



Intransigence and the future
of world trade

The Seattle Fiasco

David Woods



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Intransigence and the future of world trade

The Seattle fiasco

David Woods

The spectacular collapse of December's World Trade Organization (WTO) meeting in Seattle was a disaster not hard to foresee. The preparatory process in Geneva among diplomats had been ragged, ill-tempered and ineffective. The ugly and divisive year-long battle to appoint the new WTO Director-General, Mike Moore of New Zealand, left too little time for careful consideration of the many new issues that had been put on the table as potential candidates for inclusion in a new round of international trade negotiations. Old hands were asking privately, as far back as the early summer of 1999, whether it would not be better to postpone the conference meeting. But nobody dared speak up since such a decision would have been taken as a snub to the U.S. hosts. At one level the problems in Geneva were substantial and fundamental. There was an almost universal lack of enthusiasm for a new round. Instructions reaching local diplomats from capitals were, with the possible exception of the European Union, lukewarm, vague and lacking urgency. On one hand, market-based economic reforms were getting harder to sell politically in many developing countries after the financial crises of 1997-98. On the other hand, "third-way" economic policies – "capitalism with a human face" – have been dampening "Thatcherite" ardour for liberalization and deregulation in much of Western Europe and in the United States.

As an institution the WTO was seen to fail. Those regarded previously as the guardians and promoters of the rule-based multilateral trading system were

not up to the job of maintaining its effectiveness. New players not only got a foot in the door, they are now firmly in the house. Like it or not the institution will have to behave differently from now on. Developing countries insist on their right always to be present in the inner chambers of decision making. For all their ignorance and antics, collectively the NGOs (non-governmental organizations) and their activists made a compelling case for setting trade policy in new contexts. Never again will trade rules be formulated and negotiated without attention to all their implications outside the immediate world of commerce. As one of the more thoughtful banners in Seattle read, "You are going in the wrong direction, because you are going without us!" And yet the WTO remains what it always was: a negotiating machine, a set of rights and obligations agreed by governments through consensus decisions, and a quasi-judicial process to back up those decisions. What went wrong, and where do we go from here?

These questions are raised at a time when the world should be celebrating the powerful and resilient growth of international trade as a force enhancing economic and social development over the past half-century. Since it began operations in 1995 as successor organization to GATT (General Agreement on Tariffs and Trade), the WTO has become the key instrument of the international community for liberalizing trade rules and settling disputes. In his magisterial *The Twentieth Century*, historian



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J.M. Roberts credits these postwar institutional arrangements, incorporating the World Bank and the International Monetary Fund (IMF), with providing economic stability that “underpinned two decades of growth in world trade at nearly 7% per annum in real terms. Between 1945 and the 1980s the average level of tariffs on manufactured goods traded between the major national economies fell from 40% to 5%, and world trade multiplied more than fivefold.” In the 1990s, world trade grew at more than 6% yearly.

As U.S. Federal Reserve Chairman Alan Greenspan recently put it, “it is the degree of unbridled fierce competition within and among our economies today – not free trade or globalization as such – that is the source of the unease that has manifested itself, and was on display in Seattle a month ago. Trade and globalization are merely the vehicles that foster competition, whose application and benefits currently are nowhere more evident than here, today, in the United States.” But injustices and inequalities persist as non-tariff barriers to access of foreign goods and services to major markets, mainly for agricultural and textile products.

Despite recent progress, developing countries had institutional reasons for reticence in co-operating too easily on an agenda for a new round of trade negotiations to begin in 2001. Many are still in the process of implementing Uruguay Round commitments which were extensive, demanding and spread over as many as ten years from 1995. Despite considerable technical assistance from the WTO itself and several other multilateral and regional institutions, the building of trade policy and customs capacity in many poorer countries has hardly got off the ground. Their ability to negotiate, let alone implement, even more commitments is a problem that has not been adequately addressed. Indeed, the WTO’s major players miscalculated the entire “implementation” agenda, believing that a few crumbs could be offered to poorer countries after their own interests were satisfied, as long as the new crumbs caused no political inconvenience inside the rich countries.

Another reason for limited enthusiasm in the industrial countries was a growing awareness that NGOs were gearing up for a big challenge not only in Seattle but in some European capitals also. Many center-left governments now have “Greens” as ministers and plenty of parliamentarians sympathetic to the messages of the environmentalists, the development lobbyists and the trade unions.

There was never any question of confronting these arguments with passion or conviction. Rather, ministers tended increasingly to bend and trim to activist demands, if not to openly adopt them.

The Geneva “process” itself is now a creaking machine. Ambassadors in Geneva did not have an easy political environment in which to deal with the hundreds of pages of national proposals presented since the beginning of 1999. In fact, left to themselves, local diplomats negotiated virtually nothing of significance in recent years. Negotiating processes and attitudes within the WTO have taken on the flavor of the United Nations system, which is fine for developing non-binding, rhetorical, largely meaningless and unenforceable resolutions. It is fatal for negotiating enforceable commercial commitments that are supposed to represent the precise commercial interests of individual member governments, not the somewhat nebulous interests of large regional or economic groupings.

Enter Mike Moore

The only real hope was the arrival of Mike Moore, the new WTO Director-General. He probably arrived too late in the day to make an overwhelming difference but, in the event, his impact was minimal. Apparently misunderstanding the role for which he fought so hard, Moore spent much of the pre-Seattle period making speeches and press conferences about his role as spokesman for the underdogs. Instead of putting the extensive talent and experience of the WTO Secretariat to work early enough to make a difference in the drafting process he fell victim to the “member-driven organization” syndrome. This credo lays down that only member governments take initiatives: the secretariat merely “services” those negotiations. A few words with former GATT Directors-General like Arthur Dunkel and Peter Sutherland would have persuaded Mr. Moore that such an approach was impractical.

As it was, the Secretariat limited itself to splendidly stapling together lists of proposals. So ministers arrived in Seattle with an unstructured 36-page “negotiating draft” which was little more than a series of wish lists. To get from that starting point to a broad, coherent and agreed final declaration required exceptional negotiating skills, brilliant chairmanship, reams of goodwill and political sensitivity and the best possible environment in Seattle. The meeting was blessed with none of those elements. In fact, quite the opposite conditions prevailed throughout the week. They were so bad

that it is worth trying to remember exactly why the meeting was being held in Seattle at this time at all.

