# NEW GLOBAL CONTRACT

Values in Conflict: How Trade and Finance Rules Curtail our Rights

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# Values in Conflict: How Trade and Finance Rules Curtail our Rights

The following document is part of a project to strengthen civil society organizing to reassert the priority of human rights and environmental protection. The document illustrates the myriad ways trade and investment laws at the multilateral level either block or inhibit appropriate action to protect and promote the public interest. The chart shows a series of trade and financial agreements or institutions on the vertical axis, and then describes how each curtails the realization of public policy goals in one of four areas, set out along the horizontal axis: environment, human rights, health, and food and agriculture. The authors of this table believe societies need a new contract for globalization that prioritizes respect for human rights and the protection of environmental resources, rather than commercial gain. Many social and environmental justice activists work in one or two of the boxes illustrated here; our intention is to illustrate the scale of the problem, and to suggest the need for a higher level of policy intervention—one that can challenge the dominant paradigm for globalization in multiple arenas simultaneously.

The Trade Regime	The Environmental Regime	The Human Rights Regime	The Health Regime	The Food & Agriculture Regime
National Treatment Principle GATT Art III (Treat Foreign and Domestic Goods Alike)	environmental regulations for manu-		Under this equal treatment principle, a chemical or pharmaceutical may not be banned unless there is also a ban on it in the country of export. Since many states do not have the technical equipment or expertise to assess the safety and efficacy of chemical and pharmaceutical products, their products may not be considered safe by an importing country. There is conflict here between a state's desire to protect the health of its population and its obligations under the trade regime.	The WTO restricts government policies that favor locally produced foods.
General Elimination of Quantitative Restrictions GATT Art XI	governments to control trade flows,			The elimination of QRs was particularly an issue for Indian agriculture when the Uruguay Round Agreements were signed because of India's reliance on the tool. QRs offer a useful tool to manage a stable internal price. Carefully managed, stable internal prices do not "export" price instability onto world markets, though the risk still exists.
Allow Protection of Some Social Values (e.g. General Exceptions—GATT XX)	GATT Article XX allows for MFN exceptions for production made with "exhaustible natural resources." However, the ambiguities of the language in the article makes it difficult to use. There is no notification mechanism for Article XX, which would allow WTO members to discuss when to apply the general exception, whether to expand the general exceptions and what expert advice the WTO should seek in applying Article XX. States are often uncertain as to whether a certain measure is in accordance with the exception.	to products made with prison labor; there is no more general exemption for products made in violation of human	Reference to health in GATT article XX is too general to be useful. Article XX is inadequate to meet the requirements of World Health Assembly resolutions that call for restrictions on trade in products that damage human health. The article refers to the protection of "ordre publique" or public morals, granting more leeway for cultural or religious concerns than straightforward health needs.	There is no direct reference to agriculture or food security in Article XX of the GATT. Protection of the right-to-food is not included.

