Trade, globalisation and poverty reduction: why the rules of the game matter

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Let me start by thanking the Carnegie Endowment for organising this event. Oxfam welcomes this opportunity to exchange views on an issue at the heart of debates on globalisation and poverty. We also greatly appreciate the participation of Undersecretary Grant Aldonas and Her Excellency Grace Ssempala, the Ugandan Ambassador to the United States. As an aid agency we have worked for many years in her country. And over the past decade we have learnt a great deal from her government over strategies for achieving an objective that unites all of us: namely, making world trade work more effectively for the poor.

Background

Comparative advantage figures prominently in debates on world trade. And as the introductory material for this event graciously notes, Oxfam appears to have developed a distinctive comparative advantage in attracting criticism from all sides.

Some commentators in the World Bank , IMF and the *Financial Times* have lamented what they see as a protectionist undercurrent in our analysis. Others – including some non-government organisations – have denounced us for betraying symptoms of free market neo-liberalism. And the Commission of the European Union, ever distinctive in matters of trade policy, has criticised us for our failure to recognise that Europe's trade policies are nicer to poor countries than US trade policies.

Perhaps I should start by re-stating the proposition that has generated these reactions. In our report *Rigged Rules and Double Standards* we argue that international trade has the potential to act as a powerful catalyst for poverty reduction. However, we also argue that this potential is not being realised. One reason for this is that world trade relations are governed by rules, policies, and practices that systematically skew the benefits of trade towards the wealthy. Trade is not inherently anti-poor – but it is being managed to produce anti-poor outcomes.

Much the same is true of trade policies within many countries. Governments often like to liken opposition to globalisation to opposition to the sunrise or sunset. Leaving aside the question of whether globalisation is reversible, this misses the point that governments can manage the process of integration to produce pro-poor or anti-poor outcomes. International trade rules can help or hinder – but good rules won't compensate for weak national policies.

Today, I want to make a few preliminary remarks on trade and globalisation. I then want to focus on international policy issues that hinder efforts to strengthen the links between trade and poverty. In particular, I want to look at five specific problems:

- Old style-protectionism
- Ideologically-driven approaches to import liberalisation
- New style mercantilism
- WTO 'mission leap' – and the rules for joining the globalisation club

The Doha round provides an opportunity to address these problems. Failure to grasp that opportunity will not only inflict grievous damage on prospects for greater equity and accelerated poverty reduction, but also destroy the remnants of the credibility and legitimacy of the multilateral rules-based system. In an interdependent world, that is in nobody's interest.

Trade, globalisation, and the poor

Debates on trade and poverty generate extreme views. Re-enactment of the battle of Seattle, recitation of the latest 'good news' on globalisation from the World Bank-IMF, and heated exchanges on the presumed vices or virtues of trade are the order of the day. Unfortunately, polarisation has not made for constructive dialogue.

Such dialogue is urgently needed. International trade, linked to flows of investment, technologies, ideas and – to a more limited extent – people, is at the heart of the powerful forces integrating our world. Export production is consistently outstripping output growth in most regions, so that the share of exports in global GDP has now risen to one-quarter. The flip side-of this interdependence is that welfare in any one country depends increasingly on shared prosperity: to an increasing degree, we sink or swim together.

Qualitative change has been even more radical than qualitative change. We live in an increasingly knowledge-based global economy. Access to new technologies, and the presence of skills, institutions, and infrastructure needed to adapt them, is an increasingly important determinant of national welfare – and of global income distribution.

The pessimistic view that poor people cannot share in the potential benefits of trade and globalisation is wrong. In East Asia, integration into global markets played an important role in lifting 400 million people out of poverty over the two decades from the mid-1970s. Export production was not the primary catalyst, but it generated employment, created investment opportunities, supported technological innovations, and generated dynamic linkages in the local economy.

