

COUNCIL FOR INTERNATIONAL DEVELOPMENT



Policy statement on international trade and trade liberalisation



CiD

COUNCIL FOR INTERNATIONAL DEVELOPMENT



Policy statement on international trade and trade liberalisation



CiD

Foreword

This document sets out the position of the Council for International Development (CID) on international trade, especially as it affects developing countries. The policy has been developed mainly by Ewan Morris, CID Research Officer, through a process of discussion and consultation with CID's member organisations, as well as through research into the international literature on trade. In February 2003 CID held a forum on trade in Wellington, which was addressed by speakers from CID member agencies and NZAID, together with representatives of the Action Research and Education Network of Aotearoa (ARENA) and the Pacific Network on Globalisation (PANG). This forum enabled CID to take into account a wide range of views, and also included small-group discussions which contributed to the development of CID's policy. A draft policy was sent out to CID's members for their feedback, and the policy was then revised after comments were received from members.

The present policy reflects the commonalities among CID member organisations on trade issues. While there is much common ground among our members, some of them do take

different positions on aspects of trade policy, so we were not able to include all points raised by member organisations in the final policy. Despite these areas of disagreement, however, this policy represents a significant consensus among CID's membership that, while international trade can be an effective means of reducing poverty, developing countries are seriously disadvantaged within the current international trading system.

This policy will form the basis of CID's lobbying and advocacy work in the area of international trade. As part of this ongoing work, we may develop our position on particular aspects of trade policy in greater detail, but these will always fit within the framework of principles and analysis set out in the main policy. We also look forward to working together with other civil society organisations to promote a fairer and more sustainable international trading system.

Rae Julian
Executive Director



Woman chopping wood. Photo: UNICEF

Council for International Development (CID)

Policy statement on international trade and trade liberalisation

The Council for International Development recognises that international trade can play an important role in development, and can be an effective means of reducing poverty. However, the current international trading system does not operate in the best interests of developing countries. On the contrary, developing countries are seriously disadvantaged by a trade system in which the odds are stacked against them. Those who suffer most as a result of inequities in global trade are the poorest people in developing countries, and these are also the people with whom CID member agencies work in partnership. CID therefore believes there is a need for fundamental change in the global trading regime, and that New Zealand should play an active part in bringing about such change.

PRINCIPLES

CID's policy on international trade is based on the following principles:

- There is a need for rules and agreements covering international trade, but these must not benefit the rich at the expense of the poor.
- International trade rules should promote sustainable development and poverty reduction in developing countries.
- International trade should benefit the poorest sectors of society, including women, children, and people affected by discrimination or social exclusion.
- A 'one size fits all' approach to international trade will not meet the needs of the developing world. Rather, the international trading system must take account of the diversity of circumstances in developing countries.
- Developing countries must retain the flexibility to employ a mix of policies appropriate to each country's circumstances and level of development, and should not be pressured into opening their markets. They require special and differential treatment within international trade rules if development goals are to be achieved.
- Decisions by developing-country governments about all aspects of their trade policies should be made with the involvement of civil society (particularly the poorest sections of society), and trade negotiations should allow ample time for such involvement.
- Food security must be given top priority, and must be protected in all trade rules and policies relating to agricultural exports and imports.
- Investment in developing countries by transnational corporations can be complementary to, but cannot be a substitute for, the development of sustainable, locally-owned enterprises.
- International trade must be environmentally sustainable.
- Ownership of traditional knowledge and genetic material by those who have traditionally cared for and maintained them must not be overridden by international trade agreements governing intellectual property rights.
- International trade rules must not undermine human rights obligations or internationally-agreed labour standards.
- Access to essential services, such as water, education and health care, is a fundamental human right, and international trade rules should not restrict the ability of governments to supply and regulate these services.
- International trade rules should be arrived at through a clearly democratic and transparent process, in which inequalities of power and capacity are actively addressed.

WHAT IS WRONG WITH THE CURRENT INTERNATIONAL TRADING SYSTEM?

The key problems with the current international trading system are that developing countries do not have the capacity to compete as equals with developed countries, and that the system is set up in such a way that it benefits developed countries and transnational corporations at the expense of people in developing countries.

