

Stop the GATS power play against citizens of the world!

We, the undersigned civil society organizations from around the world, wish to express our deep concerns regarding the current round of negotiations on the General Agreement on Trade in Services [GATS] of the World Trade Organization [WTO], following the effective inclusion of these negotiations as part of the 'single undertaking' through the highly criticized July 2004 Framework Agreement.

The forces driving GATS

The current Doha Work Program on global trade negotiations at the WTO was to have been geared towards the critical needs and concerns of the peoples of the Global South. We have always been skeptical of that rhetoric. Today enormous pressure is being put on these countries to open up their service markets to powerful foreign-based, for-profit corporations from the industrialized countries. With only 50 countries making offers so far (counting the 25 EU member states as one), developed countries continue to demand that 40 developing countries and 50 less developed countries make offers to open up their service markets. This makes a mockery of claims that the GATS is a flexible agreement, in which countries could elect to put specific services on the negotiations table or not.

Key sectors in which developed countries are seeking further commitments from developing countries are, among other, finance, energy, environment, water, tourism, distribution and transportation services. On the one hand, these are among the service sectors where the EU and US are the home base of for-profit corporations seeking to expand their global market reach. On the other hand, these sectors also represent crucial and necessary bases for the fulfillment of human rights to public social services, as well as the fundamental support services required for agricultural and industrial production.

The GATS is essentially an investment treaty. It is designed, first and foremost, to protect investor rights and extend and 'lock-in' liberalization in the service sectors of other countries for foreign-based service corporations. This is why big business lobby machines like the U.S. Coalition of Service Industries and the European Services Forum, which represent the major for-profit corporations in key service sectors, are openly pushing hard for developing countries to make commitments now. And, once these commitments are made, they are "effectively irreversible". At the same time, the capacity of developing countries to have their own service industries operating 'competitively' in global markets is very small or non-existent, making these negotiations very one-sided.

Increasing pressures

To accelerate the pressure and ensure an outcome in services negotiations, developed countries, such as the European Commission and the United States have advocated the establishment of 'benchmarks' for the GATS negotiations and are coordinating these demands through informal 'friends' groups in key sectors. Imposing benchmarks would imply that WTO members would not have any more the flexibility to decide whether to table offers and engage in commitments or not.

We especially condemn moves to reclassify telecommunications to include value-added content as a back door route to secure - commitments that governments are unwilling to make. Commitments made under the proposed new classification would deprive governments of the chance to assess the implications of these technologies and decide the appropriate form of regulation.

This erosion of the so-called flexibility in the GATS negotiations - along side the failure of industrialized countries to propose and support significant development-oriented proposals in the simultaneous agricultural negotiations and in the so-called Non Agricultural Market Access (NAMA) negotiations - exposes the gulf between the rhetoric and reality of the so-called "Doha Development Round".

The experience of services liberalisation

Liberalisation commitments in services will undoubtedly have severe impacts upon national development policy options and their implementation. Contrary to the claims being made about services liberalisation:

- The "locking-in" of deregulation and market access for foreign-based service corporations through the GATS will not enhance development goals and priorities in developing countries and truly address the needs and concerns of citizens.
- Foreign direct investment in many services sectors mostly happens through multinational enterprises taking over privatized public services and existing local companies, rather than building up new enterprises;
- There is little evidence of the creation of new employment opportunities but rather retrenchments and job losses accompanying privatization; and any extension of services remains limited and essentially restricted to the elite.
- When public services such as water, education and health are exposed to liberalization, the people suffer the consequences. Consider what happened when Argentina allowed an essential service like water/waste water to be taken over by the global water giant, Suez. Argentinean's experienced rising rates, broken promises for expanded services, and the construction of a new treatment plant that dumped raw sewage into the Rio de la Plata.

- Furthermore, in addition to all the above, there is the track record of these same service providers demanding compensation for their own failures and using trade language to justify their self-serving business interests.