There are those who argue that agricultural export growth is bad for the poor. However, this view is difficult to square with the experiences of countries like Vietnam and Grace Ssempele's country. In both countries, agricultural exports have helped to underpin rapid poverty reduction, and to create a stimulus for small scale enterprise and local food production. In Guatemala, Oxfam is supporting smallholder cooperative that combine growing food for the domestic economy, with the production of coffee and vegetables for the US market, helping to diversify and strengthen their livelihoods.

Where exports are concentrated in areas that involve intensive use of labour, the poor's most abundant asset, the impact on poverty can be especially marked. In Bangladesh, the growth of the garment industry has created over 1 million jobs – most of them for women. Each of these jobs supports children in school, provides access to nutrition, and pays for health care.

It is difficult to square the views of trade pessimists with the experiences of many of the poor people we interviewed in preparing our report. Not as difficult, though, as it is to square the views of globalisation enthusiasts either with the facts of the real world, or with the experience that Oxfam staff encounter daily on the ground in developing countries.

For all the revolutionary changes and prosperity associated with globalisation, we still live in a world scarred by mass poverty and extreme inequality. While the incidence of poverty has fallen slowly, there are still over 1 billion living on less than $1 a day – the same number as in 1985. Income distribution is probably worsening, with over four-fifths of world GDP now accruing to the richest 20 per cent.

International trade is perpetuating these inequalities. Collectively, the G7 countries account for about one tenth of the world's population, but half of world exports - roughly the same as in 1990. At the other extreme, the 40 per cent of the world living in low income countries account for less than 3 per cent. Africa's share of exports approximates that of Belgium. Italy accounts for a greater share than Africa and South Asia combined.

While a small group of countries, mainly in East Asia, are narrowing the income gap, the majority are falling further behind. Structural changes in trade threaten to exacerbate this trend. For example, the share of primary commodities in world markets has halved since the mid-1980s, while that of medium- and high-technology products has doubled. By virtue of their inability to break out of primary commodity dependence, many of the world's poorest countries – especially in Africa – are falling further behind.

Similarly, some high growth exporters are doing better than others. Many poor countries are locked into the assembly and export of low value-added goods, produced with limited technology transfer, and negligible linkages in the local economy. Some Central American maquiladora zones fit into this pattern – as do parts of Mexico.

For people as for countries, not all trade is unambiguously good trade. Women interviewed by Oxfam in Cambodia garment factories and Colombia's flower estates acknowledged the income gains from employment, but expressed deep concern over the vulnerability created by the absence of maternity provision. Some trade clearly has negative ecological consequences. For example, prawn farming is implicated in around two-thirds of recent mangrove forest destruction, according to UNEP. Under-valuing environmental resources in export prices is a bad foundation for trade policy.

It is often said that trade creates winners and losers, but less often conceded that the poor are disproportionately represented in the latter camp. Maize farmers interviewed by Oxfam in the Philippines and Mexico complained that import liberalisation had exposed them to competition from cheap imports, which were depressing prices. Elsewhere, small farmers complained that their ability to take advantage of market opportunities was compromised by inadequate access to land, distance to markets, and weak transport infrastructure. There was a perception that the opportunities created by globalisation were being cornered by the rich – and that inequalities were widening.

Old-style protectionism

Everybody working on trade has their own favourite classic – a last refuge to which they return in times of confusion. For some it is Ricardo, for others Adam Smith. For me, it is *Alice in Wonderland*. Surely no text better captures the underlying logic of northern government approaches to trade policy.

In this context I have in mind the scene where Alice falls into Wonderland and starts crying. She tells herself to stop weeping, but can't. "Alice gave herself lots of good advice," says Lewis Carol, "but she very seldom followed it." Northern governments have a different problem. They give the whole world good advice that they can't follow – and nowhere more so than when it comes to protectionism.

No international gathering of northern governments is complete these days without reference to the virtues of free trade. Yet the same governments maintain trade restrictions that cost developing countries $100bn a year in static terms, and considerably more if long-term dynamic costs are taken into account.

