WTO Democracy and Reform
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Summary

The Cancún Ministerial Conference in September 2003 marks a key moment in the history of the World Trade Organisation (WTO). Acting as a mid-term review of the current Doha Round of international trade negotiations, the so-called 'development round', the Cancún Ministerial will establish whether the needs of developing countries are truly to be taken into account at the WTO, or whether the organisation will continue to promote an agenda imposed on the majority of its members by the rich countries of the developed world.

The WTO is often held up as a model of democracy among international institutions. In particular, its supporters suggest that a rules-based system of trade is far better than the ‘law of the jungle’ which would prevail without the WTO. In other words, if the WTO didn’t exist, we would have to invent it.

ActionAid agrees that a fair, rules-based international trading system would indeed be a positive force for good. Yet it is clear that, in many ways, the WTO has failed to provide this. In fact, there is now evidence that the law of the jungle has been moved inside the WTO, with less powerful members facing immense pressure to abandon their own national interests and sign up to the agenda dictated by richer and more powerful states.

These pressures can be brought to bear on developing countries even through formal bilateral procedures within the WTO. Under the General Agreement on Trade in Services (GATS) for instance, countries engage each other in secret bilateral negotiations at the WTO in order to open up service sectors of interest to their home companies. This process exposes poor and less powerful countries to direct pressure from the most powerful in exactly the manner the WTO was supposed to avoid and has been identified as a key obstacle to developing countries' ability to manage the process to their advantage.¹

Bilateral pressure is also commonly applied in the many informal meetings which take place in and around the WTO, both at Geneva and during ministerial conferences. Yet even in formal meetings it is wrong to suggest that developing countries are necessarily in a stronger position as a result of being able to join forces against more powerful adversaries. The combined power of the USA and EU in particular, provides a formidable obstacle to advancing pro-development policies at the WTO, regardless of how many developing countries band together to promote them.

ActionAid joins with civil society organisations around the world in the call for the WTO to be radically reformed. If the WTO is to survive its crisis of legitimacy as an international negotiating body, it must establish basic rules of democracy and accountability – both to its own membership and to the wider public whose interests it is supposed to represent. Without these rules, the WTO will continue to be seen as a forum in which the demands of the most powerful are afforded more importance than the needs of the most vulnerable, and its free trade agenda will continue to threaten people's rights.

‘Democracy’ - WTO-style

The WTO is often held up as a model of democracy among international institutions because it ultimately relies on the democratic principle of ‘one member, one vote’. The problem is that the WTO does not hold votes. Instead, the WTO relies on a system of decision making by ‘consensus’ which makes it far more difficult for developing country members to stand in open opposition to the forceful delegations of the EU, USA and other rich countries.

The WTO decision-making process functions through a system known as ‘passive consensus’, whereby any WTO member country which is not actively opposing a position is taken to be in favour of it – even if that country’s representatives are not actually present at the meeting. This has sometimes led to major decisions being taken without the full membership being represented. Indeed, the final Declaration of the WTO’s Doha Ministerial was ‘approved’ despite the absence of many WTO member countries: the Ministerial had run well past its scheduled deadline, and several smaller delegations had been forced to return home on pre-booked flights.

The system of passive consensus also allows for more powerful countries to use an armoury of threats and pressures in order to win over opposing delegates, since those delegates will only need to remain silent for the ‘consensus’ decision to go through. A full picture of the pressures which developing countries face in their negotiations at the WTO is only just beginning to emerge, as a result of new publications based on extensive interviews with trade negotiators themselves.2

These interviews reveal a situation in which less powerful countries regularly find themselves being pressured to support decisions which they know are not in their own interest, but which they dare not oppose. Sometimes the pressure is a direct result of stronger bargaining power or negotiating capacity within the WTO itself, given that richer countries are able to bring far greater resources to the negotiating table. The combined EU delegations to the Doha Ministerial totalled over 500 people, while many poorer countries managed no more than half a dozen officials to cover all the negotiations at once.

In addition to this imbalance there is also evidence of a wide range of underhand practices being used at the WTO, including:

- the threat of aid budgets being cut or essential loans being blocked if a country maintains its opposition to the richer countries or, conversely, the promise of extra aid, loans or debt relief if the country will drop that opposition
- the threat of a loss of trade preferences by countries opposing the ‘consensus’ position, especially the cancellation of market access preferences for key exports from developing countries – a powerful weapon against countries which rely on the EU or USA as their principal export markets
- personal attacks on delegates who defend their own country’s position in opposition to that of the richer countries. There are instances of strong developing country negotiators being removed from their posts at the WTO after phone calls to their governments complaining of their opposition, with threats of more widespread retaliation if the ‘troublemakers’ are not removed

It is for this reason that many delegates contributing to Kwa (2003)3 and quoted in this paper felt unable to provide their names.

