

Mass Lobby for Trade Justice Questions & Answers booklet

Thousands of people are coming to Westminster on 2 November to call on the UK Government to support our call to make poverty history by delivering trade justice – not free trade.

This booklet is designed to:

- explain what we are calling for on 2 November
- help you to prepare to meet your MP.

What are we calling for on 2 November?

Ahead of the World Trade Organisation (WTO) talks in Hong Kong in December, we call on the UK Government and its partners in the European Union to:

- stop pushing poor countries to open their economies through world trade talks
- respect poor countries' right to decide on trade policies to help end poverty and protect their environment.

In particular we ask the Government to use its influence within the EU to:

- allow developing countries to shape trade policies that protect vulnerable farm sectors and promote national industries.
- allow countries to choose the best policies for poor people and the environment in services such as water, health and education.

Please use the separate Ask Sheet to ask your MP to take the following two actions for trade justice:

- 1) Sign the trade justice Early Day Motion 679 'Making Poverty History through Trade Justice'.
- 2) Write to Alan Johnson, Secretary of State for Trade and Industry, asking him what the Government will do to respond to the concerns raised above. In particular, given that the UK Government has said it will not force poor countries to open their economies, please ask Alan Johnson to specify what changes he is calling for in the EU's negotiating position at the WTO.

What is an EDM?

An Early Day Motion, or EDM, is like a petition that MPs can sign to show support for something. The greater the number of MPs who sign an EDM, the greater the pressure on the Government to act on the demands. By tradition, some MPs with particular roles in government or in their parties cannot sign EDMs – but you can still ask them to take note of the points made in the motion.

What is happening on the day?

The Mass Lobby for Trade Justice pack has all the practical information you need for the day. Order it from one of the organisations listed on page 8, or download it from www.tjm.org.uk

On the day

- Remember, if your MP raises a point that you cannot answer, you can always offer to find out and get back to them later. The contact details of Trade Justice Movement member organisations involved in the lobby are listed on page 8.
- Please don't forget to let us know how your meeting goes and what actions your MP agrees to take forward. We will be handing out feedback forms during the lobby.

Please register

Tell a Trade Justice Movement member organisation that you are coming, or register at www.tjm.org.uk – this will help us to plan for a safe and successful event.

Trade basics

What's wrong with trade?

Trade has the potential to lift millions of people out of poverty. But poor countries are getting a raw deal under the current global trading system. They are being pushed and squeezed out of international markets, and even their own local markets. Poor countries' share of world trade has dropped by almost half since 1981 and is now just 0.4 per cent.

- The United Nations estimates that if trade rules worked for poor countries they could reap benefits of up to US\$700 billion a year – 14 times what developing countries receive in aid each year and 30 times the amount they pay in debt repayments.

What is the World Trade Organisation?

The World Trade Organisation (WTO) is the main international body whose 148 member countries decide the rules that govern international trade. WTO officials and country negotiators work on the detail of trade agreements all year round, but every two years trade ministers from member countries meet for a Ministerial Meeting to set the WTO's work programme for the coming years. The next Ministerial is in Hong Kong, China, from 13-18 December 2005.

The Trade Justice Movement is not against a rules-based system of international trade – in fact, that's what we want. But the WTO is being used by rich countries and big business to push so-called 'free trade' in their own interests.

What do we mean by 'free trade' and 'liberalisation'?

Free trade is trade that is free from government intervention. In its true form there are no government incentives and no barriers to trade. Rich countries argue that free trade policies are the best way out of poverty for poor countries.

A dogmatic belief in free trade means abandoning government intervention – whether taxes, subsidies or regulations – in favour of the free market, so that there are no 'barriers' to the free flow of trade. Too often this means putting the pursuit of free trade above other objectives such as reducing poverty or protecting the environment.

Liberalisation is often mentioned in the same breath as free trade. It is a set of policies designed to stop governments getting in the way of free trade, such as:

- Removing government help, such as ending subsidies and removing government support for local producers.
- Opening markets by removing barriers that limit the amount of imports into a country, such as removing tariffs (a tax on imports).
- Privatising services such as water and transport.

Isn't 'free trade' good for the poor?

The idea behind 'free trade' is that it creates a level playing field. It sounds fair – but when you think about it, that means making the weak and strong compete on equal terms.

In such an unequal world, this kind of trade would be far from fair. It would be like a football match between Manchester United and the local pub side – there might be a level playing field, but Manchester United will still win every time.

“Developed countries did not get where they are now through the policies and the institutions that they recommend to developing countries today. Most of them actively used... policies such as infant industry protection and export subsidies.”

Ha-Joon Chang, Assistant Director of development studies, University of Cambridge

What does the evidence suggest?

