

Caroline's Blog from Hong Kong

Number Six - December 19th

Well, the Hong Kong authorities are clearing up their city, no doubt relieved that the worst of their fears about the likely scale and violence of the protests proved unfounded. NGOs are issuing their final press releases, and packing their bags, while exhausted trade ministers and their teams already left some hours ago, each no doubt assessing how best to put a brave face on a bad deal.

Accusations of rich country betrayals and broken promises abound. Headlines speak of the trade round being left on "life support", of aid packages being dismissed as bribes, and of fury on the streets turning to gloom.

The endgame sadly has a weary predictability about it. The script could well have been written weeks, if not months, ago. It was clear that the EU would resist going further on agriculture, that the US would avoid giving anything significant on cotton, but that they would both combine to try to force developing countries to open up their markets for manufactured goods and services. It was clear, too, that their strategy would be whitewashed with the tediously repeated mantra of a "development round", and that a few symbolic gestures of marginal benefit would be dressed up as genuine progress on poverty eradication.

Perhaps now is a timely moment to consider what comes next. The compromise agreement cobbled together in Hong Kong on Sunday was achieved only at the cost of postponing until next year all the most difficult negotiations, with a further meeting pencilled into Ministerial diaries for Geneva in the Spring. But before we rush to arrange our travel arrangements, book our rooms for the protest meetings and plan the demonstrations, we would do well to consider the bigger picture.

According to the bicycle theory of world trade, trade liberalisation has to keep moving forwards otherwise it risks falling and failing. For those who are looking in the right direction, there is an extremely large juggernaut bearing down on the trade system, which is likely to send the (already distinctly wobbly) bicycle crashing to the ground.

The juggernaut is China, a country which has kept a low profile during the Hong Kong meeting, but which nevertheless poses an extraordinary challenge, not just to the world trade system, but to the theory of free trade itself.

Proponents of the current free-trade orthodoxy which underpins the WTO argue that, although some jobs in the North are lost, either to imports or because factories move to cheap labour countries like China or India, on balance everyone benefits. The bulk of this work is labour-intensive and lower-skilled, they argue, and can be done more efficiently by countries that have an abundance of less educated workers. In return, those countries buy more of our higher-value goods made by skilled workers - for which we have a comparative advantage. In theory, the lost jobs and lower wages in the industrialised countries are more than offset, leading to more robust exports and lower prices on imported goods.

But with the rise of China, and the increasing number of TNCs which are choosing to base themselves there, attracted by a combination of low wages and increasingly high technical expertise, we are faced with a country that doesn't just have a comparative advantage - but rather an almost absolute advantage in an increasing number of sectors.

But this is a triumph for multinational capital, not for Chinese workers who, as well as suffering from some of the worst labour exploitation on record, are also losing jobs at a phenomenal rate. In textiles, for example, in order to be competitive enough to drive others out of business, the Chinese sector shed over 50% of jobs between 1996 and 2001, throwing over 3 million people out of

work. The costs of competition from China-based companies to a growing number of poorer developing countries are also increasing, with jobs lost and markets destroyed.

As far as the EU is concerned, the response from Trade Commissioner Peter Mandelson is complacent and patronising. All the EU has to do to remain competitive is to move up the value-added chain into high-tech sectors, he asserts. Yet such complacency is completely undermined by the fact that companies in China are already moving in precisely that direction themselves. On my way to Hong Kong, I visited Guandong province - the fastest growing region in China - and have lost count of the number of provincial government officials who assured me that their strategy was exactly that.

There is already a significant body of empirical evidence that the WTO's neo-liberal free trade dogma is failing the poor, and destroying the environment - hence the resistance of so many poor countries to open their markets at rich countries' behest. Combine that with growing evidence from China that very soon whole sectors of global trade will be dominated by companies operating out of just one or two countries, and it's clear that the whole free trade project is in question.