No one disputes that power politics play a major role in the WTO. Former WTO Director General Mike Moore himself acknowledged that, despite formal equality between WTO members, “there is also no denying that some members are more equal than others when it comes to influence.”4

EU Trade Commissioner Pascal Lamy has also confirmed what he calls the “arm-twisting and blackmailing practices” which take place at the WTO. Speaking at a meeting with civil society

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In their own words…

“The usual practice is to make promises to a developing country so that it will defend the interests of a developed country, with the result that the developing countries are pitted against each other. Apart from that, developed countries use pressure tactics, for example, political pressures, threatening to withdraw some type of tariff preferences and trying to discredit the people in charge of small country delegations in Geneva. The examples are numerous: there are black lists of enemy countries, and lists of people whose positions are contrary to their interests and who therefore—thanks to political pressures and the use of personal attacks—are moved away. Is this sovereignty or a new form of colonialism?”

WTO delegate

“We have been approached bilaterally in capitals. We are approached in Geneva. We are made to feel that we are holding up the rescue of the global economy if we don’t agree to a new round here…. In addition, we feel that this meeting [Doha Ministerial] has no connection with the fight against terrorism. And all these things have been put to us in a way that if we don’t agree, we are not committed to those goals, which is certainly not the case.”

Dr Richard Bernal, Jamaican delegate in Doha

“If [developing country negotiators] feel that any proposal is not in the interest of their country, they oppose it. Their opposition is quite firm sometimes, and they stick to their line almost till the very end. But finally when intense pressures are built up in the capitals or if all other countries have acquiesced in the proposal, they also drop their objection and remain sullenly silent. Decisions are taken to which they become parties even though they had earlier raised objections. And in this manner their countries get bound by the obligations imposed by the decisions. The immediate political cost of withholding consensus appears to them to be much heavier than the burden of these obligations in the future.”

B L Das, former Indian Ambassador to the GATT


representatives in Brussels in May 2003, Lamy acknowledged from his own experience as chief EU negotiator that these underhand tactics are employed in WTO negotiations. In fact, while the USA is accused of using the most blatant threats and inducements in order to get its way, there is also talk of the EU adopting equally effective ‘negotiating techniques’ in order to overcome developing country opposition.

These threats are sometimes targeted at ambassadors and delegates to the WTO in Geneva, often in informal bilateral meetings as described above. They are often most effective, however, when directed at ministers and other government officials in the capital cities of developing countries, many of whom are not as used to the pressures and negotiating tactics employed by determined opponents, and may be amenable to a broader range of extraneous threats. It has become common practice for rich country governments to bypass developing country delegates at the WTO in order to exert maximum pressure on their ministerial colleagues in capital cities back home. WTO ministerials also allow for this dynamic to come into play, as government ministers take over from ambassadors and other permanent negotiators at the head of developing country delegations.
There will always be an imbalance in power relations within international institutions, and the WTO is not the only global organisation facing such a challenge from powerful states. Yet institutions can adopt a range of procedures to offset this imbalance by respecting the needs of less powerful members and building democracy through more inclusive and transparent rules. The WTO owes its crisis of legitimacy to the fact that it has resisted calls to adopt more transparent and democratic procedures, preferring instead to perpetuate a system which favours the rich and powerful over the majority of its members.

Exclusion and bullying: ‘Flexibility’ and WTO Ministerial Conferences

Nowhere is the lack of fair process and democracy at the WTO more apparent than at its Ministerial Conferences. Scheduled to take place every two years at least, these summits are the principal forum for decision making in the WTO. By the same token, they provide a significant indication of the state of democracy within the WTO. There are few signs that the organisation has learned any lessons from past mistakes.

The Seattle Ministerial in 1999 collapsed when the EU and USA openly disregarded the wishes of developing country delegates and attempted to force through their own agenda on an unwilling WTO membership by holding secret ‘green room’ meetings to which only selected countries were invited. Developing country delegations refused to accept such an open display of power politics, and the WTO failed to launch the planned new round of negotiations.

By the time of the Doha Ministerial in November 2001, developed countries had learned to adopt a more subtle approach at the WTO, but still ensured that their interests dictated the agenda in the run-up to the conference. The crux point in the Doha preparation process came when Stuart Harbinson, Chair of the WTO General Council, suddenly presented a draft declaration two weeks before the start of the Ministerial which included EU proposals for a comprehensive new trade round without any indication that those proposals had consistently been rejected by developing countries in the preceding months. Indeed, the alternative language which had been put forward by developing countries themselves and included in the original draft declaration had simply been removed.

