

SEATTLE: WHAT'S AT STAKE?

**RESOURCE BOOKLET
FOR THE SEATTLE MINISTERIAL MEETING**

World Trade Organization
1999

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What world leaders say

"We are firmly of the belief that the existence of the GATT, and now the World Trade Organization, as a rules-based system, provides the foundation on which our deliberations can build in order to improve ... As we enter the new millennium, let us forge a partnership for development through trade and investment".

Nelson Mandela

*speech on the 50th anniversary of the multilateral trading system,
19 May 1998*

"Globalization is not a policy choice — it is a fact."

Bill Clinton

*speech on the 50th anniversary of the multilateral trading system,
18 May 1998*

"The evidence is overwhelmingly persuasive that the massive increase in world competition — a consequence of broadening trade flows — has fostered markedly higher standards of living for almost all countries that have participated in cross-border trade."

Alan Greenspan

*"Trade and Technology"
speech before the Minnesota Meeting, Minneapolis, Minnesota
30 September 1999*

"No nation, big or small, can be left out of this important institution, nor should it ... We should turn this organization into an instrument of the struggle for a more just and better world."

Fidel Castro

*speech on the 50th anniversary of the multilateral trading system
20 May 1998*

"The GATT's system of trade rules and agreements has contributed massively to global prosperity. It is not something we should take for granted.

Tony Blair

*speech on the 50th anniversary of the multilateral trading system
20 May 1998*

“Too much of this century was marked by force and coercion. Our dream must be a world managed by persuasion, the rule of law, the settlement of differences peacefully within the law and cooperation. It’s a good thing that all our living standards are now based on the ability of our neighbours to purchase our products. That’s where the WTO can do splendid work and advance the progress of the human species.”

Mike Moore

speech to the Transatlantic Business Dialogue

29 October 1999

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Seattle: what's at stake?

On the eve of the 21st century, representatives of most of the world's governments are meeting in Seattle from 30 November to 3 December 1999, to review the global trading system and ensure its dynamism and responsiveness in the years ahead.

For 50 years, the multilateral trading system, a cooperative effort among a growing number of countries, has helped deliver better jobs, growth, and development worldwide. By opening world markets and setting predictable and stable rules for trade, it has sparked an 18-fold growth in international trade. This was a reversal of disastrous policies in the 1930s, when increased trade barriers, discrimination among trading partners and an absence of agreed rules helped fuel the Great Depression.

The World Trade Organization (WTO) was established five years ago, replacing the General Agreement on Tariffs and Trade (GATT). The WTO is an agreement among 135 member governments. The members decide on the rules governing their trade relations, and periodically enter into rounds of negotiations aimed at further opening up markets and reforming the agreements.

The WTO is a rules-based organization that seeks to foster a world where persuasion supersedes coercion, where the principle of non-discrimination among members imparts fairness, giving small countries as well as big ones a voice, and where decisions are taken by consensus. The organization is served by a Secretariat answerable to the members. The members, the vast majority of whom are democratically elected governments, decide what happens in the WTO and in turn are answerable to the people they represent. When governments agree to something at the WTO, they must take it to their elected parliaments for ratification. What could be more democratic than that?

Like any institution that affects societies and the lives of individuals, the WTO must evolve as the world changes. And like any institution crafted by people, it can be improved. Governments and their constituents are continually searching for ways of adapting and improving the WTO. The challenge is to make it as representative and

responsive as possible to all interests, whether espoused by those with power and influence or those without such advantages.

Five years ago, when the WTO was established, the member governments agreed in Marrakesh, Morocco, to broaden the scope of the system into new areas of their trade relations, to further expand trade opportunities, and to carry forward their cooperation. Since then they have been putting these agreements into effect.

Now, in Seattle, fresh decisions are needed

- Should a new round of trade negotiations be launched?
- What goals should be set for scheduled negotiations on agriculture and services?
- What concrete steps can be taken to help the poorest countries?
- How can we speed the entry into the WTO of some 30 countries eager to join?
- Can some existing agreements be better applied?
- How should present work on trade aspects of environmental protection, investment and competition be pursued?
- How should the WTO respond to concerns voiced by civil society, including the non-governmental organizations present at the Seattle meeting?

The following pages discuss briefly how trade and the multilateral trading system contribute to a better future, what the WTO has been doing, and the issues to be decided at Seattle. Next, the book addresses some questions and misunderstandings about the WTO. The final section is a glossary of some WTO jargon.

Growth, jobs, development and better international relations: how trade and the multilateral trading system help

Trade has contributed much to world growth and prosperity over the past half-century, bringing better jobs and more resources for education, health and other social spending

Some facts:

- Since 1948, world trade has consistently grown faster than world output.
- Trade in goods has grown by an average 6 per cent a year in real terms, whereas world merchandise output has increased by 3.9 per cent a year.
- In 1998, world merchandise exports were worth over five trillion dollars (\$5,235 billion). In volume or real terms, that represents an 18-fold increase over 1948. Within that total, exports of manufactures were 43 times larger than 50 years earlier. Over the same period, world output grew eight-fold, and world production of manufactures ten-fold.
- Although world population has more than doubled, reaching six billion this year, exports per capita are eight times as high in real terms as in 1948.
- All countries are now far more dependent on trade with one another than they were. More than a quarter of national output of goods and services in 1998 was sold abroad, against just 8 per cent in 1950. In the United States, a continental market in its own right, exports now account for 11.3 per cent, against 5 per cent in 1950. US regional figures can be much higher: the share of the state of Washington in total US merchandise exports is about three times higher than its share in US output.)
- Evidence from studies shows that economies embracing open trade and investment policies have done better on average than more closed economies.

World trade and output, 1948–98

Selected Indicators

	1948	1950	1973	1990	1998	Average annual change				
						1948 –73	1973 –98	1948 –98	1990 –98	
World merchandise exports										
Billion current \$	58	61	579	3,438	5,235	9.7	9.2	9.4	5.4	
Billion constant 1990\$	304	376	1797	3,438	5,683	7.4	4.7	6.0	6.5	
Exports per capita, 1990\$	123	149	466	651	951	5.5	2.9	4.2	4.9	
World exports of manufactures										
Billion current \$	22	23	348	2,390	3,995	11.7	10.3	11.0	6.6	
Billion constant 1990\$	93	112	955	2,390	4,015	9.8	5.9	7.8	6.7	
Exports per capita, 1990\$	38	44	244	454	672	7.8	4.1	5.9	5.1	
World output (Indices, 1990=100)										
Commodity output	17	19	65	100	116	5.5	2.4	3.9	1.9	
Manufacturing output	11	13	60	100	117	7.1	2.7	4.9	2.0	
GDP (Billion, 1990\$)										
GDP (Billion, 1990\$)	3,935	4,285	13,408	22,490	27,615	5.0	2.9	4.0	2.6	
GDP per capita (1990\$)	1,591	1,700	3,420	4,271	4,623	3.1	1.2	2.2	1.0	
GDP (current \$, market rate)	...	...	4,908	22,490	29,236	...	7.4	...	3.3
Trade-output ratio										
Exports of goods and services, to GDP, at constant 1987 prices	...	8.0	14.9	19.7	26.4	...	...	...	...
World population (million)										
World population (million)	2,473	2,521	3,920	5,266	5,973	1.9	1.7	1.8	1.6	

Source: WTO, with historic data from IMF, UN, World Bank and GATT

This greater interdependence allows countries to specialize in areas where they are competitive, providing opportunities for their working population to put their skills and talents to the best use, and providing their consumers with the widest choice of goods and services at the best possible prices. In some aspects, however, openness and interdependence can bring a sense of discomfort. Competition from foreign imports, and changes in export markets, demand an extra effort of adjustment, even beyond the constant and sometimes painful adjustments needed to meet domestic competition, technological advances and changing consumer tastes. Economic difficulties in one part of the world can affect exports and jobs in other countries. But the difficulties are far outweighed by the gains from trade, and the evidence is strong that countries, developed and developing, that are most open to trade also benefit the most.