Despite the focus on development in the Doha round of World Trade Organisation (WTO) negotiations, these negotiations are still based on the assumption that rapid trade liberalisation will be good for all countries. Provision is made for special and differential treatment of developing countries, but this is limited in extent, consisting mainly of extended deadlines for meeting liberalisation targets, and some specific exemptions. In general, developing countries are under considerable pressure to open their markets substantially over a relatively short period. Under WTO rules, developing countries will be denied the same flexibility to choose from a range of policy options that was enjoyed during their industrialisation process by the developed countries of Europe, North America, Australia, New Zealand, and Japan, and by the newly-industrialised countries of East Asia. These developed and newly-industrialised countries did not attain their development goals by unfettered free trade, but rather by employing a mix of policies appropriate to their particular circumstances, including policies designed to protect key domestic industries.

Not only do developed countries seek to deny to developing countries the same flexibility that they enjoyed, but most of them also display blatant double standards when it comes to removing their own protective measures. Trade barriers, export subsidies, and other policies which unfairly advantage developed-country exports, or unfairly limit access of developing-country goods, are still in place in developed countries. Having stubbornly refused for decades to remove measures which have supported their domestic industries, it is unfair for developed countries now to insist that such measures be rapidly dismantled, or prohibited before they can be put in place, in the developing world.

Even if the developed countries were to remove their subsidies, trade barriers, and other forms of industry protection, however, developing

countries would still not be equipped to compete on an equal footing in the international marketplace. Most are still living with the effects of centuries of colonial exploitation, followed by decades of independence in which their own agricultural production has been systematically undermined by unfair competition from subsidised production in developed countries. It will not be easy to reverse the damage resulting from such historical legacies, as well as from the more recent imposition of International Monetary Fund (IMF) and World Bank structural adjustment programmes which have set back the cause of pro-poor development worldwide. Developing countries face obstacles such as crippling debt, inadequate infrastructure, low skill levels due to poor access to education, vulnerability to natural disasters, long-term armed conflicts, and reduced capacity resulting from disease. In addition, many developing countries currently have only a limited range of products which they can trade on international markets, and are dependent on primary commodities which are affected by problems of oversupply, falling demand, and domination of international markets by a few large corporations. During the 1990s, the prices of a number of major commodities exported by developing countries collapsed, greatly exacerbating poverty and inequality in these countries. At the same time, transnational corporations have continued to profit hugely from trade in such commodities.

If developing countries are to diversify their economies by developing other competitive, sustainable industries, they need to retain the flexibility to protect and support these industries as required so that they can grow over realistic timeframes. Exposing existing industries to the full force of international competition before the



Cooking chapati, Bangladesh. Photo: ADRA NZ

necessary diversification and strengthening of local industries has taken place could be disastrous for developing countries. This is particularly so in relation to agriculture. Much agricultural production in developing countries consists of subsistence agriculture and production for domestic markets. This production for domestic consumption is essential to the food security of developing countries, and should not be subject to pressures to liberalise agricultural markets. Nor should an increased emphasis on production for export in such countries divert priorities away from production which is essential to the food security and livelihoods of the poor.

Because most developing countries are so dependent on agriculture, rapid opening of agricultural markets in these countries can be devastating in many ways, including the following:

- Emphasis on plantation agriculture for export can displace small-scale and subsistence farmers from the land, leading to loss of production for local consumption and loss of purchasing power, as well as disruption to lifestyles and cultural heritage.
- Opening markets to cheap food imports has seriously hurt the poor in many developing countries. For example, when Haiti opened its market in the staple food of rice, local production fell and imports (mainly of subsidised US rice) increased enormously. The livelihoods of over 50,000 rice-farming families were undermined, malnutrition increased, and initial benefits to poor consumers from lower prices for imported rice have disappeared more recently as the price of imported rice has risen. The overall result has been a major decline in Haiti's food security, and in its ability to provide secure livelihoods for the rural poor.¹
- The centrality of agriculture to rural livelihoods is not purely economic, but also cultural, so opening agricultural markets in developing countries can have adverse effects on the cultural lives of communities. For example, when Mexico joined the North American Free Trade Agreement, it went from being self-sufficient in its staple food, corn, to importing much of its corn from the US. This not only destroyed the economic base of



Rice, Vietnam. Photo: ADRA NZ

indigenous communities in southern Mexico, but also disrupted cultural and spiritual patterns and practices to which corn has been central since pre-colonial times.

