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Full Speed for Free Trade?

Trade Policy between Bilateralism and Multilateralism

A Look at the EU, Brazil and Ghana

Summary of three studies published by the

Church Development Service (EED)
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Case study 1: The European Union and Its Aggressive Multi-level Trade Strategy*

The U.S. and the European Union pursue their trade policy goals, liberalization and deregulation, at various levels: multilaterally within the WTO, regionally with various groups of developing countries, and bilaterally with single states. Like drivers on a congested multilane highway, they nimbly alternate between lanes in order to reach their destination – free trade and secured corporate rights – as quickly as possible. Therefore, if critical civil society actors want to understand the various levels of EU trade policy, they must look beyond the WTO framework.

Current Bilateral Negotiations on EU Trade Agreements with Developing Countries

Countries	*Aim*	***Conclusion***
ACP States (2002)	EPA	**2007**
ASEAN Countries (2003)	TCA	**?**
Golf Cooperation Council (1990)	FTA	**?**
Iran (2002)	TCA	**?**
Mediterranean Countries (1995)	FTA	**2010**
Mercosur (2000)	FTA	**2005?**
Syria (1998)	EMAA	**2004**

Notes: EMAA - Euro-Mediterranean Association Agreement;
FTA - Free Trade Area;
EPA - (Regional) Economic Partnership Agreement;
TCA - Trade and Co-operation Agreement.
(start of negotiations in brackets)

Source: European Commission, DG Trade - July 2004

The EU's "Common Commercial Policy" and corporate influence

Within the European Union, member states reach internal agreement on trade policy guidelines within the so-called "133 committee". This committee, named after Article 133 of the Treaty establishing the European Community dealing with the common commercial policy, meets behind closed doors. However, European business has considerable influence on EU trade policy. In Brussels, Europe's corporations have over a thousand lobby groups as well as hundreds of PR agencies and lawyers' firms at their service. Additionally, there are dozens of corporate-financed Think Tanks, and hundreds of large corporations have EU dependencies in Brussels. Worldwide, Brussels' only competitor for the title of "Lobbying Capital" is Washington, D.C.
The dinosaur and intellectual leader among the European lobby associations is the European Roundtable of Industrialists (ERT). Interference in everyday political life is taken care of by the European parent organization of employers' associations UNICE (Union des Industries de la Communauté Européenne). UNICE calls itself "The Voice of Business in Europe". Armed with detailed position papers, manifold press releases and advance outlays for negotiation documents, UNICE attempts to contribute directly to the formulation of the European Commission's position. At the beginning of the renegotiation of GATS, former European Trade Commissioner Leon Brittan initiated another lobbying organization, the European Services Forum (ESF) to deal specifically

* Summary of the study "Freie Fahrt für freien Handel? Die EU-Handelspolitik zwischen Bilateralismus und Multilateralismus", published by EED and WEED; Authors: Klaus Schilder, Christina Deckwirth, Peter Fuchs and Michael Frein, Berlin and Bonn, April 2005

with trade in services. The European agricultural industry's interests are represented through COPA-COGECA (Comité des Organizations Professionelles Agricoles de l'Union Européenne & Comité Général de la Coopération Agricole de l'Union Européenne).

EU Trade Policy – an ambitious multi-level strategy

It is clear for the EU that regional and bilateral agreements are beneficial for European business. Likewise, with regard to German business interests Germany's federal government views the existence of regional free trade agreements not as a danger for world trade, but as an appropriate supplement to the multilateral trading system of the WTO, the goal being to achieve "not only a WTO-plus, but a Doha-plus result" after the failure of Cancún.

Services

Besides GATS, almost all of the EU's bilateral trade agreements include provisions for liberalizing trade in services. A comparison shows that virtually all agreements follow the guidelines outlined in GATS Article V (1), demanding more extensive reduction commitments for bilateral integration agreements. GATS Article V (1) also requires regional free trade agreements including services to achieve full sector coverage and to abolish essentially all discriminating measures between the negotiating parties. GATS itself therefore has a built-in "WTO-plus" commitment.
For example, it is to be feared that during the current EPA (Economic Partnership Agreement) negotiations, the ACP states will be coerced into liberalization commitments in sensitive public services such as health services or education that reach far beyond their GATS commitments and also directly contradict the principles of the Cotonou agreement.