#### The Human Rights Regime The Trade Regime The Environmental Regime The Health Regime The Food & Agriculture Regime Rules on Health and Safety (1) Tension exists between WTO (1) The standards of the Codex Alimentar-(1) The privileging of deregulated (the SPS Agreement) mandated SPS obligations (e.g. Article trade puts the burden of proof on ius Commission, the World Animal Health 3 and 5) and domestic sanitary and regulatory authorities to show that Organization and the International Plant phytosanitary measures (e.g. domestic measures to protect human, animal Protection Convention focus on health rules to prevent invasive species, pests, and plant health are "necessary" to issues from a risk assessment perspective. diseases). National standards cannot be meet a regulatory objective and that They do not include the Food and Agriculhigher than the internationally agreed they are justified by a risk assessment. ture Organization's (FAO)'s Good Agrilevel without meeting a significant This is at odds with a system that cultural Practices or Good Manufacturing burden of scientific evidence. The Preworks from a precautionary approach, Practices for the food industry. Recomcautionary Principle is not recognized putting health at the center of policy. mended animal husbandry or welfare pracby the WTO courts. tices, fertilizer use practices, crop rotation (2) Many developing countries lack practices affecting plant disease incidence, (2) There is a tension between SPS funding and capacity to participate and manufacturing practices that effect the consistently in international standards production of safe and wholesome food obligations (e.g. Article 3 & 5) and domestic regulation of GMOs. setting meetings. NGOs are not are all excluded from evidence in disputes encouraged to participate. Developed concerning the SPS Agreement because countries and multinational food they are not formally part of risk assesscorporations dominate the multilateral ment methodologies. standard setting process. (2) Primary producers often do not have (3) SPS monitoring is poorly intethe financial capacity, market power, techgrated into public health systems. nical capability and/or domestic support to fulfill the requirements of the SPS. The (4) Consumer rights are not protected lack of integration among the rules set by in the SPS Agreement. The Appropristandard-setting bodies exacerbates this ate Level of Protection is a risk manproblem. agement judgment that is based upon a quantified risk assessment. However, these risk assessments, e.g. for Maximum Residue Level ("MRL") of a pesticide or a veterinary drug, do not reflect cumulative or interactive exposures. Nor are MRLs set for children or compromised immune systems. Precautionary measures, in the event of uncertainty about or inadequacy of evidence for a risk assessment, are very difficult to apply under the SPS Agreement, which is designed to facilitate trade and is not a public health agreement

#### The Trade Regime

#### **Trade in Agriculture Goods** (the Agreement on Agriculture—AoA)

#### The Environmental Regime

- (1) Allows spending on specific kinds of environmental protection, so long as payments do not affect production. Fails to allow measures that would address over-production, a problem that exacerbates environmental problems.
- (2) Increased trade in agricultural produce may cause tension with a State's desire to source food locally for environmental reasons (e.g. to cut CO2 emissions.)

### The Human Rights Regime

- (1) The AoA acknowledges the need for food security but defines it as access to world markets, not as an embodiment of the right to food. This conceptual difference creates the potential for conflict.
- (2) Restructuring agricultural production for export may cause tensions with a State's duty to provide an adequate standard of living for its people. As world prices for agricultural produce fluctuate, incomes may fall and people may be unable to purchase food, particularly if land is moved from a focus on local markets to commodity export production.
- (3) An increase in imports of agricultural goods can lower prices for farmers and farm laborers. An increase in imports can undemine the rightto-work, the right-to-food and other rights.
- (4) The deregulation and globalization of agriculture affects men and women differently. There are many examples of how women's right to non-discrimation as well as to work and to an adequate standard of living have been compromised by agricultural deregulation (and some examples of how their lives have been improved as well).

### The Health Regime

may cause tension with a State's desire to source food locally for health reasons. For example, the World Cancer Report (2003) by the WHO suggests that many countries should encourage consumption of locally produced vegetables, fruit and agricultural products and avoid the adoption of industrialized countries' dietary habits.

#### The Food & Agriculture Regime

- Increased trade in agricultural produce (1) Only some 10 percent of food produced crosses an international border. Yet the AoA limits export controls and many forms of import control, undermining national policies that seek to stabilize agricultural prices and agricultural production. The 10 percent that is traded drives policy for the whole sector.
  - (2) Agriculture provides livelihoods for the majority of the world's poorest people. The effects of liberalizing agricultural trade on rural development remain largely unexamined by trade policy-makers. Agricultural policy analysts show mixed and often negative results. Many call for more nuanced and careful trade policies than the WTO rules permit, especially for the poorest countries, where ways to generate local capital are urgently needed and require careful management.

