

BY JAGDISH BHAGWATI

## Seattle will no doubt

be sizzling despite the mild weather at the end of November. For that techno-trendy city is the site for the World Trade Organization's Inter-Ministerial Meeting – and more specifically, the place where the WTO's 134 member nations will attempt to kick off a new round of negotiations for liberalizing global trade.

Why the ado? This is, after all, the young organization's first trade round. What's more there will, no doubt, be an intense (if polite), public relations tussle over what the round should be called. If you're an American, the choice is between the Clinton Round, an opportunity that the President appears to have blown by procrastinating over whether he wanted a round at all, or the uninspired Seattle Round. If you are not an American, the preference, following the suggestion of Sir Leon Brittan, Europe's trade minister, is for the Millennium Round – and that's not just because it is apt to take a millennium to complete it.

But the reason the whole world will be watching is that both free trade and the World Trade Organization are under siege. Worse, the forces that threaten further trade liberalization under WTO auspices come from two altogether different directions.

Start with labor unions and other non-

governmental organizations – in bureaucratize, the NGOs. The NGOs, constituting the civil (or as cynics would say, the uncivil) society, vary from the skeptical to the deeply hostile, calling into question the value of free trade (or “globalization” as they like to call it) and its premier institution, the WTO.

True believers want the WTO plowed under. They see it as the wicked arm of multinationals that want to impose the horrors of globalization upon us all. Lesser extremists oppose any new liberalization, preferring to de-fang the WTO rather than bury it.

Those in the moderate camp do not oppose the WTO or trade liberalization. But they would exact a considerable price for cooperating – namely, the obligation to link freer trade to labor and environmental standards, human rights and assorted social agendas. A big catch, of course, is that they do not all share the same views on what those agendas should be: One man's minimum living wage is another's right to starve.

More pointedly (and with greater consensus) the moderate NGOs are angling for a slew of procedural changes. These would include revising the WTO's dispute-settle-

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ment mechanism to allow NGOs to file “friend of the court” amicus briefs and to require environmental impact statements with every proposed trade pact.

Not all of the moderates’ demands – particularly those for linkages to non-trade issues – are sensible. But many of them do lie within the bounds of a constructive debate over the trade-liberalizing agendas that most governments and economists will want to consider at Seattle. You can be sure, though, that the extremists will garner the bulk of the attention.

Reporters are already salivating at the rumor that some activists plan to march the streets of Seattle in turtle suits to demonstrate against the WTO’s recent decision in the Shrimp-Turtle case. (In case you missed that one, the WTO is not happy about United States legislation unilaterally suspending rights to market shrimp harvested without the use of “turtle-excluding devices.”) And do not rule out Japanese monster look-alikes – GATTzillas – or streakers aiming pies at the WTO Director-General, Mike Moore. First reports predicted that more than 10,000 NGO and union-backed warriors were to storm Seattle; by late September, that number had jumped to more than 100,000.

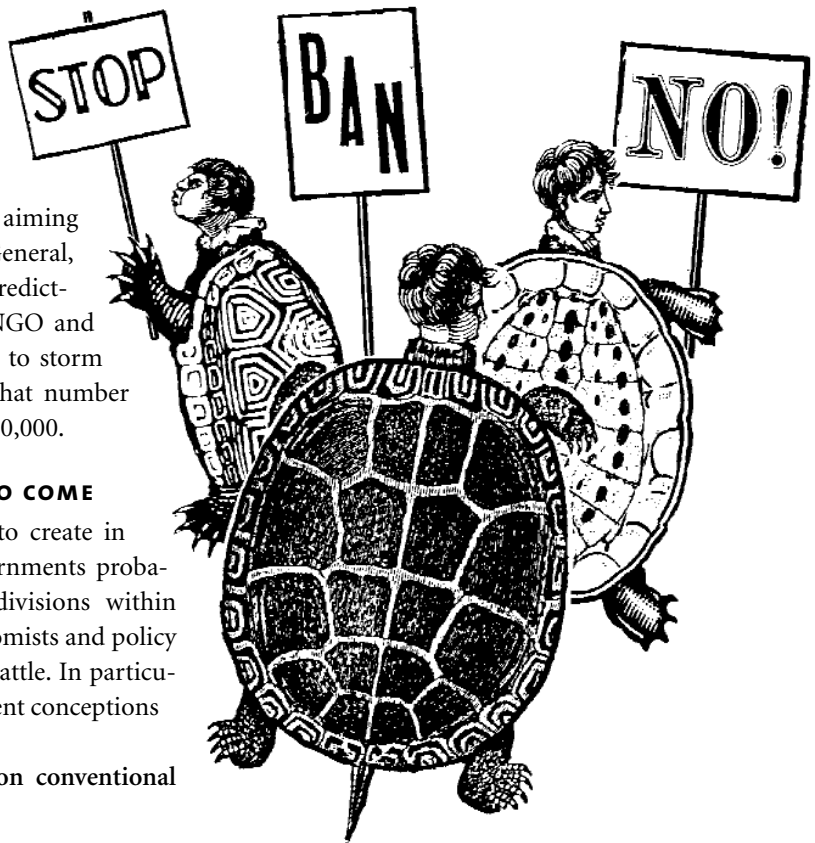
#### THE SHAPE OF THINGS TO COME

What NGOs can’t manage to create in the chaos department, governments probably will. There are deep divisions within member governments, economists and policy wonks over the agenda in Seattle. In particular, there are strikingly different conceptions of its design and contents:

A core round focusing on conventional

business – items that have been near the top of the free traders’ agenda since the General Agreements on Tariffs and Trade was started after World War II. That would include further reductions in barriers to commerce in agriculture, manufacturing and services, as well as repairs to the dispute-settlement mechanism. The need for the latter has become manifest in view of the nasty squabbles between the United States and the European Community over bananas and hormone-fed beef.