There is little or no evidence to support claims that free trade lifts people out of poverty. Countries that have rapidly opened their markets to free trade, such as Haiti, Nepal, Mali, Zambia and Peru, have very poor records on economic growth and poverty reduction.

- According to the International Monetary Fund (IMF) sixteen sub-Saharan African countries have lower trade barriers than the EU. Yet these countries are struggling to improve living conditions for their people.
- When Ecuador opened its markets to industrial imports in the 1990s, thousands of workers lost their jobs and many small and medium-sized companies went bankrupt as they could not withstand the exposure to stronger foreign competition. Conditions for many workers deteriorated and poverty levels increased, partly as a result of trade liberalisation.
- Rich countries’ own figures estimate that if poor countries reduce their tariffs and subsidies by 30% this will cost Africa \$2.6 billion a year. Rich countries will benefit by \$141.8 billion a year. (UN Secretary General’s report to the UN Preparatory Committee on Financing for Development, 2001.)
- When markets were opened in Senegal, producers of onions, rice and tomatoes found themselves unable to sell their products as imports flooded in to the country. The government tried to limit imports of onions, following a national campaign, but other farmers still struggle. Wiping out the livelihoods of millions of the poorest people, when there are no alternative jobs for them to go to, cannot be a good strategy for development.



Simon Rawles/Trade Justice Movement

The Trade Justice Movement believes poor country governments must be able to manage their own economies. This is sometimes referred to as ‘policy space’ for developing countries. Trade justice is about supporting the right of poor country governments to intervene in their economies in favour of poor people and the environment, rather than following a free trade ‘one size fits all’ approach.

What about the success of the so-called South East Asian ‘tiger’ economies?

These countries, known as ‘tigers’ because of periods of strong growth that transformed their economies, succeeded by liberalising some sectors while giving government support to others. But some of the policies these countries used (such as selective import protection) would not have been allowed under current WTO rules.

Running an economy can be a bit like trying to do a piece of DIY. You need a range of different tools. Liberalisation only allows poor countries to use one tool – opening up to free market competition. Today, poor countries are denied the freedom to use the policies that worked so well for the South East Asian ‘tigers’.

What is the UK Government's policy on pushing 'free trade' and liberalisation on poorer countries?

Back in 1998, Prime Minister Tony Blair said, *"We remain an unashamed champion of free trade today"*.

But huge pressure on the UK Government led to announcements signalling an important change in policy earlier this year:

- Prime Minister Tony Blair promised to implement the findings of the Commission for Africa report, which stated, *"forcing poor countries to liberalise through trade agreements is the wrong approach to achieving growth and poverty reduction in Africa, and elsewhere"*.
- The Labour Party Manifesto for the general election pledged that *"[we] do not believe poor countries should be forced to liberalise"*.

However these policies have not led to concrete changes in the way that both the UK and the EU behave in trade negotiations. The Government has not set out details to show how poorer countries will in reality be able to select their own trade policies to tackle poverty. In practice, the UK Government is still pressing for poor countries to open their markets.

A leaked document in August 2005 from the Department for International Development starkly suggests that the Government's thinking has not changed: *"The UK government is heavily engaged ensuring that the Doha negotiations [the current round of trade talks] are successful, and a measure of that success is to enable developing countries to lock in trade liberalisation reforms."*

What's on the agenda for the World Trade Organisation (WTO) meeting in December?

Back in 2001 rich countries promised that the new round of trade talks would be a 'Development Round' with poor countries' issues at the top of the agenda. But since then negotiations on agriculture – important for poor countries – have proceeded very slowly. Talks in Cancun, Mexico, broke up in 2003 without an agreement.

Meanwhile the EU is driving forward negotiations in areas where it will benefit most:

- One of the EU's priorities is to make further progress in negotiations on NAMA (non-agricultural market access). Under the EU's proposal poor countries would have to open their markets to manufactured goods from rich countries. This could make it harder for poor countries to develop their own industries.
- The free-ing up of sensitive environmental sectors such as fisheries and forest products is on the table as part of NAMA, even though a study commissioned by the European Union confirmed that further liberalisation in forest products, for example, would increase forest destruction and hurt poor people dependent on forests.
- Another area that EU negotiators are pushing hard for is the liberalisation of services, such as water, health and education – under an agreement known as GATS (the General Agreement on Trade in Services). The EU is pushing 72 developing countries to open up their water distribution systems to European multinationals.

In Bolivia an international company that invested in the water sector increased the prices and failed to provide better services for poor people. Campaigns against water privatisation have been some of the largest and most passionate of all campaigns in poor countries. Yet the UK Government is one of the strongest advocates of it!