Services: European demands in the WTO and in various regional agreements

WTO	Mercosur	ACP states	Euro-Med	ASEAN	South Africa	Mexico	Chile
GATS with positive list and commitment to progressive market opening. Sensitive service sectors can be exempt of further liberalization.	**WTO-plus:** Pressure toward negotiations in additional sectors (telecommunica-tions, financial services, shipping traffic and environmental services)	**WTO-plus:** negotiations on services in all sectors by 2006. Pressure to enter commitments that go further than GATS.	**WTO-plus:** generally low depth of liberalisation, but: potential for commitments that go further than GATS through revision of liberalization scope after 3-5 years (i.e. Israel, Jordan, Morocco)	taking up of negotiations in the service sector – scope as yet unclear	**WTO-plus:** Confirmation of GATS commitments – but: potential for further commitments by assessment of liberalization scope in January 2005. Goal: elimination of all discriminatory measures.	**WTO-plus:** commitment to continuous re-assessment / re-evaluation of further liberalization negotiations (especially concerning financial services); implementation of GATS sector agreements.	**WTO-plus:** commitment to continuous review of further liberalization negotiations (especially in the case of financial services); implementation of GATS sector agreements.

Singapore issues

The so-called Singapore issues (investment, competition, government procurement and trade facilitation), one by one or *en bloc*, are an integral part of all the EU's bilateral agreements. Like the U.S., the EU has never renounced the Singapore issues in bilateral and regional agreements. After negotiations on WTO level have been rejected by a broad coalition of developing countries, the EU is now attempting to achieve its objectives in bilateral negotiations.

Investment

Demands by the EU and other industrialised countries to take up negotiations on investment liberalization have provoked stronger resistance by developing countries inside the WTO negotiations than any other issue. Yet investment liberalization is part of many bilateral trade agreements:

Investment: European demands in WTO and various regional agreements

WTO	Mercosur	ACP states	Euro-Med	ASEAN	South Africa	Mexico	Chile
After strong resistance by developing countries against an investment agreement, no negotiations will be taken up on the subject (during the Doha Round)	**WTO-plus:** Far-reaching investment liberalization (national treatment, freedom of establishment) concerning FDI	**WTO-plus:** Pressure to negotiate a skeleton agreement for investment protection on the basis of non-discrimination	**WTO-plus:** Liberalization of capital transactions and reference to Bilateral Investment Treaties (BITs) with EU member states.	**WTO-plus:** Negotiations about stable, open, non-discriminating and transparent investment rules	**WTO-plus:** Liberalization of capital transactions and reference to Bilateral Investment Treaties (BITs) with EU member states	**WTO-plus:** Liberalization of investment-related payments and capital movements as well as reference to Bilateral Investment Treaties (BITs) with EU member states.	**WTO-plus:** Capital transaction liberalisation, protection of foreign investors, extension of national treatment beyond trade in services.

Government Procurement

Government procurement is an important policy tool in many developing countries' national economic policy. A further opening of national procurement markets for European suppliers would rob many developing countries of one of their most effective political instruments for the promotion of economic development. The European demand for a more extensive opening of Southern procurement markets can be found in many regional and bilateral agreements. Even though the demands are, for the time being, geared towards transparency, this can be seen as a first step towards a wholesale market-opening strategy.

Government Procurement: European demands in WTO and various regional agreements

WTO	Mercosur	ACP states	Euro-Med	ASEAN	South Africa	Mexico	Chile
After strong resistance by developing countries against an agreement on government procurement, the WTO renounced the wish to take up negotiations on the subject	**WTO-plus:** Partial liberalization of government procurement; preferential treatment for European suppliers	**WTO-plus:** Transparency in government procurement, pressure toward progressive liberalization based on non-discrimination	**WTO-plus:** Negotiations with some states about mutual liberalization of procurement markets	**WTO-plus:** Negotiations about mutually open, non-discriminating and transparent procurement procedures	**WTO-plus:** Open tendering procedure with periodical progress assessment	**WTO-plus:** Negotiations about mutual liberalization of procurement markets based on non-discrimination and national treatment	**WTO-plus:** Negotiations about mutual liberalization of procurement markets based on non-discrimination and national treatment

