with some exceptions they must conform to the following rules:

- they must be applied at the same rate for each good across all countries;
- once goods enter a country they must not face discriminatory treatment from locally-produced goods;
- negotiated tariff reductions between countries must be extended to all.

Predictable and growing access to markets:

Countries were given more secure and predictable markets for their exports with the removal of non-tariff barriers, and the requirement that an existing tariff levels for any product generally cannot be increased without compensation to major trading partners.

Encouraging economic development and economic reform:

The WTO's agenda is that least-developed countries should acknowledge that open market policies based on the above principles are in their interest, though it does recognise the need for some flexibility in the speed at which such policies are required to be implemented.

The WTO's highest authority is the Ministerial Conference: representative of all member countries - usually Trade Ministers - who meet at least every two years. Various subsidiary bodies carry out day-to-day activities, notably the General Council, also composed of all WTO members, which reports to the Ministerial Conference. The Council also convenes in two particular forms: the Disputes Settlements Body, and the Trade Policy Review Body.

The General Council delegates responsibility to three other bodies: the Councils for Trade in Goods, Trade in Services and Trade-Related Aspects of Intellectual Property Rights. Three others were established by the Ministerial Conference and report to the General Council. One of these, the Committee on Trade and Development, is concerned with issues relating to developing countries and particularly to the "least developed" of them. The WTO attempts to make decisions by reaching consensus, but where consensus cannot be reached, decision is by a majority of votes, cast on a "one country, one vote" basis.

5. WTO disputes settlement

Prompt settlement of disputes arising out of any part of the Uruguay Round agreement is seen as vital in "providing security and predictability to the multilateral trading system" (WTO 1995: 18). WTO members are committed to not taking unilateral action when an apparent violation of the trade rules occurs. Instead they must seek recourse via the dispute settling system.

The General Council sits as the Dispute Settling Body (DSB). Finding a mutually acceptable solution to a dispute between members is seen as essential. Should this fail, and with the agreement of the parties, the WTO Director-General will offer good offices, conciliation or mediation. If after 60 days this process has failed to produce a settlement, the DSB almost automatically establishes a panel to examine the case. It should normally make its final report to the governments involved within six months, or three months in cases of urgency, such as perishable goods. If the panel deems the measure in question contravenes the relevant WTO agreement, it recommends that the government concerned bring the measure into conformity. Either party may appeal the

panel decision, but such an appeal must be confined to issues of law and their legal interpretation as covered in the report.

At a DSB meeting held within 30 days of the adoption of a panel or appeal report, the relevant party must agree to the immediate implementation of the recommendations, or within a "reasonable period of time" if immediate compliance is impractical. If after this no action has been taken, the parties must enter into compensation negotiations. If this has not been agreed after 20 days, the complainant may request authorization from the DSB to suspend concessions or obligations against the other party.

6. Exemption of agriculture and textiles

The international trade in agricultural products was supposedly covered by the original GATT. However various exceptions permitting the use of non-tariff barriers, particularly export subsidies, considerably watered down free trade in this area. The Uruguay Round agreement on agriculture sought to address this. Under this agreement, the only trade barriers permitted are tariffs: non-tariff measures applied at national borders were replaced by equivalent tariffs. Overall agricultural tariff levels were to be reduced by 36 percent over a six year period for developed countries, and by 24 percent over ten years for developing countries. Least-developed countries are not required to make tariff reductions. The base years for calculations are 1996-98.

Domestic support measures - support to local producers that benefits them in competition with imports - must be reduced by 20 percent in developed countries over six years, and 13 percent in developing countries over ten years. Again no reduction is required of least-developed countries. The value of direct export subsidies is to be reduced by 36 percent, and the quantity of subsidized exports is to be reduced by 21 percent over six years. Developing countries are to make a reduction of two-thirds of the above rates over ten years, whilst least-developed countries need make no reductions (WTO 1995: 20).