My MP says the UK's policies are not the problem – it is the other European countries whose positions need to change?



Alan Johnson, Secretary of State for Trade & Industry

My MP says that agricultural subsidies are the main problem

The UK Government does not negotiate trade agreements directly. Instead, it is represented by the European Union (EU). This makes it easier for the Government to wash its hands of what the EU does. But the UK is a strong player in Europe. It's crucial that we put pressure on our trade minister, Alan Johnson, because it's his job to negotiate with other EU trade ministers to agree a common EU trade position before trade talks.

The European Commission (EC) is then given that common position as a mandate to negotiate trade deals on behalf of the EU's 25 member states – the largest trade bloc in the world. The commission is essentially a civil service but with more independence than the UK civil service. The current European Commissioner for trade is former MP Peter Mandelson. He will lead the negotiations for the EU at the WTO meeting in Hong Kong.

The UK Government is ahead of other governments on some issues like stopping the export subsidies that lead to the dumping of cheap goods on poor countries' markets. But when it comes to pushing free trade onto poor countries the UK Government's actions need to change.

Many MPs will want to shift the conversation onto subsidies – because all the main parties already agree with the Trade Justice Movement on the need to cut damaging European subsidies. So, acknowledge subsidies as an issue that needs concrete action by the EU, but try to get the conversation back to the points raised in the Ask Sheet.

European and American agricultural subsidies certainly need urgent reform. Cheap subsidised produce dumped on international markets destroys poor people's livelihoods by reducing the prices they get for the products they sell locally and internationally. The UK Government deserves some credit for having pushed for this in the European Union.

Above all, it is vital that any progress made by rich countries in cutting their subsidies should not be used as an excuse to make poor countries open up their economies. Rich countries should put their own houses in order, and quickly, but poor countries should not have to pay the price for that. Cutting harmful subsidies now should be a unilateral move by the rich world.

However, subsidies aren't the only advantage that producers in rich countries have over producers in poor countries. Rich countries have many other advantages, such as better transport systems, distribution networks, and technology. Rich countries will still have an enormous advantage even if, or when, the most damaging subsidies are finally cut. What poor countries need is the ability to protect vulnerable producers and infant industries from competition, whether those competing goods are subsidised or not.

Many developed countries used government intervention in the past to build up their own industries, but the UK Government is making it difficult for poor countries to follow the same course! That is why our main message is that the UK Government and its EU partners should stop pushing poor countries to open their economies and should respect poor countries' right to decide on their own trade policies.

● My MP says... – continued

My MP says the most important thing is that we open up our markets to poor countries so that they can make a living by exporting to us

We agree that this is important. But poor countries don't have stock-piles of exports waiting to flood into our country as soon as we allow them to. It is richer farmers rather than poor farmers that are best placed to take advantage of access to rich country markets. What poor farmers need is to be able to sell their goods in their local markets before they can start to sell internationally – and to do this, their governments must be given the right to limit cheap imports that are flooding their markets.

“What is market access? What does it mean to people in the villages? What market does Mr Blair want them to have access to and what are they producing that people will want to buy?”

The Rev Dr Augustine Abasi, Vice Dean at the University of Development Studies in Navrongo, Ghana

My MP says it is corruption that is the big cause of poverty

Corruption thrives in areas of high poverty and is an enemy of the poor. However, it would be a lopsided approach to concentrate on dealing with corruption without also fighting the poverty that fuelled it in the first place. Many organisations in poor countries are campaigning to tackle it, but international pressure and assistance is needed.

Nor is corruption confined to poor countries. Our Government needs to introduce binding legislation to tackle the practices of international companies that fuel this corruption. Both developed countries and their corporations have benefited from bribery and money laundering.

For instance, since a major international anti-bribery convention came into force (the 1997 OECD Convention on Bribery) there have been 37 allegations of corruption by UK companies, but so far only four allegations are being investigated, and not a single company has been convicted.

Is the WTO the only institution that rich countries use to push 'free trade' policies?

No, the World Bank and the International Monetary Fund (IMF) have been forcing developing countries to liberalise their economies for nearly 30 years. These organisations attach conditions to aid, loans and debt cancellation that require poor countries to adopt certain trade policies. Often these conditions force countries to make commitments that go far beyond what they have negotiated at the WTO. Countries that have needed aid, loans or debt relief have had to agree to open up their trade, privatise state enterprises and cut spending on health and education in order to get the money they need.

- In Ghana, the government was forced by the IMF to suspend a law to increase tariffs on imported poultry, after the IMF objected. Ghanaian chicken farmers continue to face increasing imports of subsidised poultry from Europe.
- Research in eight African countries found that, in every case, the IMF and the World Bank were putting pressure on countries to liberalise their trade and privatise their economies.

