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Crafting a Global Trade Strategy: The U.S. and the WTO

ECONOMIC PERSPECTIVES

Crafting A Global Trade Strategy: The U.S. and The WTO

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In February 2000 members of the World Trade Organization (WTO) voted in General Council to launch within weeks negotiations on agriculture and services to which they previously committed.

That decision was the first one WTO members made since the December ministerial meeting in Seattle, which failed to initiate a new and comprehensive round of global trade talks.

While the United States is firmly committed to moving forward with new negotiations, it remains unclear whether WTO members will discover the political will to muster meaningful progress toward trade liberalization in 2000.

Progress will depend, in part, on the participation of developing countries at a level never seen before — and Clinton administration officials are re-examining their positions with that realization in mind. It also will require a greater commitment by the industrial countries to dismantle trade barriers in their most sensitive industrial and agricultural sectors.

The Clinton administration remains committed to the idea that freer trade should not result in lower labor or environmental standards anywhere. But they are seeking an approach for presenting these ideas in a way that a critical mass of other countries can accept.

ECONOMIC PERSPECTIVES
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❑ PRESIDENT CLINTON ON GLOBALIZATION, TRADE

Excerpts from Address to the World Economic Forum

President Clinton says that open markets and freer trade are the only way open to developed and developing countries alike. He disagrees with protestors who want to block the work of the World Trade Organization (WTO). He also disagrees with those who want to prevent participation by more parties in WTO decisions.

Following are excerpts from Clinton's January 29 address to the World Economic Forum in Davos, Switzerland.

"I think we have got to reaffirm unambiguously that open markets and rules-based trade are the best engine we know of to lift living standards, reduce environmental destruction and build shared prosperity. This is true whether you're in Detroit, Davos, Dacca or Dakar. Worldwide, open markets do create jobs. They do raise incomes. They do spark innovation and spread new technology — they do, coupled with the explosion of international communications through the Internet, which is the fastest-growing network in history."

"Trade is especially important, of course, for developing nations. Listen to this — this is something that I think people from the developing nations who oppose the WTO should think about: from the 1970s to the early '90s, developing countries that chose growth through trade grew at least twice as fast as those who chose not to open to the world. The most open countries had growth that was six times as fast..."

"Certainly, many of the people who have questioned the wisdom of open trade are genuinely concerned about the fate of the poor and the disadvantaged, and well they should be. But they should ask themselves, what will happen to a Bangladeshi textile worker or a migrant from the Mexican countryside without the prospect of jobs and industry that can sell to foreign, as well as domestic, consumers? What happens to farmers in Uruguay or Zimbabwe, in Australia, Europe, the United States, if protectionism makes it impossible to market products beyond their borders?

"How can working conditions be improved and poverty be reduced in developing countries if they are denied these and other opportunities to grow, the things that come with participation in the world economy. No, trade must not be a race to the bottom — whether we're talking about child labor, basic working conditions or environmental protection. But turning away from trade would keep part of our global community forever on the bottom. That is not the right response."

"I think those who heard a wake-up call on the streets of Seattle got the right message. But those who say that we should freeze or disband the WTO are dead wrong....

"There is no substitute for the confidence and credibility the WTO lends to the process of expanding trade based on rules. There's no substitute for the temporary relief WTO offers national economy, especially against unfair trade and abrupt surges in imports. And there is no substitute for WTO's authority in resolving disputes which commands the respect of all member nations. If we expect public support for the WTO ... we've got to get out of denial of what's happening now.

"If we expect the public to support the WTO the way I do ... we have to let the public see what we're doing. We have to make more documents available, faster, we have to open dispute panel hearings to the public, we have to allow organizations and individuals to panel their views in a formal way. And we all have to play by the rules and abide by the WTO decisions, whether we win or whether we lose."

"Let me be clear: I do not agree with those who say we should halt the work of the WTO, or postpone a new trade round. But I do not agree with those who view with contempt the new forces seeking to be heard in the global dialogue. Globalization is empowering people with information, everywhere." ❑

❑ KEEPING MARKET ACCESS ON TRACK

By David Aaron, Under Secretary of Commerce for International Trade

To launch a new World Trade Organization (WTO) trade round, the European Union (EU) must agree to negotiate its agricultural subsidies and reconsider its proposals on investment and competition policy, says David Aaron, under secretary of commerce for international trade.

He says the United States must continue to press for a new round: "If we do not, no one else will."

Other U.S. objectives are securing China's accession to the WTO, opening markets foreign trade through regional and bilateral initiatives, and building consensus for freer trade, he says.

When we talk of the U.S. commitment to free trade in this new era, it is important to note just how far back our adherence to its principles began. Our vision for open markets dates back to the first generation of American leaders. Tom Paine, Thomas Jefferson, and Ben Franklin were opposed to import restrictions and expressed their favor for nondiscriminatory trade. In fact, Jefferson, an ardent free trader, asserted that "free trade, with all parts of the world" was a "natural right" that no law could abridge. From the Founding Fathers to the "Open Door," increasing market access has been a central principle in U.S. trade policy.

Moving closer to the present, all are aware that the Seattle ministerial late last year fell short of launching a new round of trade negotiations. This does not mean that progress was not made or that the U.S. trade agenda did not move forward. During the November/December ministerial, we created consensus in some very important areas. These would include, for example, the need to keep electronic commerce duty free, a policy approach to the least-developed countries, trade facilitation, and a negotiating agenda for the services industries.

However, on some other important issues, many relating to market access, we found ourselves unable to bridge the gaps. Today, our challenge remains keeping the process of liberalization moving forward.

To ensure this, we are pursuing four priority objectives:

- Securing the entry of China into the WTO.
- Continuing market-opening initiatives in other multilateral fora, such as the Free Trade Area of the Americas (FTAA).
- Forging a new consensus on the importance of trade.
- Making progress on the agenda for a new round of multilateral WTO negotiations.

PNTR AND CHINA WTO MEMBERSHIP

Harnessing China to the global system is crucial. That's why China's entry into the WTO is so important.

Three things are necessary for China to enter the WTO. First, China must complete its bilateral negotiations with Europe and several other countries. Second, we all have to finish negotiating the protocol of accession. Third, the U.S. Congress needs to pass permanent normal trade relations for China.

We hope the first two steps can be completed promptly, so that we can conclude the third before Congress adjourns this summer. Approving permanent normal trading relations (PNTR) with China and pushing for its WTO accession is the single most important step we can make toward improving American market access abroad. It is really that simple. U.S. markets are already open to Chinese goods. By granting China PNTR, we gain significant tariff cuts across the board — some as high as 20 percent — on virtually all U.S. goods, as well as substantial improvements in market access for U.S. services.

REGIONAL INITIATIVES

While working through the WTO is our primary focus on market access, we are also engaged in a number of smaller fora. One I would like to mention is the Free Trade Area of the Americas.

The FTAA is a regional, multilateral effort to unite the economies of the Western Hemisphere into a single free-trade arrangement. We are working to include in the FTAA agreement on a number of business facilitation measures. Last November in Toronto, trade ministers agreed to a package of customs and transparency measures that will reduce commercial transaction costs, create a more predictable regional economic environment, and give U.S. companies the information they need to make sound financial decisions.

These measures include streamlined procedures for the temporary importation of goods related to business travel, for express shipments, and for low-value shipment transactions; dissemination of information on customs procedures, laws, and regulations; and use of sophisticated risk management systems to focus customs enforcement activities on high-risk goods and travelers while facilitating the clearance and movement of low-risk goods. We will be cooperating closely with our counterparts in the region to ensure that these measures are fully implemented this year and to develop new proposals that can be put in place before 2005.

A CONSENSUS ON TRADE

Improving market access is largely linked to our commitment to the global trading system. Most of us realize that open markets and rules-based trade are proven to raise living standards, reduce global poverty and environmental destruction, and assure the free flow of ideas that foster democracy. But if we are to move forward on the market access initiatives I have mentioned, we must engage a growing movement that questions the virtues of trade.

The Clinton administration has listened to and agrees with some of the concerns related to free trade, including transparency, labor, and the environment. For example, we agree with those who call for more transparency in the WTO — pushing for an opening of WTO procedures and the input of nongovernmental parties in certain WTO meetings. On the issue of labor standards, we have proposed the creation of a WTO working group to examine linkages between trade and labor. The president has also called on the WTO to do more to take into account how trade agreements affect the environment.

But while we agree with and are addressing these concerns, we do not believe that they, along with other unsubstantiated criticisms, preclude the continuation of the global trading system. Furthermore, evidence — both empirically and case by case — shows that the majority of anti-trade arguments are both factually and theoretically invalid. There are four particular examples that strike at the heart of the anti-WTO rhetoric.

First, the opponents of free trade claim to want to help poor countries but at the same time are reluctant to invest or trade with them — both of which are crucial to their development.

Second, some place an emphasis on spreading democracy, but then ridicule the decisions of democratic governments. Many of those criticizing the WTO have argued that it lacks the accountability and transparency of a democratic institution. In some instances, the U.S. government has agreed with this assessment, pushing for an opening of WTO procedures and the input of nongovernmental parties in certain WTO meetings. What many critics overlook, however, is that the majority of WTO members are democratic governments acting with the endorsement of their people.

Third, some want to improve the environment, but are opposed to the growth that is essential to create the resources needed to achieve that goal. No one denies that economic development often leads to environmental degradation. But the fact remains that those countries with the cleanest environments are also the most developed. Most environmental degradation occurs due to poverty and poor education; the record shows that trade and investment alleviate these problems.

And finally, critics of the WTO see themselves as protecting the "little guy" against global corporations by dismantling the very rules the little guy must depend on. Small businesses are our largest exporters and, with their smaller resources, rules are critical to them to fight against trade barriers and resolve disputes.

Those of us in government and outside must engage in an open dialogue about the importance of trade. Through this dialogue, I have no doubt, the tenets of open markets and WTO will prevail.

THE WTO

We remain committed to launching a new global trade round and would prefer to do it as soon as possible. A new round is desirable, and we are still working to get there. However, a round will not be beneficial or possible

until our principal trading partners prove willing to compromise and open up sectors of their economies that they have traditionally kept closed.

So what can be done to launch a new round? First, the European member states need to authorize the European Commission to develop a policy on agriculture that will permit a round to begin. Quite frankly, Europe needs to put its agricultural subsidies on the negotiating table.

Second, the EU has to decide what it wants with regard to investment and competition policy. Investment is an issue the less developed countries do not want to go near. On competition policy, it is clear that the EU no more than the United States wants its anti-trust rulings second-guessed by 130 other countries.

Third, the United States must continue to press for a new round. If we do not, no one else will. The first step is to move forward with the WTO's built-in agenda that every country is obliged to address. We need to get proposals on the table in services, agriculture, and industrial goods that will dramatize the advantages of a new round.

Admittedly, the list of requirements to launch a new round is formidable. Some countries have opted for a strategy to pursue bilateral and regional trade liberalization instead. I believe we also need to move forward bilaterally and regionally. But in the long run, these are not real alternatives to the WTO. Bilateral and regional trade agreements can spur liberalization and set positive examples. In the end, however, it is the global system that is crucial.