The gains from exporting are obvious enough: better jobs and higher earnings, and bigger markets that allow greater efficiency, spread costs and achieve greater profitability. No wonder everyone wants other countries to lower their trade barriers.

But in fact, economists agree that the greatest gains go to the country that slashes its own barriers. Readiness to open up to foreign suppliers of consumer goods and of inputs to production improves choice as well as competition in price and services offered. Protection that gives special favours to one sector or another of the economy distorts the way a country uses its productive resources. Removal or reduction of distortions allows resources to be used more efficiently. And the payments made for imports are not lost: directly or indirectly, they come back. The additional purchasing power put in foreign pockets is used to buy other countries' goods and services, to meet debt obligations, to invest abroad, or to save.

Exports and imports: we gain from both

The gains are not just economic. Trade helps to make the world a safer and better place, by reducing poverty, and creating shared interests in stable international relations.

And trade leads to better jobs. Because open trade encourages countries to specialize in producing the goods and services for which they are best suited, jobs in export industries tend to be those with the best prospects. It is no coincidence, for example, that the three fastest growing occupations in the United States today are database administrators, computer engineers and system analysts — all involved in information technology, an industry in which the United States is leader in world trade. One third of all new US jobs are export-related, and pay in those jobs tends to be above average. For young people, trade generates some of the best job opportunities around.

Imports play a vital role in creating opportunities and improving economic prospects. In the United States, for example, imports support at least 10 million jobs. Counting US distributors of foreign products, one in four Americans has a job that is closely linked to international trade. Imports provide an incentive to innovate, to improve product quality and to be more efficient. Imports of capital goods and raw materials make industry more competitive. Imports also help to lower inflation and increase consumer choice. They make wages go further.

Trade and the developing countries

Most developed countries have long been convinced of the gains from trade. They started cutting their trade barriers immediately after World War II. They now have generally low levels of import duties, and few quantitative restrictions on imports, although they have been slow to dismantle protection and subsidies for agriculture and for some declining industries, such as textiles and clothing, especially when these involve large numbers of workers.

Many developing countries and some developed countries, however, initially followed a different path in their trade policies, and have come late to trade liberalization. They put their faith in policies of import substitution, keeping imports to a minimum in the hope that this would encourage the growth of their own production capacity. Much effort, in particular, went into building up supposedly basic industries such as steel plants. Overall, the results were disappointing. The favoured industries, handicapped by national markets that were too small and by

other factors linked to their isolation, were not often successful. The diversion of resources to them, and the frequently high cost and low quality of their output raised the input costs of other more efficient sectors, distorted the national economy and discouraged ventures that could otherwise have flourished. Meanwhile, they failed to develop competitive export industries, and continued to rely on selling raw materials which faced shrinking markets and declining prices in developed countries.

In the late 1970s and 1980s an increasing number of these developing countries changed course. They adopted more market-oriented policies, reducing trade barriers, setting realistic exchange rates and often also welcoming foreign direct investment as a source of both finance and know-how. The results were striking. During the period 1970–89, 15 developing countries that had already made such changes before 1970 achieved per capita growth rates averaging almost 4.5 per cent a year, nearly double the rate achieved by the developed countries of OECD. Seventy-four countries that kept to the old policies for some or all of the period averaged annual growth of less than 1 per cent.

Some of the successful countries hit trouble in 1997–98, following the financial crisis in Asia. Three of them — Indonesia, Malaysia and Thailand — had been star performers, whose economies, export structure and per capita incomes had been transformed, with soaring exports of manufactures that greatly reduced their previous dependence on commodity exports. In Indonesia, much the poorest of the three, the proportion of the population living in extreme poverty fell over 25 years from 70 per cent to 10 per cent. The share of undernourished people decreased from 26 per cent in 1979–81 to 6 per cent in 1995–97. These countries, along with others such as Rep of Korea, have been hard hit, not least with a serious human crisis. They would have been in still greater trouble if their trading partners had not kept markets (particularly the booming US market) open to their exports. And they are recovering.

Of the world's 25 largest trading countries, a third are now developing countries. Taken together, developing countries now account for about a quarter of world trade, compared with a fifth just 12 years ago. Their share of trade in manufactures has doubled, to 20 per cent. Two of them, Mexico and Rep of Korea, are now even members of the "developed-country" organization, the OECD. More importantly, trade has been a crucial element in doubling the incomes of 1.5 billion people in

10 developing countries over the past 25 years. But there is a long way still to go. Three billion people live on less than \$2 a day.

Most worrying of all is the position of the world's 48 poorest nations, the countries classified by the United Nations as least developed. With 10.5 per cent of the world's population, they account for one-half of 1 per cent of world trade, and this tiny share is still shrinking. Many of these countries are saddled with enormous debts, lack infrastructure and are starved of investment. Most of their citizens still live on subsistence agriculture. The failure to begin liberalizing world trade in agriculture at an earlier stage gravely handicapped the ability of many of these countries to expand their exports. In sharp contrast to the developed world, and to the experience of the most successful developing countries, the already low incomes in many least-developed countries, especially in sub-Saharan Africa, have fallen substantially over the past 20 years. While shocking enough in terms of present living standards, this trend is also ominous for the future: an informal rule of thumb (cited by the World Bank) tells us that rapid reduction in poverty demands annual growth in per capita income of at least 3 per cent.

The desperate situation of these countries is a reproach and challenge to the rest of the world. Given the proven effectiveness of trade in accelerating the growth of national and personal incomes, the challenge is one to which the world trading community in particular must, and indeed could easily, respond. As noted above, the exports of the least-developed countries account for 0.5 per cent of world trade — hardly a magnitude that would cause significant impact were these exports to be accorded free access to the world's markets.

Access to foreign markets is important for all countries, including the least-developed, but other factors can sometimes be even more important. We should not lose sight of this. Human and physical capital formation, capacity-building, infrastructure development, sound macroeconomic policy and good governance all play a vital role.

Globalization: challenge or threat?

The growth in world trade, and in our dependence on it, is part of the phenomenon of globalization: the increasing integration of the world economy. Another aspect of globalization is the huge increase in world investment flows. Much of this investment is directly trade-related: it goes into export industries, or into infrastructure that helps trade. In 1998, foreign direct investment (FDI) reached \$650 billion, seven times its level in real terms in the 1970s, and although 1998 was, so far, the peak year, flows are still running high. More than half of the total is going to developing countries, and is helping to build up their productive capacity and competitiveness. Although the largest flows are going to developed countries, and to big developing countries such as China and Brazil, the far smaller amounts of FDI going to some other developing countries, such as Bolivia, Ghana, Lesotho and Peru, actually represent a bigger proportionate boost to their national output than FDI flows to OECD countries. A further contributor to globalization is the spread of technology and improved communications, typified by soaring growth of the Internet and mobile telephony. Another is the huge expansion of air transport services, and the resulting movement of people between countries. All these developments are forcing the pace of economic and social change worldwide.

