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In Seattle (see above) on December 2, 1999, during the WTO Ministerial Conference there, the Cordell Hull Institute and the Centre for International Economics, Canberra, held a one-day seminar for the Cairns Group Farm Leaders on the issues for a first WTO round of multilateral trade negotiations.

The seven papers for the meeting were published in advance as *Reason versus Emotion: Requirements for a Successful WTO Round* (Canberra: RIRDC, 1999).



Reproduced here is the paper by **Hugh Corbet** (above).

About the Author

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SEMINAR IN SEATTLE...

Shape of a Comprehensive WTO Round

Hugh Corbet

IN THE weeks before ministers from around the world gathered in Seattle to launch a new round of the multilateral trade negotiations it became clear that the major trading powers were not ready to negotiate.¹ For some of us, that looked likely to be the case a good two or three years ago.

On the surface, the United States appears to be the least ready. But on agriculture, the central issue, the European Union and Japan are still temporizing. What is disappointing about the United States is that it is not leading. The United States was instrumental, following talks with Britain during World War II, in establishing the multilateral trading system, based on the General Agreement on Tariffs and Trade (GATT).² Thereafter, for half a century, the United States took the initiative in maintaining the momentum of trade liberalization and reform.

The first six GATT rounds were launched on the initiative of the United States on its own. To launch the seventh GATT round, after the collapse in 1971-72 of the fixed exchange-rate system, the United States had to secure the support of the European Community and Japan. A decade later, the multilateral trading system was on the brink of collapse, but the Community was more preoccupied than ever with its internal economic difficulties and political development. To launch the eighth GATT round, the United States had to look for support from countries around the Pacific Rim, in Latin America and on the European Community's periphery.

The unreadiness of the major trading powers to embark on a ninth round of multilateral trade negotiations, the first under the World Trade Organization (WTO), is fundamentally a reflection of the state of public opinion in the Group of Seven countries. Only superficially is it to do with the opposition of organized labor and the protests of environmental, consumer and other "single issue" non-government organizations (NGOs). These could not have

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In 1982-88, Mr Corbet convened *inter alia*, in different parts of the world, eight "informal" roundtable meetings of trade ministers, senior officials, business leaders and independent experts from twelve to eighteen countries at a time. The meetings were part of the international effort to launch what turned out to be the Uruguay Round of multilateral trade negotiations of 1986-94.

Trade Policy Roundtable

The Cordell Hull Institute's Trade Policy Roundtable is sponsored by seven international law firms in Washington, DC: Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, O'Melveny & Myers, Sidley Austin Brown & Wood, Steptoe & Johnson and Wilmer Cutler & Pickering.

made the difference they seem to be making if public understanding had kept abreast of the rapid integration of the world economy over the past half century. In this connection, commentators have lately been writing about popular fears of "globalization", which suggests that something is seriously amiss with the leadership of public opinion.

So what are the requirements for the launch of a comprehensive WTO round and what shape will the round take? In this paper I describe key developments that have affected and will influence the shape of the next round of multilateral trade negotiations. I then consider the difficulties in reaching an agreement on the agenda of the round.

Leadership of Public Opinion?

As the crisis over preparations in Geneva for the Seattle Ministerial Meeting was worsening, the *Financial Times* carried a report, typical of reports in other newspapers, that contained the following comment: "The unwieldy negotiating process in the WTO, the intransigence of some WTO members and the lack of leadership by the big trading powers, especially the US, are blamed for the stalemate".³

Since the late 1970s, a constant refrain of senior trade officials in North America and Western Europe, on the conduct of trade policy, has been "lack of leadership" at a political level. Earlier, in the 1960s, when I covered the subject for *The Times* in London, trade officials were fond of saying: "The GATT is like a woman. You don't have to understand her. You just have to love her". They felt no need to explain its technicalities and arcane terms. But, as the issues in the GATT system became still more complicated with the effort to discipline the resort to non-tariff measures and address questions of reform, some officials started speaking of the need to promote greater public understanding of the dramatic changes taking place in the world economy. In representative democracies, however, that is a task for politicians, not civil servants.

At a political level, not enough has been done through public discussion, education and training to bring about autonomous adjustment, to get rid of social "rigidities" in capital and labor markets and to overcome resistance to change and innovation. This task is important because economic growth is a continuous process of adjustment to changes in patterns of demand, advances in technology, shifts in comparative advantage and so forth. In addition, the reduction in barriers to international trade and investment has contributed to the integration of national markets and the intensification of international competition, as well as to rising standards of living.