CONCLUSION

The first generation of American leaders saw the importance of open markets and free trade. More than 200 years later, history and practice have proven that they were right.

Pushing for a new round in the WTO, granting PNTR to China, and continuing our liberalization efforts around the world are the most significant measures we can take toward improving market access in this new era. We need to take advantage of this timely opportunity to further the open trade process so important to the prosperity of wealthy countries and so essential to raising the living standards of those that are poor. If we do not, we may miss what is undoubtedly a "win-win" situation for the global economy. ❑

❑ INTERNATIONAL AGRICULTURAL TRADE: AT A CROSSROADS

By August Schumacher, Jr., Under Secretary of Agriculture for the Farm and Foreign Agricultural Services

The members of the World Trade Organization (WTO) need to address the obstacles that blocked progress at the December ministers' meeting in Seattle, including complaints from developing countries that they get few benefits from the current rules, says August Schumacher, under secretary of agriculture.

In an article adapted from a January 5 speech given at the 54th Annual Farming Conference in Oxford, England, Schumacher says that agricultural negotiations must resume this year, as required by earlier agreement, or the credibility of the entire trading system is at risk.

The United States has already demonstrated leadership in eliminating harmful barriers to freer agricultural trade; the European Union and Japan must do so as well, he says. "This would take courage ... but we can do it."

The topic I was asked to address is "World Trade Policy — No Turning Back?" That is what I would consider a rhetorical question, from the U.S. perspective at least, because that is a correct statement. The United States has long envisioned a more open, comprehensive, transparent, and stronger international agricultural trading system. Although the Uruguay Round, which led to the formation of the World Trade Organization, was a landmark agreement for the inclusion of agriculture in such a system, we recognize that we still have, as the well-known U.S. poet Robert Frost once said, "miles to go" to complete and fully integrate agricultural reform into the international trading system.

That is why we have set several objectives for the resumption of the WTO agricultural negotiations that began in Seattle. For a better trade system for agriculture, we need to do the following:

- Eliminate export subsidies.

- Tighten rules on trade-distorting domestic support.

- Improve market access by reducing tariffs and increasing quotas.

- Reform state trading enterprises.

- And facilitate trade in the products of new technologies, including biotechnology.

We need to welcome new members to the WTO. We also need to work closely with developing countries to ensure that they are allowed to participate transparently in WTO negotiations to widen their access to global markets, while continuing to open their own markets to trade with both other developing country farm exporters and with Organization for Economic Cooperation and Development (OECD) agricultural traders.

THE SEATTLE MINISTERIAL

Like others at the Seattle Ministerial, we were disappointed that the 135 WTO members did not reach final agreement to open a new round of trade talks, but we are not disheartened. As President Clinton said, "We made progress at the Seattle WTO trade meeting, although significant differences remain. I remain optimistic that we can use the coming months to narrow our differences and launch a successful new round of global trade talks."

There were a number of reasons why the talks were suspended. We need to take these reasons into full account so we can move forward. For example, the WTO needs to provide better opportunities for wider participation by all members, including developing countries, in the decision-making process.

Developing countries have complained that they are not accruing the benefits from trade that more developed countries are achieving. These concerns need to be addressed. Reasons for this complaint include trade-distorting agricultural policies in some countries that place an immense and unfair burden on developing country farmers, and the need for capacity-building in the developing countries themselves. We are encouraging the World Bank and its sister agencies not only to help in capacity-building, but also to continue to support

agricultural modernization and development in these countries.

A number of countries in Asia and Europe and, yes, North America still spend a lot of money to maintain trade-distorting policies to support their agriculture, to the detriment of developing countries. Indeed, a large portion of farm income in a number of countries comes directly from government support.

WHERE DO WE GO FROM HERE?

The question on all our minds is where do we go from here? I believe that for the credibility of the WTO, we must start negotiations promptly. Article 20 of the Uruguay Round agreement states, "Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period." That is why countries are committed under the "continuation clause" to promptly renew negotiations on agriculture and services (commonly called the built-in agenda) this year. If we do not get started now, we risk damaging the credibility of the entire international trading system — a trading system built carefully, step by step, for more than five decades.

Overall world trade growth has been expanding at three times the level of OECD growth in gross domestic product, 9 percent compared to 2.8 percent. World trade in agricultural commodities grew to nearly $270,000 million in 1999, from some $200,000 million in 1990. Increased trade in value-added food products has been particularly noticeable. In the United States, exports of value-added products have grown 40 percent, from $14,000 million to $20,000 million, during the past decade.

It is not just the United States, the European Union (EU), and Japan that will gain from the start of negotiations to liberalize agricultural trade. Developing countries have a lot to gain as well. Without an open international trading system, some developing countries are more likely to face the menace of food insecurity. Without an open trading system, they will not gain better market access for their agricultural products. Therefore, a new trade round is not just an effort for developed countries, but also for developing countries as well in making sure this round gets launched.

In the Marrakesh Declaration at the close of the Uruguay Round, developing countries were given differential and more favorable treatment by developed countries, and it was agreed that the impact of the Uruguay Round on least-developed countries and on net food-importing countries would be reviewed to help them achieve their development objectives.

There are tasks we can begin to work on immediately at the WTO. For example, we need to determine how to move forward to establish an agriculture negotiating group, which would require that we find a chair. This needs to be done promptly.

We also need to reach a consensus on the trade aspects of biotechnology at the WTO. The concept of a working group on biotechnology was a topic of vigorous debate by WTO members at the ministerial. We still think that a biotech working group is the best way to address this issue. Besides, there are many forums legitimately discussing biotechnology — the Codex Alimentarius Commission, the OECD, the Biosafety Protocol. However, the trade aspects of the agricultural biotechnology issue should be addressed in the WTO context, as well as bilaterally.

In this regard, President Clinton and EU President Romano Prodi agreed to high-level talks on biotechnology and to consult with those outside government in this process. Under this approach, we expect to address a range of issues, including the approval processes for biotech products and market access issues. In addition, a consultative forum is expected to include scientists, academics, consumers, and environmental groups.

U.S.-EU DIFFERENCES

At the U.S.-EU Summit in December 1999, it was clear that huge differences remain between us. While both the United States and the EU agreed that a new round should focus on agriculture, services, and market access and should address developing country concerns, the EU continues to insist on a broader agenda that includes investment rules and antitrust policies. The EU must narrow its agenda. We need to work together to develop a manageable agenda so that we can launch the new round.

We remain concerned about several U.S.-EU bilateral issues. In fact, beef and bananas continue to be of major concern because they undermine the whole framework of the WTO dispute settlement process. The continuing

refusal by the EU to comply with the WTO panel determination and lift its unjustified ban on U.S. hormone-treated beef has led to the implementation of 100 percent tariffs on EU exports valued at $116.8 million. In addition, 100 percent tariffs have been imposed on $190 million of EU products due to the EU's failure to implement the WTO decision on the EU banana regime.

THE WELL-TRODDEN ROAD: TRADE-DISTORTING POLICIES

In contrast to our efforts to address trade-distorting policies, the EU continues to be unable to significantly reform its Common Agricultural Policy (CAP). The EU has notified the WTO of about $90,000 million in support to European agriculture annually, about half of which is trade distorting. Under Agenda 2000 reforms, the EU plans to provide more support under direct payments. And it spends at least several thousand-million dollars a year in export subsidies. This is the largest single distortion of agricultural trade in the world. Let me be clear: The United States does not object to the EU supporting its farmers. What the United States objects to are the trade-distorting policy choices the EU makes.

Not only do these supports hurt developing countries, but they hurt the EU's own consumers as well. The combination of high tariffs and subsidies means European consumers pay prices that are significantly higher than world prices for food.

The EU recently claimed that the United States provides payments to its farmers that are twice the level of support provided to EU farmers. In reality, most recently available data published by the OECD show that EU production supports on average for 1996-98 provide 39 percent of EU farm income, while U.S. production supports on average for the same period provide only 17 percent of U.S. farm income. OECD data also show that the EU provides nearly 10 times more production support per acre (0.4 hectare) than the United States does (the EU provides $324 per acre, while the United States provides only $34 per acre).

The EU also provides product-specific, trade-distorting domestic support to at least 50 different agricultural products, including beef, olive oil, tomatoes, wine, apples, cucumbers, artichokes, zucchini, cherries, clementines, grapes, and peaches. The United States limits its producer assistance to about nine major commodities. For example, the United States provides no production assistance to its world-class wine industry, whereas in 1996-97 the EU provided 1,900 million Euros in production assistance and 37 million Euros in export subsidies in 1997-98. While EU expenditures have come down in recent years, policy reforms are likely to double current EU expenditures on wine in coming years.

Developing countries are looking to the United States, the EU, and Japan for leadership in developing rational agricultural policy. The United States has shown it by greatly reducing its export subsidies, especially on grains. What about the EU? High European subsidy levels continue to distort international agricultural trade.

THE ROAD LESS TRAVELED

In conclusion, let's consider Robert Frost's well-known poem "The Road Not Taken":

> Two roads diverged in a wood, and I —
> I took the one less traveled by,
> And that has made all the difference.

Our situation now is not so different from what Robert Frost describes. One can remain on the well-trodden road of protectionism in agriculture, with which we are most familiar. That road would lead us to years of negotiations as we saw in the Uruguay Round, resulting in the continuation of trade-distorting protectionist policies, which have adversely affected world prices, the environment, and efficient agricultural producers, especially those in developing countries.

Or we can take the road less traveled, the road not as worn or well trodden, and move forward, promptly. This would take courage; courage on the part of the United States, the EU, Japan, and other nations. But we can do it. If we recommit ourselves, we can conclude a new round. Our joint efforts helped to reshape the post-war economy, leading us to the crossroads where we now stand. Let's take the road less traveled — it will make all the difference. ❑

❑ MAKING GLOBALIZATION WORK FOR WORKERS

By Alan Larson, Under Secretary of State for Economic, Business, and Agricultural Affairs

The global trading system can and should work for developed and developing countries alike, Alan Larson, under secretary of state, says in an article adapted from a January 5 speech to the Rotary Club of Washington.

Plenty of obstacles to freer trade remain to be worked out, including differences over environmental and labor rights issues as well as plain protectionism, he says. Still, because both sides want an open, fair trading system — one that lets "globalization work for workers" — they have no choice but to eliminate those obstacles, he says.

It is in America's interest, I am convinced, that the global economy should expand through increased trade and a broader and freer flow of capital. At the same time, to be durable, the global economy must be built on a solid ethical and political foundation. The global economy must be supported by a global sense of community and animated by an appreciation of the common humanity that people throughout the world share. It also must be reinforced by a set of institutions and rules that help ensure that all people, within this country and across countries, can find within the global economy opportunities to expand our freedom and to realize the full potential God has given us.

And when I speak of freedom, I have in mind the Four Freedoms that former U.S. President Franklin Roosevelt stressed — freedom of expression, freedom of worship, freedom from fear, and freedom from want. We face tough challenges as we attempt to pursue these objectives at the beginning of a new millennium because the freedoms that enable people to achieve their potential are spread rather unevenly around the world.