So as the bicycle wobbles on its way towards the next major WTO meeting in Geneva, we should be there not with a bicycle pump and a repair kit, but with a blueprint for a completely different vehicle - based on managed markets, and tariffs and quotas where necessary, that will allow the gains from international trade to benefit the majority of the world's people, rather than the self-interest of the powerful minority and transnational corporations.

Number Five - December 16th 2005

The cumulative effect of numerous late night meetings are beginning to take their toll...it is with great reluctance that I drag myself out of bed and into one of the most elegant (and expensive) shopping malls I've seen, which bizarrely seems to be the only way to access the nearest metro station.

As I race past Chanel, Armani, and a host of other major fashion shops (which fortunately at this time of the morning are still closed, thus removing any shred of temptation), I muse over the extraordinarily high quality of the music presumably coming over the loudspeakers around me. Far from being like the tinny musak of British shopping centres, it sounds fantastic, and I half expect to find a full scale classical orchestra secreted behind some of the mannequins in one of the shop windows.

My reverie ends as I squash myself into the tube which takes me to Kowloon, where I'm speaking at a meeting on SDT - which, though it may sound like a sexually transmitted disease, in fact stands for Special and Differential Treatment, yet another bit of WTO jargon referring to special trade exemptions for poorer countries.

From there, it's a quick dash across the city to be at the Conference Centre on time for a press conference hosted by War on Want on the Services negotiations. This is becoming the most contentious issue of the whole Ministerial, with the potential to block the whole agreement. I'm speaking alongside parliamentarians from the Philippines who eloquently describe how, if countries like theirs are forced to open their service sectors to foreign companies, access to basic service provision would suffer enormously.

Yet such market opening is precisely what the EU is seeking to achieve. The Commission is on the record stating that "For the EC the principal aim of the services negotiations is to improve market access for European services exporters in foreign markets and to secure a more transparent and predictable regulatory environment for services." In other words, a nod and a wink to their

corporate friends, and if that means attacking domestic regulations in developing countries, so be it. To this end, the EU is fighting hard to remove the brackets on Paragraph 21 of the Services text (on things such as this, sadly, hang the fate of millions....) What this actually means is that, if the Commission can persuade developing countries to accept the contents of Paragraph 21, they will have successfully shifted the whole basis of the negotiation away from a voluntary, bottom-up process instead to a mandatory, top-down one, with developing countries being forced to open up a certain percentage of their service sector to foreign companies.

The African, Caribbean and Pacific countries, along with ASEAN, are fighting a rearguard battle, and plan to table their own alternative text later today.

Finally, sneaking into the back of a press conference being held – with obvious reluctance - by Peter Mandelson, I notice that he is looking more cross and frustrated by the day. Even the sonorous tones of some of the NGOs assembled outside, heartily singing a song about Aid for Trade to the tune of Jingle Bells outside the press conference failed to raise a smile. (The words, in case you want to give it a try, were “Mandelson Mandelson, this gift we give to you, Aid for Trade is a game you play, it's empty through and through”).

He speaks for as little time as he can get away with, barks at the assembled media, and tells us nothing new. He is, however, bullish about refusing to remove EU export subsidies unless other developed countries remove their subsidies too. To be generous, at one point in time, it was perhaps quite shrewd to try to lever the US and others into stopping their equivalents to export subsidies (mostly food aid in the case of the US), and to therefore make EU action conditional on movement by them as well. That time seems long past. Subsidised exports are quite simply unacceptable and unjustifiable, destroying local markets in developing countries, and since we've promised to end them countless times before, we should simply honour that promise now, and find other ways to pressurise the US to do the same.

In an attempt to deflect further criticism of the EU, Mandelson once again points the finger at the US which, not to be outdone, is insisting on making progress on removing its cotton subsidies conditional on a wider deal on agriculture. In other words, unless the EU goes further on agriculture, the US will refuse to change its cotton subsidy system which is currently decimating the livelihoods of cotton farmers in West Africa and elsewhere.