#### The Trade Regime The Environmental Regime The Human Rights Regime The Health Regime The Food & Agriculture Regime Rules for Subsidies WTO rules do not allow for market The general prohibition on subsidies, Many national health programs sub-The AoA has its own subsidy rules; the (e.g., the Subsidies and Countervailing failures. A number of environmental together with the push to privatize and sidize the costs of providing citizens SCM applies if agricultural subsidies exceed Measures—SCM—Agreement) problems follow from natural reliberalize the basic services provision with health care. Most governments the AoA limits. The agricultural subsidies sources and pollution being external (see section on trade in services below) consider this a cost that has to be met debate is long and complicated. One to the costing of a product. Attempts could undermine the right-to-water, from the public purse. Yet differences central issue is the WTO prohibition on to internalize environmental costs are the right-to-an-adequate-standard-ofamong the health care systems have measures that would limit, or stimulate, complicated, and create costs for local been cited in trade disputes. U.S. production. Yet some countries need such living and the right-to-work. farmers complain that Canadian farmmanufacturers that are difficult to measures to meet public policy objectives, extend to importers under WTO noners are "subsidized" because they do particularly to protect food security and discrimination rules. Subsidies might not have to pay for health care. Canarural livelihoods. be necessary to redress market failures dian firms complain U.S. manufacturbut must not "nullify or impair" the ers are "subsidized" because firms gains that trade partners expected that are less than a certain size do not from trade agreements. have to either provide health care or pay a health care tax. The trade system does not allow an adequate distinction between a public investment such as education or universal health care and subsidies that pay a normal cost of doing business (e.g. providing unlimited free or below-cost water to farmers). Trade in Services (GATS) (1) No safeguards to avoid the po-(1) WTO rules can oblige national In the absence of appropriate national (1) Liberalization of retail and distributential expansion of environmentally governments to change national and legislation and performance requiretion services has opened up developing local laws that allow public finance or ments (currently banned by many countries to supermarkets that have driven harmful services. subsidy of public services. This may investment agreements), liberalizatraditional traders and shopkeepers out of (2) Rules restrict the scope for domeshave an adverse impact on the provition may facilitate the privatization business and their agro-biodiverse foods tic regulation, emergency safeguards, sion of water and other basic necesof health services or increase the cost out of production. government procurement and subsisities for the right-to-an-adequateand/or reduce the coverage offered by dies. They restrict the degree to which standard-of-living. these critical services. (2) Under GATS, governments are restricted in their ability to control zoning and a government can promote environmental aims in its domestic policies. (2) Proposed mode 4 of GATS (trade licensing of food markets to ensure that all locales have access to affordable, safe and of "temporary natural persons") makes nutritious foods. (3) Service-exporter States may bring no reference to human rights, labor or cases under the Dispute Settlement migrants' rights conventions. The re-Understanding to challenge "envisult creates grossly unequal treatment ronmental regulation" of the service of unskilled workers, measured against provisions in special business visas industry adopted by governments to meet environmental commitments. granted under bilateral investment agreements for skilled workers. (3) The migration of, in particular, health and education professionals from developing countries could increase the "brain drain" from these countries resulting in adverse effects on governments' ability to provide health services and education to their people

## The Trade Regime (D) INTELLECTUAL PROPERTY (1) TRIPs article 27.3(b) requires States

#### The Environmental Regime

- to implement some form of intellectual property (IP) protection for plant varieties, whether under a U.S. style patent regime or a "sui generis" variant. Neither protection system allows for the sharing of benefits between those who hold the patents and the germplasm or knowledge donors, which is a requirement of the Convention on Biodiversity (CBD). Without benefit sharing the environmental objectives of the CBD cannot be realized.
- (2) The TRIPs Agreement says patents must be provided for all fields of technology, including the use or exploitation of biological resources. The CBD gives developing countries a legal basis to demand a share of benefits from bio-products, which are usually patented. Developed countries claim that access and benefit-sharing can be maintained under bioprospecting agreements between countries and companies, without multilateral regulation. Experience does not support this optimism.
- (4) IPRs may limit the transfer of environmentally sound technology as the intellectual property "premium" may make such technology unaffordable.
- (5) IPRs allow the development of environmentally unsound technologies (e.g. "terminator" seeds).
- (6) The CBD says States have sovereign public rights over their biological resources. TRIPS says biological resources should be subject to private intellectual property rights and that compulsory licensing in the national interest should be restricted. National sovereignty implies that countries have the right to prohibit IPRs on life forms (biological resources). TRIPs overrides this right by requiring the provision of IPRs on micro-organisms, non-biological and microbiological process, as well as requiring patents and/or sui generis protection for plant varieties.