Be that as it may, in the preparatory discussions for the third session of the WTO Ministerial Conference the United States, the

European Union and Japan, and the Cairns Group of agricultural-exporting countries and the developing economies, have been badly divided over the agenda for a WTO round. This is an extraordinary state of affairs after the success, in the end, of the Uruguay Round marathon in pulling the multilateral trading system back from the brink of collapse.

In Seattle, ministers may eventually achieve a compromise, appalled at the thought of admitting failure. Alternatively they may cobble together a work program, declare the meeting a "success" and go home — leaving their officials to sort out the mess. Which it will be is too soon (two weeks before) to tell.⁴

Waiting for "Fast Track" Authority

Whatever negotiations are launched, they will not get down to business until the Administration in the United States has secured "fast track" negotiating authority from Congress, which is not going to happen until after the next presidential election — maybe in the second half of 2001, at the earliest.

The President of the United States is not obliged by the Constitution or any statute to obtain authority from Congress before embarking on trade negotiations with other countries. But other countries are loath to enter into negotiations with the U.S. Administration without an assurance that Congress will respect the resulting agreements and not try to renegotiate them.

In the early 1970s, it was anticipated that worries on that score could increase as multilateral negotiations moved from reducing tariffs, the purpose of the first six GATT rounds, to tackling the competition-distorting effects of non-tariff interventions in the market process, which required amendments to domestic laws. Accordingly, the Trade Act of 1974 provided for fast-track negotiating authority, limited in duration, whereby the Congress undertook not to amend the agreements reached, but to vote them "up or down" when in due course the Administration presented implementing legislation. Before 1995 the authority was renewed almost automatically.

Breakdown of Bipartisan U.S. Approach

Partly because the Uruguay Round negotiations took so long, the Administration in the United States, like many others, has been impatient with the multilateral trading system. Indeed, during the presidential election in 1992, W.J. Clinton declared that his Administration would concentrate on the domestic economy and, in looking abroad, would put its energies into opening markets for U.S. exports. On being elected, he urged George Bush to complete the negotiations in the time he had left in the White House — which would have been difficult without making concessions on agricultural trade, the toughest outstanding bone of contention.

Obligated to complete the Uruguay Round negotiations, the Clinton Administration took the opportunity to make a pitch for incorporating workers' rights in the multilateral trading system, a similar U.S. pitch having been made towards the end of the Tokyo Round negotiations of 1973–79.⁵ The Administration also put more emphasis on environmental issues. These moves were responses to demands from organized labor and environmental groups in the United States, major elements of electoral support for the Democratic Party, but they were seen by others to indicate an interest in finding new justifications for restricting imports from low wage countries.

Having completed the Uruguay Round negotiations and got the implementing legislation through Congress, President Clinton steered clear of large trade policy issues, particularly in election campaigns. This is not altogether unusual, but, with no leadership coming from the White House or from leaders in Congress, the field was left to economic nationalists, neo-isolationists and protectionists.

After the 1994 mid-term elections, in which the Republican Party gained control of both houses of Congress, President Clinton pressed again for the renewal of fast-track trade negotiating authority, including a remit to press for the inclusion of labor and environmental standards in trade agreements. The Republicans were (and remain) adamantly opposed to the new WTO system being used to foster regulations all round the world in either area. Partisan rancor between the Administration and the Congressional leadership led to the 1995 negotiating-authority bill being shelved.

From the immediate post-World War II period through the Uruguay Round negotiations there was in the United States a bipartisan approach to trade policy. When it broke down in 1994–95, observers began remarking on a mind-set in Washington, which was plainly not simpatico with the WTO system. Michael Kantor, President Clinton's first U.S. Trade Representative, had made no secret of his disdain for multilateralism and was scornful of the "old GATT hands". His successor, Charlene Barshefsky, once declared at a press conference that the WTO system would be okay but for the most-favored-nation (MFN) principle!

In the autumn 1997 the Clinton Administration made a second attempt to secure fast-track negotiating authority, but it also failed. The Republican leadership in Congress insisted on a clean authority, not hamstrung by requirements to push for labor and environmental standards in trade agreements, and it insisted that the President obtain enough Democratic votes in the House of Representatives to demonstrate bipartisan support for further trade liberalization. In the end, only 30–40 of 207 Democrats in the House supported the legislation, in spite of last-minute wheeling and dealing. (One Congressman was reportedly offered five bridges. "All I need now", he said, "is a river".⁶)

Labor unions and environmental groups claimed credit for the defeat of the 1997 negotiating-authority bill. Observers familiar with trade policy issues concluded, though, that President Clinton might have succeeded if, as advised, he had done several things — if he had begun campaigning for it much earlier, if he had used the White House as a bully pulpit on television (spending some of the prestige seen in his job-approval ratings) and if he had sent members of his Cabinet around the country to argue the case.