To watch the two giants at the WTO, the EU and US, ducking and weaving, constantly seeking to shift blame, pass up responsibility, and avoid delivering on their previous promises is a sickening spectacle. And if Peter Mandelson or his US counterpart Rob Portman have the gall to speak of a development round again, I shall be sorely tempted to stick those words down their throats.

Number Four - December 15th 2005

Things are definitely hotting up here today, the atmosphere much more tense, and the war of words – especially between the EU and US – definitely escalating. The two key issues that everyone is talking about are the so-called development package, and the extremely controversial services negotiations – and the EU's strategy appears to be to try to get early agreement on the former in order to pave the way to the latter.

The development package is currently being discussed in "green room" meetings (ie selective – and undemocratic - negotiating meetings among the key players), and is based on a set of measures supposedly designed to help the least developed countries.

Mind you, the very fact that the EU and US have proposed such a package gives the lie to any notion that this will be a development round, in which the objective of every part of the agreement is meant to address the needs of poorer countries. The only reason a development round would need

a development package bolted onto it is if the round itself is failing to live up to the promises the rich countries made at Doha in 2001.

I spend much of the day discussing these issues with NGOs, taking part in both a packed press conference on the subject, and then a further strategy meeting. All of us seem agreed that, in reality, the package risks being seen as little more than a bribe or sweetener to try to distract the developing countries from the fact that the rest of the round's proposals are hugely damaging in terms of their development impact.

It gets worse. As far as the EU is concerned, the majority of the measures outlined in the package are either commitments already made, or promises impossible to deliver.

It frankly beggars belief, for example, that the European Commission can seriously pledge to deliver an extra 1 billion euro for the aid-for-trade package at a time when the EU budget is under unprecedented attack. Unless, of course, the money turns out to be diverted from existing aid budgets or, even more destructively, coming from loans and grants that will need to be repaid. In which case, it won't just be a distracting bribe, it will be an absolute scandal.

But, lest you think my criticism of the EU has been unbalanced in my last few postings, let me – in the interests of equity if nothing else – give you a short overview of the US position on this subject.

First of all, US Trade Representative Rob Portman's promise yesterday to more than double US grant contributions to Aid for Trade is, in the small print “subject to the President's budget request being approved and developing countries prioritising trade in their development plans.” First, the President's budget requests are almost *never* simply approved! Moreover, the US Congress is in a deep budget crisis, and the likelihood that it will be agreed is hovering around zero.

Second, the aid will only be forthcoming if poorer countries agree to give “priority” to trade issues in their development strategies. In other words, to skew their economies still further to the very free trade which, in many cases, is largely responsible for their impoverishment - they can have the sweet, but they have to drink the poison first. And finally, with respect to the pledge on zero tariff quotas, the USTR has absolutely no authority to promise this, since it can't be delivered without a vote in Congress!

No wonder the atmosphere is getting tense. Frustration is growing among the African delegations in particular. Just as I'm leaving a strategy meeting, a statement by African MPs is pushed into my hands. It's unusually strongly worded, criticising the untransparent ‘Green Room’ process (“We are concerned that other WTO Members are expected to wait for the outcome of these illegal, untransparent and exclusive processes and then rubber-stamp them”), and ending with an attack on the “behind-the-scenes manoeuvres to compromise, disorient and divide the African Group through selective and unilateral invitations to ‘informal consultations’”.

At lunchtime (in name, at least – I haven't worked out when you're supposed to find time to get food here) I find myself alongside French farmer and activist Jose Bove and Indian campaigner and academic Vandana Shiva in a protest against GMOs. A petition is handed to the WTO's Deputy Director General Alejandro Jara (the DG Pascal Lamy having pulled out at the last moment), signed by organisations representing more than 60 million people around the world.