Some least-developed and net food-importing developing countries were relying on importing subsidised food from developed countries. The Uruguay Round made this more difficult, so the WTO recommended assistance through food aid, the provision of basic foodstuffs in grant form, and aid for agricultural development. It also raises the possibility of assistance from the IMF and World Bank in the form of short-term financing of commercial imports.

Under GATT, textiles and clothing were treated as an exceptional case. Developed countries were anxious to enforce quotas on these items from low-cost developing countries, in order to protect their local producers. From 1974 the Multi-Fibre Arrangement (MFA) was the means by which many developed countries established bilateral or multilateral import quotas. Such MFA restrictions were carried over into the Uruguay Round. However, the Uruguay Round agreement requires a four-stage phasing out of these restrictions by 1 January 2005, when they will be subject to the same WTO rules as other industrial products.

7. In whose interests?

On the face of it, the freeing up of trade in agriculture and textiles and clothing would seem to offer major benefits for a number of developing or Southern countries, particularly those that export these goods. The great benefits of free trade and international specialization for Northern and Southern countries alike have been widely promoted by the WTO. Why then has the WTO raised so much opposition, particularly from and in relation to Southern countries, culminating in large demonstrations in the streets of Seattle at the WTO's Ministerial Conference meeting in late 1999? To answer this we must look at the processes and decisions at the three WTO Ministerial Conferences to date, and the implementation of those decisions. Our emphasis is on criticism in relation to Southern countries, however many of the points we raise also apply to impacts beyond those nations.

Perhaps the most fundamental criticism that has been made of the WTO is that it serves the interests of the United States and US big business. It is ironic, critics claim, that the US - which resisted the International Trade Organization's formation in 1948 because it opposed lifting agricultural trade restrictions - became the major advocate for free trade by the Uruguay Round. The cause, they argue: American agribusiness saw opportunities for markets in Japan, Korea and other Southern countries. (Bello 2000: 2) John Bock, US Agriculture Secretary, was remarkably open about the US agenda in a 1986 speech at the opening of the Kennedy Round: "The idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on American agricultural products, which are available, in most cases, at much lower cost."

Given that US corporations had a big lead in the fast-growing area of international services, especially financial services, it is no surprise that the US wanted its corporations to retain that lead through a General Agreement on Trade in Services. In similar fashion, it pressed for the inclusion in WTO of Trade Related Investment Measures (TRIMs), which would eliminate barriers to the trading across borders of component parts traded by subsidiaries of transnational corporations. Likewise the pressure for Trade-Related Intellectual Property Rights (TRIPs) was to ensure that US corporations' advantage in knowledge-intensive industries was maintained by enforcement of strict intellectual property copyright law.

If we accept the argument that the US's new-found interest in free trade was motivated by self interest, might not freer trade still be beneficial other countries, including the South, on the basis that "what is good for the US is good for everybody"? Or does the WTO bring more costs than benefits to the South?

8. Impact on the South

Critics argue that, by being subject to WTO rules, Southern countries have surrendered their ability to control their own economic development through trade policy. In joining the WTO, Southern countries are required to remove all import quotas, reduce tariffs on

many imports and not raise tariffs on others - all justified by the theory of comparative advantage referred to above. "Specialize in producing what you are good at, and exchange these for other goods and services which others are good at producing" is the requirement.

It can be argued, however, that the more successful East Asian economies such as South Korea, Taiwan and Malaysia did not get that way through free trade, any more than Japan did years before. These countries tied the value of foreign investors' imports of raw materials and components to the value of the finished goods exported - or they required a minimum percentage by value of local components in the total value of output. These strategies ensured that foreign investment expanded local production, but are now illegal under WTO rules. This means that Southern countries have in effect been locked into the supply of cheap-labour manufactures as their main source of export income by WTO rules, which do nothing to expand industrial capacity, or primary production for export. In the long term, prices of exports from Southern countries are in decline relative to the manufactured goods and services which they must continue to import.