Impact of U.S. Domestic Politics

In an address in Geneva, on the eve of the WTO Ministerial Conference's second session there in May 1998, President Clinton offered to host the next session in the United States.⁷ What were the chances of a third attempt to get negotiating authority? With the breakdown of the bipartisan U.S. approach to trade policy, they had to be divined in terms of party positions and, in that respect the political problems that thwarted the second attempt in 1997 were still there. Ahead of the 2000 elections, the President was not expected to risk splitting the Democratic Party over trade by seeking from Congress a negotiating authority shorn of strong labor and environmental requirements, which was essential to secure Republican support. In June 1999, President Clinton said straight out in seeking trade-negotiating authority yet again: "I want Congress to give me the ability to use trade talks to protect the environment and the rights of workers".⁸

Last year officials in the Administration asked around Washington, in the law firms and think-tanks, whether it was really necessary to secure fast-track negotiating authority before WTO negotiations could commence. They pointed out that it was not obtained before either the Tokyo Round negotiations or the Uruguay Round negotiations began.

Back then though the circumstances were very different. As stressed earlier, the United States had been out in front on each occasion pressing for a new GATT round. In other countries there was confidence in White House assurances that Congress would pass negotiating-authority legislation before too long. In the late 1990s, however, there have been growing misgivings about the commitment to the multilateral trading system in a Washington racked by scandals and bad faith.

Over the past few weeks diplomats, journalists and observers in Geneva have been remarking that the position of the United States seemed to be determined by domestic politics. To some it looked as if the United States was not interested in the positions of others and was content just to pursue its domestic interests — while talking of being the only superpower, the strongest economy, the wealthiest nation, etc. It did not appear that the Administration was coming to terms with the diffusion of power in the WTO system.

Efforts to Maintain Momentum

During the Uruguay Round negotiations, the countries in the Asia-Pacific region and Latin America asserted themselves, collaborating through a variety of *ad hoc* groupings or coalitions — the most notable being the Cairns Group. And towards the end they joined with the United States and others in looking ahead.

It was realized that the agreements being reached could only be a start in remaking the world trading system. Some issues were being papered over, others were being put off for another day and, inevitably, new ones were surfacing. So it was crucial for steps to be taken to maintain the momentum of multilateral negotiations. Governments prepared some of the ground for further negotiations — first, by providing for regular ministerial involvement in WTO discussions and, second, by undertaking a range of commitments.

On the first point, activities in the old GATT system had been conducted mainly by senior officials, without much political direction and control. So in the Marrakesh Agreement of 1994, which established the WTO to administer the GATT and the new agreements, provision was made for a Ministerial Conference to be held at least once every two years. In the WTO structure the Ministerial Conference is the highest governing body. Between its sessions, WTO activities are overseen by the General Council and three subsidiary ones dealing with, respectively, the several agreements on trade in goods (including the GATT), the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property (TRIPs).

On the second point, governments made commitments in the Uruguay Round agreements to resume negotiations in 1999–2000 on agriculture, services and certain aspects of the TRIPs Agreement and to review — at various points in the years ahead — other WTO agreements, decisions and issues. These commitments are called the “built-in agenda”.⁹

When ministers met in Marrakesh in April 1994 to sign the final act of the Uruguay Round negotiations, they drew up a list of issues for their successors to consider for a future negotiating agenda. The list included the possibility of extending the new WTO system to investment regulations and competition laws, as well as environmental controls — already being addressed in a GATT committee.¹⁰ At the insistence of the United States, but over the strong objections of a number of developing countries, labor standards were included in the list.

With these preparatory steps, launching a ninth round of multilateral trade negotiations did not have to be a tortuous process, as with the previous two rounds when it was necessary to obtain a consensus among GATT member countries to convene a ministerial conference where political decisions could be made.

It was realized that political support would still have to be generated, domestically and at the inter-governmental level, in order to launch a WTO round. That can be especially complicated in large jurisdictions such as the United States and the European Union. Just as a horse can be dragged to water but not made to drink, so negotiations can be initiated but not made to yield results, which requires constructive engagement from the key players.

A start was made in preparing for a WTO round at the first session of the Ministerial Conference held in Singapore in December 1996, which authorized working groups on investment regulations and competition laws, as well as continued discussions in the WTO Committee on Trade and the Environment. In addition, the ministers authorized a working group on improving transparency in government procurement, aimed at countering corruption.

