Liberalisation, health and the World Trade Organisation

The contemporary globalisation project of which Baum writes rests on the promise that economic growth benefits all.1 Officially enforced through Structural Adjustment Programs’ trinity of privatisation, reduced public spending and increased trade liberalisation, it is the benefits of the latter that now dominate the “globalisation is good” argument. So dominant is this claim that it deserves closer scrutiny.

**Liberalisation. Growth and inequality**

To the extent liberalisation promotes economic growth for poorer nations, it may help to reduce absolute poverty and so improve health. But there is surprisingly little evidence that liberalisation, in itself, promotes growth.2 Moreover, absolute poverty is not the same as relative poverty or inequality. Studies by the World Bank claim that liberalisation is “income neutral,” generating the same rate of growth for rich and poor alike.3 This as much as admits that inequalities will continue to grow, simply because the denominators of rich and poor are unequal to begin with. A recent study of 40 developing and least developed nations found that trade openness increased poverty and inequality.4 Similarly, a World Trade Organisation (WTO) report, extolling how liberalisation would lead to greater “income convergence” between trading partners, found this was so, but only in a downwards (income declining) direction.5 As income inequalities rise, so do health, education and gender inequalities, and social instability.

Part of the problem is that liberalisation is unequally practised. Wealthy nations remain protectionist in areas where it benefits their interests while demanding open markets where it harms only poorer nations. Nowhere is this more obvious than in agriculture and textiles, where many rich nations continue to increase domestic subsidies while removing import tariffs only gradually and reluctantly. Developing nations lose US $700 billion a year by rising market income inequalities in many OECD nations were offset by progressive tax and public transfer systems.8 As public spending and investment declines, income inequalities rise. This is a direction in which most countries are now headed, and to such an extent that post-tax and transfer income inequalities in several countries, notably the US, are now growing more rapidly than market income inequalities alone; that is, many governments are actively participating in globalisation’s upwards redistribution of wealth and power. But there is little doubt the WTO, and its growing number of trade, investment and “trade related” agreements, further circumscribes the abilities of governments to pursue health and social development goals via economic policy variables.9

The role of governments and the WTO

Baum is correct in asserting that the only thing standing between an environmentally bleak and socially divided future are strong, socially democratic governments. Until the mid-1990s, rising market income inequalities in many OECD nations were offset by progressive tax and public transfer systems.10 As public spending and investment declines, income inequalities rise. This is a direction in which most countries are now headed, and to such an extent that post-tax and transfer income inequalities in several countries, notably the US, are now growing more rapidly than market income inequalities alone; that is, many governments are actively participating in globalisation’s upwards redistribution of wealth and power. But there is little doubt the WTO, and its growing number of trade, investment and “trade related” agreements, further circumscribes the abilities of governments to pursue health and social development goals via economic policy variables.10

The “precautionary principle,” so important in domestic and international environmental regulation, has been undermined by WTO tribunal decisions. The threat of sanctions under the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement alone caused Guatemala to rescind legislation based on the WHO/UNICEF infant formula marketing code. (Gerber Foods claimed removing the picture of a “pudgy baby” from its products, as required by the code, was an expropriation of its trademark.) Both the EU and the US have threatened to use the WTO TBT (Technical Barriers to Trade) Agreement to prevent Japan from implementing legislation on automobile emissions as part of its Kyoto commitments. They argue the legislation would discriminate in favour of Japan’s domestic car industry over their own more polluting imported cars. Current negotiations under the GATS (General Agreement on Trade in Services) could further open public health, education and social services to global market competition and privatisation. This is at a time when these services are already under
strain, as liberalised capital creates downward tax competition among countries leading to declines in tax revenues in rich and poor countries alike.14

WTO decisions to date have not favoured the pro-poor development policy free marketers now claim should smooth over globalisation’s rough edges. In one case, the WTO prohibited preferential treatment by the EU for banana imports from its foreign colonies in the Caribbean, where production is small and farmer owned. This preference did not make economic sense, but it did make development sense. Without it, the economies of small island nations in the Caribbean will collapse. What was once a normative decision to aid poorer countries in need has become a market decision based solely on economic criteria. The WTO similarly ruled against the use of import protections by developing nations for purposes of improving poor living standards. “Development [or pro-poor] policy,” the ruling concluded, is not the same as “macro-economic policy.” Where there is a WTO dispute, the latter shall prevail.15

To oppose or co-opt?
WTO officials point out that its mandate is not to improve health, create justice or preserve the environment. It is to create rules allowing capital, already largely free of national boundaries, to become even freer, regardless of where it comes from or where it makes or ships its products. That those who benefit most from such rules are the already rich is a coincidence of history. That such rules means undoing the regulatory powers of national governments is a side effect many governments themselves appear to accept (though some critics argue often naively). After all, governments cite WTO environment and social safeguard clauses (usually unsuccessfully) when it protects their domestic economic interests, while challenging these same clauses (usually successfully) when it does not.

The WTO is less transparent and democratic than it needs to be. The WTO places the goal of liberalisation ahead of any of its human consequences. Enforceable WTO agreements conflict with many unenforceable UN social, environmental and health declarations. For these reasons many protest groups argue for its abolition, alongside that of the World Bank and IMF. But there are good reasons why we need to reform, rather than raze, the WTO. Capitalism needs rules if it is to be socially just and ecologically viable. Socially democratic states, those with strong civil societies and organised labour, learned last century how to create those rules. The WTO presents a platform upon which such rules might be inscribed globally. Even WTO officials are calling for creation of a parallel World Environmental Organisation with similar enforcement powers. There are calls for elected representation to the WTO. Many nations now are urging curbs over the speculative risks of liberalised capital through imposition of a “financial transaction” or “Tobin” tax.

Some WTO observers claim optimistically that the next great task economic globalisation is already encountering is the integration of human development goals within trade and investment agreements.

Without the rules-based platform of the WTO, or parallel bodies governing regional free trade agreements, economic globalisation will remain the prerogative of elites within the US, Japan and the EU. The task, as Baum challenges us, is to co-opt the rules for the common good. There are three simple contributions health researchers and professionals can make:

1 Engage in commentaries and debates within their own spheres of influence. Health is a more powerful and neutral metaphor by which progressive legislation might be levered than is social justice.
2 Extend these commentaries to the public media, and to national politicians and trade bodies such as the WTO.
3 Study (or synthesise existing research on) the various pathways by which changes brought on by economic globalisation might determine health, especially in future generations. Harness the intellect and rigour of research to the engine of civil society mobilisation.

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