A core-plus round that would include some of the “new issues” – the ones that fuel the ideological fires of assorted NGOs, labor unions and governments. Linkage of environmental and labor standards to WTO-protected market access tops this list, but it also includes issues dear to the hearts of



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## TRENDS

Western policy wonks – agreements on rules for international investments and policing competition. (The Uruguay trade round itself had new issues: intellectual property protection, liberalization of trade in services and agriculture. These, for better and worse, have now become “old” issues for the WTO.)

It is fair to say that governments are divided between the two conceptions. India opposes a new round – which boils down to a very conservative view of what the core agenda should be in the next negotiations. The United States is not far off, differing from

services, you give me intellectual property protection.”

Indeed, Fred Bergsten of the Institute for International Economics in Washington has argued that we have now reached the point where the rich countries have very few trade barriers and the poor countries have too many. So the tradeoff between rich and poor countries cannot be achieved on trade liberalization alone.

That is simply not true. Economists, among them Arvind Panagariya of Maryland, have demonstrated to my satisfaction that there is plenty to bargain about without

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India mainly on the linkage of labor standards. Democrats, with the elections looming and the AFL-CIO commanding a huge campaign war chest, cannot but be craven to the union demands. By contrast, the Europeans, led by Sir Leon Brittan, are enthusiastic about the “core-plus” agenda.

Leaving aside politics, which is necessarily somewhat fluid, one might ask which of the two alternatives should be pursued. I would argue that the core agenda makes more sense.

### **PLENTY OF OLD ISSUES TO FIGHT ABOUT**

Some analysts urge a broader negotiation on the grounds that it would put more on the table to haggle over, as in, “I give you access in

adding fresh grist for argument. Some stiff industrial tariffs remain in place, notably in textiles, and the rich-country tariffs on agriculture are appallingly high. Moreover, the liberalization of trade in services has barely begun. If, as Director-General Moore has urged, we can be generous in reducing trade barriers of special interest to developing countries, so much the better.

Add, of course, the much-needed reform of the dispute-settlement mechanism (where consensus is going to have to be forged on contentious issues such as how to handle genetically modified products), and we have a really compelling agenda for the next three years. That three-year time frame, incidentally, fits well into Moore’s schedule, since he

must split the six-year director-general's term with Dr. Supachai Panitchpakdi of Thailand.

Second, we no longer have the "GATT is Dead" threat from regionalism – the argument that without new issues at the multi-lateral level, all the liberalization action would end up in regional trade negotiations. Regionalism is even regarded by many as a cancer to be suppressed because proliferating regional preferences are undermining the economic logic of open trade. At the very least, then, there is regionalism-fatigue. And the World Trade Organization is more prized an institution than the General Agreement on Tariffs and Trade ever was.

Third, there is little prospect that any consensus could be hammered out on the new issues. A pact on investment policy, drafted by the rich countries at the Organization for Economic Cooperation and Development, is bitterly opposed by the NGOs. It is, in fact, overly ambitious in laying down the rights of multinationals while underplaying both the rights of host countries and the obligations of multinationals to local employees and communities.

Note, too, that the OECD investment proposal is a voluntary code. If blessed by the WTO, it would become mandatory and the objections to it would become even more vociferous. It is therefore a non-starter for Seattle.

Competition policy is really a North-North issue, prompted mainly by Washington's unhappiness with Japan and the difficulty in penetrating its clubby markets. However, the main division here comes between the United States Department of Justice, which would like to handle the problem through antitrust laws, and the Europeans who would like to see the WTO tackle it. It is unlikely that these fundamental differences, already closely identified with

powerful political personalities, could be resolved in a three-year time frame.

If you think investment and competition would be tough nuts to crack, linkages aren't even worth attempting. The primary opposition comes from the poor nations – from their policy intellectuals and even some NGOs who see links between trade and environment and labor-standards as a back door form of protectionism. Many of them would opt for what I have called "appropriate governance" from alternative institutions such as the International Labor Organization, UNICEF, UNEP and other agencies set up for the job.

Opposition to the core-plus agenda needn't be based on where you stand on the new issues, but on whether you think change is possible. It seems highly unlikely that any compromise can be struck any time soon on the new issues – whether or not rich-country activists strut around Seattle in turtle suits. I, for one, am not sorry.

The most practical approach, then, is one in which negotiations advance on two tracks. The first track – the one that actually defines the new round – would stick to what I have labeled the core issues. Then there could be a separate track, where more contentious issues including the dismantling of the abominable "anti-dumping" laws, inescapable conflicts between trade and environmental values and the right to file amicus briefs in trade disputes can continue to be explored without holding the trade round hostage.

With free traders on the defensive, it is easy to lose perspective. The fact is, though, the most solid grounds for agreement on trade liberalization – mutual advantage – still exist. Now as before, the real problem is assembling coalitions with the power to get the job done and the wisdom to compromise in the name of the greater good. **M**