NEW PERMUTATIONS ON AN OLD ADAGE

Many of us have found wisdom in the old adage, "Give a man a fish and he is fed for a day. Teach him to fish and he is fed for a lifetime." Today the adage needs to be updated in several ways.

First, it is not just being politically correct to suggest that the adage should talk about both men and women. In fact, one of the most important lessons of development economics is the importance of ensuring that women as well as men enjoy full economic opportunities.

More profoundly, to move beyond a subsistence lifestyle, men and women in developing countries need to be able to sell their products in the global economy and to buy other products that help them achieve the quality of life they value. Here's where the issues start getting complicated.

First, there is the simple question of protectionism. What if I am a fisherman in a developed country and fear that my wages will fall or I will lose my job if I face competition from a fisherwoman from a developing country? Because of her poverty, she may be willing to work longer hours or for lower wages. Is that unfair? Most of us would say that we should not refuse to buy the woman's fish simply because she is poorer and will work for less.

The example is not a trivial one, however. At the recent trade negotiations in Seattle, some countries refused to support a tariff reduction proposal called Accelerated Tariff Liberalization, in part because they wished to protect their fishermen from competition from developing countries.

The pressure for protection is even stronger from European and Japanese farmers. One of the biggest problems in launching a new round of trade talks will be to convince farmers in developed countries that it is inappropriate to use trade barriers or trade-distorting subsidies to protect their incomes and lifestyles at the expense of poor farmers in developing countries. And lest we in the United States feel too self-righteous, we must acknowledge that lower trade barriers on imported clothing would be of great interest to poor workers in many developing countries, even as we recognize that surging clothing imports would have an adverse impact on American apparel workers, many of whom have few economic options outside the apparel industry.

So in our trade policies, developed countries need to focus on appropriate transition mechanisms and find new

and better ways to equip our own citizens with the skills that allow them to compete effectively in the global economy. We must face up to the fact that this can be a particular challenge for disadvantaged workers, for workers with lower educational skills, and for workers whose work skills are very industry-specific and not easily transferable to new jobs.

Suppose, however, that we solve this challenge and accept without trade barriers the fish produced by our developing country fisherwoman. There still may be problems of over-fishing. If the number of fish caught each year must be regulated to protect fish stocks, it could be done on the basis of historical production, which might favor us, or on some other basis. And who sets and enforces those rules?

Still other problems arise. What if we are concerned that the woman's fishing technique results in the inadvertent taking of a significant number of sea turtles? Does our concern about the environment give us the right to refuse to buy from her, despite her poverty, unless she changes her fishing methods? For what it's worth, existing U.S. law says we do have that right, and a dispute settlement panel of the World Trade Organization (WTO) agrees, provided we do so in an appropriate way.

Now, let's assume that the woman fishes with turtle excluder devices that prevent turtles from being taken inadvertently. Should we buy fish from her even if others in her country continue to fish in the old way and her government does not require the use of excluder devices? Over the holidays I made a formal determination to continue the existing American policy under which we do allow the importation of shrimp harvested from ships using turtle excluder devices, even from nations that do not require all their shrimp trawlers to use such devices.

And if these questions aren't hard enough, let's talk for a moment about labor practices. U.S. law would authorize us to ban importation of the woman's fish if she was using slave or forced labor. I'm sure that we all would agree that our common stake in ending slave or forced labor would fully justify this use of trade leverage, and I am confident that such action would be unassailable in the WTO.

But suppose that the woman employs child laborers. Most of us would be concerned about buying products produced by workers who are underage, particularly if there is an exploitative element in their employment. At this time, WTO rules do not explicitly authorize a country to prohibit importation of products produced by exploitative child labor. Some might ask what would happen to such desperately poor children if they were not working.

In practice, we have had encouraging success in devising pilot programs that take children out of factories and put them into schools. In some cases, the jobs they left behind have been filled by mothers, many of whom had not previously been in the job market. One such program targeting the garment sector in Bangladesh actually boosted the country's exports, as countries concerned about child labor became willing to import when the children were in school and not in the factory. The Bangladeshi success has encouraged certain industries in Pakistan to follow suit. We need to build on these positive examples.

HUMAN RIGHTS

Even more complicated issues arise when we consider the question of human rights. Democracy and respect for human rights are not luxuries that poor countries cannot afford. Rather, they are rights to which all humans aspire, and there can be no true development, for our fisherwoman or anyone else, without them.

Moreover, democracy and respect for human rights contribute in a variety of ways to the effective functioning of the economy. They help rein in economically destructive corruption or abuse of power, for example, the allocation of fishing licenses only to friends of the president. They provide a rational basis for making decisions about the amount and types of public goods like education and public safety that will be provided. Without such goods, the economy cannot effectively function. That is why the United States is devoting a growing share of our assistance resources to the strengthening of the rule of law and why we will continue to speak out about human rights abuses.

Let's try to take stock of progress in the global economy. The past 50 years have been a time of unprecedented economic growth and prosperity in the United States. Our incomes have grown by about 60 percent in real terms. Measured in terms of their purchasing power, our incomes are now 27 percent higher than our counterparts in Japan and 41 percent higher than in Germany. Unemployment is low, and the stock market has quadrupled in value during the last 10 years.

Trade has helped fuel this boom. The share of trade in our national economy has doubled in less than a generation. We are the world's largest exporter, and exports have produced good jobs; in fact, on average, export industries pay wages some 15 percent higher than other sectors of our economy.

The basic components of the American model of market competition are being embraced in countries throughout the world. This is one of the reasons why prospects for global growth have never been brighter.

Developing countries are, to a substantial degree, beginning to share in this expansion of global opportunity. The countries of East Asia, for example, grew at a rate of over 8 percent a year during the 1980s and 1990s. Far too many people in the world still live in extreme poverty, but the percent who get by on less than $1 per day has fallen from about 25 percent in 1987 to about 21 percent a decade later.

Other, less strictly economic indicators are also up among developing countries. Life expectancy has increased from 59 years in 1970 to 67 years in 1997. While life expectancy remains too low in the very poorest countries, even there it has increased from 43 years to 52 years during the same period.

CURRENT POLICY INITIATIVES

While conditions in many developing countries have improved, they are hardly at a level that is acceptable.

We need to do more to help individuals in the poorest developing countries have meaningful opportunities to participate in the global economy. That is why the administration is working hard to secure congressional approval this year of the African Growth and Opportunity Act and the Caribbean Basin Enhancement Act. Each of these bills would provide important opportunities for poor people in poor countries. In helping them expand their economies, we help them become stronger economic partners and ultimately better customers.

We have agreed to forgive virtually all of the debts of the poorest countries so long as they are committed to policies that will alleviate poverty and provide a solid foundation for sustained economic growth. We are helping to fund education programs around the world. We have supported a large increase in education and social programs by the multilateral development banks. We have launched an initiative to extend Internet infrastructure to over 20 African countries.

To do everything we need to do to foster peace, democracy, and development, the United States needs to devote the resources necessary to do the job. Unfortunately, our resource commitment in these areas has declined over the years. At present, less than 1 percent of the federal budget is devoted to these programs. We must do better.

We also need to broaden the trading system to include all countries willing and able to uphold its rules. The Congress will have an opportunity soon to make a particularly important decision to grant China permanent normal trading rights in connection with its entry into the World Trade Organization. This decision is not about endorsement of the Government of China's human rights policies; it's about bringing the 1,200 million people of China into a rules-based system of trade.

EXPANDING FREEDOM

After Seattle, some observers have drawn the conclusion that there is an unavoidable collision in the trading system between the interests of developing countries and the interests of those countries, my own included, that seek to introduce consideration of labor and social issues into the WTO. I respectfully disagree.

What both sides of this debate want is a trading system that is inclusive and gives everyone the chance to share in the expansion of freedom that the global economy makes possible. There can be no development worthy of the name that does not involve an expansion of workers' freedom to associate and bargain and a strengthening of their protection from gender discrimination, exploitative child labor, and forced labor. And there can be no social or labor agenda worthy of respect that does not embrace the importance of lifting the lives of the poorest people in developing countries, people whose opportunities are so circumscribed compared to our own.

It will be hard to make globalization work for workers, both here and in developing countries, but we can and we must. To start, we in developed countries must make clear, in what we say and do, that our interest in the social dimension of trade is part of a commitment to lift developing countries up, not hold them down. ❑

❑ THE LABOR DIMENSION AND THE WTO

By Andrew Samet, Deputy Under Secretary of Labor for International Labor Affairs

A multilateral approach working through the WTO and other international organizations is the best way to address the labor dimension of trade, says Andrew Samet, deputy under secretary of labor for international labor affairs. The U.S. goal is to promote improved labor standards worldwide, not to introduce new forms of protectionism into the trading system, he says.

At the 1999 Seattle ministerial meeting of the World Trade Organization (WTO), discussion among WTO members showed some significant movement toward a recognition of the need to address the relationship between labor and trade, even as it revealed the continued existence of significant differences among members. These differences only highlight the necessity for the WTO, when it resumes negotiations on the future trade agenda, to provide the basis for its members to consider the labor dimension of trade liberalization. In the end, if we are to move forward successfully on trade opening, the differences of Seattle must give way to the development of a new shared vision for the way forward on labor.

As WTO members approach this issue in the future, it is important to keep in mind the essential purpose of trade. As the preambles to the General Agreement on Tariffs and Trade (GATT) and the WTO state, the purpose of increased trade is to raise standards of living and to ensure full employment. Trade liberalization is not an objective to be pursued in the abstract — it is pursued to promote faster economic growth, which in turn can result in better jobs, improved labor conditions, and higher living standards. To deny the relationship between trade and labor concerns is to deny fundamentally the very foundation upon which trade liberalization has been built.

HISTORICAL PERSPECTIVE

Concerns about labor standards and their impact on international economic competition are not new. The development of international labor standards in the 19th century and the creation of the International Labor Organization (ILO) in 1919 were centrally related to commercial considerations. The Treaty of Versailles, which created the ILO, recognized that "failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries."

The impact on competition of labor standards was also addressed by the 1948 Havana Charter of the International Trade Organization (ITO). The draft of the charter stated: "The members recognize that unfair labor conditions, particularly in production for export, create difficulties in international trade and, accordingly, each member shall take whatever action may be feasible and appropriate to eliminate such conditions within its territory."

The current heightened interest in international labor standards is, inter alia, related to the globalization process. Accelerated global economic integration provides great opportunities for economic growth and employment. But it also poses challenges to assure that the broadest number of workers benefit from the globalization process and that competition occurs on the basis of accepted international labor standards. To emphasize only the opportunities from globalization, without addressing the concerns of workers, would be self-defeating and makes more difficult maintaining the consensus essential to pursue a trade liberalization agenda.

PROMOTING INTERNATIONAL LABOR STANDARDS

The United States believes that various international organizations can make a positive contribution to promoting labor standards. We have accordingly pursued this issue in the Organization for Economic Cooperation and Development (OECD), the ILO, the international financial institutions (IFIs), and the WTO. We have also done so through regional and bilateral initiatives.

In 1998, with the support of worker and employer groups around the world, the ILO adopted a new "Declaration on Fundamental Rights and Principles at Work and Its Follow Up." The declaration introduced a new mechanism to hold member states accountable for providing basic labor rights, defined as freedom of

association and the effective right to collective bargaining; the elimination of all forms of forced or compulsory labor; the effective elimination of child labor; and nondiscrimination in occupation and employment. These are fundamental rights that all ILO members are responsible for implementing.