The current negotiation realities

The WTO has ignored the repeated requests of developing countries for a comprehensive, assessment of the developmental, environmental, social and gender impacts of service liberalization before continuing with the GATS negotiations. A recent study paper by the UNCTAD secretariat questions the promised benefits of privatization and liberalization in the service sector and shows how developing countries will lose flexibility in public policy making under the GATS. Moreover, recent WTO rulings on services such as the Telmex case and the U.S. gambling case highlight the dangers of making commitments to open-up service sectors without knowing the full implications, even for countries experienced in trade matters.

The GATS regime contains other equally pernicious measures that can be used to undercut or reduce the space of governments for public policy making. The Domestic Regulation Article VI.4 of the GATS makes provisions for governments to challenge unwanted laws and regulations of another country, which may be perceived as a disguised barrier to trade. Yet, as the UNCTAD secretariat study points out, such challenges can also reduce the policy making and regulatory flexibility/security of developing countries. The right to regulate and maintain policy flexibility is essential for developing countries to ensure that their own development priorities and strategies are advanced, especially since most of them do not have optimal policy-making and institutional frameworks in place.

At the same time developing countries are hopeful of enormous gains under the Mode 4, which refers to the movement of 'natural persons' into other countries to supply services. Yet it is clear that most developed countries such as the US will not make substantial offers, particularly in relation to low and unskilled workers, due to internal political pressures. On the other hand, the potential impacts on developing countries of the loss of skilled workers in health, education or professional services have not been assessed. Nor have rich countries recognized any obligation to compensate those countries for the cost of training these professionals.

In addition to the above, the manner in which the GATS negotiations have been proceeding and the established experiences of services liberalisation-and-privatization give reason for working people to be concerned about job losses, job insecurity, curtailment of workers' rights, decline in real wages and increased demands in labour flexibility, since the protection of labour rights and promotion of core labour standards are increasingly being viewed as 'protectionist measures or barriers to 'free trade.'

The demands of civil society organizations

Civil society organizations throughout the world are concerned that trade policies should truly serve the priorities and needs of all peoples in all countries.

As trade negotiators prepare to gather once again in Geneva this summer, it is important to stress that civil society organizations around the world remain opposed both to the processes and the direction of the WTO's service negotiations.

We call upon the WTO members to stop the current push for a deeply questionable agreement that serves the expansionary interests of service corporations and will be a profound disservice to citizens around the world. We demand that

- a comprehensive independent assessment be made of the developmental, environmental, employment, social and gender impacts of the liberalization of services, in all countries, but especially in developing country economies, before proceeding any further with the current round of GATS negotiations;
- any continuation of service negotiations must be preceded by comprehensive national policy making processes involving all affected constituencies domestically and the public at large, and all requests and offers must be made fully public without delay;
- no selective 'benchmarks' or other changes in the negotiation process should be introduced which force developing countries to make precipitated commitments in specific sectors;
- no modalities in domestic regulation should be decided upon that limit the possibility of governments to introduce rules and regulations of their choice to protect their people and environment and that would put trade interests above all other interests;
- no government should submit any bilateral offers or respond to any requests while there are ongoing multilateral discussions on the framework of rules that will apply to services in areas such as Domestic Regulations, Subsidies, Government Procurement and Emergency Safeguards.
- certain services sectors must be explicitly excluded from multilateralised liberalization, especially health, education, cultural/audio-visual, social assistance, water, and energy services, and in the classifications related to new technologies;

- all WTO members must be able to define service sectors that they wish to be fully excluded;
- international financial institutions like the World Bank and the International Monetary Fund must respond immediately to global civil society demands and developing country government requests for the immediate cancellation of all odious and illegitimate Third World debts, and an immediate end to the pressures on developing countries to liberalize and privatize their public services through regulatory or institutional impositions or by placing such economic policy conditions on their loans.

If negotiations do not proceed on the above terms, we call upon developing countries to seriously consider how or whether the negotiations should continue. Simply put, access to essential services and the livelihoods of millions of people in the developing world are at stake.

We welcome the opportunity to clarify these views further and would appreciate a response to this communication.

Co-signators --- Organizations.