Agriculture

Because of its importance for national food security and rural development, agriculture belongs to the most sensitive sectors of international trade agreements. A hurried opening of agrarian markets in developing countries, leading to an increase in agricultural imports, can have serious consequences for the livelihoods of millions of people, in particular rural populations and marginalized groups. In many bilateral EU agreements, as in the WTO, liberalization of trade in agricultural goods is relatively restricted compared to trade in goods. Yet for certain products and with limited scope, the EU grants limited licenses to trade through preferential tariffs and quotas, special safeguard clauses, rules of origin and certain flexible regulations. At the same time, the EU strives to achieve extensive market access for European agricultural exports.

Agriculture: European demands in WTO and various regional agreements

WTO	Mercosur	ACP states	Euro-Med	ASEAN	South Africa	Mexico	Chile
A skeleton agreement on agriculture reached in July 2004 establishes the elimination of export subsidies but will probably leave the EU's internal economic support system untouched.	**WTO-plus:** A strict quota system for export products that are sensitive to the EU is part of the negotiations.	**WTO-plus:** Extensive commitments to liberalizationare part of the negotiations.	Moderate liberalizationcommitments, partly with regular revision.	No negotiations as yet.	**WTO-plus:** Extensive liberalizationcommitments, revision after five years.	**WTO-plus:** Extensive liberalizationcommitments, revision after three years.	**WTO-plus:** Extensive liberalizationcommitments, revision after three years.

The EU's hardliner position in agriculture stems from aggressive interests in the opening of markets. While the EU poultry exports rose by 83% between 1996 and 2002, the exports to Africa rose by a staggering 485% over the same period of time. The proportion of poultry exports to Africa rose from 5% to 14.9%, totalling 79.030 tons. Similar developments can be observed concerning dairy and cereal products as well as sugar. The EU's offensive interests are therefore not limited to services, intellectual property rights, industrial goods and the Singapore issues.

Intellectual Property Rights

By stressing the growing importance of an "insistent and effective implementation of valid jurisdiction" in the context of the TRIPS agreement, the European Union confirms many developing countries' fears that regional agreements could be abused to enforce a more extensive protection of intellectual property rights in the interest of European agricultural and pharmaceutical companies. Apart from bilateral treaties on intellectual property rights, bilateral trade agreements are especially suitable for demanding concessions from developing countries that go beyond the provisions of TRIPS.

Intellectual Property Rights: European demands in WTO and various regional agreements

WTO	Mercosur	ACP states	Euro-Med	ASEAN	South Africa	Mexico	Chile
Clarification of flexibility concerning the TRIPS agreement and the public health system.	**WTO-plus:** Additional protection of intellectual property rights linked to geographical indicators.	**WTO-plus:** Extensive interpretation of the TRIPS agreement is possible, for example concerning the conditions for patent issue.	**WTO-plus:** Partly commitment to the protection of intellectual property rights at the highest international level	Beginning negotiations on intellectual and industrial property rights, the scope of which remains as yet unclear	**WTO-plus:** Commitment to the protection of intellectual property rights at the highest international level, further TRIPS-plus engagements.	**WTO-plus:** Commitment to the protection of intellectual property rights at the highest international level, further TRIPS-plus engagements.	**WTO-plus:** Commitment to the protection of intellectual property rights at the highest international level, further TRIPS-plus engagements.

Case study 2: Brazil

Brazil's New Role in International Trade Policy*

How does the tension between multilateral, regional and bilateral trade policy present itself from the perspective of a larger developing country? In contrast to the agenda of the big industrialized nations, are there new opportunities for effective South-South-Cooperation in a new "world trade geography"? A second EED/WEED study focusing on the case of Brazil explores these questions.