Timing was dictated by two factors. The first was the regular two-year WTO schedule for its conferences. The previous one was held in Geneva in May 1998 and, to avoid distraction by the U.S. Presidential primary elections, bringing this one forward to November 1999 seemed sensible. The second factor was the imminence of mandated negotiations on agriculture and services. It was agreed at the end of the Uruguay Round in 1993 that these negotiations would commence in 2000.

The European Union in particular – pushed by the then Trade Commissioner, Sir Leon Brittan – considered that these two sectors could only reasonably be negotiated in the context of a much wider agenda. Hence the notion of the Millennium Round was dreamed up along with the idea of launching it at this conference meeting. The U.S. was happy enough, especially if the agenda could be limited to American interests and the staging of the meeting could help promote domestic support for the President's own agenda. And there was always the chance of renaming the negotiations as the "Clinton Round" or, at the very least, the "Seattle Round"!

By the middle of the conference week the residents and local authorities of Seattle were wondering why they had ever got themselves involved with the WTO. Television across the world was portraying the city as a war zone. Much of the downtown area was sealed off by both protesters and one of the biggest contingents of police and national guard seen in any American city for many years. Shops were losing money in one of the busiest periods of the year. Local citizens were suffering a nightly curfew.

The problem was not the choice of Seattle. Most delegates who walked around the city before the trouble started soon realized this was a delightful, friendly city which truly wanted to see a success with the WTO meeting. It represented U.S. interests in international trade as much as any place in the country. But Washington and nearby states are home to many activist environmental groups and many unions. That should have suggested trouble from the start.

However, the real question about siting is not Seattle but the United States. With the benefit of hindsight it is clear that big risks were being run in choosing this conference location. First, the meeting probably would be hijacked for domestic U.S. political purposes. Second, the weight of U.S. corporate lobbyists – now omnipresent at any WTO conference meeting – would be absolutely overwhelming with a meeting on home turf, making the job of U.S. negotiators in seeking compromises near impossible. Third, neither the federal government nor the local authorities were prepared to spend enough to provide adequate facilities for such a meeting.

The poverty of working conditions proved sadly crucial in determining the lack of goodwill among the conference delegations.

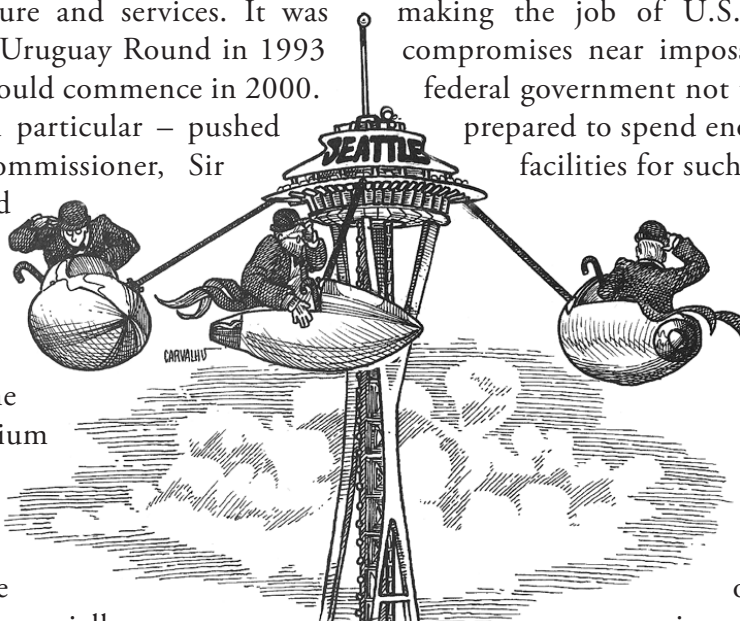
The facilities were ghastly. Basic needs like communications between delegations and office space either did not

exist or did not work. The idea

that delegates might need to eat properly, or even get a drink, especially when working through the night, seems not to have occurred to the organizers. Cooped up in the conference center, and when the delis were open, delegates were restricted to buying the kind of food that explains the high level of obesity in the U.S. and convinces most foreigners they ought to hold on to their cultural diversity. For the rest, the decoration of the conference rooms was shoddy. The branding of the meeting by corporate sponsors' advertising was completely out of control. At least some of the shortcomings of the physical amenities were caused by the fact that much of the financing of the conference was secured through corporate sponsorship – a procedure that should not be repeated at future conferences.

In short, the U.S. tried to do the conference on the cheap and succeeded in creating an environment which frustrated and annoyed delegates and impeded negotiations. The best locations for these meetings in the future will be in the advanced developing countries which tend to have pride in doing them well and are prepared to spend to ensure the occasions are a showcase and an opportunity to attract investment.

The one person who succeeded in moving about the city without too much trouble was the President,



Bill Clinton. He did not actually set foot inside the conference facilities, however, preferring to talk to farmers, trade unionists and other groups with political clout. When it came to addressing WTO ministers, at a hotel luncheon, his charts to play, simultaneously, the roles of international statesman, high priest of free trade, protector of abused child workers, friend of developing countries, as well as the promoter of American jobs, farmers, unionists, environmental objectives and level playing fields would have been amusing had they not been so inappropriate. Many ministers went away offended by the performance. Coming after an unfortunate reference in a newspaper interview that same morning, in which the President spoke of “sanctions” in the context of the U.S. proposal on trade and labour rights, they saw all they needed to be convinced of the real U.S. domestic political agenda behind the conference.

The Clinton-Gore agenda

Now, to imagine the U.S. would not have such an agenda would have been naive. We saw as far back as last April that the U.S. might well find a Failure in Seattle every bit as attractive as a success and perhaps

more so. That had less to do with President Clinton's political

agenda than the aspirations of Vice President Al Gore. Having tied up the electoral support of the AFL-CIO in October, Gore's position would have been soured had the U.S. accepted a conference declaration in Seattle lacking a substantial commitment to put trade and labour rights on the WTO agenda. Since it remained clear that any words agreeable to developing countries on this issue would not even approach the U.S. bottom line, Mr. Gore must have been more than content when the meeting finally broke down.