- Agriculture in developing countries is much more vulnerable than in developed countries. Small-scale farmers in developing countries are less able to adapt to more open markets than farmers in developed countries, due to factors such as lack of resources, poor infrastructure, and information and skills deficits. Furthermore, a very high proportion of the population relies on agriculture in the developing world, unlike in developed countries, so rapid opening of agricultural markets in developing countries can destroy the livelihoods of tens or even hundreds of thousands of people.

There are many other ways in which the current international trade system fails to advance the interests of the poor in developing countries, or is detrimental to those interests. To mention just a few:

- There is no guarantee that the benefits of international trade will flow through to the poorest people in developing countries, and in practice these benefits often bypass the poor. Developing-country governments need to have policies in place to ensure that the benefits of trade are spread more evenly, and need to be supported in this by developed countries. In many countries, highly inequitable distribution of land will need to be addressed through far-reaching land redistribution programmes to foster small-holder agriculture. This will allow more people to benefit from increased trade, and should particularly assist poor subsistence farmers

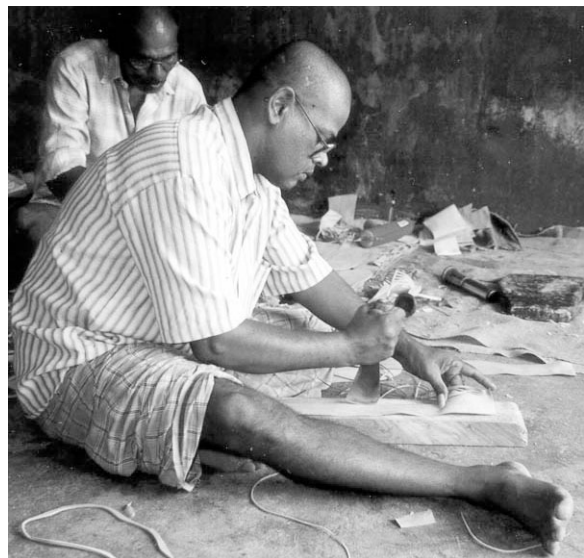
¹ Oxfam International, 'Boxing Match in Agricultural Trade: Will WTO Negotiations Knock out the World's Poorest Farmers?', Oxfam Briefing Paper 32, November 2002, p. 10

and landless rural labourers who will otherwise gain little from growth in trade.

- The IMF and the World Bank have often made loans conditional on trade liberalisation in developing countries. This has left these countries doubly disadvantaged: first, their industries have been left much less protected than those of many developed countries; and second, since this liberalisation was undertaken unilaterally, and not as part of WTO negotiations, these developing countries have lost the ability to extract reciprocal reductions in levels of protection from other countries as part of the exchange of concessions that occurs in the negotiation of trade agreements. The combined pressure of the IMF, World Bank, and WTO, all of them pursuing a pro-liberalisation agenda, has been impossible for most developing countries to resist, and has drastically restricted the policy options open to them.
- The new intellectual property rights regime ushered in by the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement in the WTO takes no account of the different requirements of countries at different levels of development. This agreement restricts competition and technology transfer by enforcing patent rights which are increasingly monopolised by transnational corporations. (See page 8.) Once again, developing countries are being made to adhere to strict rules which are not appropriate for countries at their level of development, and which were not in place during the industrialisation of the developed and newly-industrialised countries. At the same time, TRIPS does little to protect developing countries from having their indigenous knowledge and biological resources patented by companies from developed countries without the informed consent of, or benefit to, the peoples who have traditionally owned these resources.
- Foreign investment in developing countries by transnational corporations, while potentially beneficial to these countries, often fails to deliver significant benefits in practice. Reasons for this include high levels of profit repatriation, weak linkages between transnational corporations and local firms, and failure to enforce international labour standards. As a result, such investment can simply perpetuate low-wage, low-skill

production, and unsustainable exploitation of the environment.