Brazil: Socio-economic foundations

Brazil is characterized by extreme social cleavages; violence is rife in the cities and the economy is outwardly dependent. Brazil is the largest Latin American country and has over 182 m. inhabitants. South America 's most important industrial sectors exist in the Southeast of the country, where the Brazilian company Embraer produces short-haul aircraft, transnational corporations like VW or Ford produce cars and an extremely varied consumer goods industry flourishes. At the same time, the country has a highly productive agricultural industry that follows the U.S. model, boasts high productivity rises and has firmly established Brazil as world market leader in the export of coffee, soy (oil), beef, sugar and orange juice. The contrast between the destitute and the super-rich is mirrored in a paradox juxtaposition of marginalized and developed sectors. The social cleavage becomes particularly apparent in the area of land distribution. Only one per cent of land owners have 46% of agriculturally exploitable land surface at their disposal while almost 4.5 m. people are regarded as landless farmers – although 166.000 square kilometres of land lie fallow.
The end of the twentieth century saw the imposition of a neo-liberal development strategy in Brazil. On January 1st, 2003, president Luiz Inácio "Lula" da Silva, the candidate of the Workers' Party PT, entered into office. The population laid great hopes into the new centre-left government and the first Brazilian "Worker in power".

The Lula government and Brazil's new trade policy

Since the mid-1990s, Brazil finds itself in an area of tension between multilateral, interregional, intraregional and bilateral trade policy initiatives. On the one hand, the country wants to represent its own export interests within these initiatives. On the other hand, Brazil is threatened by new rules emerging out of these trade negotiations that threaten its political sovereignty and can lead to negative social and ecological side effects.
Brazil's internal economic policy remains very orthodox even under Lula. But in external trade policy, Lula's Brazil is exploring new paths:

- Brazil is a leading player in the so-called G20 group of developing countries in the WTO and opposes the U.S. / EU agricultural agenda.
- The negotiations about a Pan-American free trade area FTAA (Free Trade Area of the Americas) were put on hold for the time being – due not least to Brazil's resistance against the United States' extensive WTO-plus strategy.
- In the negotiations about an association agreement between the EU and MERCOSUR, Brazil has already made some concessions to the EU - concerning, for example, the opening of service sectors– owing to its own aggressive agricultural export interests but has as yet resisted the completion of any contract considered to be to the disadvantage of its population.
- Furthermore, it is possible to discern the beginnings of an alternative South-South-strategy in the economic and foreign policy of the Lula government. Measures in this regard consist, among others, in the extension and conversion of the South American free trade area MERCOSUR (Mercado Común del Sur), in alliances with South Africa, India and China, as well as in cooperation with a multitude of smaller Third World countries.

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* Summary of a study soon to be published by EED and WEED; Authors: Peter Fuchs and Stefan Schmalz, Berlin/Bonn, August 2005

Brazil's endangered ‚Policy Space' – and efforts to establish a "new geography of international trade"

The negotiations on the multilateral WTO level as well as on the interregional level (FTAA, EU-MERCOSUR) threaten to restrict Brazil's economic policy space as well as its development perspective. For the planned contracts aggressively serve the investment and export interests of transnational corporations based in the industrialized countries. The lowering of tariffs opens new markets for imports; liberalization of services and investment promotes a sell-out of developing countries' businesses; market-friendly regulations for the award of publicly funded contracts deprive the government of the political means necessary for a development-friendly industrial policy. The results of this "corporate agenda" in trade policy consist in the reinforcement of already extreme social cleavages, continued ecological over-exploitation, and the deepening of Brazil's external dependency.

The proposed treaties ALCA and EU-MERCOSUR go far beyond the status quo of WTO regulations – and therefore also beyond mere trade agreements. On the interregional level, they deal with a variety of issues encompassing the lowering of tariffs for industrial and agricultural goods, the liberalization of trade in services, intellectual property rights and the Singapore issues. Simultaneously, the EU and the U.S. have already begun or concluded new bilateral agreements with Brazil's neighbours (EU-Chile, U.S.-Uruguay, etc.) and thus have the necessary leverage to put the country under pressure.