The protest stems from growing concerns that the WTO dispute panel is about to rule against the EU's earlier GM moratorium, making it impossible for citizens and governments to reject GM crops in future. My role in the protest is to present Mr. Jara with a basket full of organic fruit and vegetables, to demonstrate the alternative kind of agriculture which is put at risk by widespread GM contamination. Fighting my temptation to eat some of my props, I present him with a full basket, and ask him to convey it (intact) to Mr. Lamy, along with our message.

In the afternoon, I've been asked by Friends of the Earth to chair a meeting on the impact of the negotiations on NAMA (non agricultural market access) on natural resources and livelihoods. Of particular concern is the fact that the negotiations may be used to restrict the ability of governments

to legislate in these areas. FoE has identified no less than 212 laws and regulations relating to the environment and health standards that have been notified by governments as “barriers to trade,” and are therefore vulnerable to attack.

The days ends with my chairing another meeting, this time at the request of a group of animal welfare organisations, focussing on so-called “non-trade concerns” in WTO jargon, which include animal welfare. The very fact that stamping out animal cruelty is described as a “non-trade concern” demonstrates the extent to which international trade dominates the politics of our time – and the extent to which we must all challenge newspeak in order to make sense of it all and seek to change it.

Number Three - December 14th 2005

Today started with meetings with both Commission representatives and Alan Johnson, Britain's Minister for Trade, which gives MEPs the opportunity to get first hand information about the state of play of the negotiations, and a chance to try, at least, to influence them.

Mr Johnson started by expressing a mixture of bemusement and indignation that the EU is increasingly being seen by the developing countries, the media and the NGOs as, in his words, “the villain of the piece.” With considerable justification, I'd say. I put it to him that there were very good reasons for this growing, if unflattering, perception – not least the Commission's aggressive strategy of forcing market opening on poorer countries.

I'm pleased that more people are beginning to see through the EU's hypocritical position. The more its double-speak on development is exposed (and that's part of my reason for wanting to be here), the greater the possibility that it can be changed.

My first real challenge of the day, however, was finding my way to the conference centre across a maze of flyovers, underpasses, and bridges. My sense of direction is non-existent at the best of times, and finding my way round this city has been challenging, to say the least – not helped by the fact that roads are frequently closed at short notice, as police divert people away from potential demonstrations. Later I try to join one of the protests, but – since more and more roads are being suddenly closed off - find myself instead uncomfortably wedged between two lines of Hong Kong police, complete with batons and riot shields, whose actions are being directed by two burly British policemen.

Anyway, I finally make it to the conference centre, talk to some journalists, meet some NGOs, and squeeze myself into the opening ceremony. During a slightly less than riveting moment, I busy myself with some primary research. Leafing through the large list of registered delegates, I decided to make some comparisons between the different sizes of the negotiating teams here in Hong Kong. It made for some sobering conclusions. The EU, admittedly including all 25 member states and the Commission – but still just one negotiating position (in theory at least) – boasts over 800 people here, while the US has just over 350. While you're still trying to absorb those figures, spare a thought for Djibouti, with one negotiator, Gambia with two, Burundi with three, Mauritania with four.

Little wonder, then, that the agreements reached at meetings like these are so heavily stacked against developing countries, when many of them can't even afford to send a proper negotiating team to the Ministerials to argue for their interests. And yet another reason to completely transform the way trade policy is made, and replace the WTO with a fairer, more democratic institution.

The opening ceremony livens up considerably with the sudden chanting of “No to the WTO” from a group of around 30-40 NGOs who have managed to smuggle small posters into the hall, and are

now standing up and making a considerable noise! Delegates at the back of the room swivel round to watch, while the unflappable Director General of the WTO, Pascal Lamy, continues with his speech, albeit at a few decibels louder than usual.

The day ends with a frustrating debate, at which a World Bank representative tries (and, gratifyingly, fails) to make the case that trade liberalisation is self-evidently good for the poor. I have to say (although of course I admit I'm biased) that those of us with a critical, anti-globalisation stance do have all the best arguments!