In Singapore, the ministers did consider but decided against authorizing a working group on labor standards, taking the view that the issue should continue to be pursued in the appropriate body formed for the purpose, the International Labor Organization. At the end of the meeting, they renewed their commitment to internationally recognized core labor standards, but rejected the use of labor standards for protectionist purposes and agreed that low-wage comparative advantage "should in no way be put into question".¹¹

Preparations for a WTO Round

After the second session of the Ministerial Conference, the General Council began preparing recommendations for ministers on "further liberalization sufficiently broad-based to respond to the range of interests and concerns of all members, within the WTO framework".¹² It was clear straightaway, if only because of continuing deep-seated differences over agriculture, anti-dumping laws and the "implementation" problems of developing countries, that the form and agenda of a WTO round would not be settled quickly.

On the form of a WTO round, many officials said privately during the Uruguay Round negotiations, in grappling with its crises, that traditional GATT bargaining processes had become unmanageable. There had to be a better way. The problem, however, was how to secure a balance of concessions — reductions of support and protection — among a large number of countries when the very purpose of negotiations, the liberalization of international trade, was widely regarded as a zero-sum game. Four options have been discussed over the years.

Continuous Negotiations

Some have argued that one way might be to avoid the whole question of determining a balance of concessions by engaging in

more or less continuous negotiations. The idea has been around since the 1970s.

In the Tokyo Round negotiations, the focus was not only on the liberalization of international trade within an accepted framework of rules, as in previous GATT rounds, but also on the GATT framework of rules itself. One aspect of negotiations was the rules on non-tariff measures or, rather, their competition-distorting effects. Codes of conduct aimed at elaborating and strengthening GATT rules were negotiated. A wit remarked that if the negotiations succeeded they would never end. The thought was that the codes could be improved from time to time in the light of how specific disputes were settled. In that sense, consultations and negotiations would be almost continuous, involving the evolution of a kind of case law through the GATT dispute-settlement process.

Then during the Uruguay Round negotiations some thought that, once the WTO system was established with a broader and stronger framework of rules, it would be possible to seek trade-liberalizing agreements on a sectoral or industry-by-industry basis in what were envisaged as continuous negotiations. An underlying assumption was that in this way inter-governmental procedures could deal with industries in isolation from one another, even when they were politically "sensitive" — that is, entailed powerful interests, ones with large numbers of employees. Whether continuous negotiations along these lines could really get to grips with difficult issues, where there are strong vested interests in protection, has been seriously questioned.

Sectoral Negotiations

Canada is one of a few countries that has for long been interested in sectoral negotiations. The approach was resisted in the 1960s and 1970s; the major concern was that they could easily turn into market-sharing negotiations, "cartelizing" not liberalizing trade.

Once the Uruguay Round negotiations were under way, the United States opted in the negotiating group on industrial tariffs for a sectoral approach, the "zero-for-zero" negotiations. Originally it was hoped that industry agreements could be reached on the elimination of both border protection and non-tariff measures within borders. In the negotiating group on trade in services, after the GATS was finally achieved, governments concentrated trade-liberalizing negotiations on an industry-by-industry basis.

In the post-Uruguay Round discussions on "left-overs" from the negotiations, governments secured WTO agreements on basic telecommunications, financial services and information-technology goods. The United States provided much of the impetus for those continuing negotiations, but, for the "high-tech" products they covered, the U.S. market was already relatively open, which

meant the Administration did not have to make many concessions. But how many similar situations are there left to exploit? After all, the post-Uruguay Round negotiations on maritime transport, civil aviation and professional services did not yield agreements. And when the APEC economies — those taking part in the process of Asia Pacific Economic Cooperation — tried to secure agreement in 1997–98 on free trade in a “package” of nine carefully chosen product groups, the negotiations broke down over the unwillingness of Japan to aim for free trade in forestry and fishery products.

The major drawback of a sectoral approach, however, is that as it proceeded it would reduce the number of major industries that are ready to support further general trade liberalization — to support negotiations on market access for products of export interest to other industries and countries, including developing countries. The sectoral approach would make it more difficult, too, to secure political support for systemic reforms, for addressing issues to do with the trading system as a whole, having only an indirect bearing on the “bottom lines” of major corporations. This poses a serious political problem in the United States where securing trade-liberalizing legislation in Congress depends on the readiness of major corporations to lobby actively for its passage.

Series of “Mini Rounds”

Instead of trying again to address a broad range of issues, as in the Uruguay Round negotiations, some revived the idea of addressing groups or “clusters” of issues in a series of “mini rounds”. By negotiating on short agendas, the difficulties of balancing concessions could be avoided, but at the same time that would reduce negotiating flexibility. Others therefore proposed, in a framework of continuous negotiations on a wide-ranging agenda, the wrapping up of agreements on a “balanced range of issues” where progress was being made — a series of “round-ups”, so to speak.¹³

Such ideas seem plausible until attention turns to what might be included by consensus in the first such mini round or round-up, for that would amount to determining what is to be excluded. Would it be agriculture, trade in services, antidumping reform? Small countries with an interest, comparative advantage or whatever in economic activities deemed in large countries to be “politically sensitive” know full well from experience that, in response to domestic pressures, the United States, the European Union and/or Japan put those activities to one side the first chance they get. In the nature of things, mini rounds — however described or presented — would all too probably end up focusing again on products of export interest to the major trading powers.