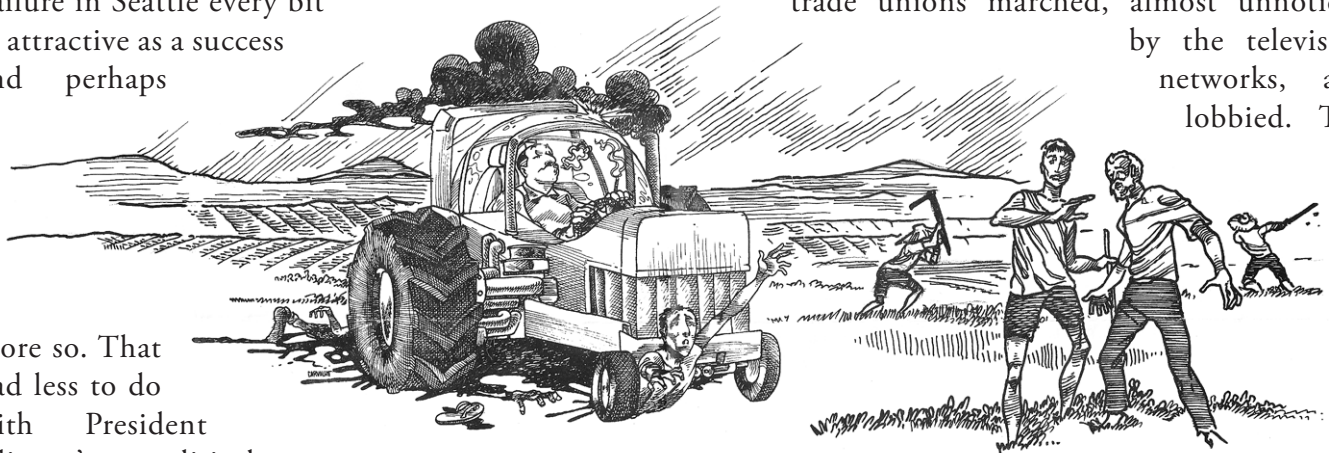
Moreover, two other important dossiers would have had to move if agreement to a declaration was ever to be secured. First, something, though little, would have had to be done on textiles. This would

not have been acceptable to the politically powerful U.S. industry which has already been angered by the Administration's deal with China on WTO accession. Second, the U.S. would have had to agree to some small opening of the Uruguay Round agreement on anti-dumping, which was sought by Japan as well as the developing countries. That would have alienated the steel unions and a whole collection of other “sensitive” sectors which rely on anti-dumping protection. They were all present, in force, in Seattle and not about to budge one inch on “fair trade” legislation.

Wearing funny costumes

This is not to argue that there was no domestic U.S. constituency for a success in Seattle. There were some belated efforts to inspire corporate enthusiasm, led by the National Association of Manufacturers, but these were muted and, finally, silenced by the trouble on the streets. And that brings us to the only really satisfied group of people in Seattle, apart perhaps from Mr. Gore and his supporters.

There were really three sets of events in the streets and hotel conference rooms of Seattle. The trade unions marched, almost unnoticed by the television networks, and lobbied. The



established NGO groups held learned seminars and debates and issued endless reports on sustainable development, animal safety, AIDS drugs and the over-reach of the WTO dispute settlement system. The NGO activists shouted, broke windows, wore funny costumes, got pepper-gassed, accused the police of terror tactics, and got noticed. What should we make of it all?

First of all, the trade unionists. The march organized by the AFL-CIO on the opening day of the conference was disappointing. It neither attracted the numbers expected – less than 50,000 – not much media attention. Hardly surprising, since the city streets were already a battleground around the convention center. However, union

leaders like John Sweeney of the AFL-CIO and Bill Jordan of the International Confederation of Free Trade Unions (ICFTU) were active and vocal in meetings throughout the week. Yet they had a difficult message to promote. On the one hand – and especially in the case of the ICFTU – they needed to appear as representing workers in the developing countries with development interests close to their hearts. At the same time, most delegates of developing countries were painfully aware that the constituent union groups in the industrial countries are precisely the lobbies which argue hardest for textiles quotas, anti-dumping duties and other protection against low-cost competition. Moreover, by having the U.S. union groups in town, the long-term objectives of the U.S. push for labour rights in the WTO could no longer be obscured. Clinton's reference to sanctions in his interview may not have been "misspoke," but the union groups were absolutely and unashamedly clear they seek a social clause "with teeth", as Sweeney put it.

Some of the more established NGOs had no less of a problem in terms of a clear message. Some, like World Wildlife Fund and Friends of the Earth have worked hard to master the detail and complexity of the WTO and its rules. They understood the need to take developing countries along with them if they are going to get the kind of environmental policy decisions they seek in such countries. They also abandoned the notion that economic growth and trade are, by definition, damaging to the environment. The changes they have sought in the WTO rules are well-argued and coherent. At the same time, they often compete with each other for members and the fees members represent. That can drive the NGOs to take public positions that they would prefer to avoid, in order to appear to be leading environment or consumer crusades. That was apparent in Seattle. But the internal stress became more acute with the undisciplined activists out on the streets hogging media attention and providing a more categorical, black-and-white, anti-WTO agenda.

Activists young, middle-class and white

We may be tempted to dismiss the activists out of hand. After all, they set out to stop the meeting, they caused considerable damage, huge public expense, and significant local commercial losses. They clearly knew little or nothing about the WTO and were often protesting about issues which had little or nothing to do with the WTO. There were

not even very many of them; no more than 5000 on the biggest day of protest. They were largely young, middle-class and white.

And yet their actions provoked little in the way of condemnation. The President and the Seattle mayor were mildly put out by the damage but insisted they were happy the demonstrators were there. Again, that has a lot to do with domestic politics. But if political leaders believe the activists were collectively articulating a view of the global economy and its institutions that is, in fact, already shared by large parts of the electorate, then they cannot be waved aside as eccentrics and spoiled college students. Certainly, attitudes in countries like France, Canada and Switzerland as well as developing countries like India and South Africa reveal a high level of public concern at what we may call homogenization through globalization. The need to maintain cultural diversity, perceptions of food safety, the safeguarding of national sovereignty are all surfacing at the national level and influencing the development of trade policy positions. The message from the protesters seemed to imply that these considerations increasingly will be present and will not easily be overridden, in the future, in favour of commercial interests, no matter what the WTO rules say.