The U.S. Congress has supported President Clinton's request for additional resources to help fund implementation of the declaration. The Department of Labor will provide to the ILO $20 million for a new program of assistance to countries to implement and protect the core labor standards enshrined in the declaration. We will provide an additional $10 million for bilateral assistance to help labor ministries and other relevant government agencies improve labor law implementation and operate social safety net programs.

It is also clear that much of the recent concern about international labor issues has been reflected through the prism of abusive child labor conditions. At its June 1999 conference, the ILO adopted a new Convention 182 on the Worst Forms of Child Labor, defined to include such practices as slavery or any form of forced labor; procuring or offering children for prostitution; procuring or offering children for illicit activities; and any work which by its nature is likely to harm the health, safety, or morals of children. Each ILO member that ratifies the convention will be obligated to take immediate and effective measures to eliminate such forms of child labor. President Clinton submitted the treaty ratifying the new convention to the U.S. Senate in record time, and the Senate acted — also in record time — in giving its advice and consent. The president signed the instrument of ratification on December 2, 1999, in Seattle.

U.S. TRADE AND LABOR PROPOSAL

During the preparatory process leading to the Seattle ministerial meeting, the United States proposed the establishment of a forward work program in the WTO on trade issues related to labor questions for which WTO members would benefit from further information and analysis. In October 1999, we submitted a more specific proposal for the establishment of a Working Group on Trade and Labor with a mandate to address the following issues:

- Trade and employment: examination of the effects of increased international trade and investment on the levels and composition of countries' employment.

- Trade and social protections: examination of the relationship between increased openness in trade and investment and the scope of the structure of basic social protections and safety nets in developed and developing countries.

- Trade and core labor standards: examination of the relationship between economic development, international trade and investment, and the implementation of core labor standards.

- Positive trade policy incentives and core labor standards: examination of the scope for positive trade policy incentives to promote implementation of core labor standards.

- Trade and forced or exploitative child labor: examination of the extent of forced or exploitative child labor in industries engaged in international trade.

- Trade and derogation from national labor standards: examination of the effects of derogation from national labor standards (including in export processing zones) on international trade, investment, and economic development.

The working group would produce a report for discussion at the next WTO ministerial and would work in consultation with the ILO, the international financial organizations, and the United Nations Conference on Trade and Development.

The United States made this proposal for a number of reasons. First, there is a need to undertake objective analysis and to expand the base of knowledge of the relationship between trade and labor and to substantiate that trade is a positive force for improved living standards. Second, trade, investment, and development are not objectives in and of themselves. They are the means to improving people's lives and ensuring that the global economy works for working people. That means leveling up, not leveling down, global living standards; encouraging a race to the top, not forcing a race to the bottom. As President Clinton said in his State of the Union address in January 1999, "We must put a human face on the global economy." And third, a multilateral approach through the WTO, working with other international institutions, will preserve all countries' interests, while giving all WTO members a chance to present their views.

We have heard many countries, particularly developing countries, argue that our proposal to have the WTO consider trade and labor is a protectionist ploy. These arguments are misplaced and plain wrong. If the United States wanted to pursue a protectionist course, this would be a highly inefficient and indirect approach. The fact is that President Clinton has pursued open trade and made a case before the American public about the benefits of trade liberalization.

We are trying neither to impose standards on developing countries that would hurt their development nor to deny their competitive trade advantage based on relatively lower labor costs. Our objective rather, is to encourage an open, honest consideration of the relationship between trade and labor and to build a new consensus on the best way forward. Indeed, the implementation of core labor standards would not hinder the growth and development of developing countries. As a major study by the OECD released in 1996 found, the implementation of core labor standards and greater economic growth are mutually supportive and reinforcing.

Potentially more harmful to trade liberalization and to the credibility of the international trading system is the perceived unwillingness of the WTO even to consider the labor issue. Those who argue that there are no linkages between trade and labor cannot assert that trade is beneficial for employment and workers at the same time that they refuse to discuss the relationship. Advocates of trade liberalization need to be more confident about the strength of their arguments and be willing to provide for a consideration of the labor dimension.

THE FUTURE

The United States continues to believe that it is vital for the WTO to address the relationship between trade and labor. We also remain committed to supporting an open, liberal trading system that benefits all WTO members, including developing countries.

A multilateral approach through the WTO working together with other international organizations is the best way to address the labor dimension. In the absence of a multilateral approach, pressure will build to advance these concerns in ways that may be less preferable for the global trading system. Further, failure to address the labor dimension in the WTO may lead to precisely the result that critics of the labor-trade link say they want to avoid — an increase in protectionist pressures.

Our goal is to promote improved labor conditions worldwide, not to introduce new forms of protectionism into the trading system. In this spirit, we recognize that some countries may need assistance in adhering to international labor standards. That is why the United States has sought to increase the capacity of the ILO to provide technical assistance to its members. We have also increased the capacity of the Department of Labor to provide bilateral technical assistance to ministries of labor in other countries.

We intend to continue discussions and collaboration with our trading partners on mechanisms for building on the 1996 Singapore ministerial declaration in which WTO members renewed their commitment to the observance of internationally recognized core labor standards. We remain hopeful that a way can be found to address labor constructively in the WTO that complements efforts by other multilateral organizations and benefits workers and their families throughout the world.

❑ INTEGRATING ENVIRONMENTAL PRIORITIES INTO TRADE

By John J. Audley, Environment and Trade Policy Coordinator, U.S. Environmental Protection Agency

The United States seeks greater integration of environmental issues and trade policy, but acknowledges that most countries oppose such linkages, says John J. Audley, environmental and trade policy coordinator at the U.S. Environmental Protection Agency.

U.S. policy-makers support the steps the World Trade Organization (WTO) has taken on trade and the environment, but seek greater WTO transparency and accountability, Audley says. The United States also favors improved environmental protection efforts worldwide, better coordination among intergovernmental organizations, and new ways to incorporate environmental concerns into trade agreement negotiations.

Existing trade rules can be used for negotiating agreements that combine trade and environmental issues, he says, citing the effort toward a proposed accord to eliminate subsidies that encourage overfishing.

Over the past year, President Clinton has challenged his administration to develop a plan to "put a human face on the global economy" through greater consideration of labor and environmental concerns in trade negotiations and more openness in World Trade Organization proceedings. The president believes strongly that "spirited competition among nations" should never become "a race to the bottom in environmental protection."

However, integrating sustainable development into trade negotiations is a relatively new concept, one that has sparked anger from some, fear from others. During the December 1999 Seattle WTO Ministerial, the administration worked hard to meet this challenge but failed to secure the consensus necessary to realize the president's vision. As a result, the United States must redouble its efforts to work with other countries to build a consensus to integrate the principles of sustainable development into all aspects of trade negotiations.

TAKING STOCK

The United States began its effort to integrate environment into trade by acknowledging that most countries reject attempts to link environmental issues to trade negotiations. Some countries believe that linking trade liberalization to high standards for environmental protection will inhibit the economic growth they desperately need. Others resist the imposition of a more powerful country's environmental priorities as a new form of "environmental colonialism." Finally, many countries worry about "green protectionism" — protectionism disguised as environmental legislation.

The WTO, it should be noted, has already begun to struggle with the challenge of integrating environment into trade. The concluding agreements of the Uruguay Round negotiations of the General Agreements on Tariffs and Trade, which created the WTO, included a commitment on the part of WTO member countries to pursue economic growth in a manner consistent with the principles of sustainable development. The members agreed in 1994 to establish the WTO Committee on Trade and Environment (CTE), which began to study the trade and environment linkage. Over the past five years, the WTO has taken several steps toward greater accountability to the public and balance between trade and environmental priorities. For example, timely release of documents has become commonplace. In addition, the WTO has established informal communications channels with civil society: the WTO Secretariat now meets regularly with nongovernmental organizations (NGOs) and has engaged in outreach to groups around the world.

While these steps are admittedly modest, their impact on the WTO's behavior has been significant. During the Seattle Ministerial, nearly 3,000 NGOs registered to attend the conference, which provided them with unprecedented access to delegation officials and negotiation updates. These changes have also had an impact on the WTO's substantive analysis. In a recent white paper entitled "Trade and the Environment," the WTO acknowledged that competitive forces caused by

trade liberalization can put pressure on environmental regulations. It recognized that trade liberalization alone will not guarantee protection of the environment and improved living standards. It also argued that trade rules are the least effective means of protecting the environment from damages caused by human activity. It called for the simultaneous negotiation of stronger and more effective multilateral environmental agreements to help ensure that trade liberalization and environmental protection work collaboratively to promote better and healthier lives for all people.

One of the United States' objectives for the Seattle Ministerial was to build upon the progress toward integrating environment into trade already made by the WTO and its members. We knew that, to be successful, we had to acknowledge the legitimate concerns expressed by some regarding efforts to link trade liberalization to environmental protection. Countries should not hide behind protectionist policies masquerading as environmental laws. At the same time, they must not harm the environment in the name of trade liberalization. The path to meet the dual challenge of trade liberalization and enhanced environmental protection takes us forward toward a rules-based trading system that integrates fully enhanced environmental protection into trade liberalization, not backward toward liberalized commerce on the sole promise that more trade is always better.

PUTTING A HUMAN FACE ON THE GLOBAL ECONOMY

Recognizing the huge task before us, the United States had proposed that countries adopt the following agenda for the environment during the Seattle Ministerial.

Transparency and Accountability: The single most important environmental initiative the United States proposed during the ministerial was to improve the WTO's transparency and accountability for people around the world. Our plan to achieve this goal had two main components. First, as part of the five-year review of the Dispute Settlement Understanding (DSU), the United States sought to achieve the following goals:

- Allow people access to all government submissions.

- Permit affected parties to submit their own opinions to the dispute panel.

- Provide public access to the proceedings (not the deliberations).
- Ensure that all panel decisions are published immediately.

The second component of the transparency agenda was to secure a commitment from the WTO and its members to negotiate formal avenues for deliberations between the Secretariat and civil society. We offered no specific solution to this challenge but asked countries to commit to work together and create this channel by the end of the first year of formal negotiations.

For the United States, access to information and the opportunity to view proceedings is central to our system of government. Greater openness and accountability improves not only efforts to protect the environment, but also expands peoples understanding of trade rules and institutional behavior. By listening to the advice and comments shared by interested parties, transparency also holds out the promise of improved rules and more responsive institutional behavior.

Expand Capacity to Set High Standards: The second major environmental initiative was to address the need to improve environmental protection efforts worldwide. National and international environmental laws — not trade agreements — are the most effective vehicles for improving environmental protection.