"Globalization", President Clinton told WTO ministers in Geneva last year, "is not a policy choice — it is a fact". Not everyone welcomes that fact. Many feel insecure and worried in the face of such changes. They see the benefits of economic growth spread very unevenly, both between and within countries. The richest fifth of the world's people have 74 times the share in world income of the poorest fifth. Even in many wealthy countries, while the incomes of those in managerial and professional jobs have risen sharply, those of ordinary working people have increased much less, or not at all. The gains from globalization are not obvious when your job is at risk; still less, if you are actually unemployed.

As WTO Director-General Mike Moore puts it, increasing numbers of people "feel excluded, forgotten and angry, locked out and waiting for a promised train that may never arrive. They see globalization as a threat, the enemy, the reason for all their woes. A central policy challenge for governments is to make the prosperity that flows from globalization accessible to people." Part of that challenge, he warns, is

international: "Governments must act cooperatively in the trade, investment and financial spheres to secure maximum benefits from international specialization, while at the same time leaving the necessary space to address the fallout from change that affects particular groups".

In the sphere of trade, that cooperation will inevitably centre on what governments can agree in Seattle to do together in the coming years as participants in the multilateral trading system, the system embodied in the World Trade Organization.

How the WTO fits in

The World Trade Organization (WTO) is still very young. Born on 1 January 1995, it is not yet five years old. But the WTO is the direct result of a half century of international cooperation that has led to successive agreements, each building on what went before, and each freely entered into by all its member governments. Today, the WTO has 135 member governments. Their countries, with a combined population of about 4 billion — 66 per cent of the world total — account for over 90 per cent of world trade. Over 30 more countries, whose populations together account for a further 30 per cent of the world total, are knocking at the door: when they join, virtually all of world trade and all but 4 per cent of the world's peoples will be within the multilateral trading system.

The origins of the GATT/WTO lie in the experience of the 1930s, and in the enlightened response of statesmen to that experience at the end of World War II.

During the 1930s, in the economic and social disaster of the Great Depression, countries turned inwards, and provoked a descending spiral of declining output and trade. In trade policy, they resorted to extreme protectionism, raising tariffs and other trade barriers to levels that choked off imports, and setting up discriminatory arrangements that favoured some countries and excluded others.

After the war, which the misery and dislocation of the Great Depression had helped to bring about, it was clear that a secure political future could not be built without establishing greater economic security too. Part of the effort to find better instruments of international economic cooperation bore fruit at the Bretton Woods conference of 1944, with the International Monetary Fund and World Bank. For

trade, the search took longer. A fully-developed answer was found only with the birth of the WTO. But much was achieved quite quickly, on the basis of two key insights.

The first insight was that, in trade policy, the road to economic recovery and growth lay in progress towards open markets and liberalized trade.

The second was that trade would not grow unless traders themselves could count on a degree of stability and predictability in the system, and that the best way of achieving this was to develop a mutually agreed system of rules, binding on all members and enforceable through dispute settlement. Central among these rules, and holding the system together, should be the rule of non-discrimination, to prevent the exclusionary deals and preferential blocs that had poisoned international relations in the 1930s, and had at the same time reduced trade's efficiency in fostering economic growth.

Together, these insights have shaped the multilateral trading system, and been fundamental to its success. The fact that the number of countries that have chosen to be members of the system has risen from 23 in 1948 to 135 today, and that 32¹ more countries including China and the Russian Federation want to join, shows that governments see no alternative approach to their trade relations that could serve them anything like so well.

From 1948 to 1994, the multilateral trading system took the form of the GATT — the General Agreement on Tariffs and Trade. The GATT was in some ways an unsatisfactory instrument, a provisional and makeshift arrangement pressed into service because the International Trade Organization, the permanent organization that was meant to be the trade counterpart to the IMF and World Bank, was stillborn. Its arrangements for settling disputes were ineffective if governments chose to disregard them, and its coverage did not go beyond trade in goods. Nevertheless, much was achieved.

Eight negotiating "rounds" under the GATT, each involving more countries than the last, resulted in dramatic reductions in tariffs on industrial goods. Average import

¹ Includes Georgia which, at press time, has completed negotiations and has only to ratify its membership agreement.

duties among industrialized countries were cut progressively from high double-digit levels to less than 4 per cent. Most non-tariff border restrictions were abandoned. The trade rules included in the original GATT agreement of 1947 were developed and elaborated in the light of experience, so that market-access gains achieved through tariff cuts could not be cancelled out by trade barriers and distortions introduced by subsidies, discriminatory technical standards and unreasonable regulations and procedures.

There were also setbacks, especially in the 1960s and 1970s. Proliferation of bilateral measures to block developing-country exports of textiles and clothing was halted only at the cost of accepting a multilateral arrangement that gave existing restrictions legitimacy. Further "grey area" restrictions, not permitted by any GATT rules, affected trade in products of other industries under competitive pressure, including iron and steel, automobiles and consumer electronics. Efforts to open up trade in agriculture were largely unsuccessful. Agreements reached to allow positive discrimination ("special and differential treatment") in favour of developing countries had only limited effects.

By far the largest, longest and most productive round of GATT negotiations was the eighth, the Uruguay Round of 1986–94.

In some respects the Uruguay Round was just more — though much more, particularly because this time developing countries joined in fully — of the same efforts made in earlier rounds. Tariffs on industrialized products were reduced; defences against non-tariff barriers were strengthened. But the Uruguay Round also reversed earlier failures. Member governments agreed to phase out restrictions on textiles and clothing and to ban "grey-area" measures. They made a start on a long-term effort to reform trade in agricultural products. In addition, members negotiated a brand new set of rules, together with initial market-opening measures, for trade in services, a dynamic area of world trade they had previously left untouched. Another new agreement set out agreed rules on minimum protection to be given to intellectual property through patents, copyright and measures against counterfeiting.

The whole package of trade liberalization and rules was firmly tied together by putting it under the responsibility of the new World Trade Organization. In many

ways, the WTO resembled the old GATT, particularly in its rule of working by consensus agreement among the member governments, none of whom could be bound by new obligations without their full consent. Unlike the GATT, however, it was placed on a firm legal footing, and equipped with more effective arrangements for settling disputes.

With the entry into force of the WTO in January 1995, the multilateral trading system at last had adequate institutional arrangements, and a comprehensive set of agreed rules. In creating the WTO, its member governments had secured a more solid basis for their joint efforts to support world trade as an instrument for growth, better jobs, development and more harmonious international relations.

From Marrakesh to Seattle ... and what's ahead

In April 1994, in Marrakesh, Morocco, Ministerial-level representatives of the 125 countries that took part in the Uruguay Round put their signatures to the whole package of agreements that their negotiators had reached four months earlier. They hailed it as ushering in "a new era of global economic cooperation".

A further eight months were needed, until 1 January 1995, for national legislatures to ratify the agreements and allow the World Trade Organization to enter into force. But Marrakesh was already the starting signal for breathing life into the WTO agreements, and launching follow-up work on unfinished business of the Uruguay Round. That work has continued without pause ever since, mostly among trade negotiators in Geneva, backed up by their governments at home, but also in meetings of the WTO's guiding Ministerial Conference. The first Ministerial Conference took place in Singapore, in December 1996. The second was held in Geneva, in May 1998, and was coupled with a separate meeting, attended by many heads of state or government, to celebrate the 50th anniversary of the multilateral trading system. The Seattle Ministerial Conference from 30 November to 3 December 1999 is the third in this series of top-level meetings of the member governments of the WTO, and perhaps the most important so far.