In the face of pressures coming from all directions, the Brazilian government is acting in a relatively self-confident and strategic way. Apart from the mentioned external constraints, it is exposed to a contradictory struggle of internal social groups: Brazilian agribusiness and parts of the industrial sector place offensive export interests on the agenda, while social movements, trade unions and some industrial sectors represent defensive protection interests. Brazil's foreign trade policy under a centre-left government resembles an awkward wobbly dance around the ways and means of integration into the world market. Though Lula's government has brought the EU-MERCOSUR agreement as well as the FTAA to a temporary halt, it could be lured with agricultural export opportunities on the WTO level and might therefore agree to a compromise between the G20 and the U.S. / EU position. Nevertheless, the outlines of an alternative project are discernible. First steps have been taken toward the extension and conversion of MERCOSUR into a power bloc sensitive to social issues and encompassing the whole of South America. The promotion of South-South cooperation is also part of Lula's foreign-trade agenda.

It might be argued that the Brazilian government has managed to stop the WTO-plus negotiations on the level of (inter-)regional agreements. On the WTO level, however, extremely problematic tendencies remain observable; for example, a possible liberalization of agricultural markets resulting from the pressure exercised by Brazil's agribusiness could deprive millions of small-scale farmers of their livelihood. Continuing foreign debt repayment also moderates the positive effects of the reorientation in foreign trade policy, because debt service necessitates continued export orientation. Despite the often positive steps in the foreign-policy field, Lula's government will have no choice but to take up a substantial internal confrontation with the powerful sectors of society, such as the financial system or agribusiness, if it wants to initiate effective societal changes and serious poverty reduction. This is the only way to transform the new foreign policy into a positive development strategy for Brazil.

Case Study 3: West African Zigzag
Ghana's Trade Policy between Bilateralism and Multilateralism*

Before delving deeper into the negotiations, the West African countries should examine all the alternatives to the free-trade agreement, and identify the leeways and flexibilities provided by the multilateral economic and commercial agreements. The West African countries should not accept any provision that goes beyond what they have already conceded within the WTO. They should not allow the EU to use the non-egalitarian EPA negotiations to create precedents and achieve its objectives at the multilateral level.

From a declaration of West African civil society
June 25th 2005, Dakar, Senegal

Like that of many other African countries, Ghana's trade policy is woven into a complex multi-level strategy towards the industrialized countries. As well as taking part in the current negotiations inside the WTO and the Economic Community of West African States (ECOWAS), Ghana entertains bilateral trade relations with the United States under the African Growth and Opportunity Acts (AGOA) and is currently negotiating new free trade agreements, so-called "Economic Partnership Agreements" (EPAs), with the European Union. Additionally, Ghana is involved in 21 more or less comprehensive bilateral investment agreements, among others with Germany, France, Denmark, the Netherlands and the U.S. This array of trade and investment agreements follows the WTO rules but goes far beyond the issues of the current WTO round (WTO plus). The level of commitment reached within the WTO often only represents the bottom line against which new regional or national trade agreements are measured. Ghana is therefore, in a way, sandwiched between multilateralism and bilateralism in international trade policy.

As for most other ACP states, the European Union is Ghana's most important trading partner, accounting for 52% of Ghana's export volume. After almost fifty years of independence, Ghana's main exports to the EU are cocoa, gold and timber. Regional trade within ECOWAS is comparatively unimportant, with only 5% of Ghana's exports going to its biggest neighbour, Nigeria. Furthermore, Ghana suffers from the insufficient coherence of EU foreign policy. Highly subsidised imports of frozen chicken parts from the EU have resulted in loss of livelihood for many poultry farmers. Short-term attempts by the Ghanaian government to counteract this glaring asymmetry by doubling import duties were put to an end by pressure from the IMF and World Bank.

These examples show that Ghana has little political influence with which to counterbalance the EU or the U.S. in international trade negotiations, let alone the international financial institutions IMF and World Bank. Instead, for decades, the country has been seen as a top neo-liberal pupil, voluntarily renouncing an independent political profile in order to secure continuing financial transfers from Northern countries. Ghana nevertheless repeatedly finds itself caught in political interest conflicts between the requirements of a national trade policy oriented towards the provision of basic supplies for rural areas, poverty reduction and sustainable development on the one hand and the international donor society's ever-tightening of the macro-economical conditionality screw on the other hand.