Of course, the biggest target for the activists was the corporate greed that is alleged to be the real hand working the WTO puppet. This seems to be a particularly American perspective. After all, corporate financing is endemic to U.S. political life. The fact that financial backing secures favours at the domestic political level is very clear. It is not difficult to make the jump to assume that U.S. positions in the WTO are also dictated by political debts. Recently, the United States Trade Representative (USTR) bureaucracy has been forced to spread membership in its policy advisory groups to include non-corporate NGOs. But the dominant force in U.S. policy-making is still the corporate sector operating both in the Administration and Congress. In the European Union (EU) and other countries – give or take a few slips here and there – there is normally a healthier balance, an arms-length relationship with the private sector, and greater independent parliamentary oversight.

Which leaves the question of transparency and involvement by NGOs in the WTO's activities. That was a theme on which all NGO groups could agree. But it became a bit academic when the delegations themselves spent so much of the week complaining about a lack of transparency.

For all the damage and protest in the streets, it was the WTO that defeated the WTO in Seattle. As already suggested, the starting point was anything but encouraging. But the major players managed to make a bad situation much worse by putting in place a negotiating process which never had a real chance of working.

For one thing, the real work of the one-week meeting did not even start until Wednesday, three days after almost all the ministers – though not the chairperson, U.S. Trade Representative Charlene Barshefsky – had arrived in Seattle. Monday was wasted totally on a special seminar for NGOs and delegates which most people gave up quickly as the boredom overwhelmed them. Tuesday was problematic, with the major demonstration and a delayed opening ceremony, but could have been used for real work. Instead, it was lost on plenary speeches and establishment of a “transparent” negotiating structure of four main groups. These groups were open-ended, each attended by over 100 delegates, making real negotiation impossible.

It was only on Thursday, with 24 hours to go, that Ms. Barshefsky accepted the inevitable and convened the so-called “Green Room” – a selected group, depending on the subject, charged with the final detailed negotiating efforts. But by then it was too late, not solely because there was too much outstanding controversial text to be resolved, but because the atmosphere of the negotiation had become so poisoned.

To hear someone as eminent as the ex-Secretary-General of the Commonwealth – in Seattle as the head of the delegation of St Kitts and Nevis – call the meeting the worst organized international conference he had attended in 40 years of public life was disturbing enough. For a senior member of the EU’s delegation to refer to the “arrogant and insulting” behaviour of the U.S. side was to go well beyond the normal limits of international diplomacy. The developing countries as a whole were beside themselves with outrage. And in the midst orbit, but not part of it, Mike Moore was being his good-humoured self.

Why the outrage? Ms. Barshefsky had been telling the press and anyone else who would listen that this meeting was more transparent and more inclusive than any in the history of GATT or WTO trade negotiations. In the sense that more people were let into more meeting rooms than ever before, it probably was. In the sense that delegates quickly understood that they were being made parry to

an “open” process which was ineffective while real negotiations were taking place elsewhere, it was not. The problem was that the rules of the game were not laid down nearly early enough. When they had been almost nobody understood them. An irate Pascal Lamy, EU trade commissioner, went to the press on Wednesday to complain bitterly about the need to combine “transparency and efficiency.” At least he and his colleagues were in the negotiating rooms. Most delegates were not where it counted.

Trust and confidence

Of course, the transparency issue is easy to exaggerate. All delegations know that there has to be bargaining in limited groups. The real issue is how the chairperson and the Director-General facilitate the process and ensure there is trust and confidence among all delegations that they will be kept in touch with every move and will feel involved. There was no trust in Seattle and no confidence. Many developing countries saw their own interests taken out of their hands and subjected to processes they could neither follow nor understand. Had Ms. Barshefsky spent as much time keeping delegations informed as she spent selling U.S. negotiating positions to the media, she might have done a better job.

In the unlikely event that her Green Room process had reached fruition with a clean text, it probably would not have been adopted by the full conference session. On Friday morning, such was their frustration, that the African, Caribbean and most of the Latin American country groups had each issued public statements warning that they would not join the consensus required to adopt a declaration.

So what was the state of negotiations when a halt was finally called to the proceedings? There is no doubt that some progress had been made in most areas even if far too much remained to be done. The largest proportion of Green Room time had been spent on agriculture which had lived up to expectations as the key issue to be resolved if others were to have any chance of falling into place. Attempts by the Singaporean chairman of the agriculture group to make progress on the basis of a text which veered close to the Cairns Group positions than to those of the EU and their like-minded friends such as Japan, Korea, Switzerland and Norway came to a quick end. In time-honoured fashion the French told their Commission negotiators to block any implication that farming could one day be regarded in the same light as any other sector,

objecting to proposed language on the elimination of export subsidies and to the absence from official texts at the word “multifunctionality” [a term invented by French and Japanese trade negotiators to argue that protected agriculture serves social and environmental as well as commercial ends]. The EU insisted on including disciplines on U.S. food aid, emergency farm assistance programmes, and on the use of official export credit guarantees as well as straight export subsidies. All sides went round in circles on “non-trade concerns” with or without the term multifunctionality included.

Barshefsky and the unions

On industrial market access, some progress was also made although divisions remained on the kind of negotiating modalities to be employed – in relation, for instance, to tariff peaks/high tariffs, tariff cutting formulas and sectoral initiatives. The so-called Advanced Tariff Liberalization plan (ATL) looked destined for the garbage can of WTO negotiating proposals. But the biggest immediate disappointment in market access was with the initiative for the least-developed countries. The EU had proposed tariff and quota free treatment essentially for all products originating in the world’s poorest countries, but it wanted other rich countries and some advanced developing countries to sign up too. The Japanese apparently agreed. The U.S. appeared to do so but a joint press conference between the U.S. and EU to announce the deal was cancelled when it became apparent that the conditions being attached by the U.S. reduced the concessions to the point of illusion. Ms. Barshefsky, fearful of upsetting the unions and the textiles lobby, seemed to indicate that the U.S. would concede nothing further than what was contained in the Africa and Caribbean trade preference legislation currently meandering through Congress. Were textiles included in the least-developed initiative, she was asked. No answer.