The United States initiated two projects to help meet this challenge. First, we reviewed current U.S. international capacity-building assistance and found that many of the current projects overlap with the more narrow goals of trade liberalization. Sharing technology and resources to help governments better protect their air and water supplies, produce cleaner energy, and responsibly manage chemical materials and hazardous waste have both environmental and trade benefits. Second, we proposed that the WTO members redouble their efforts to provide technical assistance to ensure that poorer countries are able to benefit fully from globalization. Working with many developing countries, the United States proposed improvements to the technical assistance agreement signed by trade ministers during the 1996 WTO Singapore Ministerial. The proposal called upon countries to work with citizens and local technical experts to prioritize their technical assistance needs. Working with other intergovernmental organizations such as the World Bank, the WTO and its members would then

coordinate financial and technical resources to help countries meet their trade obligations.

Improve Coordination and Collaboration Among Intergovernmental Organizations: Related to our proposal to emphasize technical assistance and enhance national environmental protection regimes, the United States proposed that the WTO and other intergovernmental organizations (IGOs) develop and maintain better working relations. The WTO is one of many IGOs whose work is essential to achieving a sustainable future. Promoting greater collaboration among these organizations will help them share their individual expertise and experience, thereby improving upon their individual policies. In particular, we were pleased with the announcement by the WTO and the United Nations Environment Program of the establishment of a formal working relationship. To promote stronger relations, President Clinton while in Seattle convened a meeting of the heads of the major IGOs. Greater collaboration among IGOs is an essential component of any comprehensive effort to promote sustainable development through trade liberalization.

Integrating Environmental Considerations Into Trade Agreements: The final component of our agenda was to determine how to take environmental concerns into account throughout the course of negotiating trade agreements. In the United States, we believe that such efforts begin with an assessment of the potential effects of trade liberalization on the environment and living standards. Therefore, in November President Clinton signed an executive order committing the United States to perform environmental assessments of all major trade agreements. In this new approach to trade policy, U.S. negotiation positions will have the benefit of information describing the potential environmental implications of specific trade negotiation objectives. The United States recognizes that much work needs to be done before such assessments can provide negotiators with the kind of detail they need to address some of the thorniest trade and environment problems. Nonetheless, making this practice part of all U.S. negotiations is an important first step. The United States also acknowledges that many other countries have chosen to perform their own reviews, and we hope that this information will be shared among countries as we improve upon the methodologies of environmental reviews of trade agreements.

While environmental reviews of trade agreements may still be in their infancy, the United States determined that there are ways to use trade rules now as positive vehicles for environmental protection. For example, we know that properly negotiated trade rules can help eliminate subsidies that harm the environment and encourage resource misuse and abuse. Therefore, the United States identified as key "win-win" objectives for the negotiations the elimination of subsidies that promote overfishing of our global fish stocks and the elimination of harmful agriculture subsidies. We are also committed to eliminating tariffs that complicate trade in environmental goods and services.

Finally, the United States proposed that the WTO Committee on Trade and Environment (CTE) serve as the needed venue for countries to share information on trade and environmental issues and for exploring ways to promote sustainable development. We did not propose that the CTE interfere with government-to-government negotiations. Instead, we stressed that, to be credible, the CTE must eventually become a forum where people and governments exchange views on emerging trade and environment issues to assist in building the consensus essential to help the WTO make difficult trade policy decisions.

A LONG-TERM VISION

Our proposed plan to integrate the environment into trade policy-making is a long-term vision, which will not begin to ease the tensions between trade liberalization and environmental protection immediately. Governments will (and should) continue to use WTO rules to determine whether or not another country's laws are designed to achieve legitimate policy objectives or to protect domestic industries from international competition. Governments should also continue to take appropriate steps to protect national and international natural resources to ensure that future generations benefit fully from a healthy planet. ❑

❑ SEATTLE DOES NOT MEAN AN END TO PROGRESS

By Max Baucus, U.S. Senator from Montana

While the Seattle WTO ministerial failed to launch a new round of trade liberalization negotiations, it did not mark a return to trade barriers, says Senator Max Baucus of Montana. While the WTO regroups, the United States should take specific actions to move trade liberalization forward, he says. These include supporting China's membership in the WTO, leading the effort to make WTO operations more open, and vigorously pursuing bilateral free trade, he says.

U.S. policy-makers should also use this period to seek a middle ground on the contentious issue of trade and the environment, Baucus says. This includes the problems of inconsistencies between the WTO and some multilateral environmental agreements and eliminating environmentally harmful subsidies.

Now that the hoopla in Seattle is over, it's time to take a cold, hard look at international trade policy and chart a course for the future. The starting point should be an assessment of what the failed World Trade Organization Ministerial showed and what it didn't show.

WHAT SEATTLE SHOWED ... AND DIDN'T SHOW

The failure to reach agreement in Seattle showed that WTO members, as U.S. Trade Representative Charlene Barshefsky pointed out, are simply not ready to move forward on key issues. The European Union is not ready to dismantle its economically and environmentally disastrous agricultural subsidy scheme. Developing countries are not ready to address labor standards and environmental issues. The United States is not ready to discuss trade remedy laws.

Seattle also showed that the public can no longer be kept out of decisions affecting the general welfare. On the streets of Seattle, away from the meeting rooms of the convention center, I witnessed an expression of widespread concern over the fast pace of change. Rapid technological advances spark material progress for many of us, but not for all. These advances can also undermine important social values that define the American national character, values such as respect for human dignity, a safe environment, and shared economic opportunities. What we do internationally must reflect these values.

Failure to launch new trade talks in Seattle does not mean that WTO members will now reverse direction. Some observers have equated not moving forward with backsliding on prior commitments. That did not happen. The failed Seattle meeting does not mark the beginning of the end of free world trade. Although they could not agree on new talks, governments did not raise new barriers. Instead, the current rules, imperfect and opaquely applied, still govern most world trade.

Seattle did not signal a new era in which un-elected protestors set international policy. The irresponsible minority who resorted to violence did not derail the meeting. The responsible majority, embracing diverse groups with sometimes conflicting goals, did not stall progress. With or without demonstrations in the streets, trade officials wouldn't have agreed to launch a new round of talks. The issues they faced were too new (e-commerce), too difficult (food safety), or too controversial (labor). But the demonstrators did point out that the WTO can no longer operate behind closed doors. Its small-group-deal cutting methods won't work in today's 135-member organization.

NEXT STEPS FOR THE UNITED STATES

Seattle must not mark an end to the effort to increase the freedom to trade internationally. The WTO's inability to move forward must not cause the United States to stop. We need to make progress. There are four specific things the United States should do.

First, we should lock in the trade concessions China has offered us as part of its effort to gain WTO membership. These concessions will open the Chinese market to our exports and, in the process, move China toward a more open society. China may never share our values. It has thousands of years of history that have led it in another

direction. But by exposing itself to U.S. products and services, it exposes itself to U.S. influence.

Opponents of U.S. trade with China believe that the United States can use WTO membership to wring even more concessions out of that country. They are wrong. After 13 years of negotiations, China will not make fresh concessions on issues that are important to us, such as human rights, labor standards, and the environment. Instead, they will simply take their business elsewhere. We'll lose out to Europe, Japan, and other countries.

Second, we must open up the WTO. Today, international trade dramatically affects people's daily lives in ways that were once unimaginable. Trade decisions can't be made in secret. We must allow concerned citizens and nongovernmental organizations to participate in the process. In the United States, we have procedures for adopting federal regulations that require the government to give public notice and to take public comments into account. The WTO should operate with an equivalent level of transparency.

In this regard, the United States can lead by example. We should make the first move by adopting public input procedures for U.S. delegations to the WTO. Our WTO actions should have the same level of openness we require of our domestic regulations. Then we should invite like-minded countries to do the same, thus leading a process to remove the veils from the WTO.

KEEP MOVING FORWARD

Third, we must keep moving forward. In large, consensus-driven organizations such as the WTO, the least progressive member often sets the pace of change. We can't let the most reluctant partner dictate the terms of trade. The United States must identify and work with like-minded countries to move forward whenever the WTO stands still.

The United States should embark on a vigorous program to negotiate bilateral free trade agreements until the WTO is ready to restart the multilateral process. Likely candidates for a first round are Chile, Singapore, and South Korea. These bilateral talks should address issues of social concern, such as labor and the environment.

Finally, we should continue to use the WTO to advance our interests. Since the WTO was born less than five years ago, the United States has completed important agreements on issues ranging from financial services to tariffs on high-tech products. We should work within the WTO to eliminate destructive taxes on trade in sectors such as chemicals, wood products, environmental goods, and energy products.

TRADE AND THE ENVIRONMENT

We should use this upcoming period to seek a middle ground on one of the most contentious issues addressed in Seattle: the relation between trade and the environment. The U.S. effort on this issue was weakened by the lack of consensus at home on how to proceed. We need to build that consensus by identifying common ground between the business community and environmental groups and then expanding that common ground.

A good place to start is the real or potential inconsistency between the WTO and certain multilateral environmental agreements (MEAs). Domestically, we should start by opening up the process used to negotiate MEAs. Business and environmentalists agree that this process lacks transparency. Internationally, we must find a procedure for ruling on MEA compatibility with trade rules. Actions taken under a legitimate MEA should not be subject to a WTO challenge.

There are two ways to go about this. One way is to "grandfather" specific environmental agreements, as we did in the North American Free Trade Agreement. We could start out by providing a so-called "safe haven" for the Montreal Protocol on Substances That Deplete the Ozone Layer and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The safe haven would protect the Montreal Protocol and CITES from trade actions in the WTO in which countries filed complaints charging violations of trade rules. The other way is to describe the characteristics of an MEA that will automatically be protected.

In addition to working on MEAs, we should eliminate all tariffs on environmental goods. Business and environmentalists agree on this one. It would reduce the cost of environmental technology — everything from sewage treatment to catalytic converters to groundwater cleanup. U.S companies are leaders in this field, so reduced tariffs will help increase U.S. exports. I have introduced legislation giving the president the authority to cut environmental tariffs, and I hope to get it enacted when Congress reconvenes.

Business leaders and environmentalists also agree on the need to eliminate environmentally harmful subsidies. In cases like fishing and agriculture, subsidies encourage practices that are both economically and environmentally harmful. Limiting such subsidies makes good economic and good environmental sense. I would like to see the total elimination of fishing subsidies. Export subsidies for agriculture should also be eliminated worldwide, despite opposition by the European Union. We should also start looking seriously into the reduction of domestic agricultural subsidies throughout the world.

Finally, we should address the so-called pollution subsidy. By this I mean intentionally keeping environmental standards weak in a way that distorts trade by cutting costs of production for the polluter and making taxpayers pay the difference through higher health and environmental cleanup costs. This is a difficult issue.

A subset of this problem is that of PPMs — production processes and methods. How a product is produced affects the environment. Examples include the way shrimp harvesting affects sea turtles, and the way timber harvesting affects species, water pollution, and the demand for recycled materials. The trade rules already allow for consideration of the way in which a good is manufactured. Rules on intellectual property rights (IPR) are essentially about PPMs. IPR was a tough, controversial subject during the Uruguay Round, but we dealt with it. We should do the same with environmental PPMs.

I found that the prevailing emotion in Seattle was anger. We need to move beyond that now and continue the important work of shaping the forces of globalization to better the lives of people around the world. We can't shape those forces by standing still. We need to keep moving forward on international trade, especially as it relates to the environment. ❑

❑ WTO TRADE TALKS: MOVING BEYOND SEATTLE

By Jeffrey J. Schott, Senior Fellow, Institute for International Economics

No real winners emerged from December's failed WTO meeting in Seattle, not even WTO critics, says Jeffrey Schott, senior fellow at the Institute for International Economics.