- Much international trade is currently based on environmentally-destructive and unsustainable practices. Governments of many developing countries have been understandably reluctant to accept restrictions on use of the same kind of environmentally-damaging practices which allowed developed countries to become wealthy. Nevertheless, environmental ill-effects, which usually fall most heavily on poor and indigenous communities, must be addressed if trade is to be an effective means of long-term sustainable development. In particular, there will need to be increased use of technology which is appropriate to local conditions, and of renewable resources (particularly renewable energy sources).



Leather worker, Tamil Naidu. Photo: Trade Aid

- As the organisation making international trade rules for the bulk of the world's countries, the WTO wields an enormous amount of power. It is therefore vital that governance and decision-making at the WTO be fair and transparent. At a formal level, the WTO is democratic, in that (unlike the IMF and the World Bank) it operates on the basis of one country, one vote, with rules being agreed by consensus so that all member countries must agree to a proposal before it becomes a rule. However, behind the appearance of democracy lies the reality of negotiations taking place in informal, closed-door meetings; developing countries being

TRIPS and access to medicines

One of the most contentious issues surrounding the TRIPS agreement is its effect on access to medicines in developing countries, which already face severe financial constraints on health resources, including debt repayments which in some cases are higher than spending on health. If poor people in the developing world are to have access to life-saving medicines, these products must be affordable. By creating monopolies on the production and sale of medicines, patent rights make drugs vastly more expensive than they would be if generic versions of those same medicines were available. The TRIPS agreement includes provisions which allow developing countries to take certain steps to make medicines more affordable. The two most important measures available to developing countries are *parallel importing* (in which patented medicines are imported from a country where they are sold at a lower price) and *compulsory licensing* (in which governments authorise local production of generic versions of medicines without the patent-holder's consent). However, there are a number of restrictions on compulsory licensing, of which the most significant is that production must be predominantly for the domestic market. Many developing countries lack the capacity to produce medicines and have relied instead on importing generic products from larger countries like India and Brazil. Under TRIPS, such importation will no longer be possible. In addition, even the measures that are available under TRIPS have been threatened by pressure from pharmaceutical companies and developed-country governments (particularly the US).

In 1997 the South African government sought to use parallel importing and other measures in order to make affordable medicines available for the treatment of HIV/AIDS, which was affecting 4.5 million South Africans at the time. They were immediately faced with a lawsuit by 39 pharmaceutical companies, as well as threats of US trade sanctions, for alleged breaches of WTO principles. Implementation of the government's policy was delayed for four years before an international campaign led to the withdrawal of these threats. Other developing countries have come under similar pressure. International mobilisation to resist such bullying, and to safeguard public health, resulted in a 'Declaration on the TRIPS Agreement and Public Health' being issued by the WTO Ministerial meeting in Doha in November 2001. While the Declaration reaffirmed the right of members to take measures to protect public health, including the use of compulsory licensing, it failed to resolve the problems of countries which are unable to produce generic drugs domestically. The Declaration did instruct the WTO's TRIPS Council to find a solution to the latter problem by the end of 2002, but so far no agreement has been reached because the US and other wealthy countries have insisted on tight restrictions on any new rules for compulsory licensing.

Sources: Gauri Sreenivasan and Ricardo Grinspun, 'Trade and Health: Focus on Access to Essential Medicines' (Paper 4 in the series 'Global Trade/Global Poverty: NGO Perspectives on Key Challenges for Canada'), June 2002, Canadian Council for International Co-operation, pp. 8-10; Oxfam International, *Rigged Rules and Double Standards: Trade, Globalisation, and the Fight Against Poverty*, 2002, pp. 212-219; United Nations Development Programme, *Making Global Trade Work for People*, London, Earthscan Publications, 2003, pp. 209-212

pressured to agree to proposals by powerful developed countries, which can use threats of withdrawing aid and preferential trade deals; excessive influence of transnational corporations on decision-making; and capacity constraints which make it impossible for developing countries to participate in negotiations with developed countries as equals. Unlike developed countries, most developing countries cannot support large teams of trade officials to analyse the implications of enormously complex trade rules and proposals. Nor do developing countries have anywhere near as many representatives as developed countries in Geneva, where the WTO is based, or at WTO Ministerial meetings. At the Doha Ministerial in 2001, there were 502 people in the European Union delegation, while Haiti had no representative! The rapid pace of negotiations, and the ever-growing list of issues covered by them, also place severe strains on the capacity of developing countries.