The central tasks of WTO member governments at the Seattle meeting, as at its two predecessors, are to:

- review what the WTO has been doing
- assess the present situation of world trade and international trade relations, to identify challenges that the multilateral trading system must meet
- agree on the WTO's work programme for the months and years ahead.

1. What the WTO has been doing

... ONGOING BUSINESS

Much of the work the WTO has been doing since the Marrakesh meeting consists of tasks defined in the WTO agreements themselves.

Many of these tasks are never-ending. Each agreement that sets out rules for an area of trade policy — for instance, for aligning customs valuation procedures, restricting subsidies to agriculture, or avoiding unnecessary technical barriers to trade — requires that governments keep one another informed of what they are doing to meet their commitments. Regular meetings of experts are needed to discuss progress, allow mutual questioning, and clear up misunderstandings or difficulties. These specialized meetings also allow members to develop their ideas on how cooperation might be extended, either to overcome shortcomings in existing agreements or to respond to new developments. A current example is an across-the-board examination in the WTO over the past year of whether the trade rules need adjustment to cover the explosive growth of electronic commerce, which is doubling every 100 days. Another continuing task is the regular reviews of national trade policies. These are not concerned with whether a country is living up to its WTO obligations, but with allowing members to understand each others' trade policies, practices and problems and to offer comment.

... THE "BUILT-IN AGENDA"

The agreements signed in Marrakesh also called for a very large number of specific tasks to be undertaken, including further negotiations. This is the so-called "built-in agenda", recognized by all member countries as work to which they are jointly committed. Some of these tasks were tackled immediately after the Marrakesh meeting. Others, such as reviews of experience with particular agreements (for instance, the new dispute settlement rules, and the agreement on protection of intellectual property) were to take place only after some years: most have now fallen due, or will do so very soon. Two major commitments for the immediate future, on

which the Seattle meeting will certainly focus, require renewed negotiations to reform policies affecting agricultural trade and open up world markets for trade in services.

... NEGOTIATIONS ON SERVICES FOLLOWING MARRAKESH

A top priority after Marrakesh was to carry forward services negotiations that had not been completed during the Uruguay Round. Four separate negotiations were needed: on basic telecommunications, financial services, maritime transport and movement of natural persons.

Agreement on basic telecommunications services was reached in February 1997. It involved 69 governments, accounting for more than 90 per cent of the \$600 billion world market for basic telecommunications in 1996. Members made far-reaching commitments to open their markets. Many also accepted a set of regulatory principles, designed to ensure that trade liberalization could not be frustrated by anti-competitive behaviour. Many countries saw commitments in the telecommunications sector as a way of taking maximum advantage of new information technologies, and associated investments, in view of the extraordinary opportunities offered by these technologies as an instrument of development. The negotiations on financial services, another huge sector essential to the functioning of the world economy, were particularly difficult, but also highly successful. Seventy governments reached agreement in December 1997 on commitments to open their markets for banking, insurance and securities trading. In this negotiation, too, the participants accounted for more than 90 per cent of the world markets concerned. The negotiations on maritime transportation services did not succeed: participants suspended them in 1996, agreeing that, with no satisfactory liberalization package yet in sight, they would do better to return to the subject as part of the broader services negotiations that will start in 2000. The negotiations on movement of natural persons, a matter of particular interest to developing countries, were completed more quickly, in mid-1995, with modest results. The built-in agenda also requires negotiations to fill in gaps in the General Agreement on Trade in Services, which still lacks agreed rules for subsidies, safeguard action and government procurement.

... AND TARIFFS

Another post-Uruguay Round market-opening achievement was the Information Technology Agreement (ITA), reached in March 1997 after an extra boost given to negotiations by the Singapore Ministerial Conference of December 1996. Forty-three countries, responsible for 93 per cent of trade in information technology products, committed themselves to remove all tariffs, by the year 2000, on computers, telephones and many other telecom products, semiconductors, software and scientific instruments. Trade in information technology products accounts for some 12 per cent of total world trade — more than the share taken by agricultural products. "ITA2" negotiations continue, with the aim of eliminating tariffs on still more information technology products. Also at the Singapore meeting, countries which had agreed in the Uruguay Round to remove tariffs on imports of a large number of pharmaceutical products added another 400 products to their duty-free lists.

TALKS ON NEW SUBJECTS ...

The Singapore meeting added new tasks to the WTO's workload. Working groups were set up to examine the relationship between trade and investment, and to study the interaction between trade and competition policy. In both cases, investment and competition policy, the subjects were controversial, and ministers agreed that the work must not prejudice whether negotiations would take place, and that any decision to launch negotiations would require consensus agreement. Another group was also established to study transparency in government procurement practices (and to consider what might go into an agreement on the subject), and the WTO's Goods Council was directed to see if new rules might help efforts to ease and simplify trade procedures. All four subjects are likely to be discussed in Seattle.

Two further important items on the WTO's built-in agenda are work on trade problems of the least-developed countries and study of the relationship between the trading system and environmental issues:

TRADE PROBLEMS OF THE POOREST COUNTRIES ...

Apart from provisions in individual WTO agreements that take special account of least-developed countries, the Marrakesh package included a decision not to require these countries to undertake commitments or concessions inconsistent with their development, financial and trade needs, or with their administrative and institutional capacities. The decision set up a process of regular reviews, and called for "flexible and supportive" application to them of the WTO agreements, as well as technical assistance. At the Singapore meeting, ministers agreed on a plan of action to help least-developed countries respond to opportunities offered by the trading system. This led to a high-level meeting called by the WTO in October 1997 aimed at countering the marginalization of the least-developed countries. One result was that 19 developed and developing countries announced measures giving some products of least-developed countries new or improved preferential access to their markets. Another was the launching of an integrated programme for technical assistance to these countries. The programme identifies specific trade-related needs of each country, and brings together the WTO and five other agencies (IMF, ITC, UNCTAD, UNDP and World Bank) to coordinate their own responses and help enlist further aid from bilateral donors.

TRADE AND THE ENVIRONMENT ...

Environmental issues had already been under study in the GATT before the end of the Uruguay Round. At Marrakesh, ministers decided that the WTO must pursue this work, agreeing that there need be no contradiction between an open, non-discriminatory and equitable multilateral trading system on the one hand and acting to safeguard the environment and sustainable development on the other. Ministers also underlined that the WTO should not stray into areas beyond its competence. The WTO's Committee on Trade and Environment has met regularly since then, exploring the relationships between WTO rules and multilateral environmental agreements, environmental taxes and standards, and labelling and packaging requirements, as well as the effects of environmental measures on exports of developing countries, and environmental advantages of removing trade

restrictions and distortions. The WTO has also held various symposia, most recently a two-day symposium earlier this year which brought trade and environment policy makers from member governments, intergovernmental organizations, academia, and non-governmental organizations together to discuss these issues.

Controversy has been heightened by the attention given to several high-profile disputes related to environmental issues and brought to the WTO by developing countries. For more on this subject, see the next section of this booklet.

Finally, any record of what the WTO has been doing since the Marrakesh meeting must take account of two major and continuing tasks: its efforts to settle trade disputes among members, and nearly 40 separate negotiations on the terms of accession of countries that have applied to join the WTO.

DISPUTES ...

