

## TRADE: FINANCIAL CRISIS MAKES LIBERALISATION LESS ROSY

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**GENEVA (IPS)** - With the current economic crisis, questions are being asked about the viability of further liberalisation as envisaged in the Doha Round at the World Trade Organisation (WTO). In particular, the North's pressure on poor countries to open financial markets may be "obsolete" because of the role of the financial sector in the crisis.

The ghosts of history may come back to haunt us. Will the global crisis turn into a depression, like in the 1930s? At the World Economic Forum that recently ended in Davos, Switzerland, trade experts and world leaders agreed that 2009 would be a good time to reduce the differences that have stalled the Doha trade talks.

The Group of 20 (G20) also recently vowed to conclude the Doha Round speedily to avoid a rise in protectionism. The G20 is an informal multilateral grouping of developed and developing countries that meet on economic issues.

Martin Khor, director of Third World Network, an international non-governmental organisation working on trade, cautions that "world conditions have changed since July and December. Protectionism is on the rise again in developing countries and in the West".

"We are facing many difficulties. Even when the entire world was booming, states have not been able to conclude the Doha Round. Now in recession, when political leaders are facing a lot of pressure from farmers, workers and businesspeople, it has become even more difficult," cautions Khor.

Recently the U.S. accused China of manipulating its currency. "Much of the financial manipulation going on in the past 20 years was done by institutions, hedge funds, speculators, investment and commercial banks of developed countries. Now these countries point to some developing countries and say they are manipulating finance," adds Khor in an interview with IPS.

This clash "will sour the mood. We may have to look again at the whole process in the WTO.

"In services negotiations, developed countries are pressing developing countries to open financial markets and accept new financial instruments. But this may be obsolete because we expect the Group of 20 to come up with new financial regulations to control the speculating activities of financial institutions," Khor continues.

The G20 also agreed that the international financial institutions will fund economic growth and "poverty reduction" in the South. The massive subsidisation given by Northern countries to banks and motor car companies, in addition to farmers, "is not fair on developing countries because they don't have money to subsidise even if they wanted to," Khor argues.

The rise of protectionism can be seen in the United Kingdom where demonstrators called for "the rejection of foreign workers. This is a typical example of labour protectionism because developing countries in the WTO are calling for developed countries to open doors at least to professional workers. But, he warns, it may not be possible anymore".

Pronouncements at the WEF confirm this. Doris Leuthard, Swiss minister of economy, warned at Davos that "seeking further trade liberalisation in a time of rising unemployment in the developed world is politically very difficult, particularly when the Doha Round doesn't address issues such as labour standards and social protection that enjoy high popular support."

An African official working in trade points out in an interview with IPS that many developing countries have seen an increase in their trade deficits because of the fall in commodity prices, particularly in Africa.

The official also notes that "Barack Obama has not said much on the Doha Round. We are all waiting to see what he will do. But we are not very optimistic. Even with him, we don't expect to conclude the Doha Round in 2009".

However, Pascal Lamy, WTO director general, expressed optimism at Davos that the Doha Round could be concluded quickly if the political will to do so existed.

He declared that 80 percent of the terms for an agreement are "settled, although highly contentious issues such as agricultural subsidies in the developed world, anti-dumping rules and industrial subsidies still need to be resolved".

Despite official optimism, the Doha talks are still far from completed. The original deadline of January 2005 was missed, and so was the unofficial one of 2006. The July 2008 meeting and the one scheduled for the end of 2008 - and then postponed since then - could not produce an agreement on modalities in agriculture and non-agricultural market access (NAMA).

Regarding NAMA, Northern and Southern countries differ over how to conduct the tariff-cutting exercise on all non-agricultural products, disagreeing on whether tariffs should be cut across the board or negotiated product by product.

On agriculture, one of the biggest controversies is around the special safeguard mechanism (SSM), a tool developing countries want to use to preserve food security and farmers' livelihoods. It would involve increasing custom duties in times of rising imports, prices and exchange rate fluctuations.

It is a measure supported by the Group of 33 developing countries but fought against by exporting countries, including the U.S..

"The dispute about the SSM perfectly reflects the divide between those for whom the future of agriculture lies in trade promotion and the ones who believe agriculture deserves special temporary protection despite the long-term objective of liberalisation," opines Anne-Laure Constantin, director of the Geneva office of the Institute of Agriculture and Trade Policy (IATP).

The only silver lining may come from a new emphasis on the need to uphold human rights standards in trade negotiations. Olivier De Schutter, the United Nations' special rapporteur on the right to food, will present his report on WTO and the right to food at the Human Rights Council's session in March.

"The foreseeable stalemate in the Doha Round will leave us some time to reflect deeper on the right to food and the protection of family agriculture. It may be a positive thing, after all," concludes Constantin. (END)