#### The Human Rights Regime

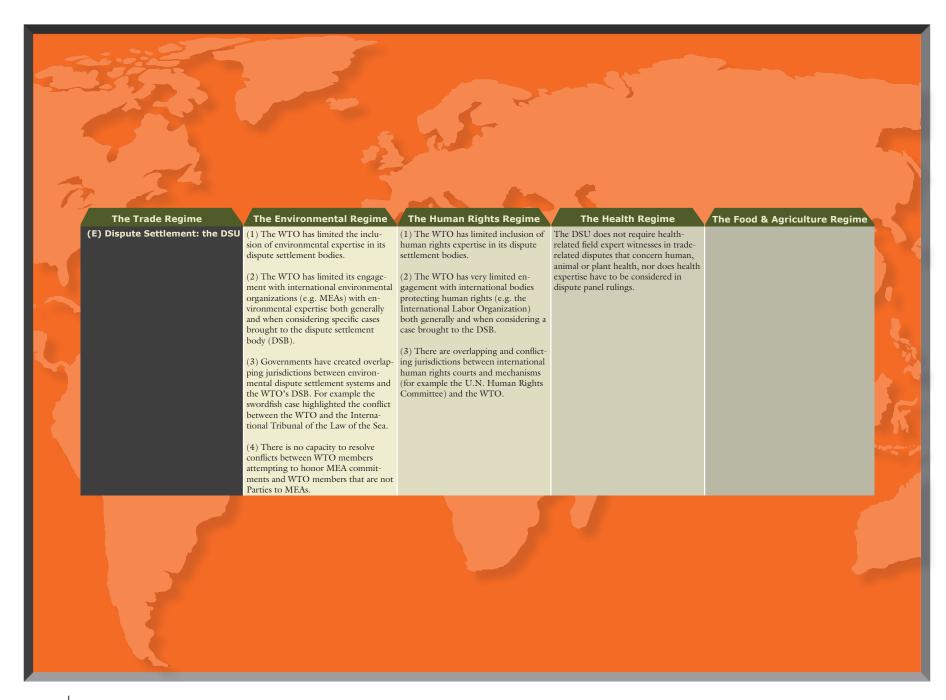
- (1) The CBD says access to biological resources requires the prior informed consent of the country-of-origin and the "approval and involvement" of local communities (including indigenous conditions placed in Article 6 and the TRIPS Agreement. TRIPs arguably promotes biopiracy in its failure to protect local communities' right to control, and share in the benefits derived from, their knowledge.
- (2) The cost of royalties and licensing fees paid under TRIPs is protected as commerically sensitive, making it impossible to determine the costs and benefits of the IP system in relation to the realization of specific human

#### The Health Regime

- (1) The Article 6 amendment to TRIPs (about access to medicines) was to have promoted the realization of the right-to-health. However, the peoples). There is no such provision in industrialized countries resistance to promoting the right-to-health over IP has made Article 6 extremely difficult
  - (2) The protection of pharmaceutical patents may impact the enjoyment of the right-to-health if drugs are priced beyond the reach of people in need.

#### The Food & Agriculture Regime

- (1) The introduction of IP protection for agricultural biodiversity, regulations that did not exist domestically for most WTO members when the TRIPs agreement was signed, may undermine food security by increasing the cost of seeds. Patented seeds were designed for use by cash crop export farmers. Farmers growing local food crops may not be able to afford the cost of purchased seeds.
- (2) The imposition of the regulatory harmonization of indigenous seeds with U.S. and EU "seed purity" laws is designed to facilitate the entry of GMOs into developing countries. GMOs have a number of potentially negative implications for food security.
- (3) TRIPs requires that patents apply to all technologies, regardless of their purpose. Traditional knowledge ("TK") innovations are not protected by multilateral agreements and all attempts to do so have been rejected by those WTO members that have a strong culture of using patents. The contributions of TK and germplasm to global food security and plant-derived medicines are not valued, while IP claims, some trivial or even fraudulent, are asserted, using TK and local plants without consent or remuneration for the local communities involved.
- (4) There is no requirement for disclosure of the TK and biological resources used in patented products, underming their contribution to patented genes and technologies.



