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The World Trade Organization is dying

And that's not just because of Donald Trump. With its agenda of hyperglobalisation, the WTO has precipitated its own decline

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Twenty years ago this weekend, 50,000 people converged on Seattle to protest the World Trade Organization, which was holding a ministerial-level meeting in the city, and a plan championed by the world's largest corporations to increase the organisation's authority over even more facets of people's lives.

The epic protests, televised worldwide, revealed that Americans were united with millions of people protesting the organisation in other countries, who demanded new rules for the global economy to make it benefit more people.

Those protests, and subsequent protests and activism around the world, bolstered developing-country negotiators who derailed the WTO's plans for expansion. But the WTO's underlying principles still shape the global economy. And the stubborn refusal to alter that model of globalisation has fostered a global backlash against 'trade' and, in recent years, brought the organisation to near collapse.

The dirty little secret is that the World Trade Organization is not mainly about trade. Rather the organisation has the primary task of carrying out what the Harvard economist Dani Rodrik calls hyperglobalisation — the worldwide imposition of one-size-fits-all rules, favored by global financial markets, which constrain democratic governments' ability to address their societies' needs.

'Illegal trade barriers'

The WTO asserts expansive power to set binding rules over a wide range of non-trade issues; countries are required to 'ensure the conformity of its laws, regulations and administrative procedures' with WTO rules — and,

in turn, corporate financial interests. This includes limits on energy policy, financial regulation and food and product safety, as well as new monopoly protections for pharmaceutical firms to charge consumers more.

If countries do not comply, they are subject to millions of dollars in trade penalties. Of the 242 completed WTO cases, in only 22 did the domestic policies, many unrelated to trade, survive challenged.

Thus, the country-of-origin labels on meat that we relied on in American grocery stores were eliminated after the WTO classified them as 'illegal trade barriers' and authorised USD 1bn in sanctions. The United States was also forced to weaken regulations under the Clean Air Act, dolphin protection laws and Endangered Species Act rules.

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Given the role played by the United States in pushing the WTO, there is a certain irony that more than a third of challenges decided by the organisation have targeted American policies — which have been found to violate WTO rules 90 per cent of the time. Developing countries have fared yet worse, losing 95 percent of 87 challenges.

The United States has filed 49 challenges against other countries, with rulings against Indian policies promoting access to seeds for poor farmers and European limits on genetically modified foods and a ban on artificial growth hormones in meat. The United States has used threats to pressure Thailand, Brazil and South Africa to reverse policies on access to AIDS medication and other lifesaving drugs.

The WTO and climate change

Recently the WTO has facilitated a circular firing squad over climate-change efforts. The European Union and Japan challenged Canadian incentives on renewable energy. The United States won a case against a solar-power program in India. Then India attacked renewable energy programs in several American states. Then China filed a case in 2018 against additional American renewable energy measures.

But the WTO's overreach could prove to be its undoing. Its ability to decide such cases will effectively end on 11 December, when its appellate review board will no longer have a quorum.

After a series of WTO decisions in which tribunals cooked up new standards — never agreed to by member nations — related to anti-dumping and subsidy issues, the Obama administration initiated a protest. Last year, the Trump administration doubled down, blocking the appointment of new appellate adjudicators.

The Seattle protesters who raised concerns about giving too much power to the WTO were dismissed as anti-trade. But it was WTO proponents, those who branded the organisation and similar deals as 'trade agreements,' who have given trade a bad name.

Corporate interests dominate

Since the WTO's formation in 1995, its proponents have oversold it with grandiose promises of dazzling economic gains. President Bill Clinton said the organization would deliver the average American family USD 1,700 a year of additional income. It would facilitate open market access that would, in turn, reduce our trade deficit, create new high-paying jobs and bring new riches to farm country.

But the organisation's rules were not designed for those outcomes, which never materialised.

Of course, the WTO isn't dead yet; the question is, will it see the looming crisis and undertake the reforms necessary to save itself?

Instead, trade negotiations have been dominated by corporate interests, while labour, consumer, and environmental groups are largely shut out. It's no shock, then, that the WTO has no labour or environmental requirements to raise wages or limit pollution, or that it sets ceilings but no floors on consumer safety standards. Nor are there rules disciplining monopolistic mega-corporations that now distort global markets or combating currency manipulations that create unfair trade advantages.

No doubt some American workers are bitterly angry and moved by Donald Trump's trade rhetoric after having repeatedly been promised great gains from 'trade' agreements. During the WTO era, developed countries have lost millions of high-paying manufacturing jobs, especially after China joined in 2001. Income inequality between rich and poor countries, and within countries, has increased greatly.

A different global trade vision

Of course, the WTO isn't dead yet; the question is, will it see the looming crisis and undertake the reforms necessary to save itself? Unlikely: Its current priority is to set new limits on regulations regarding e-commerce and data privacy at a time when most people are clamoring for some check on the industry.

This is especially perverse, given that the original global trade body, the 1948 International Trade Organization, provides a ready foundation for creating better global trade rules. With a focus on full employment and fair competition coming out of the horrors of World War II, the ITO included labour standards, anti-monopoly provisions and currency-cheating rules to ensure the benefits of trade accrued to more people. But the Senate blocked American participation in the organisation, effectively killing it.

That very different vision for a rules-based global trading system remains attainable, once we agree that the system is supposed to work for people around the world, not the world's largest corporations. Twenty years after Seattle, we still have work to do.

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Lori Wallach
Washington DC

Lori Wallach is the director of Public Citizen's Global Trade Watch.