Cambodian boy fixing a net. Photo: ADRA NZ

WHAT WILL TRADE LIBERALISATION MEAN FOR PACIFIC ISLAND COUNTRIES?

New Zealand's Official Development Assistance has a focus on the Pacific region, and many CID member agencies also have strong links with Pacific Island countries. CID believes it is important that New Zealanders should give particular attention to the possible effects of trade liberalisation on our Pacific Islands neighbours. Pacific Island countries have some distinctive features which are often overlooked in international forums, particularly when the Pacific is subsumed under 'Asia'. As NZAID's trade and development policy recognises, for the most part the Pacific Island countries are 'small, vulnerable economies, remote from major export markets, with limited resources and producing a small range of similar products'.² Their small size, remoteness, vulnerability to natural disasters, and limited range of exportable goods make it difficult for these countries to compete in international markets. Some small Pacific Island countries have very few goods to export, or even none at all.

At present, only three Pacific Island countries (Papua New Guinea, Fiji, and the Solomon Islands) are members of the WTO. However, trade liberalisation has also begun in other Pacific Island countries which are part of the Pacific Agreement on Closer Economic Relations (PACER) and the Pacific Island Countries Trade Agreement (PICTA), which came into force in October 2002 and April 2003 respectively. PICTA provides for progressive liberalisation of trade in goods among Forum Island countries (FICs)³ which are parties to the agreement. PACER is an economic co-operation agreement which includes Australia and New Zealand as well as the FICs. It protects Australian and New Zealand trade interests in the Pacific by providing that, if FICs enter into negotiations for free trade agreements with other developed countries, Australia and New Zealand must also be given the opportunity to negotiate free trade agreements with the FICs. The Pacific Network on Globalisation (PANG) has raised concerns that PICTA will lead to the markets of the smaller island states being swamped by imports from stronger economies in the region, and that even the larger countries may find themselves unable to compete effectively if PACER leads to a free trade agreement with Australia and New Zealand.

² NZAID, *Harnessing International Trade for Development*, p. 20

³ Pacific Island countries which are members of the Pacific Islands Forum

PANG also see these agreements as paving the way for WTO compliance and increasing integration of Pacific Island countries into liberalised international markets.⁴

Trade liberalisation is still at an early stage in Pacific Island countries, so it is too soon to say with any certainty what the long-term effects will be. However, evidence is already emerging that trade liberalisation is having negative consequences for the poor in these countries.⁵ Such adverse effects include:

- substantial increases in food imports, leading to a decline in food security, the undermining of markets for domestic producers of traditional foods, and the replacement of local foodstuffs with imported products which are often of lower quality and nutritional value;
- increasing reliance on production of one or two crops for export, leaving countries more vulnerable both to market fluctuations and to diseases or other natural disasters affecting those products;
- increases to taxes on goods and services (which fall most heavily on the poor) in order to make up for the loss of revenue from tariffs; and
- negative environmental impacts from intensification of agriculture, including clear-felling of native forests to make way for cash crops, and greatly increased use of fertilisers and pesticides.

Another concern is that trade liberalisation may threaten communal land-tenure systems which exist across the Pacific, and which play an important role in sustaining many poor people both economically and culturally. Communal ownership of land could be treated as a barrier to trade since, as PANG points out, it 'conflicts with the view that resources should be used by those who can put them to the most productive or profitable use and that all should have equal access to the globe's resources'.⁶ New Zealanders can look to our own history for examples of the negative consequences of imposing

individualised land tenure on indigenous peoples without their informed consent. Land issues are politically very sensitive in the Pacific, and attempts to impose land 'reform' from outside could contribute to political instability.