Comprehensive Negotiations

Even though officials often asserted during the Uruguay Round negotiations that traditional GATT processes had become

unmanageable, the consensus among WTO member countries has been building towards another comprehensive round similar to the last two GATT rounds. In this respect, and for the first time since World War II, the United States has been lagging behind other countries.

The agenda for a comprehensive WTO round needs to be broad enough in scope for all WTO countries to obtain satisfaction by achieving concessions in directions of interest to them in return for concessions they make in directions of interest to others. Governments have not been able to get away from the mercantilism that has imbued the multilateral trading system from the start. Reciprocal bargaining is apparently inescapable. But its worst effects can be avoided through broad-based negotiations and equal commitments to internationally agreed rules.

Diffusion of Power in the System

Conducting activities in the multilateral trading system has become progressively more difficult since World War II with the diffusion of power since the 1970s away from the North Atlantic region. That began with the decolonization of developing economies, the formation of the European Community and the rise of Japan and has continued with the emergence, notwithstanding recent setbacks, of the newly industrializing economies in East Asia and Latin America.

Since the Uruguay Round negotiations, there have been concerns about leadership in the WTO system, as the United States is seen to be taking a back seat. With the end of the Cold War, collective security has come to weigh less in the balance, which means other countries are not as ready as before to follow the United States. On top of that, there have been doubts about the direction of U.S. trade policies with their emphasis on bilateral negotiations, exploiting Section 301 and invoking the anti-dumping law.

In the face of the major trading powers, smaller countries have been seeking safety in numbers through coalitions, regional economic cooperation and free trade agreements. Developing countries, including transition economies, are participating more fully in the WTO. They account for three-quarters of its members and so, with the smaller developed countries, have to be included in a WTO consensus.

Multinational enterprises, wherever based, increasingly identify with developing countries. Besides seeing opportunities for investment and doing business in them, they have an interest in improved developing-country access to developed-country markets, which may exacerbate fears of globalization. But they also have an interest in opening developing-country markets which, apart from benefiting developed-country exporters, reduces investment risk in the former.

Developing Countries in the WTO System

In the early 1960s the developing countries came to regard the GATT system as a "rich man's club", which in a sense it was. Since the first six GATT rounds from the 1947 to 1967 were conducted on an MFN basis and were subject the "principal supplier" rule, they focused almost entirely on industrial products traded among developed countries. Moreover, as Clayton Yeutter has discussed, agricultural trade was excluded from the GATT's trade-liberalizing process. It was treated as a "special case".

Thus in the early 1970s the developing countries demanded, through agencies of the United Nations, a "new international economic order" based on international commodity agreements, increased financial aid and special and differential treatment.

They played little part in the Tokyo Round negotiations, which concluded agreements on non-tariff measures, accession to which was voluntary. Few developing countries signed them. In some developed countries, notably the United States, complaints started to be voiced about developing countries being "free riders" — although they were hardly large enough to hurt anybody.

In spite of the North–South dialogue, the Brandt Commission report and the Cancun Summit, little or nothing came of the campaign for a new international economic order. In the 1980s, however, the fuller participation of developing countries in the multilateral trading system¹⁴ became an unstated goal of the Uruguay Round negotiations, which was substantially achieved.

The developing countries did play an active part in the Uruguay Round negotiations and made multilateral market-opening commitments for the first time and, thanks to negotiations being conducted as a "single undertaking", they are parties to the WTO agreements — albeit with varying transition periods in which to comply in full. Today, developing countries recognize their stake in the new WTO system, as they did not in the old GATT system, and are participating much more fully than before.

Almost by definition, developing countries have only a limited capacity to implement international agreements on trade rules. So, in the closing stages of the Uruguay Round negotiations, they were offered technical assistance and there was talk, too, of financial assistance (although this has not materialized). Developing countries are therefore reticent about a WTO round that would require them to assume new commitments when many of them are still having difficulty implementing their existing WTO commitments.

European Union as the *Demandeur*

In the meantime, leadership in preparing for a WTO round has been passing to the European Union, which has become the

principal *demandeur*. It was Sir Leon Brittan, as the European Union's Commissioner for External Trade, who assumed the lead in pressing for further WTO negotiations, which he visualized as the Millennium Round. Prior to the Ministerial Conference in December 1996, Commissioner Brittan raised the question and, in the following May, at the annual ministerial meeting of the Organization for Economic Cooperation and Development; he consulted ministers and officials about formalizing preparations.

