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After the WTO Ministerial Conference in Seattle in December 1999, the Cordell Hull Institute was asked to organize three papers for a symposium of the Japan Automobile Manufacturers Association on "Protectionism in a Booming Economy".

The three papers were later published in *The JAMA Forum*, No. 1, 2000.



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

About the Author

Hugh Corbet, president of the Cordell Hull Institute in Washington, DC, was previously Director of the Trade Policy Program at the Sigur Center for Asian Studies, George Washington University (1992-97), and earlier was a guest

BOOM AND PROTECTIONISM...

Post-mortem on Seattle – Mistakes were Made

Hugh Corbet

WHAT MOST SHOCKED informed opinion about the demonstrations against the World Trade Organization (WTO) in Seattle in December 1999, and about the earlier failure of WTO delegations in Geneva to get close to agreement on the agenda for a new "round" of multilateral trade negotiations, was the absence of leadership by the President of the United States.¹

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). Thereafter, for half a century, the United States took the lead in promoting trade liberalization and reform.

In the weeks before Seattle it became evident that the major trading powers were not ready to negotiate.² This reflected the confused state of public opinion in the Group of Seven countries with much made of popular fears of "globalization". But only superficially was the confusion to do with the opposition of organized labor and the protests of environmental, consumer and other "single issue" non-governmental organizations (NGOs). These could not have made a difference if public understanding had kept abreast of the rapid integration of the world economy.

At no time has the Clinton Administration publicly admitted that "mistakes were made". But there were many and they compounded one another. They need to be identified in order to put the Seattle fiasco in perspective. That is the point of the first part of this essay. The second part touches on the problems of the WTO system.

WHAT IF MISTAKES WERE MADE

Maybe the idea of having the WTO Ministerial Conference in the United States was to draw domestic attention to the benefits of

scholar at the Woodrow Wilson International Center for Scholars and the Brookings Institution (1990-92), all also in Washington.

For nearly twenty years, Mr Corbet was the Director of the Trade Policy Research Centre in London (1968-89), where he also founded and edited *The World Economy* (1977-89).

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 Hale & Dorr.

trade liberalization and economic integration. If so, it was undermined by the host government, which from the start seemed to see the occasion as an opportunity for a media spectacle, serving an altogether different domestic purpose. It was as if the ministers had nothing serious, affecting millions of people's lives, to decide in Seattle.

"Dissing" the WTO Ministerial

As delegations in Geneva got ready for the conference, drafting an agenda for the proposed WTO round, they and media observers began to suspect that the U.S. position was determined by little more than Presidential politics. It had to conform, it appeared, to what was necessary to secure the election in November 2000 of Vice President Albert Gore, Jr. Exhibiting disrespect for the WTO's highest, i.e. political, decision-making body was a "mistake", by my reckoning Mistake No. 9.

What of the other mistakes?

Discounting of Leadership

In the 1992 Presidential election, W.J. Clinton declared that his Administration would concentrate on the domestic economy and in looking abroad, he said, its energies would be put into opening markets for American exports. This last was a suitable objective for a state governor, but nowhere near enough for a President of the United States, the only remaining superpower. It was Mistake No. 1.

On being elected, Governor Clinton asked the outgoing President, G.H.W. Bush, to wrap up the Uruguay Round negotiations before leaving office. Perhaps the request was made in jest. Anyway, left to complete the negotiations, the Clinton Administration made a pitch straightaway for incorporating workers' rights in the multilateral trading system. (This had been tried at the end of the Tokyo Round negotiations.) Mickey Kantor, the U.S. Trade Representative, also spoke of seeking a side agreement on environmental standards.³

These were responses to the demands of 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.⁴ European officials warned that the draft Uruguay Round accords would come undone if developing countries were pressed to accept U.S.-style environmental standards. The Clinton Administration backed off.

After concluding the Uruguay Round negotiations and getting the implementing legislation through Congress, and having earlier done the same with the North American Free Trade Agreement,

President Clinton steered clear of major trade-policy issues. With no leadership on the subject coming from the White House, nor from Congress, the field was left to economic nationalists, neo-isolationists and protectionists -- Ross Perot, Pat Buchanan, Richard Gephardt *et cetera*. It was Mistake No. 2 and amounted to an abdication of leadership both at home and abroad.