#### The Trade Regime The Human Rights Regime The Health Regime The Environmental Regime The Food & Agriculture Regime (G) Regional and Bilateral (1) Bilateral and regional trade treaties (1) Bilateral IP chapters often require (1) IP rights protection provisions in The agricultural provisions of bilateral Trade Treaties are used by stronger WTO members that Parties enforce IP protection bilateral agreements often go beyond agreements generally require greater marto secure more favorable market even if a Party lacks the financial and the TRIPS agreement. This can ket access for exporters based in industrialaccess and other provisions than are bureaucratic resources to do so. This jeopardize a state's health policy by ized countries to developing countries, granted under multilateral agreements. privileges spending on IPs over other requiring strong patent protection of while refusing all negotiation on reducing Often the provisions are inequitable, programs, including those intended essential medicines. domestic support measures in developed to meet human rights obligations. IP countries. Bilaterals lock in unfavorable disadvantaging the weaker economies (2) Bilateral IP provisions prevent holders and investors get priority since market access arrangements for developing involved. Environmental protection countries, exposing them to economically in bilaterals, patents, even those on provisions are seldom adequate. For public review of test data on the safety example, Japan is accused of concludgermplasm, are defined as "investand efficacy of a patented product. ruinous and political destabilizing export ments." dumping. ing bilateral trade agreements with (3) Bilateral IP provisions may proseveral countries that eliminate tariffs (2) Some trade treaties require that hibit the use of compulsory licensing on hazardous wastes such as pharmaeven if the trade treaty is terminated. to import or allow the manufacture of ceutical wastes and waste oils containthe IP provisions shall continue to generic drugs, at the expense of meeting PCBs. This facilitates Japanese protect investments (See ASEAN ing public health objectives. exports of such pollutants, in contravention of the Basel Convention. Investment Protection Treaty, Article XIII(2)) for several years after termination, effectively limiting a State's right (2) Bilaterals often require parties to to self determination. adopt a list of IP conventions, including the UPOV 1991 system of Plant Variety Protection (PVP), which has none of the environmental objectives of the Convention on Biological Diversity. (3) Bilaterals generally involve no provisions to ensure the treaty does not undermine MEAs.

The Finance Regime IMF Fiscal Targets	The Environmental Regime	The Human Rights Regime	The Health Regime  IMF Fiscal Targets are imposed on borrower countries to keep inflation low. These targets "force" a State to reduce public spending—including money that has been received as aid. Which often adversely affects public health.	The Food & Agriculture Regime  IMF Fiscal Targets are put on countries to keep inflation low. These "force" a State to reduce public spending—including money that has been received as aid. This can adversely affect farmers in receipt of subsidies. For example, Malawi, which recently reintroduced subsidized access to fertilizer to improve productivity, in defiance of IFI advice and program requirements.	
Country Policy and Institutional Assessments (CPIAs) by the World Bank		CPIAs do not give consideration to human rights obligations on a State.	CPIAs do not give consideration to health targets a State may have set.	CPIAs do not give any consideration to domestic agriculture objectives, including expanding production and meeting food security targets.	J
International Center for Settlement of Investment Disputes (ICSID)	ICSID, especially if you can show that the tribunal has upheld the	It may be possible to show there are direct legal conflicts highlighted in ICSID, especially if you can show that the tribunal has upheld the adoption by a country of legal measures which conflict with that country's human rights obligations.	It may be possible to show there are direct legal conflicts highlighted in ICSID, especially if you can show that the tribunal has upheld the adoption by a country of legal measures which conflict with that country's health policy.	It may be possible to show there are direct legal conflicts highlighted in IC-SID, especially if you can show that the tribunal has upheld the adoption by a country of legal measures which conflict with that country's agricultural policy.	



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