The extent to which the European Union's member governments supported Commissioner Brittan's efforts is not clear. There are continuing widespread concerns that member governments remain heavily preoccupied with internal developments — with the fate of the single currency launched in 1999 and with the Year 2000 Agenda, which includes further reform of the common agricultural policy, far-reaching institutional improvements and negotiations on the long-delayed "Eastern expansion".

The European Union has been pressing for a thorough WTO round, conducted as a single undertaking, to provide the scope necessary for trade-offs over a broad range of issues. Indeed, the European Commission is anxious for political attention to be broad, not focused on the agricultural sector. That would help to keep the Commission's negotiating authority firmly in the hands of the Commissioner for Trade rather than the Commissioner for Agriculture.

U.S. Problems with a WTO Round

In his Geneva speech in May last year, President Clinton indicated that the United States would prefer the proposed WTO round to be based on sectoral negotiations.¹⁵ Although he and Ambassador Barshefsky stressed the importance of liberalizing agricultural trade, their preference for a sectoral approach signaled a desire not to let anticipated difficulties on that front hold up agreements to open markets for US services and manufactures.

Emphasis was put in some U.S. discussions on concluding agreements on issues as opportunities occur rather than holding them in abeyance until agreements can be reached on other issues across a broad front. This probably accounted, first of all, for the U.S. Administration's initial preference for a WTO round to proceed on a sectoral basis and, second, for it taking so long to agree to the round being conducted as a single undertaking.¹⁶

Exasperation in the United States with the prolonged Uruguay Round negotiations grew as they staggered from one crisis to another. In the end the negotiations took nearly twice as long as the four years originally intended. They were prolonged for three reasons.

First, the negotiations were addressing the accumulated grievances of forty years — the "unfinished business" of previous GATT

rounds — that the governments of the major trading powers had not the “political will” to resolve. Most notable of those neglected issues were the liberalization of trade in textiles and clothing, the liberalization of trade in temperate-zone agricultural products and the reform of the GATT provision for emergency or “safeguard” protection against sudden surges of imports of a particular product.

Second, the first two years of the Uruguay Round talks were devoted to preparations for negotiations, not actual negotiations. The four years of “talks about talks” before the negotiations were launched were taken up not with preparations, but with arguments over procedural issues, which reflected differences over substantive issues. Most notable of those issues was how to include “new areas”, such as trade in services, without obliging other countries to make concessions on them in return for concessions on “old areas”, such as textiles, agriculture and safeguards.

Finally, when the negotiations *per se* began in the third year, they got bogged down over differences among the major developed countries on an old GATT issue, the liberalization of agricultural trade. The consequent delay had nothing to do with the unwieldy nature of the negotiations with so many countries taking part, nor with the length of the agenda.

Even so, the U.S. Administration, anxious not to be drawn again into broad-based negotiations, has insisted on a limited agenda and a three-year timetable. It takes the view that exploring the extension of the WTO system to investment regulations and competition laws, as the European Union and Japan propose, has not gone anywhere near far enough for a successful result to be achieved.

In addition to pressing for labor and environmental standards in trade agreements, the U.S. Administration has called, in response to the activities of NGOs, for greater transparency in the WTO system and a role for “civil society” — the voluntary sector — in the WTO dispute-settlement process.

Conclusions on a WTO Consensus

Whatever happens in Seattle, further WTO negotiations are scheduled to start at the beginning of 2000 on agriculture and services, in line with the built-in agenda. In effect, the discussions in Geneva were about what to add to round out the negotiations, providing scope for a balance of concessions.

Less difficult questions

After much huffing and puffing, the shape of a first WTO round is more or less settled, it being much the same as the last GATT round.

Form of a WTO Round

When the United States agreed in September 1999 to a WTO round being conducted as a single undertaking, it was settled that the negotiations would be comprehensive, even if it remained to be decided how comprehensive. The United States still envisaged a market-access "package" followed by further negotiations on a rule-making agenda. Others still envisaged an agenda covering both market access and rule-making items.

Content of Negotiations

The United States wants to add market-access negotiations on industrial products. Others, however, are looking for much greater scope for trade-offs over a wide range of issues, including agricultural trade. The European Union wants to add industrial products and to extend the WTO system to investment regulations and competition laws. Japan wants to add them and the reform of anti-dumping laws. The developing countries want to address the old issues of trade in agricultural products, textiles and labor-intensive manufactures generally and the safeguards system, most notably the mis-use of anti-dumping laws for "selective safeguard" purposes.