Schott says that perhaps the biggest losers were developing countries that depend on a well-functioning trading system. He also warns that the longer the delay in global trade talks, the greater the risk that European and Japanese protectionist agricultural policies will face U.S. retaliation.

"If new trade talks are to be revived this year ... WTO members will have to exhibit more flexibility in their substantive positions," Schott says. He recommends as first steps, prior to the launch of new trade talks, institutional reforms within the WTO including improved dispute-settlement compliance and more transparent decision-making procedures.

The collapse of the Seattle Ministerial Meeting of the World Trade Organization (WTO) in December 1999 has put a dark cloud over the trading system as we enter the 21st century. New global trade talks have been postponed and will be difficult to launch before the forthcoming U.S. presidential election.

Critics of the WTO have been energized. Blocking the start of new trade talks is seen as an important step toward their ultimate goal of restructuring the world trading system and eventually reversing existing trade liberalization. These groups regard the debacle in Seattle as their greatest victory to date, coming on top of the recent collapse of negotiations on a Multilateral Agreement on Investment and the defeat of U.S. "fast track" trade negotiating authority, which has hampered U.S. participation and consequently slowed progress on a number of bilateral and regional trade initiatives.

The protesters clearly raised a ruckus in Seattle and complicated efforts by WTO delegates to negotiate the terms of reference for a new trade round. Time lost to protests posed additional problems to negotiators already facing tight time constraints. But, ultimately, the WTO meeting fell victim to serious substantive disagreements among the major trading nations over the prospective agenda for new trade talks. In that regard, the key damage to the WTO was self-inflicted.

Despite gallant talk about the value of new trade talks, the leaders of the WTO, the Quad countries (the United States, the European Union, Japan, and Canada), demanded liberalization abroad but were reticent to discuss reform of their own trade barriers, which protect politically sensitive sectors of their economies. The United States wanted deep cuts in farm subsidies, but it opposed efforts to cut peak U.S. industrial tariffs or reform antidumping rules, and it insisted on talks on labor standards but not labor services. Similarly, Europe and Japan resisted substantive farm reforms while seeking new talks on investment and competition policy, and Canada and Europe demanded special exemptions for their cultural industries, all of which were opposed by the United States. In short, the Quad failed to agree among themselves, much less build consensus among WTO members on launching new trade negotiations.

If new trade talks are to be revived this year, both developed and developing countries will have to be satisfied that their priority concerns are being addressed at the negotiating table. To do so, WTO members will have to exhibit more flexibility in their substantive positions and fix the flaws in the WTO's decision-making and dispute-settlement procedures that hampered progress in Seattle.

Unfortunately, trade officials do not seem to have fully grasped the problems raised at the Seattle meeting nor the changes required to promote consensus among the 135 member countries of the WTO on the agenda for new global trade talks. The WTO's "built-in" agenda may proceed on agriculture and services, but anyone who has followed previous Geneva negotiations knows that these talks will idle until the major trading countries demonstrate their political commitment to broader negotiations and reform of their own trade barriers.

To better understand what needs to be done, I turn first to a brief description of "Seattle Losers" and the problems exposed by the Seattle fiasco. I then discuss what needs

to be done as a prerequisite to the launch of new global trade talks.

SEATTLE'S LOSERS

Trade is often, incorrectly, regarded as a zero-sum game, with winners and losers. Despite the heady rhetoric of the anti-globalization forces after the WTO meeting, however, Seattle had only losers (except perhaps the anarchists who were not prosecuted).

The United States lost. The U.S. market is arguably the most open in the world. Our trading partners, particularly the developing countries, would have had to commit to far greater reductions in their existing trade barriers than those that would have been required of the United States. Instead, those barriers have been given a new lease on life by the delay in launching new WTO talks. Both the United States and its trading partners will be the poorer for it.

The European Union and Japan lost as well. Both will be under less pressure from their trading partners to reform their highly protected farm sectors in the near term, but closer to the expiry of the "peace clause" that buffers them from WTO challenges of their farm programs. The longer the delay in engaging in substantive agricultural negotiations, the greater the risk that bilateral farm trade disputes with the United States will provoke U.S. retaliation in cases where their practices are not in compliance with WTO rules. In that regard, the Seattle outcome has slowed efforts to remedy the notable flaws in the WTO's dispute-settlement mechanism, particularly in the area of compliance with panel rulings. Ambiguities in the dispute-settlement provisions have been a source of substantial friction between the United States and the European Union in cases involving bananas and beef hormones, and they have complicated efforts by the world's leading trading powers to develop and promote consensus among WTO members on an agenda for new trade talks.

Developing countries were perhaps the biggest losers. These countries are the weakest partners in the trading system and the most dependent on a well-functioning, rules-based multilateral system. Efforts to strengthen the trading system and to augment the WTO's trading rules were set back by the collapse of the Seattle talks, which exposed some of the WTO's most glaring institutional problems. Special preferences for the least developed countries put forward in Seattle were derailed, at least temporarily.

Labor unions lost. Their message about worker rights got drowned out by the din of the more violent protesters, who also usurped the bulk of the media coverage. The stridency of their demands in the trade talks, inadvertently reinforced by President Clinton during a press interview in Seattle, compounded fears among developing countries that the U.S. initiative was designed to punish rather than help them promote trade and economic growth. As a result, prospects for including labor issues on the WTO agenda are now even more remote.

WTO critics lost. Stopping the launch of a new round of trade talks does not undermine existing WTO rights and obligations, nor does it remedy some of the legitimate problems cited by these critics that would have been addressed in the talks. Ironically, blocking the multilateral process has revived some regional trade liberalization initiatives in Latin America and East Asia. These regional talks involve the very countries that were the targets of criticism by labor and environmental groups. Moreover, while the critics have at least temporarily blunted U.S. participation in such talks, the fact that new regional pacts discriminate against nonmembers means that U.S. firms will suffer losses to suppliers in other countries whose governments and firms may be less inclined to "use" trade to promote labor market reforms.

PROSPECTS FOR CALENDAR YEAR 2000

It will be hard to revive the WTO round without a stronger commitment to reform by the United States and the European Union of their own trade barriers and acceptance by them of a less ambitious agenda of new issues, particularly with regard to labor. The repercussions of the Seattle meeting, the forthcoming debate in the U.S. Congress on Chinese accession to the WTO, and the impending U.S. election are critical factors that may make it more difficult for the Clinton administration to negotiate reductions in U.S. trade barriers and make it more likely that the administration will promote initiatives that reflect the concerns of its labor and environmental constituencies Thus, it may be difficult for the United States to reassert its traditional leadership role in the trading system until after the election in November 2000.

While it will take time and political will to reach agreement on the agenda for the next round of WTO negotiations, the task could be facilitated if governments undertook initiatives to strengthen the institutional structure of the WTO and its capacity to support reforms in developing countries. Three broad issues should top the WTO agenda for the year 2000: reform of the dispute settlement understanding, reform of the decision-making process, and cooperation with other international organizations to support capacity-building initiatives in developing countries.

The first task should be to improve the WTO's dispute-settlement procedures. Confidence in a rules-based trading system depends in large measure on the willingness of the most powerful trading nations to live by the WTO rules and to comply with its rulings. As demonstrated in the bananas and beef hormones cases, the compliance provisions need to be fixed to ensure that countries found in violation of their obligations bring those practices more quickly into conformity with WTO rules. This is not an issue for the traditional horse-trading of WTO negotiations; rather it should be one where all member countries act, prior to the launch of new talks, to ensure that the WTO system operates equitably and efficiently, and thus provides assurance that rights and obligations developed in new talks will be faithfully implemented.

Second, WTO decision-making needs to be more inclusive and more efficient. Part of the problem in Seattle was that too many countries with a significant stake in the trading system and the prospective negotiations were excluded from the deliberations on the ministerial declaration. The WTO needs to develop a better system for managing the decision-making process among its large and increasingly active membership that is more representative and efficient than the current "Green Room" process. That process, selecting a small group of ministers to make decisions for all in a closed setting, has been aptly criticized for its "back room" dealings.

Finally, the WTO needs to strengthen its ties to other international organizations, particularly the International Monetary Fund and the World Bank, to support efforts in developing countries to improve their economic infrastructure and administrative capabilities so that they will be better able to implement economic reforms. Technical assistance is particularly needed in areas such as intellectual property and customs regulation, where WTO obligations have already been undertaken and where countries face problems in fulfilling their Geneva commitments.

Promoting institutional reforms and strengthening linkages with other international organizations would be useful initiatives for the WTO to undertake in 2000. The United States and other WTO members should pursue these tasks immediately in order to facilitate the launch of new multilateral trade negotiations by early next year.❑

Note: The opinions expressed in this article do not necessarily reflect the views or policies of the U.S. government.

❑ THE FARM TRADE CHALLENGE UNCHANGED BY SEATTLE

By Bob Stallman, President, American Farm Bureau Federation

In any WTO agricultural trade negotiations ahead, U.S. negotiators should insist on starting from the text worked out at the December Seattle ministers' meeting, says Bob Stallman, new president of the American Farm Bureau Federation.

Even so, he says, his organization remains disappointed that the text did not employ stronger language about eliminating export subsidies. And he warns that keeping language in the text suggesting that countries can exempt politically sensitive commodities from broad tariff reduction would be disastrous.

Stallman, a Columbus, Texas, rice grower and cattleman, was elected president of the federation in January.

Protests by a variety of groups during the Seattle World Trade Organization ministerial meeting did not prevent the launch of a new round of trade liberalizing negotiations. Likewise, neither did agricultural negotiations cause everyone to go home without reaching an agreement. However, as someone who hopes that a millennium round of trade negotiations will yield further reform of agricultural trade rules, I was doubly disappointed by the prattle that followed the "Battle in Seattle."

Despite many of the protesters' claims that the WTO is an omnipotent, sovereign world agency, the fact is it is a bureaucracy that operates by consensus of its 135 member nations. It is difficult to reach that kind of consensus under any circumstances. Given the complexity of the issues, it was not surprising that WTO member countries were unable to reach a final agreement in Seattle.

Similarly, the talks that took place on agriculture weren't the culprit. In fact, there was some progress on farm issues during the week of the ministerial. The big question now is whether the agricultural negotiations this year will pick up from Seattle's endpoint or return to the starting line, which would be a mistake.

It's important to note that there was an agriculture draft text on the table — the discussions had not unraveled as some have suggested. As a result, U.S. farm interests will urge our negotiators to use that text as the starting point this year. The American Farm Bureau Federation was not entirely pleased with it, but we believe that it can be changed for the better. Our negotiators should reject any attempt to start from scratch as the European Union has suggested since Seattle. We are dismayed that our negotiators have since indicated they will disregard the farm discussions in Seattle.

SEATTLE: SUMMARY OF DEVELOPMENTS

I believe there were some positive developments for U.S. agriculture in Seattle.

• The next trade round is scheduled to conclude in three years. The Uruguay Round ended up taking seven years. I think most people would agree that the longer the negotiations last, the harder it will be to get an agreement.