Ambassador Kantor made no secret of his disdain for multilateralism and the "old GATT hands". He focused on bilateral, sectoral and regional negotiations. The subject of multilateral negotiations hardly ever arose. But his successor, Charlene Barshefsky, has made the most of the WTO's dispute-settlement procedures to improve market access for American exports.

The mind-set in Washington was plainly not *simpatico* with the WTO system. With the United States taking a back seat, officials and observers in other countries became increasingly concerned about the lack of leadership in the WTO system, for the other major trading powers, the European Union and Japan, were as preoccupied as ever with their internal problems.

This was a sad turn of events. It was sadder when, after the Uruguay Round negotiations pulled the GATT system back from collapse in the mid-1980s and set a new course, the Clinton Administration failed to grasp the significance of the new WTO system to the smaller developed, the developing and the "transition" economies. Mistake No. 3.

Breakdown of Bipartisanship

Whatever policies it chooses, the Administration of the United States has little scope for initiative -- beyond "housekeeping" matters -- without fast-track negotiating authority from Congress. The authority granted to President Bush to continue the Uruguay Round negotiations expired soon after its completion. President Clinton first sought its renewal in the legislation implementing the Uruguay Round agreements. But he included in it a remit to press for labor and environmental standards in trade agreements, which was Mistake No. 4, for the renewal was rejected by Congress, even though it was still under Democratic control.

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 loathe entering into negotiations with the Administration without an assurance that Congress will respect the resulting agreements and not try to re-negotiate them.

In the early 1970s, it was anticipated that worries on that score could increase as multilateral trade negotiations moved from reducing tariffs, the purpose of the first six GATT rounds, to tackling the competition-distorting effects of non-tariff measures,

possibly requiring amendments to domestic laws. Accordingly, the Trade Act of 1974 introduced the idea of "fast track" negotiating authority (limited in duration as before), whereby the Congress undertook not to tinker with agreements, but to vote them "up or down" when the Administration presented implementing legislation. Before 1994 the authority was renewed several times.

After the mid-term elections in November 1994, when the Republican Party gained control of both houses of Congress, President Clinton again sought the renewal of fast-track negotiating authority, again seeking a remit to press for labor and environmental standards in trade agreements. The Republicans were (and remain) adamantly opposed to the WTO system being used to foster regulations all round the world in either area. Rancor between Ambassador Kantor and the Congressional leadership resulted in the 1995 negotiating-authority bill being shelved.

For half a century there had been in the United States a bipartisan approach to trade policy. Letting it break down over fast-track negotiating authority was Mistake No. 5.

Not Reading the Writing...

At the first WTO Ministerial Conference, held in Singapore in December 1996, the continued work of the committee on trade and the environment established in 1992 was approved. The establishment of a working group on labor standards was considered, but, against the arguments of the United States and France, ministers decided that the International Labor Organization (ILO) was "the competent body to set and deal with these standards".⁵

President Clinton could have reported to American "civil society", including the AFL-CIO,⁶ that he had tried to get labor and environmental standards into the WTO system, but it was not possible to obtain international agreement and there were other issues that had to be tackled. He did not and in September 1997 a third attempt was made to secure fast-track negotiating authority. It failed and for essentially the same reason.

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 also insisted that the President obtain enough Democratic votes in the House of Representatives to demonstrate bipartisan support. Because the President had alienated many in Congress over other issues, only 30-40 of 207 Democrats in the House supported the proposed legislation, in spite of much wheeling and dealing.⁷

Labor unions and environmental groups claimed credit for the defeat of the 1997 negotiating-authority bill. Observers familiar

with trade-policy issues concluded, however, that President Clinton might have succeeded if, as advised, he had begun campaigning for it much earlier, had used the White House as a bully pulpit on television (spending some of the prestige seen in his job-approval ratings) and had sent members of his Cabinet around the country to argue the case. Not making the case in the country for trade liberalization, the WTO system and trade-negotiating authority was Mistake No. 6.