When poor countries seek entry to northern markets, they face on average trade barriers four times higher than those applied when rich countries trade with each other. In the US, only 6 per cent of tariff lines have peaks in excess of 15 per cent, but these peaks are applied to 14 per cent of LDC exports, compared with 3 per cent for OECD exports. As in the EU, these peaks are applied in sectors that LDC's might have a competitive advantage, or into which they could diversify out of commodity dependence..

The use of tariff escalation, or import taxes that rise with the degree of processing undergone, is especially damaging since it creates disincentives for investment in local value-added activity.

To make matters worse, trade restriction are concentrated in precisely the areas that the poor stand to benefit from, such as textiles and garments and agriculture. And these are the areas where progress towards liberalisation ahs been most timid.

Take the case of textiles and garments. During the Uruguay Round, rich countries agreed to phase out the Multifibre Agreement – a system of quotas applied to developing countries. The deadline is 2005. And while industrial countries have conformed with the letter of the agreement, they have comprehensively violated its spirit. Nearly all of the products liberalised in the first phase were not actually subject to quotas. And commitments have focussed on lower value items like yarns, rather than clothing. Such practices cost real women real jobs in Bangladesh, with attendant implications for their children.

But the MFA is a model of liberalisation by comparison with agriculture, where the OECD estimates daily subsidies by rich countries at around $1bn. These subsidies, most of which accrue to large farms, generate large surpluses, which are then dumped on global markets. Rival exporters lose foreign exchange – and smallholder farmers see local markets destroyed by cheap imports.

The US Farm Bill will exacerbate these problems across a wide range of product areas, including wheat, maize, rice, and cotton. One Senator in the debate on the Farm Bill responded to criticisms by announcing "this is a bill for American farmers, not for farmers overseas." But as the world's largest exporter the US sets the prices for rural producers across the world – and rural communities account for three-quarters of the world's poor.

Needless to say, the EU responded to the Farm Bill with righteous indignation. The Farm Commissioner himself was moved to write to the *Financial Times* expressing anguish about its implications for poor countries. All of which conveniently ignored that, when it comes to farm subsidies, few governments do it better than Europe. After all, this is one of the world's highest cost sugar producers with a 30 per cent world market share.

Recent years have seen some tentative moves towards improved market access, but action has fallen far short of what is needed. The EU's Everything But Arms proposal, presented as an open door to Least Developed Countries, excludes a wide range of important agricultural commodities – including sugar.

The Africa Growth and Opportunity Act (AGOA) has created opportunities for some, but could also go much further. The Act has boosted textile and garment exports from a number of countries, creating new employment and new opportunities for investment. However, rules of origin demand that eligible products be assembled from fabrics and yarns produced in the US, limiting the scope for intra-regional trade. Projections by the IMF suggest that the removal of rules of origin criteria would raise export earnings by 85 per cent.

AGOA also excludes a range of products, including agricultural items such as canned fruit and groundnut products. Ugandan groundnut exporters would face tariffs of 160 per cent in the US market.

If rich countries are serious about making Doha a development round they could make a down payment by:

- Extending duty free and quota free access both in terms of country and product coverage
- Accelerating MFA phase out
- Agreeing to a comprehensive ban on agricultural export dumping

Ideologically-driven approaches to import liberalisation

Economists sometimes get a bad press. George Bernard Shaw eloquently expressed the frustration that many hapless government ministers, not to mention the general public, feel after listening to practitioners expressing different views, each with full confidence in their reading of the predictions offered by the dismal science. “If all economists were laid end to end, they wouldn’t reach a conclusion,” Shaw lamented.

If he were writing today about the combined wisdom of the economics profession gathered on 18th and 19th Street in Washington, he would have been forced to concede the rider ‘unless they happen to be discussing the virtues of openness’.

‘Openness’ is the religion of the globalisation era applied to trade policy. Briefly summarised, its central creed is that the early retirement of trade barriers is one of the most powerful things that governments can do to provide their citizens with a share of the prosperity associated with globalisation.

