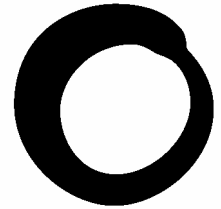


November 2002



**Friends of
the Earth**

Briefing

GATS Gotta Go

WTO plans for services have far to go to reach fairness

Introduction

In its current form, the World Trade Organisation's (WTO's) General Agreement on Trade in Services (GATS) has the potential to exert binding power over an incredible range of issues and decisions right down to local level – it is practically impossible for anyone to remain untouched by its scope in some way. Anticipating that some of our worst fears about the WTO's relentless power grab are about to be realised, people all over the world are joining together to say enough is enough and stop the worst excesses of this agreement. This briefing gives essential background information about GATS and suggests ways individuals and groups can help halt this latest push in the WTO's expansion and try to get it to go in the right direction.

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Background

International negotiations are happening now that can essentially give away democratic control over a swathe of aspects of life in your community – and the UK Government is participating with glee.

What is GATS?

So far the WTO has set the international standards for trade in goods – from cars to soap, the way countries buy and sell most things is dictated by WTO rules. These rules are based upon a basic premise that is increasingly being questioned by many around the world – that “liberalised”, or “free”, trade (trade where all countries’ “barriers to trade” are removed) will promote growth, development and stable economies around the world. WTO member countries are committed to increasingly liberalise their trade laws, including to remove tariffs, subsidies and other measures governments have traditionally used to manage their economies and protect people and their environment.

The current WTO negotiations on services, called GATS, are a complex series of talks on how to liberalise service industries internationally. Services have been described as anything you can’t drop on your foot: things like distribution and transport, broadcasting and the arts, provision of basic services such as water and education and so on – more than 150 areas in all. Similar to trade rules on goods, GATS seeks to remove “restrictive” laws that allow countries to organise how services are acquired and performed, and by whom.

The GATS negotiations have three phases, and deadlines were set at the WTO Ministerial meeting in Doha, Qatar in November 2001:

- **requests phase:** all WTO member countries were required to submit their “requests” of the services each wishes other countries to “open up” under GATS rules by 30 June 2002;
- **offers phase:** countries then have the opportunity to review the requests made of them and respond with “offers” of the services they agree to open up under GATS rules by 31 March 2003;
- **negotiations phase:** whatever areas are left over after offers have been made will then be subject to negotiation between countries. The whole process is supposed to be completed by 1 January 2005.

The UK Government is a keen advocate of liberalisation in general and GATS in particular and is active in the European Union. They call it pursuing “free and fair trade”, but a closer examination of the situation shows considerable weaknesses in their arguments.

Why is GATS so dangerous?

The rhetoric surrounding both the WTO and GATS is impressive, and does a good job of covering up what is really happening. It is difficult at first to see how “free” or “fair” trade could be a bad thing – surely establishing one set of rules internationally will ensure that everyone has a fair chance in the market. The problems, however, are deep, and they render the entire process unfair and unworkable.

- **GATS is based on bad economic theory:** While “free” trade may sound like a good thing, it is in fact based upon outdated economic theory that is fundamentally flawed. Grand promises were made at the outset of this global economic experiment that free trade would deliver development to the poor, security to the rich and would not hamper protection of human rights and the environment.

As the years pass we do see the rich getting richer, it's true. But the cost has been high, too high according to many. The wealth generated has become increasingly concentrated in the hands of fewer and fewer people, leaving the rest poorer. Theories like “trickle down” (whereby making the rich richer will help money “trickle down” to the poor) have failed spectacularly. Indeed it is a sad fact that by many measures of development (like life expectancy and nutrition), many countries in Africa have actually *lost* ground during this period. The gap between rich and poor in many places in the world is getting wider, including in the UK. Women and children suffer disproportionately from these reverses. Furthermore the unbridled pursuit of wealth by and for the powerful means the environment is being exploited and is deteriorating and human rights, including labour rights, continue to be put off for another day.

This leads Friends of the Earth and others conclude that trade in goods as managed by the WTO has failed to deliver for people and the environment. However it has made big business richer and stronger, so wealthy countries (egged on by big business) now want to liberalise trade in services, and yet again they say it will be good for development. What they can't explain is how, if trade in goods didn't produce the “trickle down” results we were promised, why trade in services should be any better for poor people and the environment. Among the ways GATS has a long way to go are that it is:

- **vast and too fast:** The huge number of areas that GATS could potentially rule over makes the job of sorting out the rules of the game very big. This, in turn, makes the negotiating timetable set by the WTO unfeasible. Before offering up service areas for liberalisation in the negotiations, a country needs to make sure the impacts will not be too harsh and that the right regulatory regimes are in place to ensure the new system works. Forcing the offers phase into nine months makes it impossible to do this properly in all of the areas GATS could cover. This leaves any country vulnerable to making costly mistakes, and if the process will be difficult to undertake for us in the developed world, as it is already proving to be, it is virtually impossible for developing countries already seriously struggling to meet the demands the WTO sets on them.
- **binding and irreversible:** If that wasn't bad enough, the GATS process is essentially irreversible. Many GATS supporters claim that fears about the binding nature of GATS agreements are overstated and that there is sufficient flexibility for Governments to regulate any service as they wish. While it is true that regulation is permitted under GATS, a Government must state *at the time of making offers* to open a sector *all* of the regulations it wishes to enforce. Regulations cannot be added later unless WTO members agree and/or a compensation payment system is worked out for all the “damage” new regulations would do to other countries' businesses. Coupled with the unrealistic time frame noted above, this magnifies the dangers if the preparatory work is rushed or mistakes made. Again this is a huge burden for the UK, and even worse for developing countries.

GATS Gotta Go

- **more privilege with no responsibility for big business:** In April 2002 a 1,000+ page EU draft document on GATS was leaked to the public. The document contained details of the service areas in 29 countries the EU (again, backed by big business) wants opened up under GATS. It made disturbing reading for many.

At the end of the day it is big business that will benefit from the GATS process. As regulatory regimes are stripped away in the name of “levelling the playing field”, companies that compete by maximising efficiency through economies of scale and sheer size will prosper. They will win the race to the bottom while smaller companies and those that operate on the basis of other values, as well as those they serve, will lose. Things like universal service, meeting local needs or protecting the environment, are not always the most economical to provide, and a system that values profit above everything else will force such considerations off the agenda. This “free trade” will have obvious negative impacts on sustainable development and diversity of all kinds.

Yet the leaked EU draft document demonstrates clearly that the EU is pursuing just this kind of policy and calculating cost only in terms of money. GATS is a huge opportunity for big business to consolidate ownership and control over all kinds of markets, and Europe looks set to hand it to them on a plate.

- **undemocratic and secret:** At the Trade Justice Movement mass lobby of Parliament by around 13,000 people in June 2002, one MP was asked what he would do to help change Government’s approach to trade. His reply: “What am I supposed to do? I’m only an MP.”

This frustration highlights one of the major problems with GATS: there is little or no democratic accountability for what is happening, and everything is happening behind closed doors. What’s worse, GATS covers not only a vast number of services, but it enforces compliance right down to local level.

So our Government is participating in secret talks to draft secret documents about GATS requests and offers for the EC to take forward into secret negotiations that will produce binding international rules about how services of all kinds will be treated at all levels of decision making. Neither MPs nor MEPs have been allowed to discuss or vote on the documents. Local councils have not been systematically involved in drawing up the requests the EU made of others or the offers they are preparing to make, supposedly on our behalf. Repeated attempts by organisations across Europe have failed to press the EC to make the documents public. Once they are in place, no decisions that violate GATS rules, even decisions made democratically, will be allowed to stand.

For example, if your local council votes to crack down on environmental damage in your area, if the WTO described the measures used as “more trade restrictive than necessary”, another country could take the UK to the WTO disputes resolution mechanism and a trade war could result. Such cases have been seen and lost already between countries in liberalised systems. Or if our Government wishes to subsidise a certain type of radio or television broadcasting, perhaps to ensure that minority interests or languages are served, once opened to GATS competition, such subsidies would have to be paid to whatever company took over the work – so our tax money could end up being paid to foreign

companies who in turn make a profit they keep for themselves. As we have already seen in the UK, provision of services (like train routes or postal services) to remote rural areas can become “unprofitable” and cut back when money becomes the measure of such businesses. As has been seen in a number of places in the developing world, if private companies take over provision of drinking water, prices can be hiked way above the ability of families to pay, and/or water delivery to poor areas, a basic human need, can be cut off altogether as “unprofitable”. The potential effects of GATS rules are serious and too numerous to mention, which is why we have to halt the negotiations now.

EU Service Areas under Consideration

The UK/EU is considering offering to apply GATS rules in the following services: legal, accountancy, auditing and bookkeeping, taxation, architectural and engineering, “other professional” (including medical, dental and “related”), computer, research and development, “other business” (including real estate, rental/leasing, agricultural, energy distribution, credit reporting and collection, etc), postal and courier, telecommunications, audio visual (including film, radio and television production and broadcasting transmission, etc), construction and “related”, distribution, education, environmental, financial, health, tourism and travel, recreation, sporting and cultural, maritime transport, air transport, land and other transport and energy services.

And all negotiated in secret.

The Department for Trade and Industry (DTI) has issued a public consultation paper on the GATS offers process. The paper runs to nearly 100 pages, yet it still fails to make the negotiating papers public. The document can be found on the DTI website and will be the subject of action by Friends of the Earth in the near future.

GATS Gotta Go

We are pushing for GATS to go much further toward real fairness for two reasons: firstly because it has dangerous potential if it goes ahead as planned, and, secondly because it offers an excellent opportunity to highlight and undermine the undemocratic and unfair system of the WTO itself.