In an address in Geneva on the eve of the second WTO Ministerial Conference, held there in May 1998, President Clinton offered to host the next session in the United States. Mistake No. 7.⁸ The "old GATT hands" of earlier times recalled that whenever the question of hosting an international trade conference in the United States had been raised before, wiser heads had prevailed because of the difficulty, in an exuberant democracy, of carrying off such an occasion with appropriate dignity.

Believing Own Propaganda

What were the chances of the Administration getting trade-negotiating authority in time? With the breakdown of bipartisanship on trade policy, the chances had to be judged in terms of party positions and, in that respect, the political problems that thwarted earlier attempts 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 labor and environmental requirements, essential to secure Republican support. But in June 1999, he said straight out, "I want Congress to give me the ability to use trade talks to protect the environment and the rights of workers".⁹

Since late 1997, however, U.S. officials had been asserting that fast-track negotiating authority was not needed to *begin* a WTO round. They said it was not obtained before either the Tokyo Round negotiations or the Uruguay Round negotiations began. Back then, though, the circumstances were very different, for on those occasions the United States had been out in front pressing for a new GATT round. Thus in other countries there was confidence in White House assurances that Congress would provide negotiating authority before too long. In the late 1990s, by contrast, there were growing misgivings about the commitment to the WTO system in a Washington racked by scandals and bad faith.

Believing its own propaganda was the Administration's Mistake No. 8, for it led to insistence on the proposed WTO round being completed in three years, which was not a credible goal. Even if a WTO round had been *formally* launched in Seattle, it was not likely that the United States would have negotiating authority until after the next Presidential election, maybe in the second half of 2001,

probably later. Until it happened the negotiations would not get down to business. That was the story with both the Tokyo Round and the Uruguay Round deliberations.

Underlying all these mistakes was impatience in the United States with the multilateral trading system which had been growing since the early 1970s and was by no means confined to the Clinton people. The impatience worsened as the Uruguay Round negotiations dragged on. Some say the negotiations took twice as long as intended because of the length of the agenda and the large number of countries taking part. That is just plain wrong.

The Uruguay Round negotiations were prolonged for three reasons. First, they had to address the "unfinished business", the accumulated grievances, of seven previous GATT rounds. Second, they were held up by differences among the major trading powers, especially over bringing agriculture into the GATT's trade-liberalizing process. And third, the first two years were spent on "the preparatory stage", the result of the major trading powers not doing their homework before the negotiations were formally launched.

A PROBLEM WITH THE WTO SYSTEM?

Reviewing the above mistakes¹⁰ reduces the "shock" element of the failure before Seattle and the anti-WTO protests in Seattle because, for anyone who looked, they were predictable if not inevitable. For more than a year the United States, the European Union and Japan, along with the Cairns Group of agricultural-exporting countries and the developing economies, were at loggerheads in Geneva over the agenda for a WTO round. The outright failure to agree on a draft agenda for ministers to consider deprived organized labor and the NGOs of an opportunity to claim credit for the failure to launch a WTO round.

As the Geneva tussle reached crisis point, the *Financial Times* carried a report (typical of reports in some other newspapers) that said: "The unwieldy negotiating process in the WTO, the intransigence of some WTO members and lack of leadership by the big trading powers, especially the U.S., are blamed for the stalemate."¹¹

For a long time it was apparent that, for all the talk of leadership, President Clinton was not prepared to do any heavy lifting in the effort to launch a WTO round. Indeed, the U.S. Administration was content to pursue domestic interests, without regard for the interests of other countries or, for that matter, the WTO system *per se*.

The United States was not the only foot dragger. It appeared to be the least ready to negotiate, but on agriculture, the central issue, the European Union and Japan were as unready as ever. In neither the European capitals nor Tokyo did any political leader lift



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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The Institute's purpose is to promote independent analysis and public discussion of issues in international economic relations.

The interpretations and conclusions in its publications are those of their respective authors and do not purport to

a finger to prepare public opinion for fundamental changes in farm-support policies.

Since the Seattle fiasco the focus has been on the WTO decision-making process, with most of the discussion coming from the trade ministers who attend the half-yearly "quadrilateral meetings" of the United States, the European Union, Japan and Canada. Those of the last three have only been in their jobs since last September and the fourth, Ambassador Barshefsky, is often complimented for her bilateral negotiating prowess. Their familiarity with multilateral negotiations has some way to go. In the multilateral trading system, however, there is not so much negotiating as figuring out what is attainable among a large number of countries with a wide range of interests. It entails a great deal of discussion.

