

*Will Trade Liberalisation Lead to the Eradication
or the Exacerbation of Poverty?*

**Council for International Development
Trade Forum**

21 February 2003

St John's Church Hall, Wellington

The decision to hold a forum on trade liberalisation was made by the Executive Committee of the Council for International Development (CID), the umbrella body for New Zealand-based non-government organisations (NGOs) working in international aid and development. The forum was intended to bring together people from a range of backgrounds (NGOs, government departments, trade unions, universities, and others) to discuss the implications of trade liberalisation, particularly for developing countries. The aims of the forum were:

- To build the capacity of New Zealand civil society to engage on the issue of trade liberalisation
- To assist CID to draft a policy on trade
- To enable participants to hear perspectives on trade from developing countries and NGOs

The forum was attended by about 60 people, and heard from speakers representing several New Zealand and overseas NGOs, as well as from the New Zealand government aid agency, NZAID. At the end of the day, there was an opportunity for participants to discuss the issues raised in small groups.

CID is working on developing a policy on international trade and trade liberalisation, and the Trade Forum has made an important contribution to this process. A draft CID policy, drawing on the discussion at the Trade Forum, will be circulated to CID member organisations for comment and, if the policy is agreed to by the members, it will be available on the CID website www.cid.org.nz.

Forum Proceedings

Facilitator: Rae Julian, Executive Director, Council for International Development

Speakers:

- Claire Slatter, member of the Pacific Network on Globalisation (PANG) and General Coordinator of Development Alternatives with Women for a New Era (DAWN)¹
- Jane Kelsey, Professor of Law at the University of Auckland and Trustee of Action, Research and Education Network of Aotearoa (ARENA)²

¹ www.dawn.org.fj

- Matt Dalzell, Team Leader (Multilateral and Civil Society), Global Group, New Zealand Agency for International Development (NZAID)³
- Phil Twyford, Advocacy Director, Oxfam International⁴
- Gillian Southey, Campaigns Coordinator, Christian World Service (CWS)⁵
- Geoff White, General Manager, Trade Aid New Zealand⁶

Session 1: Claire Slatter

Claire Slatter's talk focused on the negative effects of trade liberalisation in Pacific Island countries.

Discussion:

In the question and discussion time after her paper, Claire referred to the problem of lack of proper public scrutiny of trade agreements in the Pacific. Commitments on trade are made by trade and finance ministers without adequate opportunities for parliamentary scrutiny or for the public to become informed about the complex issues involved. There is little discussion of trade issues in the media, and most of what does appear in the press about trade is written from a pro-liberalisation viewpoint. She noted that policy-makers rely on advisers who claim to be trade experts, and that they often lack the capacity to challenge economic orthodoxies which are portrayed as neutral or impartial.

Claire also discussed the differences between United Nations agencies, which generally recognise the vulnerability of Pacific Island states, and the World Trade Organisation (WTO), which promotes the idea of the 'level playing field' (despite provisions for special and differential treatment of developing countries). She described trade liberalisation as involving the breaking of social contracts, including the welfare contract within countries and the development contract between the rich countries and the poorer ones. However, she saw cause for hope in the growing anti-globalisation movement, which has eroded the credibility of the free trade proponents.

Claire reported that New Zealand has been playing a major role in pushing structural adjustment policies, including trade liberalisation, in Pacific Island countries. With regard to the Cotonou Agreement between the European Union and its African, Caribbean and Pacific partners, she observed that the overwhelming focus in the Pacific had been on what aid would be forthcoming as a result of the agreement, rather than on what Pacific Island countries were having to give up in relation to trade.

An audience member also made the point that the policies of reducing the size of the public sector which were being pursued in a number of Pacific Island countries were contradictory and self-defeating. The policies were pursued in the name of making countries more economically competitive, but they resulted in significant negative

² www.arena.org.nz

³ www.nzaid.govt.nz

⁴ www.oxfam.org/eng www.oxfam.org.nz

⁵ www.cws.org.nz

⁶ www.tradeaid.co.nz

impacts on the social services, health and education sectors – the very sectors which could assist these countries to develop and engage with the outside world.

Session 2: Jane Kelsey and Matt Dalzell

Jane Kelsey spoke about the linkages between the agendas of the various international economic institutions; between trade liberalisation at the multilateral, regional, and bilateral levels; and between different issues within the broad trade liberalisation agenda.

Discussion:

In response to a question about the apparent unwillingness of the Minister for Trade Negotiations to appear at a forum on the General Agreement on Trade in Services (GATS), Jane said that the New Zealand government tends to see trade in services as an irritation, with agriculture being the real issue as far as international trade is concerned. New Zealand wants to trade off concessions on services for gains in negotiations on agriculture. However, Jane stated that there is now evidence of concern about the GATS having reached Cabinet level, with even the Prime Minister becoming worried about the possible implications of the agreement.