For many observers, the WTO's dispute settlement procedures are its most striking feature. In the last resort, dispute judgements of the GATT, like those of most other international agreements, could not be enforced if a member government chose to disregard them. In contrast, the WTO dispute rules have teeth. They apply across the whole range of WTO agreements on goods, services and intellectual property protection, and decisions by the WTO Dispute Settlement Body on conclusions of dispute panels or the Appellate Body cannot be blocked by a country which loses its case. A government found to have failed to meet a WTO obligation can be required to put the matter right and, if it does not, the complainant may be authorized to take retaliatory trade measures. This happened for the first time in 1999. Dispute settlement is a large and growing part of the WTO's work. Between January 1995 and August 1999, WTO members invoked the settlement procedures 183 times over 142 distinct matters, through formal requests for consultations (the first stage in handling an official complaint). The GATT dispute procedures were invoked only about 300 times in 48 years. Many problems are resolved through consultations, without requiring establishment of a formal panel to examine the complaint. Nevertheless, the most recent twelve-month figures on disputes, to July 1999, show that 39 consultation requests were made, 17 panels were established,

and eight final reports by panels or the Appellate Body were adopted, while two panel proceedings were halted because the parties had resolved their dispute. Retaliation was authorized in two cases in which the losing party failed to bring its disputed practices into line with the rules. The dispute settlement system stands as a commitment by governments to the rule of law and civilised engagement, an example of what could be in other arenas of conflict and potential conflict.

... AND NEW MEMBERS

Since 1995, almost 40 governments have provided solid evidence of the attractions of membership in the multilateral trading system, by applying to accede to the WTO. At the present time, following accessions by countries which have completed negotiations, the waiting list to join still stands at over 30 countries. They range in size from China and the Russian Federation, the two largest trading powers not yet within the system, to small least-developed and island countries. Many are in transition to a market economy. The accession process is inevitably slow, as it involves alignment of the applicant's trade policies and legislation with the WTO rules, as well as bilateral negotiations on commitments to open up its markets for goods and services. Technical assistance is often given.

2. Developments and challenges in trade and trade policy

The first meeting of the Ministerial Conference, in Singapore, was also the first occasion for a full stock taking by WTO members of their new organization's achievements and shortcomings. In general, ministers were happy with what they saw, although they were anxious at the time about the telecommunications and financial services negotiations, whose outcome then hung in the balance, and also identified some practical problems in applying the new agreements. On future work, apart from the studies — already mentioned — on trade and investment, competition policy, transparency in government procurement and trade facilitation, they agreed to start exchanging ideas for the coming negotiations on agriculture and services. The most difficult discussion in Singapore concerned labour standards. While some countries believed this was an appropriate issue for the WTO, most did

not. The outcome was a statement in which ministers renewed their commitment to recognized core labour standards, affirmed their support for the work of the International Labour Organization (ILO) as the responsible international body, stated their belief that trade and trade liberalization helped in promoting these standards, and agreed that the comparative advantage of countries must in no way be put into question. They endorsed existing collaboration between the WTO and ILO Secretariats, but did not support any WTO work on labour standards.

The main event in the world economy between the Singapore meeting and the second Ministerial Conference in Geneva, in May 1998, was the sudden financial crisis that swept East Asian countries in the summer and autumn of 1997. The effects in the region were severe, and were also felt, to a lesser but significant extent, as far away as Latin America and Russia. Low demand in Asia, including Japan, and falling commodity prices, slowed the growth in world trade. By the time of the Geneva meeting, however, it was clear that the trading system had stood up well to the crisis. There had been no perceptible shift towards protectionism, and strong import demand in the United States, in particular, had helped offset weakness elsewhere. There can be no doubt that a negative trade policy response to the crisis would have had serious consequences for economic recovery and for trade relations more generally. Within the WTO, the year had brought successful conclusion of the market-opening negotiations on basic telecommunications and financial services, as well as the important special meeting on least-developed countries. However, it also brought to the fore increasing concerns on how some of the Uruguay Round agreements were working out. Developing country exporters of textiles and clothing argued forcefully that removal of bilateral restrictions blocking access to developed-country markets was going very slowly. The importing countries, for their part, insisted that implementation of the integration process was being enforced and consequently, the restrictions would be removed on schedule. Developing countries also maintained that they were not receiving special treatment envisaged under several agreements, that other practical problems had arisen, and that some of them might not be ready to assume the full obligations of the agreements by the end of their transition periods. A number of highly publicized trade disputes, some of which had reached the WTO, suggested that serious conflicts could arise unless greater efforts were made to reconcile trade rules and

public concerns about environmental problems or food safety. Some WTO members, but not all, felt that the time was ripe to prepare for a new round of negotiations to tackle these issues and also push liberalization forward across a wider front than just the negotiations on agriculture and services. Even those in favour of new negotiations were divided on whether it should be broad or narrow in scope, and whether or not the whole enterprise should, like the Uruguay Round, be a single undertaking with no substantial agreements concluded before an overall settlement was reached.

3. The road ahead

At Singapore in 1996, ministers had decided that WTO work should continue on essentially the same lines as laid down by the Marrakesh agreements. True, they added the studies on trade and investment, trade and competition, transparency in government procurement and trade facilitation, but these were clearly, for the time being at least, secondary matters, focused on exploring unfamiliar issues rather than taking action. They did not agree to bring the issue of labour standards into the WTO. On agriculture and services, they agreed to exchange and analyze information to allow members to understand better the issues involved and to identify their interests before undertaking the negotiations on these subjects that had already been agreed to at the end of the Uruguay Round. There was no question of starting these negotiations ahead of schedule.

The Geneva meeting of 1998 was different. Only one new subject — electronic commerce — was added to the work programme. Dramatic though its growth and implications may be, electronic commerce falls squarely within the WTO's mandate: the core issue is whether the existing trade rules are adequate to cover it. The crucial decision in Geneva was to instruct the WTO's General Council, in which all member countries are represented, to prepare recommendations for Ministers "regarding the WTO's work programme, including further liberalization sufficiently broad-based to respond to the range of interests and concerns of all members, within the WTO framework." The decision specified that the recommendations should cover:

- the "built-in agenda", made up of issues concerning the implementation of existing WTO agreements and decisions, together with negotiations and other work agreed on at Marrakesh
- other possible future work based on the subjects added to the work programme by the Singapore meeting
- follow-up to the 1997 high-level meeting on the trade needs of least-developed countries, and
- "other matters proposed and agreed to by members concerning their multilateral trade relations"

These four headings obviously differ not only in subject-matter but in status. The first group, all members agree, consists of mainstream WTO responsibilities and mutual obligations. No one questions that member governments have to work together on these questions, and that they have indeed already agreed to negotiate on some of them. The second group, the "Singapore subjects", consist of matters which, up to now, members have agreed only to discuss, without undertaking any obligations, without prejudice to their positions. Follow-up to the meeting on the least-developed countries, the third subject, has been given special mention because all members recognize this as an issue that must have priority attention. Finally, the fourth heading allows any member to put forward proposals on any other matter relevant to multilateral trade relations, but at the same time authorizes inclusion of these proposals in the recommendations to ministers only if the other members so agree.

Since September 1998, the WTO's General Council has been working continuously on preparation of its recommendations. In a first stage, it reviewed each of the main subjects specified by ministers. From the beginning of 1999, individual member countries were invited to put forward specific proposals. Over 200 such proposals have been made, many in considerable detail. They range far too widely to be summarized in a few words, but cover issues under all four headings, including all the concerns voiced at the Geneva Ministerial meeting last year. Most of the proposals can be found in the documents section of the WTO Internet website (www.wto.org). Some call specifically for new negotiations; others do so by implication; yet others clearly do not.