So the "decision-making process" is seen as cumbersome. No doubt it can be improved. But is it at the heart of the problem in the WTO system? If the major trading powers are not prepared to discuss the revision of anti-dumping laws, the fundamental reform of farm-support policies or the resistance to phasing out textiles and clothing quotas there is going to be a problem, however much the decision-making process is improved.

Perhaps the process is cumbersome precisely because of the intransigence, i.e. the resistance to change, in the major trading powers themselves. Procedural issues usually reflect substantive problems. And international differences are frequently the result of unresolved domestic differences.

Labor and Adjustment Problems

Unresolved domestic differences over the role of labor unions affect some of the resistance to change, contributing to problems of adjustment in many industrialized countries to an integrating world economy, with more and more producers in developing countries entering international trade.

In the United States, the AFL-CIO represents the bulk of unionized labor, exerting a considerable political influence. In the U.S. private sector, however, only 9 per cent of workers are unionized and so it would appear that the tail has been wagging the dog.

Unionized labor is strongest in the industrial north-east of the United States. Since the late 1960s, labor leaders in manufacturing industries have complained about foreign trade and investment leading to the "export of jobs", but over that period their memberships have declined. Not many labor unions are exercised over trade policy. But trade-policy issues can help the AFL-CIO unify the labor movement, exercise power in the Democratic Party and influence the selection and election of legislators, at state and federal level, ready to support legislation to improve working conditions in the country.

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Adjustment resistance is still found in the old established industries. Pleas for anti-dumping actions may be facing a change in sentiment on Capitol Hill in Washington. After the spate of actions in 1999 against steel imports, the industry asked the House of Representatives for a resolution, ahead of Seattle, telling the Administration to keep its hands off U.S. anti-dumping laws. On November 4, the steel industry got its vote, but lost (204 to 208).

Fears of foreign competition are at bottom what fears of globalization are about. Much of the protest against the WTO system is based on ignorance and misunderstanding. This is partly the result of mis-information and dis-information.¹² But it is partly, too, the result of the failure by governments to promote public understanding of the integration of the world economy.

1. This paper is a slight revision of my article in *The JAMA Forum*, Tokyo, February 2000, which was based on my presentation to a seminar on the Requirements for a Successful WTO Round, Seattle, on December 2, 1999, convened by the Centre for International Economics, Canberra, and the Cordell Hull Institute, Washington, DC.

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

3. Keith Rockwell and Bruce Barnard, "Kantor: Major Changes Required in Draft of Uruguay Round Accord", *Journal of Commerce*, New York, March 31, 1993.

4. See, for example, Victoria Curzon Price, "Options for Further Multilateral Trade Negotiations", presented at the second Evian Group meeting, Evian-les-Bains, April 12-14, 1996.

5. Ministers renewed their commitment to internationally recognized "core labor standards". But they rejected the use of labor standards for protectionist purposes and agreed that low-wage comparative advantage "should in no way be put in question".

6. The AFL-CIO is rarely spelt out in public discussion, but stands for the merger of the American Federation of Labor and the Confederation of Industrial Organizations, which took place in 1955.

7. One Congressman was reportedly offered five bridges. "All I need now," he said, "is a river."

8. The mistake could have been avoided because Hong Kong had already cleared the way with Beijing to host the occasion.

9. President Clinton's commencement address, University of Chicago, July 12, 1999.

10. More mistakes could be mentioned, such as the Monica Lewinsky "mistake", which also had a bearing on the matter.

11. Frances Williams and Guy de Jonquieres, "EU's Tactics Anger US and Cairns Group", *Financial Times*, November 12, 1999.

12. One example in the United States is the polemic by Lori Wallach and Michelle Sforza, *Whose Trade Organization? Corporate Globalization and the Erosion of Democracy* (Washington, D.C.:

Public Citizen, 1999). One antidote is Gary Burtless, Robert Z. Lawrence, Robert E. Litan and Robert J. Shapiro, *Globaphobia: Confronting Fears about Open Trade* (Washington, D.C.: Brookings Institution, 1998).