This hijacking of the agenda immediately prior to the Doha Ministerial meant that developing countries had to spend the conference fighting off EU attempts to expand the WTO’s mandate rather than concentrating on a more positive, pro-development
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In their own words...

“We made so many suggestions before Doha, but they were ignored. In fact, the suggestions by developing countries just fizzled out. We gave texts. We didn’t know where they went, but they didn’t find their way to the draft declaration. We were expressing our dissatisfaction, and our disgust. Yet the Chair went ahead, taking the draft to Doha. The onus was left on developing countries to say, “We don’t want this”. But the other side didn’t have to do that because the job had already been done for them in the text.”

African delegate

“We had submitted a number of drafts, in the Like-Minded Group, the African Group and LDCs. But our positions were not captured in the draft. Why were we wasting our time to submit these position papers which were not being taken into consideration?”

Ambassador Chidyausiku, Zimbabwe

“In the process of [pre-Doha] negotiations, we would object to a text, but it would still appear. We would state we wanted a text added in, and still it would not appear. It was like a magic text.”

South Asian delegate


Director General, Mike Moore, ensured that he was closely identified with the EU’s attempt to launch a comprehensive new round of negotiations at Doha. Moore further angered delegates by writing an opinion piece in the Financial Times in February 2002 in which he explicitly sided with EU arguments for an expansion of the WTO mandate, even in the face of developing country opposition.

After the bruising experience of the Doha Ministerial, developing countries once again raised the issue of democracy and fair process at the WTO. In a comprehensive submission to the WTO’s General Council in April 2002, a coalition of 15 developing country members laid out a set of basic rules and transparent procedures which would enable them to participate in the negotiations on a more equal basis and to protect the interests of their own countries over and against the demands of more powerful WTO member states.

The first concern of the developing country proposal was that all preparatory meetings in the run-up to the Cancún Ministerial should be held under the supervision of the WTO’s General Council, at which all WTO members have a voice. By contrast, any meetings or consultations held outside the General Council’s supervision would not be considered part of the formal preparatory process for Cancún. This point was of particular importance in view of the experience in the run-up to the Doha Ministerial, when a select group of countries met in a series of ‘mini-ministerials’ held away from Geneva, at which the agenda for Doha was developed and progress towards the final outcome was made.

Despite these efforts to establish basic procedures for the 2003 preparatory process, the number of mini-ministerial meetings has increased in the run-up to Cancún. Starting with the Sydney mini-ministerial in November 2002, small groups of hand picked WTO members met again in Tokyo in February 2003, with further meetings in Sharm El-Sheikh in June and Montreal in July. The developing country proposal to treat these meetings as being outside the formal preparatory process was rejected, confirming that the ‘flexibility’ of informal consultations has been preferred to transparent and democratic procedures as the norm at the WTO.

agenda. Played out also in the context of the USA’s newly launched ‘war on terrorism’, the Doha Ministerial saw developed countries use all the sticks and carrots at their disposal in order to divide and overcome developing country opposition. While developing countries managed to resist the worst of this offensive, they came away from Doha with little to show for their efforts, facing an extensive set of new WTO negotiations rather than the resolution of unfinished business which had been the priority for developing countries themselves.

The role of the WTO Secretariat also came under scrutiny before and during the Doha Ministerial. Secretariat staff are required to remain impartial servants of the entire WTO membership, yet the then
African trade ministers meeting in Grand Baie, Mauritius during June 2003 to coordinate their positions for the Cancún Ministerial reiterated their concern at “the lack of transparency and inclusiveness in the WTO negotiations and decision-making processes” and again called again for measures “to ensure the effective participation of our countries in the processes leading to the 5th Ministerial Conference at Cancún and beyond”. Yet there are no signs that rich countries are interested in yielding control over the WTO’s agenda and the WTO’s preference for ‘flexibility’ over transparent rules and procedures will make it as difficult as ever for developing countries to defend their interests at the Cancún Ministerial in September 2003.

External transparency: the WTO and the wider world

While this briefing focuses on internal democracy, there is no doubt that the WTO's external democracy could also be improved considerably. Decisions taken at the WTO have a huge impact on the rights and livelihoods of people in countries of both the developed and developing countries, yet these people have little or no access to information regarding the decisions being taken in their name.

There are concerns that WTO processes require broader participation than that of government officials alone. Trade negotiators working full time in Geneva or travelling to ministerial conferences are trained to focus on the overall package of WTO negotiations and to weigh up aggregate gains and losses to their economies as part of the game. Yet at the community or individual level at which many civil society organisations operate, rights are inalienable and cannot be traded away against economic gains in other areas. Organisations defending people’s rights at the grassroots level need to be fully engaged with the WTO in order to ensure that trade negotiators do not bargain these rights away. Government representatives from developing countries have themselves made reference to this problem at the WTO. Philippine Undersecretary of State, Thomas Aquino, for instance, argued before the WTO in April 2002 that even overall economic gains at the aggregate national level cannot offset the catastrophic losses of livelihood which liberalisation may bring certain sectors of the population and particularly the poor. Aquino spoke of the ‘non-transferability’ of gains and losses from trade liberalisation and cautioned against any tendency to lose sight of the most vulnerable in negotiations at the WTO.