The high priests of the religion are to be found in the research departments of the World Bank and the IMF. They claim to have proven what every free market economist instinctively believes: namely, that more openness produces higher growth and more rapid poverty reduction. The instrument of proof is a complex econometric exercise comprehensible only to the cognoscenti, but neatly packaged for policy makers into simple soundbites such as “openness is good for the poor”.

It might all be innocent enough if they kept themselves to their computer screens. But this ‘finding’ informs the design of policy, including the policy conditions attached to IMF-World Bank loans. One IMF review of adjustment lending to low income countries in 2001 found that seven Poverty reduction and Growth Facility (PRGF) programmes had an average of seven loan conditions. The same review notes how the number of countries with IMF programmes defined as ‘closed’, or highly protected, had fallen from three-quarters in 1997 to one-fifth by 2001.

Since the import liberalisation process has been implemented on a unilateral basis rather than through WTO negotiations, there has been no reciprocal liberalisation on industrialised countries. This maintains a two-pace liberalisatioin process in which poor countries are liberalising more rapidly than rich ones, with attendant implications for the distribution of benefits from trade.

Of course, IMF-World Bank loan conditionality is just one of the forces driving import liberalisation. Developing countries have been making unparalleled reductions in import tariffs. In fact, using the IMF's own Trade Restrictiveness Index, which ranks countries on a composite scale from 1 (very open) to 10 (closed), nineteen countries in Africa and seventeen in Latin America and the Caribbean are more open than either the US or the EU.

With the textbook impediments gone, one might have assumed that the prediction made by true believers in openness would manifest themselves. In fact, the outcomes have been ambiguous – and often damaging to the poor. Over the past decade, gradual liberalisation in east Asia has been associated with continued growth, with a very large blip associated with the 1997 financial crisis. But in Latin America, the region that has liberalised most rapidly, the performance on growth and poverty reduction has been abysmal, and income inequality has widened.

So, why the gap between the outcomes anticipated by the World Bank's econometric modeling and outcomes in the real world. Partly because the models confuse two different indicators of openness: an economic indicator in the form of trade/GDP ratios (where increases are associated with economic growth) and a policy indicators in the form of the speed and depth of import liberalisation (variables that have a far more complex relationship with growth and poverty).

The conceptual problems are important. Countries that have been highly successful at tapping into the benefits of globalisation and international trade such as Vietnam, China, Mauritius, Taiwan and South Korea, have all increased the ratio of trade/GDP. Yet each of them has employed heterodox strategies, including relatively slow and selective import liberalisation coupled with aggressive export promotion. As Dani Rodrik has shown, export growth has been built on strong domestic reforms, backed by strong social policies.

Countries that have gone for rapid import liberalisation have often suffered extreme shocks, especially in poor communities. When Haiti removed its import restrictions on agricultural in the mid-1990s, the country was promptly flooded with heavily subsidised US rice. Tens of thousands of livelihoods were wiped out. Today, Oxfam is still working with the communities that were affected. This was a repeat performance in more intensive form of the experience of Peru in the early 1990s, when another episode of 'big bang' import liberalisation was associated with rising poverty among rural producers.

It goes without saying, that blanket import protection sustained at high levels over long periods of time is a source of inefficiency – and that such protection is unlikely to produce pro-poor distributional outcome. But the real policy challenge is to understand on a country by country basis how to capture the benefits of liberalisation, with suffering adverse long-run consequences in terms of deindustrialisation and lost capacity.

Despite the heavy doses of poverty reduction rhetoric that come out of the World Bank, there is no evidence that a serious attempt is being made to integrate trade strategies into broader national poverty reduction plans. Indeed, only two Poverty Reduction Strategy

Papers (PRSPs), the documents that set out the terms for World Bank-IMF co-operation with borrowing countries, deal with trade reform – and then in cursory fashion. Instead of considered analysis of distributional outcomes and implications for poverty of changes in trade policy, readers of PRSPs are treated to verbatim extracts of texts extolling the virtues of openness.