What about regional or bilateral agreements?

Many countries also have, or are making, regional or bilateral trade agreements with other countries. For example, the European Union is currently negotiating new trade deals – Economic Partnership Agreements (EPAs) – with 77 African, Caribbean and Pacific countries. The EU is pushing these developing countries to open up their economies faster and more deeply than they would have to at the WTO and are including issues – such as investment and competition policy – that developing countries have already rejected at the WTO.



Jess Hurd/reportdigital.co.uk

In response to enormous pressure from trade justice campaigners, the UK Government announced a new policy on EPAs in March this year which proposed giving these African, Caribbean and Pacific countries longer to open up their economies. It also said that the issues already rejected in the WTO should be removed from the negotiations. This was a step in the right direction but the UK Government needs to put more effort into changing minds in Europe and changing the instructions given to the European negotiators. So the threat from EPAs remains.

How does 'free trade' and liberalisation undermine workers' rights? What needs to change?

The world trade system is leading to a 'race to the bottom' where countries lower their social and environmental standards – for instance, relating to child labour, discrimination and trade union rights. Trade agreements often lead to these standards being reduced or removed entirely, either nationwide or within specific areas (known as Export Zones). This is a desperate attempt by poor countries to gain a competitive advantage and to attract more foreign investment.

In particular, the international trade union movement is calling for eight Core Labour Standards to be upheld worldwide. These would enable workers to organise themselves to benefit from increased trade and economic growth, and would cover:

- freedom from forced labour
- freedom from child labour
- no discrimination in the workplace
- the right to join a union and bargain collectively.

What can be done to ensure that powerful international companies respect the rights of communities and the environment?

Almost two-thirds of global trade takes place within multinational corporations (MNCs). And global trade is becoming concentrated amongst fewer corporations – for example, just two companies control over 50 per cent of the world banana trade. MNCs have a lot of power, and a lot to gain from increasing access to new markets. That's why they often lobby governments to get trade rules agreed that will open countries' markets.

While some multinational companies trade and invest in poor countries in a responsible manner, many choose to focus only on making a hefty profit. There is evidence that some multinational companies have exploited workers, polluted the environment or violated human rights, in spite of their positive rhetoric on 'corporate social responsibility'.

The Trade Justice Movement is calling on the UK Government to make laws to stop big business profiting at the expense of people and the environment. In particular:

- The UK Government should support a reform of UK Company Law. This autumn, the Government will introduce new legislation in parliament called the 'UK Company Law Reform Bill'. Please ask your MP to support our proposals on this bill in the coming months. We want new laws that balance a company's obligations to communities and the environment alongside their duties to shareholders. We are calling for new obligations on company directors to ensure they consider, act upon, and address, any negative impacts on employees, communities and the environment.
- The EU must ensure global trade policies do not undermine internationally agreed social, labour and environmental standards.

Contact any of the following organisations for further information and to let us know you are coming:

ActionAid	www.actionaid.org.uk/tradejustice	01460 238000
CAFOD	www.cafod.org.uk/campaign	020 7326 5692
Christian Aid	campaigns@christian-aid.org	020 7523 2225
Oxfam	sgibson@oxfam.org.uk	01865 473154
People & Planet	tradejustice@peopleandplanet.org	01865 245678
Tearfund	enquiries@tearfund.org	0845 355 8355
Traidcraft	policy@traidcraft.co.uk	020 7242 3955
Trocaire	lmcbride@trocaire.ie	02890 808030
TUC	mapower@tuc.org.uk	020 7467 1357
War on Want	jcrocker@waronwant.org	020 7620 1111
World Development Movement	becky@wdm.org.uk	0800 328 2153
World Vision	campaigns@worldvision.org.uk	www.worldvision.org.uk

You can also visit www.tjm.org.uk to register online.

The Trade Justice Movement is a coalition of over 70 UK organisations including campaign groups, trade unions, student groups, faith groups and environmental organisations. The Trade Justice Movement is a founding member of the **MAKEPOVERTYHISTORY** coalition of over 530 UK organisations. We have come together to make the most of the unprecedented opportunities for change offered in 2005.

The Mass Lobby for Trade Justice has been organised by the Trade Justice Movement working in partnership with The Co-operative Bank. As the only High Street bank with a published ethical policy – clearly stating where it will and will not invest its customers' money – The Co-operative Bank has a strong campaign tradition and has previously campaigned for Fair Trade and to Drop the Debt. Throughout 2005 The Co-operative Bank and its customers have been campaigning for trade justice.