Similarly, critics argue that the WTO's Trade-Related Intellectual Property Rights (TRIPs) agreement has stifled industrial development in countries starting late along that path. Part of the success of industrialisation in Northern countries was due to their relatively easy and cheap access to technology from already-industrialized countries. However, WTO rules ensure general patent protection for 20 years - longer in the case of semi-conductors and computer chips. Heavy restrictions are placed on products deemed to be in contravention of intellectual property rights, with the onus of proof placed on the supposed violator. This tends to ensure that US companies, which have a head start in a host of high-tech industries, will retain that monopoly power.

"And when any company in the Newly Industrialised Countries and Third World wishes to innovate, say in chip design, software programming, or in computer assembly, it necessarily has to integrate several patented designs and processes, most of them from US electronic hardware and software giants like Microsoft, Intel and Texas Instruments. As the Koreans have bitterly learned, exorbitant multiple royalty payments to what have been called the American 'high tech mafia' keeps ones' profit margins very low while reducing incentives for local innovation". (Bello 2000: 4)

The TRIPs agreement is likely to prevent access by Southern countries to affordable drugs, by preventing them from adapting transnational corporation-produced drugs and so making them reliant on expensive imports. Whilst the agreement does allow for exceptions "in a national emergency or other circumstance of extreme urgency or in cases of public non-commercial use", this is very limited. In the meantime, the US government has been pressuring Southern countries, notably Thailand, not only to adopt the TRIPs agreement before the deadline date, but to exceed its requirements. (Oxfam GB 1999b: 17). The cost of drugs to Southern countries was a big issue at the AIDS conference in South Africa in July 2000. Many of the poorest countries are faced with a

huge epidemic of HIV/AIDS, but cannot afford the huge cost of imported drugs for its treatment.

On the other hand, under TRIPs, agribusiness and pharmaceutical companies can patent crop varieties and traditional medicines developed by traditional farmers or Indigenous people over generations. For example, a US company recently attempted to patent the Neem plant, used in India for centuries as an insecticide. The effect of the TRIPs agreement is to increase the cost to Southern countries of all knowledge-intensive imports through the payment of royalties in excess of what was required in the past.

Critics argue that Southern countries were effectively forced to endorse the Marrakesh Accord of 1994 that established the WTO. These countries, critics argue, saw the United Nations Conference on Trade and Development (UNCTAD) as serving their interests better than the Uruguay Round, and they resented powerful nations' neutralizing of UNCTAD. (Cynics say it really stood for "Until Next Conference Talk And Delay"). The US convinced Southern countries that if they stayed out of WTO they would isolate themselves from world trade, and become like "rogue state" North Korea (rather like the "we have no choice" line in this country, and Mrs Thatcher's "there is no other way"). The US also argued that WTO rules would protect the weak from the strong. The debt crises being endured by many countries, along with World Bank/IMF Structural Adjustment Programs already requiring trade liberalisation, meant that many Southern nations felt they had no choice but to join the WTO.

9. WTO and economic development

"Whilst GATT was not centrally concerned with development, it did include the recognition of the special and differential status of Southern countries. The Tokyo Round Declaration, 1973, recognized the importance of the application of differential measures in developing countries in ways which will provide special and more favorable treatment for them in areas of negotiation where this is feasible. Different sections of the evolving GATT code allowed countries to renegotiate tariff bindings in order to promote the establishment of certain industries; allowing developing countries to use tariffs for economic development and fiscal purposes; allowed them to use quantitative restrictions to promote infant industries; and conceded the principle of non-reciprocity by developing countries in trade negotiations". (Walley 1999: 3, 4)

Attitudes towards Southern countries changed in the Uruguay Round, based on the assumption that tariff rates against those countries would be raised until they equalled rates applied to imports from all sources. Southern countries no longer had the right to be treated differently in the long-term; instead, differential rates were temporary measures to help them "catch up" in what was basically seen as a level playing field. This approach embraces the free market philosophy that all countries will develop - and only develop - through free trade and investment policies.

"Special and differential treatment" for Southern countries now means simply a longer period to implement new WTO rules, which implies a belief that in five or ten years, developing countries will no longer require special treatment. This premise is difficult to reconcile with the reality that all will clearly remain well below the development level of industrialised countries, and in many cases the gap will have widened.