In September of this year, the General Council embarked on the third and final stage of its preparation work, that of drawing up recommendations to ministers. The approach adopted, following long-established practice, and experience of what works best, has been to bring together these recommendations in the form of a draft agreement, or declaration, which ministers could discuss, and then agree on after making whatever changes they think desirable.

At the time of writing, the draft is under discussion in Geneva, in the General Council, and much remains to be settled. Any substantial comment on the position reached could well be invalidated before these words are printed, and in any case the final decision rests with ministers, at the Seattle meeting. It remains to be seen, in particular, whether ministers will decide that the recommendations require that a new round of multilateral trade negotiations be launched. As of now, some members have yet to be convinced that new negotiations, other than those already scheduled as part of the built-in agenda, would be in their interest. Their final judgement seems likely to depend on their overall assessment of what would be on offer — in other words, on the detailed content of the whole package of recommendations presented to ministers.

In the meantime, public discussion of issues for the third Ministerial Conference, and of the WTO itself, may well focus on a number of issues that have raised controversy, particularly among non-governmental organizations that are likely to be well represented in Seattle. The WTO has been accused of many sins, including dictating policy to governments, destroying jobs, and harming the environment. Right or wrong, these accusations raise important questions, and deserve careful responses. By implication at least, many of these questions were answered in the previous chapter. The next chapter, however, discusses them directly.

Concerns ... and responses

The WTO is a new and unfamiliar organization, although it builds on more than four decades of experience with GATT.

To some people, the WTO appears remote and mysterious, powerful and unaccountable. They see it as serving only to enforce a set of rules for trade which seem to conflict with central concerns of society such as jobs and incomes, economic development, the environment, health and safety, and national sovereignty.

Others are more sympathetic. They recognize the WTO as just the latest embodiment of a cooperative international effort, now half a century old, that has contributed much to economic growth around the world. But they still worry about some of its new features, most notably the impact of its binding dispute settlement procedures on the needs of poor developing-country producers, fearful consumers or endangered species.

These concerns are genuine and proper. Many are based on misunderstandings; some not. All demand and deserve a response now. And they require, for the future, a much more vigorous and sustained effort, by member governments and by the WTO itself, to establish and maintain dialogue with civil society.

Here are initial and necessarily brief responses to some of the concerns most often expressed today:

1. The WTO is unrepresentative and undemocratic, and undermines the sovereignty of governments

This is a most serious accusation. And it is wrong.

The WTO, and all its associated agreements and rules, is simply the expression of the will of its member governments:

- The agreements result from negotiations among the member governments. The whole WTO package was endorsed barely five years ago, in April 1994, as the result of the seven-year Uruguay Round of negotiations. Every member country has formally accepted the package after following its own ratification procedures, which generally involve a vote of approval by its parliament or other legislative authority.
- The great majority of WTO members are democracies. Their governments act by consent of their peoples.
- Decisions are generally taken by consensus. No new obligation can be placed on a member without its consent, and individual members have the power to stop changes.
- The WTO Secretariat provides administrative and technical support to members. It has no decision-making powers.
- Any international agreement affects sovereignty, but also represents an exercise of sovereignty: an acceptance of commitments in exchange for a similar acceptance of commitments from the other signatories. This is just as true, for instance, of the agreement on the Law of the Sea as it is of the WTO. For small countries in particular, the rule of law established for international trade by the WTO actually strengthens their sovereignty, because it protects their independence from bilateral bullying.
- Each member has the right of recourse to an agreed dispute settlement mechanism to settle differences over whether other commitments are being respected. Final rulings on disputes, if the governments concerned fail to settle them among themselves, rest with the Dispute Settlement Body, on which all members are represented.
- In the final analysis, any member can withdraw from the WTO on six months' notice. None of the present 135 members has even threatened to do so.
- The fact that over 30 more countries are lined up to join the WTO does not suggest that they view membership as a risk to their sovereignty.

None of these points is meant to argue that improvements could not be made. A real problem, for instance, is that some of the smaller developing countries do not have the trained officials and financial resources to participate fully in the WTO's

work, and may therefore accept an agreement without fully understanding its significance. Similarly, if governments fail to consult sufficiently with civil society, or shroud WTO processes in unjustified secrecy, important considerations may be overlooked, decisions may not be understood by the public, and suspicions may be aroused that special interests have influenced the outcome. These issues, and others like them, will be discussed in Seattle.

2. The WTO is concerned only with free trade

Certainly, a central thrust of the WTO, as of its predecessor the GATT, is to encourage the removal of barriers to trade, and of other trade-distorting measures, so that goods and services can move more freely among member countries. Over the past 50 years, as discussed in earlier pages, freer trade has proved itself a powerful means of creating better jobs, and of promoting economic growth and development. Countries that have opened themselves to trade have been able to play to their economic strengths: to specialize, use their comparative advantages, and so generate growth and higher incomes, which in turn has helped to solve economic and social problems. The growth record of countries which have preferred higher trade barriers and comparative self-sufficiency has been nowhere near as good. Trade also contributes to making the world a safer place, by reducing poverty and creating shared interests in the stability of international relations.

But there is more to the WTO than a blind pursuit of free trade, and there is nothing automatic (or easy) about the process:

- The member countries themselves decide how far they want to go in removing trade barriers and distortions. Each country fixes its negotiating position in the light of its own priorities, as established by its own national processes of consultation and legislation. In the course of negotiations, these positions are usually adjusted, as perceptions change of what protection is needed for domestic interests, and what gains may be obtained from other members. But at the end of the negotiation, the final decision to accept further liberalization or not rests with each individual member. Governments are not forced into freer trade: this is why liberalization of world trade has lagged in sensitive sectors such as agriculture, textiles and clothing.

- The WTO itself is a negotiating forum. It offers rules, agreed on the basis of long experience, about how negotiations should be conducted. Only the member governments, however, can decide on whether to negotiate or not, on the form that negotiations should take, and on how far trade liberalization should go.
- Long experience also means that agreements reached provide time for barriers to be reduced gradually, allowing adjustment by domestic producers. Longer adjustment times are usually given for developing countries, and especially the least-developed countries, as well as other special provisions to take account of their situation.
- Explicit exceptions are provided for on health, safety, national security and a range of other public policy grounds.
- Other WTO rules prevent unfair trade. Members can impose special import duties to offset damage done to domestic producers by imports that are unfairly subsidized or “dumped”. Safeguard rules allow temporary restrictions, even if trade is fair, if a domestic industry needs more time to adjust. And standing exceptions mean that all members keep the right, for instance, to regulate or prevent imports or exports of weapons, narcotics, and products of prison labour, or to maintain measures need to protect human, animal or plant life.
- The thrust towards freer trade is not the only key principle of the WTO system. Others include non-discrimination (treating other members equally) and making sure conditions for trade are stable, predictable and transparent.

3. WTO rules and liberalization destroy jobs, depress wages and ignore workers' rights

Jobs, wages and workers' rights are central human issues, long recognized as deserving international attention: the International Labour Organization (ILO) was founded a generation earlier than the multilateral trading system. Concern about these matters is natural and proper. Trade and labour developments do influence one another. But their relationship is complex.

Trade can be a powerful force for supporting growth, and through growth for creating jobs and reducing poverty. Countries whose trading partners open up their

markets gain through higher exports: workers in export industries tend to receive higher pay and enjoy greater security. The greatest gains, however, go to the country that lowers its own barriers, since this removes distortions, lowers costs and widens choice, allowing it to use its own resources more efficiently.