Take this, for example. According to one United Nations study, "in almost all developing countries that have undertaken rapid trade liberalisation, wage inequality has increased, most often in the context of declining industrial employment of unskilled workers and large absolute falls in their real wages, on the order of 20-30% in Latin American countries."

Or this: new projections on the gains from world trade come to the conclusion that in the Doha scenario of trade agreements, developing country gains would amount to less than a penny-a-day per capita, with 70% of all gains going to developed countries.

So much for a development round, then.

Number Two - December 13th 2005

Still one day to go before the WTO Ministerial officially starts, but there's no shortage of preparatory meetings and briefings to attend. Today kicked off with a meeting of the WTO Parliamentary Assembly. The idea of greater parliamentary scrutiny of world trade talks is theoretically a very good one, even more so if MPs have the power to formulate rigorous proposals for appropriate policy changes as a result. Sadly, the reality of the current Assembly, set up a few years ago, is that it is little more than a talking shop, and ironically replicates many of the undemocratic practices which are rightly criticised of the WTO.

European Trade Commissioner Peter Mandelson, in his early morning address to the meeting, was flatteringly complimentary about the role of the Assembly, greeting us with the words:

"You provide a vital element of the democratic control which gives our work legitimacy".

The trouble is that we don't, and so it isn't: the Parliamentary Assembly has no authority to exercise democratic "control" – only the opportunity to raise questions and debate issues – and as a result, the trade negotiation performed by the European Commission in particular is profoundly undemocratic.

The European Parliament has no "co-decision" on international trade issues; in other words we have no legislative powers. Our role is an entirely consultative one, and since the Council in practice seems to have little influence either, it leaves the Commission with extensive powers to do pretty much as they like.

Following a range of further set piece speeches, including one from the new WTO Director Pascal Lamy, it was the turn of the parliamentary delegates to speak. I was struck by the number of interventions from developing country representatives which made it very clear that current trade rules are destroying the livelihoods of their people. It reminded me of a recent opinion poll which reveals that 90% of African delegates questioned do not believe the rhetoric about this being a "development round", and two thirds of them believe their economies would suffer if they accepted the proposals which are currently on the table. It was damning stuff, and I wished that Mandelson and Lamy were still in the room to hear it.

Towards the end of the day, it was a relief to get out of the ferociously over air-conditioned conference room (where I had spent most of the day

shivering) and into the warmer night air of Hongkong, glittering with the lights from the skyscrapers towering all around us.

Next stop was a reception co-hosted by the British Presidency and the European Commission. Peter Mandelson was there again, this time proudly declaring his intention to address the three “D”s – Deadlocks, which need to be broken; Deadlines, which need to be kept; and Development, on which there has apparently been much recent progress.

This will come as news to the majority of developing countries who are increasingly angry that development issues are being sidelined. Although much is being made of a new so-called “development package” currently being promoted by the EU among others, there is concern that it will simply be used as a bargaining chip in exchange for further demands for liberalisation in key sectors of developing country economies. There is every likelihood that it will be used not as part of a bigger deal that addresses the significant harm caused by existing WTO rules, but as a 'sweetener' to disguise the bitter taste of a bad deal overall.

Finally, an article in the Independent from the three British Ministers at Hongkong, Hilary Benn, Margaret Beckett, and Alan Johnson - discovered as I logged onto the internet before going to bed – kept me up into the small hours as I penned an angry response.

According to the Ministers, “developing countries must retain the right to design their trade reforms in a way that suits them.” Absolutely right – but exactly the opposite position to that taken in reality by Commissioner Mandelson. Which leads to an interesting question: is there a deliberate tactic of good cop/bad cop going on, or is it really the case that the British Presidency has no control over the negotiating strategy of the Commission? Unfortunately, one of these two scenarios has to be right, since it is patently clear that Commissioner Mandelson shares none of the Ministers’ apparent concerns and aspirations.

I go to bed, pondering which is worse – either our government is being absolutely disingenuous or the Commission is completely out of control.