So although the GATS process is very complicated, we are not focussing on the detail. We are instead focussing on the kinds of problems noted above as reasons for the whole process to be halted, assessed and realigned. We are working closely with other organisations who are looking at other problematic aspects of GATS in varying degrees of detail. We are also conducting local impact assessment research in a number of areas, and we will feed detail from studies in as they emerge.

Yes, It CAN be changed

Because the GATS agreements will cover areas like financial services, the WTO has called it the “the world's first international investment agreement”. This is good news for us, because the last time a global investment negotiation was attempted (called the Multilateral Agreement on Investment, or MAI), hundreds of organisations and thousands of people all

over the world fought together and defeated it.

GATS is like the MAI in many ways, including that we *can* make a difference, but we need as many people as possible to help make that happen. There are huge vested interests lobbying hard to for GATS – we need to be just as strong in our call for change.

What you can do

The key to getting GATS to go where we want it to go is not complicated action, but simple action taken by as many people as possible. We need to demonstrate the breadth of the discontent with the way governments around the world, including ours, are conducting themselves in these negotiations.

The first step is to encourage those with democratic responsibility for representing us and our views to take up the cause. Below are a number of suggestions for things you can do to add your voice to the growing chorus from around the world. MPs and MEPs have an obligation to respond to the concerns of their constituents, and we know from experience that they judge the strength of opinion among their constituents on any given topic by the number of people who speak or write to them about it. Your voice **will** make a difference in this way.

1) If you can only do one thing: Please write to (or phone, or even visit) your MP about the secrecy and lack of democracy in the GATS negotiations. Your MP may not know much about GATS, and our aim is to encourage them to learn about it and use the democratic power the WTO is attempting to take away from them.

Visit http://www.foe.co.uk/campaigns/global_trade/press_for_change/gats/index.html to e-mail your MP using our sample letter, or using your own, or you can write by post.

Ask your MP to do two things:

- a) write to Tony Blair saying that it is unacceptable for such comprehensive negotiations to be conducted without the scrutiny of Parliament as the democratic voice of the people. They should also ask Mr Blair to press the EC to publish *all* the relevant request papers, and offers papers when they are available. “Summaries” of these papers are not sufficient – we want to see exactly what is being negotiated in our names and expect our MPs and MEPs to be able to discuss it in Parliament.
- b) The European section of the international Our World is Not for Sale network (of which FOE is a member) are seeking MPs’ and MEPs’ signatures for a petition about the GATS threat to public c services.

Upon learning of this petition, launched with over 70 signatures and growing fast, EU Commissioner Pascal Lamy issued a strong letter defending GATS and the process being followed. The fact remains, however, that no debates or votes on GATS offers in the European Parliament have been had or are anticipated.

Please ask your MP to sign this petition. You can find an English version of the petition at <http://france.attac.org/site/page.php?idpage=1384&langue=2>.

2) If you can do a little bit more: We are also trying to get as many MEPs as possible to sign the petition declaring that the GATS process as it is now is unacceptable. Please write to your MEP and ask him/her to sign the petition, too. Launching such a petition is a significant step for MEPs to take, so we are keen to encourage and help the initiative succeed as widely as possible. You can find your MEP and petition at the web pages above.

3) If you would like to help spread the word: A quick way to help increase pressure on issues like this is to involve your local media. Local newspapers and radio stations can be asked to write stories about GATS and democracy or interview politicians about their positions. The more people who contact them, the more likely they are to think it's a good story. You might want to consider talking to journalists about the local impact study we are doing now, as they may find that of interest.

4) If you have the time, or a group of people who want to help: As we said above, the more people who contact politicians about GATS the better, so anything you can do to collect letters or signatures and send them on to your MP or MEP would be a big help. Perhaps you could organise your local trade union branch or shop to write a letter, or have people in your place of work sign a letter as a group.

5) Want to do more? If you have any other ideas, or questions about the ideas above, or if you want help thinking of more to do, please feel free to contact us.

Please remember when taking whatever action you choose that MPs and MEPs are not the problem in this situation. We are trying to encourage them, not attack them. If this approach does not work, we can always escalate pressure in the future. Also, during the TJM mass lobby of Parliament some MPs replied to questions using prepared statements from their Party Whips. Your MP may do this now, so be prepared to ask them to confirm that they will write to Mr Blair, and by when (so we can check).

Taking actions such as these will complement the other work we are doing national and international level on these issues. Your participation will mean that when we tell Government people are unhappy about GATS, we will know that they have heard from you directly.

Keep the Pressure Up

For updates, further information and new actions to help stop GATS, log onto the dedicated Friends of the Earth web site at www.corporates.org.uk. You can also find other information about the behaviour of international corporations, trade and campaigns for change at www.foe.co.uk.

To learn more about other worrying aspects of GATS, you can also visit the web sites of sister organisations working with Friends of the Earth in the UK:

World Development Movement (WDM) at www.wdm.org.uk

and

People and Planet (P&P) at www.peopleandplanet.org