Those aspects of the Uruguay Round agreement that were supposed to benefit the economic development of developing countries have proved disappointing. The Agreement on Textiles and Clothing was supposed to result in the removal of import quotas and other such schemes designed to protect Northern countries' markets from cheap clothing and textiles from the South. However, Northern countries were able to choose which products to liberalize first, so they chose those that were subject to little or no restriction already. The cynical view is that by 2004, when the phasing-out should be complete, the North will be adept at putting up new barriers such as anti-dumping duties. The Agreement on Agriculture was supposed to bring down domestic support for Northern (notably European and US) farm interests that restricted Southern nations' access to those markets and resulted in dumping of over-produced Northern commodities in Southern markets. Despite this laudable aim, OECD countries' subsidization of agriculture in fact rose from US\$182 billion in 1995 to US\$280 billion in 1997 and US\$362b in 1998. (Bello 2000: 7). The US government recently announced US\$25 billion in agricultural subsidies that will insulate US farmers from problems in the world agricultural market, shifting the burden to other producers, the South included.

Since direct subsidies to producers are regarded under the Uruguay Round as "non-trade distorting" and so not treated as subsidies, by changing from export subsidies to direct payments, the US and EU have been able to maintain high subsidy levels. In contrast, poor countries - where agriculture is a very large part of the economy - cannot hope to match the levels of direct subsidies paid by the US and EU to their farmers, giving the latter a big advantage over most poor country producers. (Atkinson 1997: 5). UNCTAD estimates that the South will lose between US\$163 million and US\$265 million in export earnings through implementation of the Uruguay Round, and will pay between US\$146 million and US\$292 million more for imports. (Oxfam GB 1999b: 5).

10. Democracy at work?

The WTO makes much of its democratic processes: of its aim to make decisions by consensus, or by "one country one vote". Yet the reality has been very different: small groups of powerful countries make agreements in informal meetings that are then presented as *fait accompli*. Smaller and weaker countries are then pressured to conform to the big players' decisions.

At a press conference at the WTO Seattle meetings in December 1999, US Trade Representative Charlene Barshefski stated with disarming honesty: "The process, including even at Singapore as recently as three years ago, was a rather exclusionary one. All meetings were held between 20 and 30 key countries ... And that meant that one hundred countries, one hundred, were never in the room. ... [This] led to an

extraordinarily bad feeling that they were left out of the process and that the results even at Singapore had been dictated to them by the 20 or 30 privileged countries who were in the room." (Press briefing, Seattle, Washington, Dec. 2, 1999.) This "bad feeling" led to a rebellion of Southern countries at the Seattle conference, which descended into chaos and nothing was agreed.

Critics also argue that power inequalities in trade negotiations means that the "level playing field" in world trade simply doesn't exist: a small country like Botswana, for example, would be devastated by loss of access to the US or EU market; however, the loss of Botswana's market to either of these large players would be inconsequential. It is clear who has the bargaining power.

11. New issues

Since the conclusion of the Uruguay Round, several new issues, including labour rights and consumer protection, have been raised as vital for the WTO to consider.

The levelling of the world trade playing field must not be by creating greater production "efficiency" through exploitative labour practices. Indeed this can lead to a "race to the bottom" in workers' conditions around the world, as better conditions are rolled back so they can compete with low-cost, highly-exploited labour elsewhere. Some Northern countries and the international labour movement believe that the sanctioning power of the WTO should be used to prevent this happening. They argue that clauses should be attached to trade agreements which mean that governments that do not respect basic labour rights as laid down in the International Labour Organisation (ILO) conventions will lose the benefits of the trade agreement.

Others, including nearly every Southern government, argue that this is just another way for the North to justify placing barriers on Southern exports, and to preserve jobs in the North. They argue that so long as the WTO is dominated by powerful Northern trading countries, the South cannot accept it as the arbiter of labour standards worldwide.