The most complex dossier and the most difficult to progress was on implementing the Uruguay Round agreements. In Geneva, the developing countries had submitted many pages of demands, both for immediate decision and implementation after Seattle and for review in 2000. Very little was conceded during the preparatory process, in particular on anything that looked to the U.S. like opening up Uruguay Round agreements for re-negotiation. In particular, the U.S. wanted nothing that looked like being more forthcoming on textiles – especially after the China deal – or on the anti-

dumping agreement. Nor was the U.S. keen to make any blanket decisions providing extra time for the implementation, by some or all developing countries, of the Uruguay Round agreements on intellectual property (TRIPS), investment (TRIMS) and customs valuation. Washington was prepared only to take one-off decisions on a case-by-case basis.

The Canadian chairman of the implementation negotiating group made some brave, probably foolhardy, attempts to find wording on textiles and anti-dumping. They never got into any Foal Green Room process but almost certainly would have been unacceptable both to the developing countries and to the U.S. had they done so. The failure of the Seattle meeting means that some important and urgent implementation issues are left dangling in the air.

As for the new agenda items, very little was discussed and even less decided. The EU stuck to its demands for negotiations on competition policy and investment until a very late stage. However, it was evident that no agreement on negotiations could be secured. Rather the issues would be sent back to Geneva for further exploratory work with the possibility of negotiations being considered at the “mid-term review,” which would normally have taken place in 2001.

The labour rights issue was barely discussed though the chairperson caused extra aggravation by unexpectedly setting up a special group to consider it on Thursday afternoon. By that time, the President’s words had sunk in sufficiently deeply for developing countries to be very negative indeed. True, some were of the view that they could probably live with a review or discussion, as long as it was outside the apparatus of the WTO. It seemed possible that something approaching the EU proposal might ultimately have been accepted had the climate been different and overall agreement on a declaration more likely. One formulation which did the rounds, proposed by UNCTAD Secretary-General Rubens Ricupero, called for creation of “a standing forum on trade, globalization, development and labour issues with a view to promoting a better understanding of the issues involved...” This would have dragged in a variety of other institutions, including UNCTAD, the World Bank and the International Labour Organization, as well as the WTO. Whether such a formula would have gone far enough to satisfy Sweeney’s need for “teeth” is doubtful, but it might have got the U.S. Administration off the hook for a while.

There is, of course, much other business which now, remains in the air. The meeting was supposed to extend the current moratorium on the imposition of customs duties on electronic trans-missions (e-commerce). Presumably nobody will rush in to overturn the moratorium in the "time out" period. A range of working groups were being proposed on trade and finance, trade and debt, the transfer of technology, globalization and, most famously, on biotechnology.

It was with that latter group that Pascal Lamy came to grief in Seattle. He appeared to have done a deal with the U.S., which had originally proposed the biotechnology working group, much against the wishes of environmentalists who saw it as likely to override work on the UN protocol on biosafety. However, European ministers took the same view and hauled back the Commission to reverse its deal. Poor Mr. Lamy. He seems to have gone to Seattle to be the dealmaker. Instead, he found himself outflanked. On one side, he found awkward member states, some bringing as many as four senior ministers with them, each expecting to have a say. On the other, he was subjected to an incomprehensible and ineffective negotiating process headed by a chairperson of whom he is alleged to have said, "I can see why Sir Leon did not get on with her." It really was not the way things are done in Brussels.

So the whole circus now returns to Geneva, with Mr. Moore charged with bringing order where there is none and then report back to ministers. He is not working to a clear schedule. Few would expect much to happen in the next few months, the wounds are yet to even begin to heal and the scars will be deep. Further, Geneva is no more capable of effective negotiation after Seattle than before the conference. If Moore can get close to a basis for kicking off a new round by the end of next year, it will be a big surprise. The reality is that the WTO will now probably have to wait until the U.S. Presidential election is over and a new incumbent is installed in the White House. And that may not be a bad thing since there is still plenty to think about and, perhaps, even negotiate.

For a start there is the built-in agenda which means largely services and agriculture. The services industries were in Seattle in force, but keeping to themselves. Theirs is the sector where the basis for negotiation is rather dear from the Uruguay Round agreement itself. And, as the telecommunications and financial services negotiations showed in recent

years, it is possible to secure large services deals without trade-offs in other sectors. It is a sector in which both developed and developing countries have much to gain and where some of the biggest gains to the global economy could be made. With luck, serious preparations for negotiations will get underway in services early in 2000. The biggest risk is that some governments – especially agricultural exporters – could set up links between progress on services and progress towards launching the wider round. Because it is pretty clear that nothing will be moving on farm trade. That was always the case.

Even had the Seattle conference succeeded, few agricultural negotiators expected much to move in 2000, for two reasons. First, although the EU has signalled that it would ultimately be prepared to consider negotiations which might take it further than the reforms envisaged in the Agenda 2000 package agreed by the Union earlier this year, it would be politically impossible to make a move any time soon. Further, the short-term prospects for EU Farm reform have more to do with its extension eastwards, to include several big and potentially expensive agrarian economies, than with the WTO. Second, much though the Cairns Group would like early action, they take the view that the EU will only negotiate seriously when under duress. They see that duress building as we get closer to the ending of the so-called "peace clause" in 2003. At that point it would, in principle, be possible to seek judgements on the EU's agricultural support programmes and its export subsidies through the WTO's dispute settlement system. Of course, that is a questionable assumption. If the EU behaves as it has on disputes with the U.S. and Central American producers on bananas, litigation at the WTO may be a very ineffective, or at least lengthy, means of securing EU reform. Moreover, the EU is likely to demand a renewal of the "peace clause" as one price for serious negotiation.