• There did not seem to be much support for "early harvest," that is, the idea of seeking separate, earlier agreements on nonagricultural issues. While the U.S. government favors that notion, most farm groups oppose it. Fortunately, most other countries appear to share that view.

• There was no reopening of the sanitary/phytosanitary agreement.

• Animal welfare issues were not included in the negotiating framework.

But there were also disappointments in Seattle. Foremost was the lack of progress regarding export subsidies. The Farm Bureau and most other U.S. farm groups want complete elimination of export subsidies. It is our number one objective. However, the Seattle text called for "substantial reduction in export subsidies" and for the negotiations to move "in the direction of progressive elimination of export subsidization." The language

reflects the Europeans' opposition to eliminating subsidies.

It would be a travesty if a new trade round that deals with agriculture fails to seek complete elimination of export subsidies. It is a practice used mainly by the European Union (EU), which accounts for over 85 percent of the world's expenditures for export subsidies. This hurts farmers not just in the United States but also in other nations, such as Australia. In contrast, the United States accounts for 2 percent of such spending. Our farmers cannot compete against the EU treasury, and they are fed up with having to try. Export subsidies are unfair and must be ended. A trade negotiation that hedges on this fundamental issue will lack credibility with U.S. farmers.

MARKET ACCESS ISSUES

Regarding market access issues, we generally support the Seattle text, which calls for the "broadest possible liberalization" and "comprehensive" negotiations. But there could be a troublesome obstacle with this approach. The text calls for all commodities to be put on the table at the beginning of the talks and implies that countries can exempt certain commodities and issues at a later point in the negotiations. This safety valve could prove disastrous. If every country knows from the start that it can remove politically sensitive commodities from the talks, the negotiations will surely unravel because there will be nothing left to negotiate.

Japan has a 550 percent tariff on imported rice. The EU has a 215 percent tariff on beef. Canada has a 300 percent tariff on butter. If we remove our sensitive commodities from the negotiations, guess which ones those nations will withdraw. The Farm Bureau has called for a trade round that has no exceptions for products or policies. Certainly, all countries — including the United States — will want to have their import-sensitive commodities protected to the greatest extent possible. And there may be mechanisms agreed to during negotiations that achieve it. But we shouldn't go into a new trade round with all parties knowing they can simply avoid having to deal with sticky issues by taking them off the table.

Speaking of sticky issues, the Farm Bureau believes that biotechnology should be addressed head on through negotiations in a new trade round. We differ with the official U.S. position, which is to seek a "working group." We don't believe a "working group" will solve any problem because it is not binding. A working group is basically a discussion group that will issue a report of recommendations to trade ministers. We need a solution to our export approval problem with the EU for genetically modified grains. Unfortunately, we believe a working group would give the EU what it wants — a forum in which to talk the issue to death.

In fairness to our negotiators, I must note that there is no consensus among the various U.S. groups on the negotiating group vs. working group issue. There is a school of thought that since most nations do not yet produce bioengineered products, they do not have a vested interest in a negotiated solution. However, they do stand to benefit from the technology. Thus, the Farm Bureau believes we need a binding resolution on biotechnology, not just in the WTO, but also bilaterally with the EU.

MULTIFUNCTIONALITY

The final big issue for agriculture in Seattle centered on the term "multifunctionality." Going into the talks, it was clear that the EU and Japan wanted this term — which would serve as acknowledgement that agriculture serves other societal purposes besides food production and is thus deserving of governmental support — included in the negotiating framework. We vigorously opposed this bid, and our negotiators kept it out of the draft text. However, the concept is still clearly in play. The text instead said that "non-trade concerns" like protection of the environment, food security, economic viability and development of rural areas, and food safety are to be considered.

Our concern is that these issues could be used as a smokescreen to maintain or expand trade-distorting practices. We believe that if a nation wants to make payments to producers to achieve important environmental or societal goals, that's fine — as long as they are not used to pay their producers to grow crops or raise livestock. Payments tied to production shields producers from the global marketplace and hurts trade competitors.

As many commentators have noted, it will be difficult to get a new trade round launched in 2000. That does not mean, however, that substantive work in agriculture cannot and should not proceed. In fact, negotiators must continue to talk if WTO members are to comply with the Uruguay Round's directive (the so-called "built-in

agenda") for new negotiations in agriculture and services in 2000.

We believe it is imperative that the United States continue to exert leadership in reforming world agricultural trade. The U.S. market is the world's most open, but support for keeping it open will diminish — especially among farmers — if other markets remain closed. Despite what happened in Seattle, we believe that negotiations through the World Trade Organization provide our best opportunity for creating a more equitable world trading system. ❑

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❑ DEVELOPING COUNTRIES DO WANT A TRADE ROUND —IN THE RIGHT CIRCUMSTANCES

By Jabulani Sikhakhane, Editor at Large, Financial Mail (South Africa)

Developing countries preferred the collapse of the Seattle World Trade Organization (WTO) ministerial to a negotiating round skewed in favor of the developed countries, says Jabulani Sikhakhane, editor at large of South Africa's Financial Mail. *Some developing countries would like negotiations to start soon, however, while their positions remain relatively united, he says. Lacking the resources to participate adequately, developing countries oppose a comprehensive trade round agenda of the sort proposed by Europe and Japan, he says.*

Were developing countries the major losers of the failure of the WTO's Seattle ministerial conference to agree on a new trade agenda? WTO Director-General Mike Moore thinks so.

"I feel particularly disappointed because the postponement of our deliberations means that the benefits that would have accrued to developing and least-developed countries will now be delayed while the problems facing these countries will not be allayed," Moore said at the close of the Seattle conference in December.

Although Moore is right about the impact of delayed benefits, most developing countries do not regard themselves as major losers from failure of the Seattle ministerial to launch the "Millennium Round" of trade negotiations. For them, the collapse of the talks was a better outcome than a trade agenda skewed in favor of the rich, industrialized countries.

Developing countries would like to see a review of the shortcomings of Uruguay Round agreements, such as anti-dumping, sanitary and phytosanitary measures, and trade-related intellectual property (TRIPS).

They went to Seattle bitter at the outcome of the Uruguay Round of trade negotiations completed in 1993, an outcome they regard as having benefited the rich, industrialized countries the most.

They view the Uruguay Round agenda as being focused on those economic sectors in which industrialized countries had a comparative advantage, while doing very little to pry open sectors, such as agriculture, textiles, and clothing, in which developing nations can compete effectively.

As a result of this skewed agenda and the outcome of the Uruguay Round, developing countries argue that they have had to bear huge costs in implementing the Uruguay agreements, with very little concomitant benefits.

The World Bank has estimated the costs to developing countries of implementing just three of the agreements at $150 million.

Developing nations argue that industrialized countries have been reluctant to reduce their protection of sectors such as agriculture and, in manufacturing, textiles, clothing, and footwear. Given agriculture's dominance in their economies, most developing countries, especially the least-developed ones, see freer trade in agricultural products as their best hope for benefiting from world economic integration.

AGRICULTURE PROTECTION

But industrialized nations retain huge fortresses around their agricultural sectors. The United Nations Conference on Trade and Development (UNCTAD), in its *1999 Trade and Development Report,* says that the 29 member countries of the Organization for Economic Cooperation and Development (OECD) spent an average $350,000 million a year in agricultural support between 1996-1998, a figure that compares with total agricultural exports from developing countries of $170,000 million.

"The effect of this agricultural support, whether in the form of direct export subsidies or direct payments to farmers, is to allow agricultural products to be sold on domestic and world markets at below cost," UNCTAD says. "The impact on producers in developing countries can be significant not only by precluding their entry into

northern markets but also through unfair competition in their own markets."

The UN body adds that if developed countries removed subsidies and other forms of protection on their agricultural and manufacturing industries, it would open up $700,000 million worth of export opportunities for developing countries.

Given the political strength of agricultural constituencies in industrialized nations, especially those of the 15-member European Union (EU) and Japan, these nations may find a commitment to the reduction of their subsidies and other forms of support for their farmers a politically difficult decision. But it is such politically difficult decisions that industrialized nations must take if they are to convince developing countries that they are not only genuine in their commitment to free trade but that free trade is beneficial to all.

THE UNCTAD CONFERENCE: A PLATFORM FOR FRANK DISCUSSION

The immediate challenge facing developing countries after Seattle is how to maintain their cohesion as they seek the way forward for WTO trade negotiations. In his review of the Seattle talks, South African Trade Minister Alec Erwin emphasized the degree to which South Africa and other developing countries successfully coordinated their positions on a number of issues.

"It seems to me that the close working relations that were built up between Brazil, Egypt, South Africa, Singapore, and Thailand — whose positions were very close — played a significant role in the actual negotiation process at Seattle," he said, adding that this cooperation helped move India toward more moderate positions.

Erwin kicked off the new year with a visit to India, where he met his counterpart, commerce and trade minister Musaroli Maran, for consultations on how the WTO should proceed. Erwin is planning more consultations with other developing countries.

These consultations will culminate at UNCTAD's 10th conference, in Bangkok, Thailand, from February 12 to 19. The UNCTAD conference will also be attended by industrialized countries, as well as by the heads of the World Bank and the International Monetary Fund and by WTO's Moore.

Beyond providing a forum for developing nations to build further upon their cohesion, the UNCTAD conference should offer industrialized countries an opportunity to "make peace" with developing countries. In addition, the conference should offer Moore a platform to touch base with WTO member countries.

While rich, industrialized countries differ in their approaches to the trade negotiations, some developing countries, such as South Africa, argue that developed countries ultimately have common interests. Hence, the need for developing countries to maintain, if not strengthen, their cohesion in moving the trade agenda forward. This also explains why most developing nations are keen to resume soon, before they begin to lose their cohesion.

Whether that happens depends on how prepared the industrialized countries — principally the United States, the European Union, and Japan — are to narrow their differences.

One of the major differences between the EU and Japan, on the one hand, and the United States, on the other, concerns the breadth and depth of any new trade agenda. The United States wants a new round to focus on agriculture, services, and market access, as well as address developing country issues; the EU and Japan want a broader agenda, including investment and antitrust rules, and new disciplines on the use of antidumping laws.

But most developing countries see demands by the Europeans and Japanese for a comprehensive trade agenda as being unfair because it adds to the heavy burden that developing countries already carry in terms of grappling with the effects of the implementation of the Uruguay Round agreements.

COMPREHENSIVE AGENDA DRAWBACKS

A comprehensive agenda has serious implications for developing countries, not the least of which is the burden it will impose on their already limited financial and human resources to conduct negotiations. The *1999 World Development Report* points out that 19 of the 42 African WTO members have no trade representative at WTO headquarters in Geneva. This compares with the average for OECD countries of just under seven trade officials each. Lack of, or poor, representation of developing countries in Geneva seriously impedes their ability to participate in the WTO processes.

As it is, the resources of those developing nations with representation in Geneva are already overstretched by the unusually large number of WTO meetings (an average of 46 a week in 1996) and consultations in Geneva.