Not all of the blame can be laid at the door of the World Bank-IMF. Few developing country governments view trade policy as a central part of poverty reduction strategies. All too often trade ministries see their remit as covering tariffs, and customs and excise, which is divorced from broader agricultural and industrial policy, and entirely separated from poverty reduction strategies.

This is the wrong approach. Surely a central part of any trade policy reform should be an assessment of potential impacts on the poor. Similarly, any attempt to promote exports should be accompanied by strategies for enhancing the capacity of poor producers to access markets, and share in the benefits of export growth. Crudely stated, the challenge is to avoid Brazilian style agricultural export growth, where the benefits are disproportionately captured by large-scale commercial farms, and achieve the type of broad-based growth experienced in countries like Uganda and Vietnam.

This implies that the distribution of productive assets, access to inputs, provision of infrastructure, and access to education should be seen as critical elements in trade policy. It also implies an abandonment of current approaches to loan conditionality on the part of the IMF-World Bank.

The new mercantilism

Nobody really believes in free trade. That is why they invented the General Agreement on Tariffs and Trade (GATT), which was essentially a mercantilist bargaining parlour. It was a place that governments could go to away from public view to swap tariff concessions: you lower your tariffs on my toothpaste, and I'll lower my tariffs on your toothbrushes. Developing countries hardly had to liberalise at all because of the GATT's special and differential treatment clause.

The transition from GATT to WTO has been a no-change and all-change scenario. There has been no change in the sense that the WTO is also a mercantilist framework for trading market openings. But the adoption of the entire Uruguay Round agreement as a Single Undertaking has massively expanded the number of bargaining chips that can be brought to the table.

Under the Uruguay Round, the WTO's remit was extended into behind the border areas such as intellectual property rights, investment and services. And this extension is now being consolidated and broadened to include issues such as procurement and competition policy.

This process has taken place at the same time as two more important developments. First, the special and differential status enjoyed by developing countries has been severely eroded. Second, IMF-World Bank loans conditions have played an important part in fostering unilateral liberalisation in developing countries.

Several important consequences follow.

- **Border/Behind the border trading**. Many developing countries have little to gain (in a mercantilist context) from strengthened intellectual property protection, or improved access to US and European financial service markets, and much to gain from improved access to markets for goods. They are now implicitly being forced to negotiate this access by offering in return to enforce TRIPs, and provide foreign TNCs with the right of establishment. This 'bananas for banking' approach is unbalanced and unequal. The EU's negotiating proposals on services bear testimony to the use of negotiating strong arm tactics to prise concessions out of weaker trading partners.
- **No credit for unilateral liberalisation.** Liberalisation undertaken under IMF/World Bank auspices receives no credit in the context of WTO negotiations. The result: governments in Africa make deep tariff cuts, but are in no position to use these as a lever for improving their market access.

The new mercantilism is apparent in other fora. Europe is currently negotiating a trade and aid deal with the Africa, Caribbean and Pacific group under the Cotonou Convention. In return for preferential access to Europe, the ACP countries have been presented with requests for reciprocity, allied to full right of establishment for European financial and utility service providers.

Among the eligibility requirements for AGOA, apart from a range of market reforms, "the elimination of barriers to US trade and investment…and the protection of intellectual property." While one accepts the real political economy of trade reform, questions have to be asked as to whether these are appropriate requirements in the context of national development strategies.

One area of US trade policy raises serious concerns in a number of developing countries. This involves recourse to Section 301 investigations and actions. While it is legitimate for the US to raise trade concerns through bilateral dialogue and multilateral fora on occasions the implied threat of Section 301 trade sanctions provides a powerful negotiating tool. The deployment of that threat in pursuit of intellectual property claims by US companies, to take one area of concern, has prompted a number of developing countries to express concerns over what they see as gunboat diplomacy.