Undeniably, producers and their workers previously shielded from foreign competition face new challenges when trade barriers are lowered. Some producers compete successfully by becoming more efficient, by specializing, or by shifting to production of new kinds of goods or services. Others don't. Some displaced workers adapt quickly, finding new employment, perhaps by moving elsewhere or retraining. Again, others don't.

Some countries are much better at making necessary adjustments than others. This is partly because they have more effective adjustment policies: better social safety nets, better educational facilities, including for retraining, and other policies that make it easier for workers to move to jobs, or for job opportunities to be created where the displaced workers are. Trade, by boosting the economy as a whole, creates resources that can be used to help adjustments happen more quickly. And as living standards rise, people demand a cleaner environment and more resources are available for education and health.

WTO rules allow time for adjustment to trade liberalization. Tariff cuts and other changes agreed on in negotiations are phased in gradually. Standing rules permit temporary safeguard and other contingency action against imports that are particularly damaging. Liberalization under the WTO, it should also be remembered, is the result of negotiations. Countries can and do refuse to open some parts of their markets if they feel that this would require unacceptably difficult adjustments. Countries can also renegotiate commitments if they are considered contrary to the national interest.

Trade accounts anyway for only a fraction of the adjustment needed in any dynamic economy. Technological advances, shifts in consumer demand, and competition from other domestic producers exert the greatest pressures for change. Adjustment, in the employment market as elsewhere, is a natural consequence of economic progress.

Simple comparisons of wage rates in rich and poor countries can be very misleading. What counts, in competition, is productivity in relation to costs: the output of goods and services in relation to the resources needed to produce them. Low wages alone are only one factor: others, in which the richer countries are generally far ahead, are workers' skills (and ill-treated labour is generally particularly unproductive), the production equipment at workers' disposal, managerial experience, and supporting infrastructure such as telecommunications, banking services, reliable power supplies, roads and ports.

According to a wide range of studies, imports from low-wage countries account for only 10–20 per cent of wage changes in developed countries. Of the rest, much results from "skill-based technological change" — a shift to technologies that require labour with higher levels of skill. Even that 10–20 per cent explained by imports from low-wage countries, however, can be a tempting argument for protectionism. But protection tends to raise costs, and encourage inefficiency. The OECD calculated the likely effects on US wages of imposing a 30 per cent duty on imports into the United States from developing countries. Working through the expected consequences, it found that the duty would actually *reduce* unskilled wages by 1 per cent and skilled wages by 5 per cent.

Some developed countries, at the urging of trade unions, periodically suggest that the WTO should consider labour issues. Developing countries have been strongly opposed, fearing that these concerns are put forward only as a cloak for protectionism. At the WTO's Singapore meeting in 1996, ministers reconciled their differences through a statement which expressed commitment to core labour standards, affirmed their support for the ILO as the responsible international body, stated the belief that trade and trade liberalization helped in promoting these standards, and agreed that the comparative advantage of countries must in no way be put into question. They endorsed collaboration between the WTO and ILO Secretariats, but did not support any WTO work on labour standards. Some governments want to go further at Seattle, and this issue will be discussed.

In 1998, the ILO's member governments (who are largely also members of the WTO) adopted a declaration which endorsed the basic principles of freedom of association, the right to collective bargaining, elimination of forced labour, effective abolition of child labour, and elimination of discrimination in hiring and employment practices.

This year, they agreed further to prohibit the worst forms of child labour, while recognizing that child labour is largely a function of poverty and that sustained growth is the key to eliminating its exploitative and harmful forms. According to a recent World Bank study, less than 5 per cent of child workers in the developing world are engaged in export-related activities.

4. Does the WTO put trade ahead of economic development, and ignore other problems of developing countries?

Trade and economic development are not alternative objectives. Trade fosters growth and development. Developing countries with open trade policies have consistently grown faster than closed economies. The great majority of WTO members — more than three quarters — are developing countries. They are members by their own choice, and full participants in all the organization's work and decisions.

In the early years of the multilateral system, not many developing countries were GATT members. Those who were made few commitments to open their markets to imports. Most put their faith in policies of import substitution, hoping this would encourage the growth of their own production capacity, and stayed largely on the sidelines in trade negotiations up to the end of the 1970s. Disappointment with the consequences, and the example provided by a few countries which adopted more liberal and market-oriented policies and enjoyed much faster growth, led to a sea-change in the trade policies of many developing countries in the 1980s. They reduced trade barriers, joined fully in the Uruguay Round negotiations, and accepted all the results. Many have achieved considerable trade success. A third of the world's largest trading countries are now developing countries. Developing countries' share in world trade has risen from a fifth to more than a quarter in just 12 years, and their share of trade in manufactures has doubled, to 20 per cent.

These trends are directly in line with the WTO's own objectives. The Preamble to the Marrakesh Agreement singles out the aim of "ensuring that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development".

Concerns of developing countries have been increasingly reflected in the trade rules, and in the course of negotiations. Special rules were added to the GATT in 1964 which gave priority to their trade needs, and stated that developed countries would not expect reciprocity from them for trade concessions made to them. Later agreements added the principle of special and differential treatment for developing countries, and authorized trade preferences for and among them. The WTO agreements generally give developing countries more time than developed countries to bring their policies into line with the new rules. Several agreements, notably those on agriculture and subsidies, require less liberalization by them than of developed countries. Obligations of least-developed countries are much fewer and smaller than those of other countries. Developing countries' insistence on their needs in the Uruguay Round led to major gains, such as the agreements on agriculture, and on phasing out restrictions on trade in textiles and clothing.

Developing countries are a major force in WTO work. The leverage given them by the WTO rule of consensus has allowed them to press successfully for recognition of their concerns, and also to block proposals which they believe inconsistent with their interests. Using the dispute settlement rules, they have fought back successfully against policy decisions by developed countries that discriminate against them, whether on textiles, bananas or through environmental measures. On certain issues, some make common cause with developed countries: the influential Cairns Group of agricultural exporters is made up almost equally of developed and developing countries.

This does not mean that developing countries are satisfied with the present situation. As shown by their proposals for the WTO's future work programme, many share concerns that tend to set them at odds with developed members. These include:

- belief that better implementation of existing WTO agreements, including faster removal of textiles restrictions, longer transition timetables for developing countries and greater technical assistance, should have priority over negotiation on new issues
- desire to change or ease some WTO rules which they believe give inadequate weight to their situation

- disappointment at continuing barriers to their exports, particularly against processed products based on their own natural resources
- concern at the practical burdens involved in taking part in WTO work for the small delegations of developing countries, and at the cost of dispute cases
- special problems of the least-developed countries (see the previous chapter of this booklet)

In addition, like all other members, each developing country seeks through the WTO to reach national objectives that reflect its own particular economic and trade strengths and weaknesses. By no means all issues split members along North/South lines. In several areas, including that of agriculture mentioned above, groups of developed and developing countries make common cause.

The outcome of one dispute is often cited as evidence that WTO rules go against the interests of developing countries. This is the banana case, in which the United States successfully complained that its trade interests were damaged by the way in which the European Union gave preferential access to the EU banana market to imports from Caribbean and other countries linked with it by the Lomé Convention. This complex and difficult case cannot be explained in a few words, but two points need to be stressed. First, the complaint was not brought only by the United States, but also by four developing country exporters in Latin America whose banana exports were adversely affected by the EU's arrangements. Second, the dispute ruling concerned the way in which import restrictions and domestic regulations were applied. Neither the dispute judgement nor the complainants have questioned the European Union's right, granted to it by the GATT in 1994 and the WTO in 1996, to give tariff preferences to its Lomé associates.