The real, immediate job for those in Geneva and in capitals is to figure out what Seattle really means for the fundamentals of the WTO. The confused and elaborate processes of negotiation and decision-making must be stripped down to their foundations and rebuilt. That will mean ensuring transparency and involvement for the entire membership. But it will also mean turning the WTO back into an effective negotiating instrument. Whether or not Pascal Lamy is right and that some of the lessons of the European Union need to be taken on board the WTO remains to be seen. Others may have

equally valid experiences to share. But there needs to be some creative thinking unencumbered by diplomatic sensitivities.

Part of that process is the question of non-governmental involvement with the WTO and the need for greater transparency. New ground was broken in Seattle with a meeting of international parliamentarians interested in the WTO. That presumably will be repeated in the future in Geneva and may be a useful and supportive forum. But how many other groups can be accommodated? The rules on access to documents should be reformed quickly. The dispute settlement mechanism could also open up easily. Means ought to be found to allow amicus briefs from NGOs and others to be filed with panels.

One thing is clear. The new agenda for the WTO has little to do with launching a new round and everything to do with relaunching itself in a manner which will restore public and political confidence and permit it, once more, to do its job. An emasculated World Trade Organization is going to be a loss to all its members and big risk to future economic growth. And while the activist groups may celebrate for the time being, they may come quickly to understand how much many of their favourite causes depend on a well-functioning multilateral trading system.

Faced with the derision of the world's media, trade ministers and their officials may be tempted to return to capitals and Geneva, put their heads under the bedcovers and not come up for air for six months. Another reaction might be to return and simply get on with their jobs as if nothing had happened, as if it were all just an unpleasant nightmare, quickly forgotten.

The need now is to get back to fundamentals, to ask the hard questions about what went wrong before and during Seattle and to find the means of making the institution function again. Because, as it now stands, the negotiating machine is at a complete halt and unlikely to move forward any time soon. The most sophisticated set of rules in the field of international economic relations has been severely undermined. Even the WTO's dispute settlement system may find itself lacking credibility for the time being. It is important for trade policy officials to start thinking quickly and not to seek to minimize and pass off as exceptional what happened in Seattle. The issues have to be faced. If trade officials do not now do the thinking, others will do it for them. And the results may be to deepen the damage of Seattle, not repair it.

Because, what happened in Seattle was not a

victory for the activists not for the more responsible NGOs and trade unions. They felt good, naturally, because the trade round was blocked and because many of their issues seemed to have won recognition.

The WTO defeated itself

The WTO was not defeated by an external influence. Nor was the Seattle fiasco about transparency or the involvement of developing countries, although their anger and frustration was genuine and warranted. If the WTO spends the coming months concerning itself only with how it should open up meetings or ease public access to its documents or promote itself better, then the point and the opportunity will have been missed. This was a self-imposed catastrophe. Its roots go deep and its causes are complex.

At one level the Seattle Fiasco can be put down to a simple lack of competence. The management of the preparatory process in Geneva was appalling. That was partly a failure of the local diplomatic missions and the WTO Secretariat. No conference meeting ever should be faced with the kind of alphabet soup draft declaration which participants found in Seattle. If WTO delegates either do not have the instructions from capitals to negotiate seriously or are simply incapable or unwilling to do so, then it is the duty of the Director-General to step in. The Secretariat's role is not just to service meetings and circulate learned background papers, nor has it much to do with showering press releases and sound bites on the world's media. It is to present solutions. And solutions from the Secretariat were in very short supply leading up to, and during, Seattle. Whatever his other merits, Mike Moore does not seem to be a manager. He needs to understand that, even if member governments over the past few years have systematically undermined the standing of his Secretariat, he has a wealth of talent and experience at his disposal. That talent and experience should have been engaged in the process at every stage; it was not.

The last major trade round ended in 1993. That means few of the delegates and Ministers who worked on the Seattle meeting had ever experienced anything of the complexity of launching a new trade round. The need for negotiating and diplomatic skills, for creativity in drafting, for subtle process management were as great as ever could be imagined. Yet the very people with the skills to make the preparations and meeting work were hardly ever visible. Governments are probably right to in cant

regularly the credo of the WTO being a “member-driven organization.” But if they do not make use of a fully operational secretariat then they are going to continue driving nowhere.

Role of international organizations

This brings us to the more general and critical issue of the role of international organizations, which flourished since World War II in tandem with the increasing wealth of nations and complexity of human affairs. True, as a whole, they are dominated by the Great Powers, but they also give smaller nations a degree of voice and influence never before seen. Many such organizations can perform useful if not critical specialized and technical functions as a forum for cooperation in building a rule-based international economy and society. In their train have appeared hordes of specialized NGOs as intermediaries between governments and civil societies.

the two World Wars.

To avoid this kind of institutional damage, many national governments will have to take stock of the potential losses that would come from erosion of the structure of international cooperation that evolved painfully during the 20th Century. In terms of the WTO, they would have to review the manner in which trade policy is formulated, especially in order to rake on the wider implications of positions which impact social, cultural and environmental assets and specifics. That is the only way of satisfying the NGOs that their concerns are properly reflected, before the action moves to Geneva.

In Geneva there is going to have to be an end to incestuous and sterile diplomacy among experts. The process will have to become more transparent and NGOs will need to get in the door more frequently – and not just for seminars. More important though, a greater coherence between business in Geneva and the wider concerns of capitals and the outside world



Incestuous and sterile diplomacy

As the Seattle fiasco shows, these complex systems, some of them overloaded with contending tasks and actors, need effective and purposeful leadership to remain useful. The un-seemly and protracted dispute among governments for the top job at the WTO damaged the organization, as have similar disputes over the leadership of the World Health Organization, UNESCO, the European Central Bank, the European Commission and many others. In the lower ranks of these organizations, the useful work of a core of talented people sinks beneath the weight of oversized and cosseted bureaucracies. At one point, which already may be arriving, the Great Powers may be tempted to scuttle or disregard the WTO in dealing with trade disputes in the way the League of Nations came to be disregarded between

is now a key requirement of the effective operation of the WTO.