Probably the best example is found in the current EPA negotiations between ECOWAS and the EU. These negotiations, underway since October 2003, provide for the conclusion of regional free trade agreements by the end of 2007. Up to now the EU has managed to keep all issues introduced during its mandate on the agenda – including controversial issues such as investment and competition. ECOWAS has repeatedly demanded that the negotiations concentrate first upon the priorities of its own regional integration, including the harmonisation of duties, technical standards, and easier transit of goods. In no case should they negotiate the EU's complete issue wish list. Even a sustainability assessment study initiated by the EU didn't rule out the possibility of

* Summary of a study soon to be published by EED and WEED; Authors: Klaus Schilder and Antje Schultheis, Berlin and Bonn, July 2005

an EPA leading to the collapse of West Africa's industrial sector. By holding on to its ambitious liberalization agenda, the EU subjects itself to the accusation of neglecting the fate of poor people in West Africa in pursuit of its own economic interests. Whether the broad political menu, ranging from the Singapore issues to intellectual property rights and trade in services, is really able to reduce poverty in West Africa and whether, therefore, it is appropriate from a development policy perspective, seems of second-rate importance in this context. Ghana's foreign trade towards the U.S. follows similar patterns: AGOA, the trade policy counterpart to the European EPAs, has developed into a thumbscrew on economical and foreign policy for Ghana and other African countries through its strict rules of origin instead of invigorating the export market in a meaningful way. AGOA is obviously the American version of EPA and not an attempt toward autonomous economic development of African states.

Ghana itself plans to take steps towards an industrialisation oriented upon exports and neo-liberal patterns by the year 2012. At the same time it wishes to build an inward-oriented industry to substitute growing imports. Concentrating on exports automatically leads to a neglect of indigenous and regional markets. Attempts to attract foreign investors sacrifice an economy sensitive to the development of indigenous markets and import substitution. The poor rural population – the large majority of which are women – will be among the losers of such one-sided policy. The Ghanaian government doesn't seem to take into account that the majority of its population works in the informal sector or subsistence-oriented small-scale farming and not in export-relevant industries. This fact points to the direct contradiction between neo-liberal deregulation and liberalization within regional free trade agreements, as advocated by the country's elites, and the goals of a national poverty reduction strategy aimed at the realisation of extensive human rights. Consequently, the winners of economic deregulation on the multilateral and bilateral levels are the economic elites of a growing and educated Ghanaian middle class as well as foreign investors who, thanks to favourable investment conditions, are able to draw fast profits from the exportation of agrarian produce and raw materials.

Ghana is zigzagging between multilateral and bilateral trade projects that present it with various contradictory challenges. Especially the EPA negotiations with the EU currently put West African states under pressure to act. The guidelines of the development partnership with the European Union as guaranteed by the Cotonou agreement are thus undermined by EPAs concerned only with economic profit interests. In March 2005, a critical analysis by the United Nations Economical Commission for Africa (UNECA) demanded that „EPAs should focus on deepening intra-African trade. This should be given sufficient lead-time to allow African countries to build the requisite competitiveness. This would have to be accompanied with significant developmental programmes to complement the larger markets with increased supply and diversified capacities."

West African civil society has repeatedly and harshly criticized EPAs for their lack of a development orientation and demanded an end of current negotiations. Future regional trade agreements with Ghanaian participation should serve a developmental partnership aiming at sustainable regional development, the protection of indigenous producers and the preservation of scope for national policy. Ghana's multilateral and regional trade agenda must be understood as a system of economic dependencies and constraints towards significantly more potent trading partners. On all levels of international trade policy – the highways of neo-liberal globalization – Ghana is confronted with similar challenges and constraints. On these highways, prospects for development (for governments as well as for an emancipatory civil society) are in danger of being run over.

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Project coordination: ***Michael Frein (EED), Klaus Schilder / Peter Fuchs (WEED)***
Additional authors: *Christina Deckwirth, Stefan Schmalz, Antje Schultheis* - Translation: *Elena Futter*

Protestant Church Development Service - EED, Ulrich-von-Hassell-Str. 76, D-53123 Bonn, Tel.: +49-(0)228-8101-0, Fax: +49-(0)228-8101-150, E-Mail: eed@eed.de, www.eed.de,
World Economy, Ecology and Development - WEED, Torstr. 154, D-10115 Berlin, Tel.: +49-(0)30-275 82 163, Fax:+49-(0)30-275 96 928, E-Mail: weed@weed-online.org, www.weed-online.org