WTO mission leap – and the new rules of the game

The extension of the WTO's remit is part and parcel of a broader packaging for managing global integration. Openness to trade is one component, which I'll say something more about below. But developing countries entering the system must now swallow a cocktail of rules and regulations. These extend from the enforcement of new patent rules, to the simultaneous liberalisation and regulation of banking, insurance and other sector.

As I have already mentioned the WTO is an increasingly important agency in defining the terms on which global integration is supposed to occur. The basket labeled the 'Singapore Issues' contains investment, competition policy, transparency in government procurement. And while the General Agreement on Services (GATS) is currently a slow moving animal, it provides for what is probably an unprecedented extension of multilateral rules into the heart of policies previously regarded as the sole preserve of the public domain. In the case of intellectual property and the TRIPS agreement, much of the developing world is recasting national legislation to bring it into line with US standards.

There are crucially important issues for poverty reduction and development raised in each of these areas. But here I want to headline three major concerns.

Unequal distribution of costs and benefits.

This can be illustrated by the TRIPS agreement. Since the emerge of patenting in 16th Century Venice, legislators have struggled to balance two competing claims: public interest in the fruits of new invention, and the need to create incentives for inventors to correct market failure. Thomas Jeffersen struggled with this problem – and, before him, so did the British Parliament. Faced with abuse of the patent system by the monarchy to create monopolies for Court favourites, it was forced to pass the Statute on Monopolies to protect the public interest.

Under the TRIPS agreement, the wrong balance has been struck between private interest and public welfare, especially when viewed from developing countries. Global research and development is dominated by northern-based TNCs. Rich countries account for nine out of every ten patents. Mozambique and India have an interest in getting access to, and adapting, new imported technologies on the cheapest possible terms. They have no interest in strengthening the patent rights of technology providers.

Under the TRIPS agreement, six countries (headed by the US) stand to gain $40bn. On the other side of the equation, estimates suggest that developing countries will lose considerably more than they have gained through reductions on tariffs faced by their exports in industrialised countries. It has to be stressed that these costs, large as they are, represent the tip of an iceberg. The long-run losses associated with higher costs for new technology in terms of reduced productivity, employment and – ultimately – loss of competitiveness in global markets are enormous.

Of course, not all of the costs can be captured in financial terms. The use of the TRIPS agreement by the global pharmaceuticals industry to restrict competition from generic producers and maintain in developing countries was highlighted by the HIV/AIDS case in South Africa. In countries where the unaffordability of medicine is one factor excluding millions of poor people from effective treatment, trade rules that increase drug prices can have only one effect: more sickness, disability and premature death.

Some of these problems are now recognised. And the Public Health declaration announced at Doha was a step in the right direction. But this is a fundamentally biased agreement that is bad for poor countries – and bad for poor people.

Much the same applies to the GATS agreement. It is surely significant that the one service in which developing countries have a clear cost advantage – namely labour – has for practical purposes been kept off the negotiating agenda (despite its formal inclusion). Meanwhile, the EU has already tabled a shopping list of demands for liberalisation covering everything from banking and insurance, to water and environmental services.

Discrepancy between the new liberalisation agenda and institutional capacity

As the world's wealthiest country has recently re-discovered, regulation of financially powerful companies is a tricky business. And in a global economy of virtual financial flows between and within companies, it is getting more tricky by the day. Consider then how much more demanding is the challenge facing developing country governments in regulating financial system and foreign investors, many of whom control financial assets that dwarf national budgets.

Viewed in this light, there is an alarming discrepancy between the harmonisation agenda promoted by rich countries in the WTO, and the institutional capacity and development needs of poor countries. Take the one sub-issue of competition policy. The US Justice Department has a budget of $200m to deal with this issue, and the UK Department of Industry a staff of 450. One assumes that both could implement new WTO-sponsored regimes. I suspect that the same is not true for Uganda, or the vast majority of developing countries. Similarly, in areas such as finance and public utilities like water, rich countries have developed vast institutional apparatus over many years to regulate companies and protect the public interest. Developing countries are not in the same position. Which is why premature harmonisation poses such risks.