When the Uruguay Round was concluded, the idea of some kind of management board in the WTO was dodged. Understandably, local diplomats prefer to operate without any big brother present. It also has to be admitted that such a body would have to be restricted in size almost by definition. Perhaps the answer is to re-establish something like the GATT's "Consultative Group of 18," which brought together senior policy makers for regular discussions on major issues. It made no decisions but did inject considerations of broad strategic direction into what can be a very insulated process. One way or another, Geneva has to be made to work effectively again. It is fundamental to rebuilding the WTO.

2. Change rhetoric into substance

Rubens Ricupero

On the way to Seattle we heard much talk about making these new trade negotiations into a Development Round. Our central goal must be to turn that rhetoric into substance – in the agreements themselves. This is the way to give practical effect to the efforts by developing countries to become full-fledged – not shadow – members of the system.

UNCTAD is doing precisely this: encouraging developing countries to take a pro-active attitude in redressing the imbalances and shaping a better system through the “Positive Agenda Programme,” whose impact can already be measured by the fact that half of the 250 proposals in the preparatory process came from those countries.

The developing countries in the past have been called “free-riders” in the system. This was never true, and by their actions, the developing countries have shown just how wrong this view is. They have liberalized faster and further than any other countries. And in the preparations For Seattle, they have submitted more than 110 detailed and concrete proposals for dealing with the specific problems which they have identified as impeding their ability to participate fully and effectively in the multilateral trading system.

This is not only the best, but the only, way to deal with the problem of legitimacy, which stands now at the very heart of the trade debate – as anyone can see just by glancing through newspaper editorials or watching the street demonstrations.

At the root of the problem lies globalization and its disruptive effects: job insecurity, increasing inequality among nations and inside them, the pervasive fear that people are losing control over their own lives. The backlash against globalization finds expression in shifting targets. First, it was the NAFTA, then the investment negotiations in OECD. Now WTO’s turn has come. In this sense, it is suggestive and perhaps ironic that the home town of Microsoft, the symbol of the

globalized economy, should become the setting for demonstrations against global trade, even if most participants in the protests come from elsewhere. It would be a serious mistake to brush aside the significance of these demonstrations. They have to be taken seriously.

For any international organization, legitimacy depends on three main components: universal membership, participator,” and effective decision-making, and fair sharing in the benefits of the system.

WTO’s universality has just received a big boost from the breakthrough on China’s accession, which hopefully will soon put an end to the long wait of one-fifth at humanity.

We are still a long way, however, from ensuring that the accession process will be fairer and quicker. This requires agreeing to a “fast track” for those 19 least developed countries remaining in the waiting room. It also means not making demands on acceding countries, beyond the requirements already imposed on current members. Now that the US and China have agreed upon terms for China’s accession, there is no more reason for a geostrategic game which has had serious knock-on effects for many acceding countries.

But as the WTO grows more universal, it also gains in size, complexity and heterogeneity. The club-like decision-making process of the old GATT served well for an entity at a few file-minded countries, but it no longer fits one with 140 member nations, China among them, with different interests and development levels. As a Former participant in the green-room system of the Uruguay Round, I have to admit that it was less than fair or transparent to the many excluded Contracting Parties. Since the end of that round, and because of the way it ended, complaints have been accumulating about the lack of participation and transparency in decisions. There has been a clear pattern of complaints leading to

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disappointment, and this in its turn is generating a sense of a “legitimacy deficit” For the whole system in the public eye. The net result has been a growing perception that the system could become more and more difficult to manage, as suggested by a series of painful episodes culminating in the inconclusive pre-Seattle preparatory process in Geneva.

A sure way of making things even worse would be to produce an artificial consensus on the basis of texts negotiated by a few key players. This will only turn disappointment into disaffection. In effect, it is not size that makes the process cumbersome, but the one-sided promotion of the interests of just one group of countries, and the persistent refusal to acknowledge the legitimate interests and well-founded concerns of developing nations. This is precisely what we have been seeing in relation to the genuine difficulties these countries have been facing with the implementation of some provisions in TRIPS and TRIMs, among others.

The implementation problem is but the last one in the long list of imbalances that have been distorting a system which was for many years aimed at the reduction of industrial tariffs among advanced economies. It was perhaps understandable, in that light, that agriculture would be kept largely outside the disciplines of a system that had to accommodate the construction at the European Common Market and its CAP, or Common Agricultural Policy. This was achieved, by the way, not through the official free trade philosophy of the multilateral system but very in spite of it. Massive subsidies and State intervention turned the market upside down, disproved all the predictions of the reputable economists of 80 years ago and made Europe into one of the largest agricultural exporters in the world. The first waiver in agriculture was granted to the U.S. in the early 50s, while the first “short-term” arrangement for cotton textiles that would later develop into the Multifiber Arrangement occurred in the latter part of that decade: in one case, nearly half a century ago, and in the other, more than 40 years ago. And the nations which after all those years say they are not yet ready fully to liberalize agriculture or textiles trade are often the very same ones that feel it would be much too lenient to grant developing countries more than five years in which to adapt to the complex changes in intellectual protection.

In order to deserve to be called a “development

round,” future negotiations would have to redress those imbalances, as a bare minimum. More specifically, they would first have to eliminate the most glaring example of imbalance, the freedom of developed countries to subsidize massively their exports of agricultural products, and to place their industrial subsidies in the non-actionable category. Secondly, they should accelerate the dismantling of the Multifiber Arrangement, where only 6% of the value of restricted items has been liberalized so far. Thirdly, it is time to get rid of tariff peaks and tariff escalation in a large array of products where developing countries are competitive, and to grant bounded free market access to LDCs exports.

There is no alternative to the multilateral trading system. But this does not mean we must accept its current imbalance. After the two decades of the Tokyo and Uruguay Rounds, the vast majority of developing countries have ended up with more trade deficits – 3% more than in the 70s – and less economic growth – 2% less than before. This is in part the result of inadequate domestic policies, although as I mentioned earlier, most of those nations carried out serious adjustment programmes and can no longer be called “free riders” after the rapid opening of these markets. There are other reasons: the sluggish growth of the economies and import demand of advanced countries, the fall in commodity prices and consequent deterioration in terms of trade. But a significant cause of this warning state is certainly the asymmetries in the balance of mutual rights and obligations, including market access, that must finally be set right.