Jane was also asked whether it would make any difference if people from a wider range of backgrounds were employed in international institutions such as the WTO and World Bank, and within the New Zealand government (Ministry of Foreign Affairs and Trade and NZAID). She replied that putting people with progressive views into institutions such as the WTO, the World Bank and MFAT would make very little difference: real shifts come only through pressure from outside.

Matt Dalzell spoke to NZAID's draft policy statement on harnessing international trade for development. Since the forum was held, the policy has received ministerial sign-off, and copies are available from NZAID.

Discussion:

In discussion after his presentation, Matt acknowledged the vulnerabilities and difficulties encountered by Pacific Island countries as they attempt to participate in the international trading system. He stated that NZAID's bedrock policy is its goal of poverty-elimination, and that its activities are designed to achieve that goal. If a country came to NZAID and said that it wanted assistance to pursue policies of self-reliance, rather than engagement with the international trading system, NZAID would need to assess whether such policies were likely to lead to poverty-elimination or not. In looking at trade being an engine of growth in support of poverty-elimination, NZAID was trying to steer a path between principle and pragmatism. NZAID has some scope to explore alternative approaches to trade, but it is not a policy-making agency.

Matt also acknowledged the difficulty of reconciling the non-discriminatory principle of international trade rules with the need for special and differential treatment for developing countries. He said that special and differential treatment would require careful targeting in order to meet development needs. With regard to assessing the

impact of trade liberalisation on developing countries, he said that, while NZAID supported impact assessments in principle, it currently lacks the capacity to carry them out in relation to trade liberalisation.

An audience member described what had happened in Samoa, where taro had become a major revenue-earner. The larger commercial producers had switched to growing taro almost exclusively, while the smaller producers increased taro production but still maintained multicropping. When Samoa was hit by the twin blows of a cyclone and a taro blight, taro production collapsed, but the smaller producers were still left with other crops to fall back on. The audience member felt that each country needs to find its own path which will allow it to engage in forms of trade which build self-reliance.

Session 3: Phil Twyford, Gillian Southey, Geoff White

Phil Twyford outlined Oxfam's perspective on the current opportunities for, and obstacles to, the creation of an international trading system which can aid poverty reduction. **Gillian Southey** discussed the effects of trade liberalisation as experienced by CWS's partner organisations, and the principles underlying CWS's trade campaign. **Geoff White** gave Trade Aid's perspective on the potential of fair trade to reduce poverty and foster sustainable development.

Discussion:

These three talks were followed by general discussion among the panel members, and between the panel members and the audience. Much of the discussion was concerned with questions of strategies and tactics for achieving a fairer international trade system: the relative merits of attempting to reform or abolish the WTO, or leading by example through supporting fair trading partnerships.

Phil argued that there is a need for strong, multilateral institutions to govern international trade and that, for all its many flaws, the WTO is at least a formally democratic institution within which developing countries have a significant amount of power (if only because they can walk out and cause negotiations to collapse if the negotiating round fails to produce substantial pro-development outcomes). On the other hand, Jane Kelsey maintained that the WTO, with its agenda of progressive liberalisation, is fundamentally flawed and that, rather than trying to reform the organisation, campaigns should be directed at trying to collapse the negotiating round. Geoff said that Trade Aid's strategy was to try to show that there is an alternative to the current trade system, while Gillian made the point that in many cases international trade was undermining traditional ways of life, and that CWS's approach was based on putting people in control of their own lives.

Session 4: small group discussion

In the final session of the day, forum attendees split into four groups to discuss different aspects of the broad topic of international trade and trade liberalisation. Each group reported back at the end of the session, and the outcomes of their discussions are recorded below. Not all of those who attended the forum participated in group discussions, and the ideas set out below should not be taken as representing the views of any individual forum participant.

What models of trade would address poverty eradication?

The group discussing this topic came up with the following aspects, principles and model.

Aspects

- Allowing for self-determination of production to meet basic needs (community level)
- Acknowledgement of the different scales trade is operating in
- Focus on sustainability rather than economic growth
- Trade based on needs rather than dollar growth
- Understand and respect ecological limits that are non-negotiable

Principles

- Needs-based
- Sustainable
- Freedom for self-determination
- Focus on cooperation rather than competition
- Internalisation of responsibilities (environmental and social costs)

Model

- Values-based model
- Enforceable rules based on values/principles that are non-negotiable
- International overseeing multilateral organisation that *is* democratic
- Incentives for values-based production
- Fund used for capacity-building, poverty eradication (Tobin tax)

What is the general response from civil society to trade issues?