The deeper point of course is that if the history of development experience teaches anything, it is that blueprints don't work, whether they are drawn up in Washington or Geneva. While there are obviously lessons and common standards for good practice, each country needs to develop its own institutional structure at a pace that is plausible.

Abuse of corporate power

Unlike most of his latter day disciples Adam Smith understood the limitations associated with the unregulated pursuit of private profit. "People of the same trade," he wrote, "seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in a diversion to raise prices."

I have tried to think of a better way of describing the forces that conspired to produce TRIPS agreement, but I can't. TRIPS was the product of a brilliantly conducted lobbying campaign at the highest levels of government, orchestrated by the Pharmaceutical Research and Manufacturers Association of America. As with many campaign, it is generating copycat behaviour. Many of the texts submitted by the EU on GATS bear an uncanny resemblance to documents prepared by the European Services Network – a coalition headed by Barclays Bank. In the case of the US, the Coalition for Service Industries appears to produce prose almost identical to that submitted by the US Trade Representative.

What does all this mean for the legitimacy of multilateralism. At one level, we have to accept the right of companies to secure policy change goals that reflect their private interests. Civil society organisations like Oxfam also seek to change policies. But there are two problems. First, financial power yields disproportionate political influence. There is a gathering – and justified – belief, superbly described by Dan Esty, a law professor at Yale University, that the WTO provides a multilateral smokescreen for the subordination of public to private interest.

Second, there is a weak recognition on the part of national governments lobbied by powerful industries about the consequences of WTO rules for the public in developing countries. One doubts that the question of access to HIV/AIDS drugs for people in Africa figured prominently in the dialogue between the research-based pharmaceuticals industry and governments in Europe and the US. That, after all, is why they are now desperately trying to patch up a bad agreement by appending a public health provision, largely as an afterthought.

For all the complexity of the problems I have just outlined, some simple solutions suggest themselves.

- **Roll-back the WTO's remit**. New areas such as investment and competition should be kept out of WTO negotiations, and the GATS agenda should be re-defined to limit demands for liberalisation in areas such as financial services and utilities, and to generate greater benefits for developing countries.
- **Tear up TRIPS**. Perhaps this is not a politically feasible solution, but it is the rational one. The TRIPS agreement is bad for innovation in general (because patent protection periods are too long), and bad for developing countries in particular. More immediately, the public health provisions need to be strengthened. Rich countries have accepted in principle the case for more flexible compulsory licensing arrangements, enabling governments to authorise the production of generic copies of patented drugs. However, countries lacking the economic and technical capacity to produce such drugs are unable to make effective use of compulsory licensing provisions. That is why governments in Africa and NGOs like Oxfam and MSF have proposed that these countries should be entitled to import generic drugs without being forced to seek authorisation in the form of a compulsory license in the exporting country. We would like to see the US fully endorse this proposal.

Conclusion

As I mentioned at the outset, the Doha ‘development round’ may well be the last chance saloon for the WTO. Failure to deliver real and tangible benefits to developing countries, or to change the rules that currently skew the benefits of trade towards rich countries, will irreparably damage the standing of a multilateral system already lacking credibility and legitimacy.

There is little cause for optimism. So far, the only novel feature of the Doha Round has been a commitment by rich countries to finance a modest ‘capacity building’ programme in poor countries. The inverted commas are applied for a simple reason: the programme is designed to enhance the capacity of poor countries to implement and enforce agreements over which they have had little influence, and which are inimical to the interests of their citizens. We urgently needs a new approach to the management of world trade. That approach needs to extend the distribution of benefits from globalisation beyond the few to the many - and it needs to underpin the multilateral system with values based on social justice and a shared commitment to poverty reduction. In short, we need to abandon the legacy of the old order and create a multilateralism capable of meeting the challenges of a new millennium.

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