

WTO Public Forum 2019
Multilateralism 2.0 – A New Social Contract and a Global Green New Deal

ITUC Session at the 2019 WTO Public Forum
Room E, WTO Headquarters, October 9 - 8.30am

The Havana Charter reminds us that trade is a means not an end – it needs to achieve key social and environmental objectives if it is to have legitimacy. Overcoming the current legitimacy crisis is not simply a public relations exercise (i.e. more than better explanations of the benefits of trade needed). Rather, it requires tackling the *real* problems and failings of current global trade rules.

Economies are in an increasingly unstable environment facing a slowing growth, a ballooning debt, currency fluctuations caused by capital outflows, galloping inequality rates, and various other global governance failures underpinned by a developing climate crisis. Many of these shortcomings could have been addressed in the opportunity the 2009 crisis offered. However, world leaders did not make sufficient changes in the rules of hyperglobalisation.

In order to achieve the 2030 goals and address the climate crisis, a massive investment push is needed in a series of interconnected public goods. The UNCTAD estimates that the world economy needs \$2-3 trillion per year and a new rulebook that regulates the activities of the perpetrators of the last financial collapse and takes power away from them to bring it back under publicly controlled policy-making. The UNCTAD has detailed plans for a Global Green New Deal in its Trade and Development Report of 2019¹.

The Global Green New Deal's key policies comprise (i) ending austerity, protection of trade union rights and redistributing income, which would have positive effects on aggregate demand; (ii) increasing public spending on goods, services, and transfers around industrial and environmental transformation in order to reduce energy intensity in production and consumption; (iii) progressive direct taxation for revenue and redistribution; (iv) a comprehensive industrial policy aiming to crowd in private investment by aggregate demand stimuli and structural shift; (v) increasing public control over the allocation of transnational capital as well as direct domestic credit to productive, green and employment intensive activities, including with public banks; (vi) a new debt jubilee and a debt restructuring mechanism to relieve debt distressed states in the future; (vii) a properly funded global climate bank to support green transitions all over the world but particularly in the South and a Green Marshall Plan that includes technology transfer and specific adaption funds for developing countries; (viii) and a profound reform of the trading and investment system.

World leaders and global governance need to redesign the multilateral system in order to effectively coordinate national and regional policy.

In particular, the current trading system, governed by the WTO and series of free trade agreements have created serious social and environmental problems. A joint report by the IMF, World Bank and WTO concluded in 2017 that *“adjustment to trade can bring a human and economic downside that is frequently concentrated, sometimes harsh, and has too often*

¹ Trade and Development Report 2019, Financing A Global Green New Deal, available at: <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2526>

become prolonged."² Research into EU trade agreements has identified significant impacts of liberalisation and changing trade relations for workers and communities e.g. in South Korea, Guyana and Moldova, which differ depending on the nature of specific supply chains³.

At the same time, trade officials in EU, US and other sizeable economies fail to take seriously the need to monitor the social and environmental outcomes of trade agreements. Labour provisions and human rights clauses have very limited effects and are not commensurate to the challenges faced in creating a fairer global trading system.

Global governance should admit the deficiencies of current approaches and think imaginatively about how the various legal obligations and institutional mechanisms created by trade agreements could best be harnessed to further a social and environmental agenda, including serious engagement with global value chains.

In contrast to the robust direct arbitration enjoyed by foreign investors, most current trade agreements do not include any provisions on labour rights or other human rights or environmental protection, except maybe a few lines of wishful thinking in the preamble of trade agreements which is not legally binding. The WTO does not deal with any labour issues except a general exception that governments can use to bar the importation of goods made with prison labour.

The WTO Members could agree to negotiating labour and environmental commitments. Members could undertake pledges to effectively implement ILO Conventions and Multilateral Environmental Agreements in a formula similar to Trade Facilitation Agreement that allows different countries to agree to different levels of commitments. The ILO Fundamental Rights and UN Guiding Principles on Business and Human Rights should form a floor for labour commitments and the Paris Agreement should render the minimum expectation of climate action actionable.

The WTO Reform should also increase enforcement by means of state to state dispute settlement, establish a tripartite dialogue in the WTO, upgrade customs mechanisms to identify and seize goods made with slavery and child labour, establish a global labour inspectorate, upgrade the current funds and capacity building (including Aid for Trade) and review the methodology and institutional role of Sustainability Impact Assessments.

In other crucial areas of WTO Reform, the Members should give priority to correcting historical injustice and economic inequality by delivering the mandate of the Doha Development Round, including by supporting a progressive regime for technological transfers, operationalising and implementing the LDC package agreed in the Ministerial Conference of Bali in 2013, and reforming the Agreement on Agriculture.

Technological localisation measures on foreign investment, like requirements for joint ventures, foreign ownership ceilings, and investment performance that includes targets for the employment of local labour, training and skills building, and the sourcing of local materials, are key industrial policy tools and should remain available to all economies. In the

² IMF, World Bank and WTO, 'Making Trade an Engine of Growth for All: The Case for Trade and for Policies to Facilitate Adjustment' (2017), available at: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/08/making-trade-an-engine-of-growth-for-all>

³ Smith, Harrison, Campling, Richardson, Barbu, Working Beyond the Border: Free Trade Agreements and Global Labour Governance (Routledge, 2020)

WTO Reform, part of the Membership supports restricting such measures. If agreed, this approach would undermine the accomplishment of global goals on sustainable development. The WTO should agree to remove any restrictions on governmental policy-making regarding FDI. All governments should be able to require labour protections, good wages, technological transfer, and a prudent behaviour from multinational enterprises. As the WTO Agreement on Trade-Related Investment Measures (TRIMs) already restricts many such government measures and establishes transitional periods, any additional regulatory restrictions should be avoided.

The WTO Members must reform the Agreement on Agriculture and guarantee food sovereignty as well as improve the incomes and livelihoods of small producers and agricultural workers, who are among the most vulnerable and who often do not enjoy even fundamental workers' rights. A comprehensive reform of the Agreement on Agriculture should allow stockholding programmes for food security purposes and increase import protection of vulnerable agricultural sectors, for instance by providing a functioning Special Safeguard Mechanism (SSM) to protect from import surges. The Agreement should also forbid unfair practices like exporting food at prices below the average national production cost.

If it is to survive and deliver its mandate to the international community and the planet, the multilateral system needs to be reformed in order to start meeting the expectations of workers and communities in both developed and developing countries while taking urgent and sufficient action to reverse climate heating.