WHERE DOES NEW ZEALAND STAND?

New Zealand is not one of the developed countries preaching liberalisation to the developing world while maintaining high levels of protection at home. On the contrary, New Zealand has one of the most open markets in the world following two decades of unilateral liberalisation. New Zealand has also been one of the foremost proponents of trade liberalisation on the international stage, both within the WTO and through regional and bilateral agreements.



Making mosquito nets

Like many developing countries, New Zealand relies heavily on agricultural exports for its income. This has led the New Zealand government to conclude that New Zealand's interests and those of developing countries are aligned. While this position is largely correct where improved access for agricultural goods to developed-country markets is concerned, developing-country interests are not advanced by the New Zealand government's wider liberalisation agenda. New Zealand's strong advocacy for progressive liberalisation, in all sectors, and in developing and developed countries alike, is not in the interests of the poor in the developing world.

4 PANG, 'A Critical Response to PICTA, PACER and the Pacific Islands Forum's Social Impact Assessment', February 2002; Stanley Simpson, 'Reassess Free Trade Agreements', 9 January 2003, www.scoop.co.nz/mason/stories/HLo301/S00019.htm

5 Claire Slatter, 'Will Trade Liberalisation Lead to the Eradication or the Exacerbation of Poverty?', address to CID Trade Forum, 21 February 2003 (see www.cid.org.nz); Warwick E. Murray, 'The Second Wave of Globalisation and Agrarian Change in Pacific Islands', *Journal of Rural Studies*, 17, 2001, pp. 135-148

6 PANG, 'A Critical Response to PICTA, PACER and the Pacific Island Forum's Social Impact Assessment', February 2002, p. 6

CID acknowledges that NZAID's policy statement on trade and development does have a focus on trade as a means of reducing poverty, including a recognition of constraints on developing countries' ability to benefit from trade and of possible adverse effects of trade on the poor. NZAID can play an important role in working with other parts of government to ensure that New Zealand's position in trade negotiations addresses development concerns. CID also welcomes the government's declared support for advancing developing-country interests within the Doha round of WTO negotiations, but believes that this support needs to go much further. The government has not made a convincing case for the benefits to developing countries of further opening up their markets at this point. Nor do the kinds of limited special and differential treatment provisions currently supported by New Zealand provide adequate protection for the interests of developing countries, particularly in relation to agriculture. Providing technical assistance to developing countries to increase their capacity to engage with and compete in the international trade system is important, but it likewise cannot address the fundamental inequities within the present system.

WHAT SHOULD BE DONE?

CID's policy and advocacy work in the area of international trade, including submissions to government, will be based on the principles and analysis set out above. At the heart of CID's position is a commitment to advocating for the creation of an international trading system which benefits the poor in developing countries. It is impossible in a policy paper like this to provide a comprehensive picture of what such a system might look like, or to cover all of the many and complex aspects of international trade. However, the following are twelve recommendations which we believe would help to create a fairer system and to promote poverty reduction. We call on the New Zealand government to support these proposals:

1. Special and differential treatment. The development of more effective and far-reaching special and differential treatment provisions for developing countries should be made a priority in WTO negotiations.

7 The term 'Development Box' has been used to describe proposals for a package of special and differential treatment provisions within the Agreement on Agriculture. The Development Box would allow developing countries greater flexibility to implement policies aimed at protecting the livelihoods of the poor, promoting food security, and increasing domestic food production, particularly in relation to staple food crops. Specific measures could include making crops which are essential to food security exempt from liberalisation requirements, and allowing developing countries to impose tariffs on cheap agricultural imports which are hurting domestic production.



Children, Vietnam. Photo: ADRA NZ

Decisions about whether, and for how long, countries qualify for such treatment should be linked to internationally-agreed development indicators, and their duration should not be limited by arbitrary timelines.

