Time for a WTO Trade Turnaround

We can’t plug financial loopholes under current WTO rules

The Doha Round: Instead of WTO Expansion, It’s Time for a WTO Turnaround

- As they chanted 10 years ago in Seattle, we need to fix it or nix it. The current system is not working.
- Financial service deregulation got us into the current economic crisis. The Doha Round -- the WTO expansion negotiation started in 2001—would require further financial service deregulation and liberalization for the 154 WTO signatory countries.
- Right now, our U.S. positions at the Doha Round are the same as those from before the crisis, and before we’ve learned our lesson about deregulation. Under the conservative standard of ‘first, do no further harm’ these positions must be withdrawn, including US support for a multi-country demand for more financial service deregulation.
- We urge the president to develop a plan to review and repair existing WTO limits on financial service regulation, and to devise a future WTO negotiating agenda that takes into consideration the harsh lessons of our current crisis.
- Changes to WTO’s Financial Services Agreement (FSA) are essential to ensure that the world’s governments have the policy space necessary to establish financial service regulation on the domestic and international levels and fix the current economic crisis.

We Support More Financial Oversight, but this won’t happen under current WTO rules

- We support the President’s recent advocacy at the Group of 20 Nations (G20) for a global regulatory floor, and oppose any efforts to impose a ceiling, whether the rules related to consumer protection, systemic risk, derivatives, shadow markets and actors, accounting practices or other financial areas.
- There is a tremendous contradiction between the September 2009 G20 communiqué calling for more regulation, and the push for deregulation under current WTO rules and Doha Round expansion. The G-20 Communiqué calls for completion of the Doha Round – which requires additional financial service deregulation – and calls for re-regulation: Our leaders cannot have it both ways.
- Any G-20 work to establish new financial sector regulation must include revisions to WTOs 1999 Financial Service Agreement (FSA), which obligates its 100-plus signatory countries to maintain the very same types of deregulation schemes that helped cause our recent economic crisis.
- While it is good that nations are encouraged to increase regulatory standards to higher levels, rather than push them downwards to the lowest common denominator, these G-20 commitments to re-regulate are not binding. In contrast, the current WTO rules requiring deregulation are binding – countries can face trade sanctions if their efforts to re-regulate and re-establish financial stability conflict with WTO deregulation dictates. To make matters worse, if the WTO Doha Round were completed, countries would have NEW obligations to deregulate even further.
Current WTO Rules have created a Regulatory Standstill

- We are locked in a “standstill” on financial regulation of sectors already committed to WTO jurisdiction, so countries risk WTO challenges if they reregulate elements of the financial industry.
- For example, we must be able to limit the size of financial institutions in order to deal with the *too big to fail* problem. This is just not allowed under current WTO rules.
- These same WTO rules limit the ability of countries to keep out the harmful products -- such as the credit default swaps and collateralized debt obligations -- which fueled the recent financial crisis.
- Current WTO rules even provide a right for foreign firms to offer any new risky financial product or services.

We Support President Obama’s Campaign Promises

- We strongly support the President’s past commitments, and are rolling up our sleeves to help bring about these trade reforms validated by voters in the last election.
- More than 100 candidates nationwide -- from both parties -- joined the President in running on trade reform platforms in 2008.
- Over 80 seats flipped from pro-free-trade members to fair trade members during 2006 and 2008.
- We agree emphatically with their call to create new trade policies that serve the needs of all Americans, not only the special interests who have promoted the past, failed model.
- We strongly support the President’s efforts to put people back to work, including use of *Buy American* stimulus programs. We also back his efforts to encourage stimulus spending around the world, and urge him to intensify those efforts.

We also need real change in global economic structures

- Existing WTO rules contradict the goal of re-regulation of financial services, and in fact, legally obligate the 105 signatories to continue the policies that legislatures worldwide are now working to reform.
- Many core “neoliberal” policies remain in place in the agreements of the WTO and in the policies of international agencies, such as the International Monetary Fund (IMF) and the World Bank.
- We urge the President to lead an effort to ensure international agencies are pursuing policies that support global economic recovery.

Specific policy reforms are also needed for IMF programs

- A guarantee that countries will have flexibility to expand healthcare and education spending, irrespective of budget caps;
- A prohibition on financial deregulation as an IMF conditionality or policy recommendation;
- Give countries more macroeconomic flexibility in fiscal and monetary policy.
- Expanded debt cancellation, free from harmful conditionalities, for the poorest countries. Address the activities of so-called “vulture funds,” who buy up poor country debt in secondary markets for pennies on the dollar, and attempt to extract the full value through predatory litigation and other means.