Duration of Negotiations

All WTO members seem to be agreed on the negotiations being completed in three years. If a WTO round starts in January 2000, much of those three years could be exhausted before the U.S. Administration has fast-track negotiating authority and the negotiations can get down to business, especially if the first year is spent finalizing detailed modalities.

Overall Arrangements

Commitments to negotiate on a range of issues are not enough to constitute a round per se and, as learnt in the Tokyo Round negotiations, are no guarantee of a successful outcome. Such commitments have to be consolidated somehow and treated, as in the Uruguay Round negotiations, as a coherent whole — as a single undertaking.

Once a consensus is reached on the general modalities for negotiations, including a set of deadlines, ministers have to make a formal political decision to proceed, which in the GATT system they did by authorizing a trade negotiations committee. In the WTO system the General Council could serve that purpose.

More Difficult Issues

The issues that have been stumbling blocks in reaching an agreement on the agenda of a WTO round have been labor standards, agriculture and implementation problems.

Labor Standards

Although the WTO ministers decided in Singapore against authorizing a working group on labor standards, the question has never gone away. In June 1999 the heads of government of the European Union included in a communiqué, without discussion, a paragraph saying: "Negotiations covering a broad spectrum of topics, including labor standards, environmental development and transparency, are the most appropriate approach to achieving substantial and balanced results for the benefit of all WTO members".¹⁷ Nine days later President Clinton also returned, as noted already, to the labor and environmental standards.

On environmental concerns and improving the transparency of the WTO system there is room for discussion. But trying to incorporate labor standards in the WTO system, where trade sanctions could be introduced at a later date to pursue them, is implacably opposed by Japan, as at the Economic Summit in Cologne in June, and by nearly all of the developing countries, including all of the large ones.

If the persistence of the United States and the European Union on this issue, without arguing the case, is driven by domestic politics, so that leaders can say to the labor unions "we tried". It says little about their leadership in the WTO system.

Liberalizing Agricultural Trade

So much time in the Uruguay Round negotiations was spent on securing agreement on how to liberalize agricultural trade that there was little time to negotiate the reduction of domestic support, import restrictions or export subsidies. Only modest results were achieved. There would not have been any negotiations at all if it had not been agreed at Punta del Este that they would cover the liberalization of agricultural trade.

In a WTO round the United States and the Cairns Group expect to achieve major results in the liberalization of agricultural trade. But the European Union, Japan and Korea are resisting the setting of any objectives for the negotiations. Instead, they are putting emphasis on the "multi-functionality" of agriculture (what it does for the countryside), food safety issues and food security goals.

Everything suggests that the above three countries, along with Norway and Switzerland, intend to temporize over liberalizing agricultural trade. In none of these countries is there evidence of a serious effort to reform farm-support policies, open their markets and phase out export subsidies. Nor is any effort being made to build political support for introducing such changes. So the United States and the Cairns Group are looking to establish ambitious objectives for the resumption of negotiations on agriculture at the earliest opportunity.



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

Trade Policy Analyses

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Problems of Implementation

As mentioned, many developing countries have been having difficulty implementing the Uruguay Round agreements, in part because of shortcomings in their administrations. Some of the major developing countries — Brazil, Egypt, India, Malaysia and Pakistan — have been pressing for a range of issues to be reviewed in the WTO General Council in order to accommodate their concerns.

The effect could be to reopen negotiations on many of the Uruguay Round agreements. So the proposals are being opposed by the major trading powers.

Agenda for Phase I of a WTO Round

If agreement cannot be reached in Seattle on a comprehensive WTO round, ministers will have to devise a work program that helps to prepare the way for a renewed attempt in two years' time. By then, a new Administration in the United States may have secured fast-track negotiating authority. Until then, governments should not engage in a phony war, but should make use of the time to prepare properly for a serious engagement.

- That program would include negotiations on agriculture and services, plus other items on the built-in agenda, most notably completing the review of the WTO dispute-settlement procedure (which should have been completed in 1998).
- The negotiations on agriculture might include a series of national studies on the economy-wide costs of farm-support policies. If the public had a better understanding of the inter-sectoral effects of agricultural policy it could be much easier for governments to secure political support for the reforms that are necessary if progress is to be made in liberalizing agricultural trade.
- In view of the difficulties that the European Union and other industrialized countries are having in broaching agriculture, perhaps it is time for them to consider a fast-track negotiating authority in which governments formally assume collective ministerial responsibility for changes in agricultural policies. In the European Union, ministries of agriculture operate independently of the rest of the governments of which they are a part, holding them and "third" countries hostage until they get what they want.
- The WTO working groups on investment regulations, competition laws, transparency in government procurement, electronic commerce and trade facilitation might be directed to find ways in which their subject matter could be broached in phases. In the working group on investment, a first phase

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might be to introduce WTO rules on foreign direct investment, rather than prepare for negotiations on everything that falls within the topic — as the OECD tried to do.