- 2. Agricultural export dumping.** Developed countries should be prohibited from dumping agricultural goods in the markets of developing countries (that is, exporting goods at less than the cost of production). While such dumping continues, simplified countervailing measures should be developed so that developing countries can defend themselves against unfairly subsidised products from developed countries.
- 3. Development and agriculture.** Developing countries should retain the flexibility to protect and support their domestic agricultural sectors in the interests of development, poverty reduction and food security. To this end, proposals for a 'Development Box' within the WTO Agreement on Agriculture, targeted to the protection of food staples and poor farmers, should be supported.⁷
- 4. Market access.** Developed countries should rapidly and substantially reduce barriers to access to their markets for all goods (and especially agricultural goods) from developing countries. In accordance with the principle of special and differential treatment, developing countries should not be required to make comparable reductions in their own trade barriers.

- 5. Commodities.** The crisis in the international markets for non-fuel primary commodities such as coffee should be addressed as a matter of urgency. Chronic problems of oversupply and low prices are devastating many developing countries, while transnational corporations and the governments of developed countries which benefit from low commodity prices are making no efforts to find solutions to the crisis. Such problems can be tackled effectively only at the global level, and only by institutions which are genuinely representative of the affected countries.
- 6. Services.** International trade agreements, including the WTO's General Agreement on Trade in Services (GATS), should provide an unambiguous exemption from liberalisation requirements for essential services (including health, education, water and sanitation), and should not restrict the ability of governments to regulate services in the public interest. As currently worded, the GATS fails to provide clear guarantees of the right of governments to supply and regulate services.
- 7. Access to medicines.** In line with the 'Declaration on the TRIPS Agreement and Public Health' agreed at Doha in 2001, public health and availability of medicines at affordable prices in developing countries should be given priority over the patent rights of pharmaceutical companies.
- 8. New issues.** The agenda for WTO negotiations should not be expanded to take in the so-called 'new issues' or 'Singapore issues' (investment, competition policy, government procurement, and trade facilitation). The introduction of such issues, which are not a priority for developing countries, would further stretch the already limited capacity of these countries to participate effectively in negotiations. Instead, the focus of negotiations should be on resolving issues of concern to developing countries, particularly special and differential treatment.
- 9. Democracy and transparency.** Developed-country governments should work with governments and civil society organisations from developing countries to make WTO governance and decision-making more fair, transparent, and genuinely democratic. Such democratisation should address power inequalities within the WTO, including the issues of informal decision-making, the use of threats and other pressure tactics against developing countries, and the need to increase the capacity of developing countries to engage as equals in negotiations. The lobbying activity of transnational corporations in relation to trade negotiations should also be regulated.
- 10. Loan conditionality.** Loans by the IMF, World Bank, and other multilateral lenders such as the Asian Development Bank, should not be made conditional on implementation of trade liberalisation by developing countries.
- 11. Trade and aid.** While trade can certainly help to reduce poverty, it is not a substitute for effective aid. New Zealand, along with other developed countries, should take immediate steps to increase its level of Official Development Assistance, with the aim of reaching the internationally-agreed target of 0.7% of Gross National Income by 2015.⁸ It is also important to ensure that this aid is effective in reducing poverty and in reaching the poorest people in developing countries. By providing an increased level of effective aid, developed countries will be helping to overcome many of the factors which impede the ability of developing countries to compete in international markets.
- 12. Trade policy formulation.** Policy on trade issues should be made in a transparent and participatory way, with the involvement of civil society, and developed countries should consider the effects of their trade policies on developing countries. To this end, the New Zealand government should back up its declarations of support for developing-country interests by producing, and making publicly available, a comprehensive analysis of why it believes that its stance on trade liberalisation is in the interests of developing countries. Such analysis should include specific evidence, especially about the consequences of trade liberalisation in Pacific Island countries. We also encourage the government to engage more actively in dialogue with civil society about trade policy, and CID looks forward to the opportunity to continue its participation in such dialogue.

8 New Zealand's Official Development Assistance is currently only 0.23% of GNI.

CiD

**COUNCIL for
INTERNATIONAL
DEVELOPMENT**

Kaunihera mō te Whakapakari Ao Whanui

PO Box 12470
Wellington
Aotearoa New Zealand
Tel +64-4-472 6375
Email cid@clear.net.nz
Fax +64-4-472 6374
www.converge.org.nz/cid