There are only two options before us. The first is to persist with the mercantilist approach at pressuring developing countries to further open markets that will soon become non-existent, as those nations will not be able to get through exports the resources they need to pay for their imports. The second is a “lift all boats strategy” that will allow developing economies to export their way out of poverty and underdevelopment, earning them the money to finance their imports of capital goods and technology from industrial countries, without increasing their debt. I hope that Seattle will choose the second road, the only one that can close the “legitimacy gap” and update the old UNCTAD slogan, “trade, not aid,” with two new formulas; “market access, not speculative capital and debt; trade, not hot money.”

3. Protectionism in Seattle

Luiz Felipe Lampreia

Back in 1993 and 1994, after seven years of hard work, those of us involved in the negotiations that led to the creation of the World Trade Organization shared a sense of accomplishment, but many could not avoid having mixed feelings about the results we had obtained.

There was then – as there is now – a sense that the multilateral trading system only benefits developing countries in a very limited way. Six years later, this Fact seems invisible to many sectors in developed nations which have rallied around this Conference to call for old and new protectionist mechanisms, most of them essentially directed against the exports of developing economies.

If one listens long enough to their claims, one may come to believe that exports from the developing nations of the world – which encompass less than one-third of global exports, mainly comprised of raw materials – have become a major threat to the social and economic well-being at rich nations. Such distorted views – the giant sucking sounds that no one has ever heard – would be simply pathetic, were it not for the impact they have in the political environment of developed countries, as we can see here in Seattle. Developing nations stand absurdly accused – by new and old protectionists alike – of taking advantage of the doubtful benefit of being poor. Resorting to manipulative images such as ‘social dumping’ they wish to tilt the multilateral trading system even further, to the point where the interests of developing countries would be thrown overboard.

Those false claims – and the shortsighted perspectives they voice – must be resisted. I trust they will be. For we must move in the very opposite direction: that of completing the work which has turned the WTO into a success story and that of removing the imbalances which still make this organization an incomplete success story for many of us.

Allow me to quote from the man who more than anybody else helped create the WTO, Peter

Sutherland: “The dangers of undermining the WTO’s credibility, eroding its authority and curtailing its effectiveness are very real. The world has a lot to lose if the WTO cannot function as it should.”

Brazil was among the first countries to express its support to a new round of multilateral trade negotiations. A new round is needed not only to address the unfinished business of the Uruguay Round but to balance a multilateral trading system which is biased towards certain sectors. A new round is needed to ensure that developing countries are fully integrated into the WTO, sharing in its rights and benefits as well as in its burdens and obligations.

Brazil believes that the major responsibility of this Conference and the core of the mandate it has to issue is to address the most serious distortions that persist in international trade. Especially trade in agriculture. It is no longer acceptable that certain countries – incidentally some of the richest in the world – be allowed to deny reasonable access to their market for farm products at the same time as they request others to open their own markets even further to products in which they can compete with no risks.

It is even more unacceptable that those same countries should also be allowed to subsidize, with tens of billions of dollars, their own agricultural exports to third markets and unfairly displace exports from others. In agriculture, tariffs applied by most rich countries are four times as high as those applied to manufactured goods by developing countries. Export subsidies are prohibited for manufactured goods but lavishly allowed in order to enable rich countries to sell their farm products and defeat fair competition at any cost. Also, unlike trade in manufactured goods, no limits are imposed on export credits for agricultural goods, so that competition becomes virtually impossible for those lacking generous support of Treasury funds.

The name of this game is discrimination. An intolerable discrimination between certain kinds

of goods and others. Between goods in which rich countries are competitive and those in which they are not. Discrimination between countries which have the funds to subsidize and those which have not. Agricultural trade, as it now stands, is the only real special and differential treatment in the WTO, unfortunately benefiting those who do not need it.

Brazil wants the same levels of market access and the same disciplines for the products we export as developed countries have come to expect for their own exports to our market. Not only must all sectors be subject to the same rules and disciplines: they must also offer equivalent opportunity for redress under the dispute settlement mechanism.

In order to have a system that is effective, equitable and accessible, we must deal with the limitations inserted in some agreements which severely affect the usefulness of the Dispute Settlement Understanding, in anti-dumping, for example.

We need only look at this case to remind us how an instrument originally devised to foster fair trade can be captured by special interests and become nothing less than legalized protectionism. After five years of implementation, some of the Agreements concluded in Marrakesh call for an in-depth review and probably amendments.

Protectionism in developed countries is on the rise. Now and then, people's genuine concerns and good faith are used as a disguise. Environment and labor standards – which the international community has created specific rules for, and entrusted specialized agencies with – are two of such new issues being brought to the trade agenda in a way that leaves much room for suspicion. We are not convinced of the need to make changes in the WTO Agreements to that effect.

Brazil has undergone profound changes since the end of the Uruguay Round. Over the last six

years, our country moved very fast towards deeper integration into the world economy. Two figures are enough to show this: our imports have expanded considerably, from 25 billion dollars in 1993 to 57 billion last year; the annual net inflow of foreign direct investment rose from 700 million dollars in 1993 to 26 billion in 1998, and to more than 30 billion in the last 12 months.

Among the emerging economies, Brazil is one of the major beneficiaries of so-called globalization. But we also suffered the consequences of one the ills of globalization: the very high volatility of capital flows and the herd behavior of financial markets which, according to economic theory, should act rationally.

Had the international trade environment been less unbalanced, perhaps Brazil may have had better defenses against the contagion effects from crises in other regions. After all, part of the skepticism of financial markets during those crises can be attributed to their lack of confidence in our capacity to increase exports in the face of renewed protectionism in some of our major markets.

At no time, however, did we back down on our commitments to the WTO. On the contrary, we pushed forward with trade liberalization, deregulation and privatization because we believe it is in Brazil's own interest. If free

and fair trade is the name of the game – and most of us think it should be – we still have much to do to improve the rules by which we play.

We all know that the world is no level-playing-field, but it is imperative that, at the very least, all players can trust that there are rules which apply to all alike, rules which are not written to protect the strong from their own weaknesses and to prevent the weak from taking advantage of their own strengths. That is our business here and over the coming years.