- In fulfilling its “global coherence” mandate arising from the Uruguay Round negotiations, the WTO has been discussing with the World Bank and the International Monetary Fund the possibility of financially assisting developing countries to implement their WTO commitments, both existing and prospective ones. There appears to be support in the major trading powers for the proposal, which would involve the WTO establishing a special trust fund, administered then by the World Bank as part of its country development programs. Agreement on the proposal could help significantly in overcoming the reticence of developing countries in taking part in further WTO negotiations.

¹ See, for example, the editorial “WTO Impasse”, *Financial Times*, New York, November 9, 1999, and Reginald Dale, “In Trade, U.S. Wants it Both Ways”, *International Herald Tribune*, Paris, November 9, 1999.

² There is a vast literature on the subject, but for a succinct discussion see Jay Culbert, “War-time Anglo-American Talks and the Making of the GATT”, *The World Economy*, Oxford and Boston, December 1987.

³ Frances Williams and Guy de Jonquieres, “EU’s Tactics Anger US and Cairns Group”, *Financial Times*, London and New York, November 12, 1999.

⁴ Two weeks before the GATT ministerial meeting in Punta del Este in September 1986 that launched the Uruguay Round negotiations the prospects also looked bad.

⁵ Deepak Lal, *Resurrection of the Pauper-Labour Argument*, Thames Essay No. 28 (London: Trade Policy Research Centre, 1981).

⁶ Bruce Stokes (ed.), *Future Vision for U.S. Trade Policy*, Council on Foreign Relations, New York, 1998.

⁷ Address to the World Trade Organisation, Geneva, May 18, 1998, marking the 50th anniversary of the GATT.

⁸ Commencement address, University of Chicago, June 12, 1999 (as delivered).

⁹ For a discussion of work on the items in the “built-in agenda”, see “Implementation of the Provisions for Review, Future Work or Negotiations in the WTO Agreement and Related Decisions and Declarations”, WTO Document WT/L/271, WTO Secretariat, Geneva, 1998.

¹⁰ “Concluding remarks by Mr Sergio Abreu Bonilla, Chairman of the Trade Negotiations Committee, Minister for Foreign of the Republic of Uruguay”, MTN.TNC/MIN(94)/6, GATT Secretariat, Geneva, April 15, 1994.

¹¹ Ministerial Declaration, WTO Ministerial Conference, Singapore, December 13, 1996.

¹² Ministerial Declaration, WTO Ministerial Conference, Geneva, May 20, 1998.

¹³ Jeffrey J. Schott, "The World Trade Organization: progress to date and the road ahead", in Schott (ed.), *Launching New Global Trade Talks: An Action Agenda*, Special Report No. 12, Institute for International Economics, Washington, DC, 1998, pp. 18–20.

¹⁴ That was the theme of several reports and a major program of studies at the Trade Policy Research Centre in London. It was also the theme of several 'informal' roundtable meetings of ministers of trade, senior officials, business leaders and independent experts that the Trade Policy Research Centre convened as part of the international effort to launch what turned out to be the Uruguay Round negotiations. See, in particular, Hugh Corbet, *Beyond the Rhetoric of Commodity Power*, International Issues No. 1, 1974; W.M. Corden, *The NIEO Proposals: A Cool Look*, Thames Essay No. 21, 1979; Lord McFadzean of Kelvinside *et al.*, *Global Strategy for Growth: A Report on North-South Issues*, Special Report No. 1, 1981; and Brian Scott *et al.*, *Has the Calvary Arrived? A Report on Trade Liberalisation and Economic Recovery*, Special Report No. 6, 1984. Also see Amnuay Viravan *et al.*, *Trade Routes to Sustained Economic Recovery*, Report of a Study Group of the Trade Policy Research Centre (New York: St Martin's Press, 1987), which drew together the analysis, conclusions and proposals of reports that had provided the basis for discussion in the informal roundtable meetings.

¹⁵ Although President Clinton did not say as much in his speech, that is what was inferred by the media covering the event (Gerard Baker, "Clinton Urges New, Faster Trade Round", *Financial Times*, London and New York, May 19, 1998).

¹⁶ At the beginning, the negotiations on trade in services, proceeding on a parallel track, were not a part of the single undertaking. The two parts were made a single undertaking when the negotiations were wrapped up.

¹⁷ *Communiqué* issued by the European Summit, Cologne, June 3, 1999.