With regard to consumer rights, the WTO seems to work on the assumption that lower prices and easy market access through liberalized world trade will automatically work in consumers' interests. Recent WTO dispute panels have overruled government laws aimed at protecting consumers' health. Thailand's ban on imports of US cigarettes and the EU ban on the imports of hormone-treated beef are recent examples. Possible bans on the mandatory labelling of genetically modified foods is looming as a new issue. Critics of the WTO stance say that that body has no competence or mandate to rule on reconciling trade policy with issues of human rights, consumer protection and the environment, and that where WTO rules are in conflict with international agreements, the latter should prevail.

12. Where to now?

Some WTO critics see a need for major reforms. Others see the WTO as so fundamentally flawed as to be beyond redemption.

"Should one try to reform a Jurassic institution? Reform is a viable strategy when the system in question is fundamentally fair, but has simply been corrupted, as is the case with some democracies. It is not a viable strategy when a system is so fundamentally unequal in purposes, principles and processes as the WTO. The WTO systematically protects the trade and economic advantages of the rich countries, particularly the United States. It is based on a paradigm or philosophy that denigrates the right to take activist measures to achieve development on the part of less developed countries, thus leading to a radical dissolution of their right to special and differential treatment". If there is one thing that is clear, it is that developing country governments and international civil society must not allow their energies to be hijacked into reforming these institutions. This will only amount to administering a face lift to fundamentally flawed institutions." (Bello 2000: 8, 9)

At the other extreme, some see a little fine-tuning and tinkering at the edges as all that is needed, although the Seattle experience would seem to make this option less sustainable. In between lie the reformers. Here are some of the changes they advocate:

1. The reality of the way the WTO functions must be brought more into line with its stated functioning. Southern countries must be full participants in WTO negotiations, rather than left on the outer until the powerful players reach agreements that they are then pressured to accept. Poorer Southern countries need financial and technical assistance to enable adequate representation. Greater transparency and consultation with civil society is also needed, including accreditation of Non-Government Organisations to the WTO.
2. Southern countries' exports need greater market access, including textiles, clothing and agricultural products. Oxfam Great Britain is lobbying for zero tariffs for all least-developed countries' exports to Northern country markets by 2003. (Oxfam GB, 1999a: 4).
3. Northern countries' practice of subsidizing agricultural exports to the South must cease.
4. Public interest must take precedence over commercial interest in the TRIPs agreement. The length and scope of patent protection should be reduced. The provision of affordable essential drugs to the South should be ensured, particularly for serious diseases.
5. Governments should be permitted to regulate foreign investment in accordance with their development aims. The five-year period for Southern countries to phase out prohibited TRIMs (seven years for least developed countries) should be extended until they achieve "developed" status.

6. The WTO must reject the idea that development for the South requires the achievement of a level playing field after a short period of adjustment, and accept the need for long-term positive discrimination for the South.
7. Governments must be free to discriminate in trade when this is based on genuine ethical, environmental or health grounds.
8. An ILO working group should be set up to examine the link between trade liberalization and labour standards, and to set up mechanisms to integrate basic labour rights into WTO rules. At the same time, there must be mechanisms to ensure that Northern countries do not use this as a means enforcing de facto protection.

It is critical that the North takes Southern criticisms of the WTO seriously, as well as the criticism from within its own ranks. The failure to do so will see an ever-growing gap between rich and poor countries and within countries, which is not only unjust but a recipe for instability and conflict.

Definitions

In this paper, the term 'the South' or 'Southern countries' is used to refer collectively to the poorer or developing countries of Africa, Asia and Latin America. The term 'the North' or 'Northern countries' is used to refer collectively to the richer, more industrialised or developed countries of Europe, North America, Japan and of course Australia.

The term 'least developed countries' refers to the 48 countries so defined by the United Nations. It is a UN classification for the world's poorest nations defined according to a range of economic and social indices.

At the World Trade Organisation (WTO), member countries designate themselves 'developing' or 'least-developed' countries, but there is no formal WTO definition of these categories.

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