This group came up with suggestions about how civil society could respond to trade issues:

- **Education** of the general public on trade issues and alternative, critical perspectives. This should include seeking the opinions of young people, making issues more digestible, and relating the issues to people's everyday lives.
- **Working together** on trade issues – forming a group of NGOs to campaign for fair trade, with the aim of avoiding duplication, sharing information and expertise, and developing educational materials. This would require finding the things that NGOs agree on, and perhaps coming up with a specific goal for each year. Campaigns should include an *action* component, such as inquiring in shops whether their goods are traded fairly, and developing a 'shopping guide' for fair-traded goods.
- **Personal action** by individuals choosing to take responsibility for promoting change through changing their own behaviour. Also **corporate action** by

NGOs and others ‘walking the talk’ and acting in a way which is consistent with their ideals. This includes addressing the unsustainability of many of our consumption habits.

- **Political policy** by NGOs aimed at making politicians accountable. For example, seeking the views of politicians on trade policy, and publishing their views, including those who failed to answer.

Alternatives to NZ government policy on trade liberalisation

This group described their alternative to trade liberalisation as being ‘**ethically managed and negotiated agreements on a multilateral basis between sovereign states**’. Components of this approach could include:

- Social, ecological and cultural frameworks
- Transnational corporations held accountable for their actions
- Tobin tax
- Sovereign control of policy
- Principles of sustainability
- Services as a partnership between communities and companies
- Local food security as a pillar

Underlying the whole approach was the concept of *balance*.

Core elements for a CID policy on international trade

This group defined both a structure and some key components of a possible CID policy on trade:

1. Recognising that CID is an organisation which...

The policy would start by referring to CID’s purpose and core values.

2. We support trade that is...

- People-centred
- Fair
- Protects livelihoods and food security
- Self-determination – right to decide and to protect key domestic industries
- Environmentally sustainable
- Culture – protection of traditional knowledge, and traditional uses of plants etc.
- Essential services should not be seen as commodities, but as basic human rights (health, education, water, etc.)
- Doesn’t increase wealth gaps

3. What’s wrong with the current global trading system?

- Power inequities in WTO, IMF, World Bank
- Power of transnational corporations
- Industrialised countries got rich by protecting their markets and exploiting colonies – double standards

- Debt being used as a lever to impose liberalisation
- Based on neoliberal economic model
- Imposition of one-size-fits-all model which doesn't take account of differences between countries
- Vulnerability of Pacific Island countries
- Contributes to growing inequities between countries

4. What should be done?

- Right to protect food production from cheap imports
- Eliminate dumping
- Ensuring access to rich country markets for goods from poor countries
- Regulation of transnational corporations
- Removal or reduction of export subsidies in rich countries? (*there was not agreement on this point within the group*)

5. We call on...

Specific recommendations to government and other institutions as appropriate

Trade Forum participants

Peter Adams, NZAID
 Rebecca Berendt, Ministry of Agriculture and Forestry
 Stella Blakemore, Trade Aid
 Jocelyn Brooks
 Gerard Burns
 Sonya Cameron
 Toni Carson
 Robert Choy, World Vision New Zealand
 Todd Cleaver
 Matt Dalzell, NZAID
 Simon Duffy, World Vision New Zealand
 Ray Goldstein, Victoria University of Wellington
 Jody Gorse, Dev-zone
 Mary Gray, NZ-China Friendship Society
 Stephen Harris, Ministry of Foreign Affairs and Trade
 Michael Hartfield, Council for International Development
 Jill Hawkey, Christian World Service
 Nick Hurley, Ministry of Foreign Affairs and Trade
 Prue Hyman, Victoria University of Wellington
 Mike Ingpen, Public Services International
 Rae Julian, Council for International Development
 Jane Kelsey, ARENA
 Justin Kemp, Dev-zone
 Peter Kitchenman, Victoria University of Wellington
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Paul Martell, World Vision New Zealand
Ewan Morris, Council for International Development
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Eva Naylor
Carol Nelson, Advisory Committee on External Aid and Development
Nic Newman, Dev-zone
Russel Norman, Green Party
Ronald Oliver, Wellington Residents' Coalition
Taku Parai, Whitireia Community Polytechnic
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Nancy Pollock, Victoria University of Wellington
Guy Redding, NZAID
Robert Reid, ARENA
Suse Reynolds, Trade Liberalisation Network
John Robinson, New Zealand Futures Trust
Hank Schouten, *Dominion Post*
Terri-Ann Scorer, Oxfam New Zealand
Claire Slatter, PANG/DAWN
Hamish Smith, Ministry of Agriculture and Forestry
Gillian Southey, Christian World Service
Elizabeth St John-Ives, Victoria University of Wellington
Melanie Tate, Amnesty International New Zealand
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Laure Thibaux-Reinsfield
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Kay Weir, Pacific Institute of Resource Management
Geoff White, Trade Aid
Derek Wilson, Pacific Institute of Resource Management
Don Wiseman, Radio New Zealand International
Peter Zwart, Caritas Aotearoa