It is essential that citizens everywhere have access at national level to information about the WTO, including about who is accountable to them for decisions taken at the WTO and how they can influence these decisions. This transparency should be mirrored at international level. In line with good democratic practice, the public should be able to find out which member states spoke on an issue, who supported which positions and how decisions were arrived at. At present, such records are sketchy and fall down completely in relation to green room processes and negotiations. Without such records there is no way for civil society to hold the WTO and its members accountable.

Public concerns about the WTO also include a growing perception that, for the most powerful developed countries, trade policy making is heavily influenced by the demands of multinational corporations, rather than those of the general population. It is widely accepted that staff from interested multinationals were seconded to developed country delegations during negotiations on both the Agreement on Agriculture and the Agreement on Trade Related Aspects of Intellectual Property Rights. Urgent action is required to ensure that industry involvement is made completely transparent and limitations are introduced to prevent the ‘revolving door’ syndrome whereby industry personnel move seamlessly from corporation to delegation and back to corporation.

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7 For example, according to the Corporate European Observer, a committee of 13 multinationals, including General Motors and Monsanto lobbied their governments to intellectual property on the Uruguay Round agenda. In the negotiations that followed, 96 out of the 111 members of the US delegation working on intellectual property rights were from the private sector.
ActionAid’s recommendations

**ActionAid calls on WTO member countries:**

- to adopt the proposals submitted by developing country representatives in April 2002 for reform of the negotiating procedures at WTO Ministerial Conferences and to ensure that the Cancún Ministerial is not marred by the same anti-democratic procedures as characterised the previous two ministerials in Doha and Seattle.

- to embark on a thoroughgoing process of reform of the WTO as an institution, its various bodies and its agreements so as to address the threats which it poses to people’s rights. It is widely acknowledged that many of the WTO’s current agreements and procedures are the direct result of unequal negotiations in previous rounds and ministerial conferences. Unless the people of developing countries are to pay in perpetuity for the consequences of this unfair process, the agreements and procedures themselves must be revised so that they work for people’s rights and sustainable development, not against them.

- for the rich countries of the WTO, in particular the EU and US, to refrain from using blackmail and bullying tactics in order to manufacture ‘consensus’ in their favour at the Cancún Ministerial. The threat of withholding aid, loans, debt relief or trade preferences must not be used as a means to force developing countries to drop their opposition to proposals they deem not to be in their own interest. Similarly, developing country delegates must not be exposed to personal attack or otherwise targeted for removal in order to force them to abandon their positions.

- for WTO members to allow automatic de-restriction of all documents including draft agendas, papers and minutes of WTO council and committee meetings and records of ‘green room’ meetings and informal consultations unless there are good reasons for maintaining confidentiality. Criteria should be established to determine when confidentiality is justified.

- for the WTO to develop and disseminate best practice guidelines for national consultation with civil society and the establishment of national contact points for dissemination of WTO papers and records of decisions taken at the national level regarding trade policy. The Trade Policy Review Mechanism should include an evaluation of how trade policy is formulated at national/regional level, including an evaluation of consultations with civil society and parliaments.

- in order to curb bad practice involving industry, for governments to be required to disclose all written advice they receive relating to trade negotiations. Delegation members should disclose all agreements with and payments from private sector bodies, trade unions, NGOs and other groups, and for an agreed period after participating in a delegation, or holding a post within the WTO secretariat, individuals should have to seek clearance from a specially constituted body before entering employment with private companies that might entail a significant conflict of interest.
ActionAid and Azione Aiuto are members of the ActionAid Alliance, a network of non-governmental development organisations working together to promote structural changes to eradicate injustice and poverty in the world. ActionAid Alliance members are ActionAid (UK), ActionAid Hellas (Greece), ActionAid Ireland (Ireland), Aide et Action (France), Ayuda en Acción (Spain) and Azione Aiuto (Italy). ActionAid Alliance’s members have the regular and active support of more than 600,000 EU citizens, and its programmes reach over 9 million people in more than 40 countries in Africa, Asia, Latin America and the Caribbean.

The Food Rights Campaign is an ActionAid initiative that works with women and men to secure their right to food at local, national, regional and international levels. The campaign works in sixteen countries across Asia, Africa, Latin America and Europe.

ActionAid is a unique partnership of people who are fighting for a better world – a world without poverty.

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