"This places considerable premium on a country's ability to maintain in Geneva a large, skilled and versatile delegation which can engage in daily meetings and consultations that ultimately move the WTO process," say economists Richard Blackhurst, Bill Lyakurwa, and Ademola Oyejide in a paper commissioned by the World Bank in advance of the Seattle meetings. "It also pinpoints the significance of learning by doing and the development of institutional memory, attributes that are considerably diluted by inadequately sized delegations that also undergo frequent changes in staff composition."

Furthermore, the WTO's decision-making processes can work against countries with limited resources.

"Decision-making in the key organs of the WTO is essentially by consensus within the framework of equality of members," according to Blackhurst, Lyakurwa, and Oyejide. "This should, in reality, protect the interests of smaller and poorer members from arbitrary actions of the large and richer nations.

"But in reality, consensus decision-making occurs when no decision is formally objected to by a member present at the meeting in which the decision is taken. Clearly, this procedure ascribes considerable importance to having a permanent presence or, perhaps more accurately, an active, knowledgeable presence," they conclude.

Despite the absence of active and knowledgeable trade officials both in Geneva and at home, developing countries remain committed to the multilateral trading system, which they view as their only avenue for integrating more closely into the world economy.

They also accept that only integration into the global economy can bring about faster economic growth, greater employment opportunities, and reduced levels of poverty at home.

In this regard, developing countries are keen to resume negotiations for a new trade agenda. But given their experiences with the implementation of the Uruguay Round of agreements, developing nations ask that rich, industrialized countries also commit themselves to the review of those aspects of the Uruguay Round, agreements which have been shown to have a negative impact on developing countries.

In addition, developing countries need convincing by industrialized nations that demands for a broad-based new trade agenda, embracing non-trade issues such as labor and the environment, are as EU trade commissioner Pascal Lamy puts it, more than simply efforts to defend a level of affluence which they [developing countries] regard as a privilege."

Without these commitments from industrialized countries, developing countries may reason that a delay in drawing up a new trade agenda is a better evil than a dose of another agenda tilted toward the interests of rich countries. ❑

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❑ A CHRONOLOGY OF EVENTS LEADING UP TO THE WTO

1934 — The U.S. Reciprocal Trade Agreements Act (amending the Tariff Act of 1930) delegated to the U.S. president the power to enter into reciprocal agreements to lower tariffs. By 1945, the United States had entered into 32 bilateral agreements reducing tariffs.

1944 — An international conference of 44 countries at Bretton Woods, New Hampshire, agreed on a global fixed-rate foreign exchange system and laid the groundwork for the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade.

October 30, 1947 — Twenty-three nations concluded the Protocol of Provisional Application of the General Agreement on Tariffs and Trade (familiarly known as GATT) in Geneva, Switzerland. The first GATT negotiating round also achieved 122 mutual tariff reduction agreements and provisions for building regional free trade or common market zones.

January 1, 1948 — The GATT agreement entered into force.

1949 — The second GATT round, negotiated in Annecy, France, achieved 5,000 tariff cuts.

1950-1951 — The third GATT round, negotiated in Torquay, England, achieved 8,700 tariff cuts.

1956 — The fourth GATT round, in Geneva, achieved tariff cuts covering $2,500 million in trade.

1960-1962 — The fifth GATT round — negotiated in Geneva and named the Dillon Round for the chief U.S. trade negotiator, Under Secretary of State Douglas Dillon — achieved 4,400 tariff cuts and marked the first time the European Economic Community negotiated as an entity for individual member countries.

1962 — The U.S. Trade Expansion Act authorized the president to negotiate mutual tariff reductions of up to 50 percent with other countries. It also established the post of special representative for trade negotiations in the Executive Office of the President to lead U.S. trade negotiation delegations as well as interagency trade policy committees.

1963-1967 — The sixth GATT round, named the Kennedy Round after U.S. President John F. Kennedy, aimed at increasing U.S. exports to European Economic Community countries. The Kennedy Round achieved tariff reductions that ranged between 35 and 40 percent. It achieved an agreement to provide 4.5 million tons of wheat a year in food assistance to impoverished countries. It achieved the GATT Anti-Dumping Agreement, setting standards for national rules against exporting goods at unfair prices.

1973-1979 — The seventh GATT round — negotiated in Geneva and called the Tokyo Round — achieved another big cut in tariffs. For the first time the GATT addressed nontariff barriers, established codes of conduct for them, and made modest reductions in agricultural trade barriers. The round accorded preferential treatment to developing countries.

1974 — The U.S. Trade Act of 1974 passed with a provision requiring the president to determine, after conclusion of future agreements, whether any major industrial country (defined as Canada, the European Economic Community, and Japan) had failed to make concessions "substantially equivalent" to U.S. concessions.

1986-1994 — The eighth GATT round, the Uruguay Round, was launched at a ministerial meeting in Punta del Este, Uruguay, with more than 125 countries participating. The negotiating agenda included opening markets in agriculture and services, restricting subsidies, and protecting intellectual property.

1990 — Stalled by U.S.-European disagreement over agriculture, Uruguay Round negotiations broke down at a Brussels ministerial meeting that was supposed to conclude them. Negotiations resumed the following year.

April 1994 — The Uruguay Round ended with 111 countries signing an agreement in Marrakesh, Morocco, to establish the World Trade Organization (WTO) as a more-robust successor to the GATT. The round achieved more tariff cuts on industrialized goods and strengthened disciplines on nontariff barriers. Members agreed to phase out import restrictions on textiles and clothing. The round achieved modest market opening measures in agriculture and services and protection for intellectual property. Most importantly, it established a system of panels to resolve disputes between WTO members and rules for enforcing panel decisions.

January 1995 — The WTO, an intergovernmental organization with a firmer legal foundation than its predecessor, began operations. Governing the WTO are a number of legal texts, most notably the General Agreement on Tariffs and Trade, the General Agreement on Trade in Services, and the agreement on Trade-Related Aspects of Intellectual Property Rights. ❑

Sources: World Trade Organization; U.S. Department of State.

POST-URUGUAY ROUND DEVELOPMENTS

In the first three years after the World Trade Organization (WTO) began operating in January 1995 its members concluded agreements for opening trade in telecommunications, financial services and information technology that potentially exceed the value of all agreements reached in the Uruguay Round.

UNFINISHED BUSINESS

Negotiations in four services sectors remained incomplete at the end of the Uruguay Round but were continued later.

• Negotiations on the movement of natural persons were concluded in mid-1995 with a modest agreement.

• Negotiations on maritime transportation services failed in 1996 and were suspended until broader negotiations on services resume.

• Negotiations on basic telecommunications services achieved an agreement in February 1997 opening markets in 69 countries accounting for more than 90 percent of the world market, estimated at $600,000 million a year.

• Negotiations on financial services achieved an agreement in December 1997 opening banking, insurance, and securities trading sectors in member countries accounting for more than 90 percent of the world market.

INFORMATION TECHNOLOGY AGREEMENT

An Asia-Pacific Economic Cooperation (APEC) forum initiative to eliminate tariffs in information technology products, which account for 12 percent of all world trade, got a boost from the WTO Singapore Ministerial meeting in December 1996. In March 1997, 43 countries accounting for 93 percent of that trade reached an information technology agreement (ITA) to eliminate tariffs by 2000 on computers, telephones and many other telecom products, semiconductors, software, and scientific instruments. Negotiations on a second agreement, called ITA II and aimed at eliminating tariffs on still more information products, have stalled for two years because of disagreements over product coverage.

BUILT-IN AGENDA

The Uruguay Round agreements established a work program for subsequent years. Three of the more important issues remain unresolved as the 1999 Seattle ministerial meeting failed to advance them.

• Negotiations to improve the WTO agreement on government procurement began in 1998, but those involved have failed to achieve agreement so far.

• Negotiations on agriculture and services were supposed to have started by 2000. The mandate remains, but so far WTO participants have not agreed on negotiating agendas.

MINISTERIAL MEETINGS

• The first WTO Ministerial conference, at Singapore in December 1996, initiated studies on trade and investment, trade and competition, transparency in government procurement, and trade facilitation.

• The second WTO Ministerial, at Geneva in May 1998, added electronic commerce to the work schedule and began preparations for considering further broad negotiations.

• The third WTO Ministerial, at Seattle, Washington, from November 30 to December 3, 1999, where ministers were expected to launch a new round of negotiations, was suspended when no consensus emerged on a negotiating agenda.

DISPUTE SETTLEMENT

The crucial difference between the WTO and its GATT predecessor is the dispute-settlement system that gives winners of a WTO panel ruling the power to enforce compliance with the ruling — by imposing economic sanctions if necessary.

Unlike the GATT, the WTO prohibits the losing party in a panel ruling from blocking adoption of the ruling by the larger WTO membership (meeting as the Dispute Settlement Body). The Dispute Settlement Body and Appellate Body can require the government to correct its failure to meet a WTO obligation and can authorize the complaining government to take retaliatory trade measures. ❑

Source: World Trade Organization

KEY CONTACTS AND INTERNET SITES RELATED TO THE WTO

UNITED STATES GOVERNMENT

Office of the U.S. Trade Representative (USTR)
Winder Building
600 17th Street, N.W.
Washington, DC 20508 U.S.A.
Telephone: 1-888-473-8787
http://www.ustr.gov/

U.S. Department of Agriculture (USDA)
1400 Independence Avenue, S.W.
Washington, DC 20250 U.S.A.
Foreign Agricultural Service (FAS)
Telephone: (202) 720-1727
http://www.fas.usda.gov/

U.S. Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, DC 20230 U.S.A.
International Trade Administration (ITA)
Telephone: (202) 482-3809
http://www.ita.doc.gov/

U.S. Department of State
2201 C. Street, N.W.
Washington, DC 20520 U.S.A.
Bureau of Economic and Business Affairs
Telephone: (202) 647-7951
http://www.state.gov/www/issues/economic/index.html
Office of International Information Programs
http://usinfo.state.gov/topical/econ/wto99/

U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210 U.S.A.
Bureau of International Labor Affairs
Telephone: (202) 219-6373
http://www.dol.gov/dol/ilab/

U.S. Environmental Protection Agency (EPA)
Ariel Rios Building
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460
(202) 260-2090

NON-U.S. GOVERNMENT

NTERNATIONAL ORGANIZATIONS

World Trade Organization (WTO)
http://www.wto.org/

U.N. Conference on Trade and Development (UNCTAD)
http://www.unctad.org/

Organization for Economic Cooperation and Development (OECD)
http://www.oecd.org/ech/seattle.htm

European Union (EU)
http://europa.eu.int/comm/trade/wto_overview/index_en.htm

BUSINESS, CONSUMER, ENVIRONMENTAL AND LABOR ORGANIZATIONS

AFL-CIO
http://www.aflcio.org/wto/index.htm

American Farm Bureau Federation
http://www.fb.com/issues/backgrd/trade.html

Business Coalition for U.S.-China Trade
http://www.business4chinatrade.org/

Earthjustice Legal Defense Fund
http://www.earthjustice.org/work/international.html

Friends of the Earth
http://www.foe.org/international/

Public Citizen
http://www.citizen.org/pctrade/gattwto/gatthome.html

U.S. Chamber of Commerce
http://www.uschamber.org/frame/frame/frame.html

United Steelworkers of America
http://www.fairtradewatch.org/

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