Number One - December 12th 2005

As trade ministers from 148 member countries of the World Trade Organisation gather in Hong Kong for this week's Ministerial Meeting, along with over 10,000 delegates, journalists and civil society groups, there's a palpable feeling of gloom – a sharp contrast to the bright lights and gaudy tinsel of Hong Kong's lavish Christmas decorations, extravagantly festooned all around this frenetically busy city.

Billed as a “development round”, these negotiations were supposed to put the needs of the poorer countries at their heart. Instead, there is growing anger from a majority of developing countries over the way in which their concerns are being sidelined. The EU in particular is perceived to be speaking with forked tongue – excellent on the rhetoric of helping poorer countries, yet in reality still pursuing an extremely aggressive strategy of trying to force open developing country markets.

The subject of trade in services – everything from financial services to transport and tourism - is shaping up to be one of the most fiercely contested issues. It hasn't helped that some of the industrialised countries, led by the EU, have proposed a completely altered structure for the negotiations, so that instead of being a voluntary, opt-in process, the negotiations will proceed on the basis of mandatory market access commitments. This is all about liberalising domestic regulation to allow foreign companies the same rights as local ones, with much freer investment and competition rules. These were some of the most controversial issues debated at the last WTO Ministerial in Cancun two years ago, and the EU's insistence on pursuing them was instrumental in

the collapse of that meeting. Some are already predicting that Services could derail the whole Hong Kong Ministerial, just as investment and competition (the so-called “Singapore Issues”) did in Cancun .

Meanwhile, residents of Hong Kong are looking on slightly bemused, as the local media continues to issue dire predictions about potentially violent clashes with what they are calling “radical activists,” in spite of the fact that yesterday's first march was perfectly peaceful.

But residents could be forgiven for being a little confused. The Hong Kong authorities have helpfully issued everyone with a handy leaflet entitled “Understanding the Hong Kong Ministerial Conference”, which – under the heading Free Trade and You – celebrates the munificent advantages of trade liberalisation which apparently benefits everyone all of the time. What possible reason, then, would people have to protest?

Part of the answer can be found in recent events in Guangdong province, just over the border in mainland China . I was able to spend a few days there on my way to Hong Kong . On the surface, Guangdong appears to boast some of the greatest achievements of the very process of free trade and economic globalisation so glowingly celebrated in the Hong Kong government's leaflet. According to the Economist Intelligence Unit, Guangdong is “by far the biggest success of China 's economic reform”. It generates the highest GDP of all China 's provinces, growing at a rate of around 13% this year, and contributes around 12% of national economic output, one third of its trade and half of its hi-tech exports. Former paddy fields have now been transformed into a bristling forest of skyscrapers, office blocks and factories.

But the other side of this picture was vividly demonstrated just a few days ago in Dongzhou village, to the South-East of the province, where up to 20 villagers were reportedly been shot dead by Chinese paramilitaries in the greatest show of government repression since Tianamen Square. At issue was the construction of a coal-fired power plant to fuel the ever-growing energy demands of Guangdong 's rapid, export-led, economic expansion, on land reclaimed from the nearby saltwater lake. However, villagers have relied on fishing from the lake for generations. With their livelihoods now effectively stolen from them, they were protesting against the lack of compensation and the likely destruction of air and water quality, when the paramilitaries opened fire. Dongzhou isn't an isolated example. According to the Chinese central government, up to 3.6 million people took part in 74,000 “mass incidents” last year, an increase of more than 20% on 2003, mostly generated over access to land, and growing concerns about pollution.

It is issues such as these – the social and environmental impacts of ever greater deregulated trade – that ought to be focussing minds here in Hong Kong over the coming week. The Ministerial should also be addressing the needs of the poorest countries, and ensuring that fair trade, rather than free trade trade, is the way forward. If this is to be a genuine “development round”, then the voices of the poorest countries need to be listened to most clearly. Unfortunately, so far at least, it seems unlikely that they will be.