Other developing-country economic problems such as debt burdens, the decline in flows of official development aid, and unstable commodity prices, fall outside the responsibility of the WTO, but are obviously relevant to their trade concerns. Such linkages between trade and other economic policies are recognized in the WTO agreement, which requires the WTO to work with the IMF and World Bank to achieve greater coherence in global economic policymaking. This cooperation, which also brings in UNCTAD and other agencies, particularly in efforts to help the least-developed countries, is expanding steadily.

5. Do WTO rules and dispute rulings menace the environment, health, and safety?

Because these claims are often thrown at the WTO together, they will also be dealt with together here. But they need to be disentangled.

Let's look first at what really happened in a number of widely — and sometimes inaccurately reported WTO dispute cases, and then at what the rules say on the issues of environment, health and safety. Let's consider also whether the WTO is the right or wrong place to handle these burning issues. In doing so, we should also remember that well-publicized disputes between members make good headlines. The vast majority of disputes are settled without fanfare, or public contention. Moreover, only 1 per cent of trade between the United States and the European Union, for example, has been the subject of disputes.

THE WTO AND THE ENVIRONMENT

Three separate dispute cases have been brought against the United States by developing countries who felt they were being unfairly treated by the way in which US laws to protect the environment were being applied against them. Each time, the developing countries concerned won their case.

1. US standards for gasoline (complaints by Venezuela and Brazil)

Under the US Clean Air Act, the government set standards for gasoline, to reduce pollution. Venezuela and Brazil complained to the WTO, and won, because the standards applied to gasoline exported by them to the United States were more burdensome than the standards applied to domestic refineries. In certain circumstances, even though a domestic refiner and a foreign refiner refined gasoline with identical chemical composition, the foreign refiner did not meet the standard whereas the US refiner did. No environmental justification was provided for this. The dispute judgement by the WTO Appellate Body specifically upheld the right of the United States to adopt the highest possible standard to protect its air quality, provided it applied this standard in a way that

was not unjustifiably discriminatory or a disguised restriction on international trade.

2. The tuna-dolphin case (complaint by Mexico)

This case was brought and decided in 1991, under the rules and dispute procedures of the GATT. It arose from an embargo imposed under the Marine Mammals Protection Act on US imports of tuna from Mexico, because the technique used by Mexican fishing fleets to catch tuna was resulting in the incidental death of a larger number of dolphins than the Act permitted. A complicating factor was an additional embargo on imports of tuna from other countries that could not prove the tuna had not come from Mexico. Mexico won because the dispute panel did not accept that in this case other GATT rules overrode a basic prohibition on import restrictions. The trade problem was later resolved by cooperation between the United States and Mexico to improve fishing methods.

3. The shrimp-turtle case (complaints by India, Malaysia, Pakistan, Thailand and the Philippines)

Somewhat similar to the tuna-dolphin case, this involved restrictions on imports of shrimp from the complainant countries because the shrimp were caught by methods that incidentally caught sea turtles, an endangered species. On appeal, the WTO Appellate Body stated that WTO members may take measures "relating to the conservation of exhaustible natural resources", including sea turtles. However, these measures may not be applied in a way that is arbitrary or unjustifiable or constitutes a disguised restriction on international trade. In this case, the US measure failed to meet these requirements because, in applying it, the United States treated some WTO members less favourably than others, did not accept sea turtle protection programmes of other members that were equivalent to the US programme, and banned imports of shrimp, even if harvested in a way that complied with US regulations, if the country of origin of the imports had not been certified under the US regulation.

Charlene Barshefsky, the United States Trade Representative, emphasized in a statement in October 1999 that "the United States has not relaxed any environmental law or health or safety law in order to comply with any WTO ruling".

She explained that where changes have been made, this was to equalize treatment of US and foreign companies.

Article XX of the GATT specifically allows member governments to act to protect human, animal or plant life or health, and to conserve exhaustible natural resources. Under other WTO agreements, subsidies are permitted for environmental protection, and environmental objectives are recognized in agreements dealing with product standards, food safety and intellectual property protection. The dispute cases just discussed arose because the protection measures treated foreign suppliers less favourably than domestic suppliers, or discriminated among foreign suppliers.

Environmental issues remain controversial in the WTO, basically for two reasons. The first is that some developing countries fear that environmental measures may be used, deliberately or not, to create barriers to their exports. They also argue that they need economic growth to raise their own environmental standards. The second is that work in the WTO, in its Committee on Trade and Environment, does suggest some risk that conflict could arise between provisions in multilateral environmental agreements permitting trade measures and WTO rules. No such conflict has yet happened. The discussion will certainly be carried forward in Seattle.

What about the argument that trade itself damages the environment? Any economic activity can damage the environment when environmental resources are undervalued. Whether trade is damaging, or actually helps the environment, will depend on such factors as the production technology used. Sweeping generalizations, positive or negative, are wrong. Some points:

- Most pollution arises from production processes, not trade (although some can be associated with the transport of goods).
- Poverty is a major enemy of the environment. Without trade, developing countries will find it difficult to achieve the economic growth and higher living standards that will generate the necessary resources for and promote interest in the defence of the environment.
- The contribution of an open, equitable, non-discriminatory and predictable multilateral trading system to achieving the objectives of sustainable development was recognized at the Rio Earth Summit in 1992.

- There is little evidence for the claim that polluting industries tend to migrate from developed to developing countries to reduce environmental compliance costs.
- Trade agreements to cut subsidies to fishing and agriculture could be powerful instruments to reduce over-fishing, excessive use of fertilizers and farming on marginal or ecologically fragile land.
- Tariff cuts on imports of processed wood products by developed countries could encourage better forest management. Countries that now fell forests indiscriminately to export logs in bulk, or to use the land for farming, would see value in sustainable forestry if they could earn more by selling wood-based products like plywood and furniture. Freer trade in environmental goods and services would reduce costs of investing in clean production technologies and environmental management systems.

THE WTO AND HEALTH AND SAFETY

Health and safety standards

Two WTO agreements reached by the member governments during the Uruguay Round negotiations deal directly with these issues. The Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) sets out some basic rules for standard-setting for food safety, animal and plant health. The Agreement on Technical Barriers to Trade (TBT) deals with other standards, for instance those which lay down safety requirements for automobiles and electrical equipment, as well as labelling requirements. Both recognize that governments have the sovereign right to set standards as high as they think necessary. Their central objective is to prevent governments from using standards as disguised protection, by setting standards in ways that favour domestic producers, or discriminate against foreign goods and services.

The SPS agreement, unlike the TBT agreement, has proved somewhat controversial in its application, as is evident from the reactions to the dispute between the United States and the EU on the use of growth hormones in beef. The SPS Agreement deals

with matters about which people naturally care deeply. While the agreement leaves it to governments to decide what level of health risk it considers acceptable, it includes provisions designed to prevent action that is arbitrary, or disproportionate to suspected risks. It identifies food standards established by Codex Alimentarius, a joint body of two UN specialized agencies (WHO and FAO) as reference standards. It also requires SPS measures to be based on an appropriate assessment of risks, taking into account available scientific evidence and such relevant factors as inspection and testing methods, and potential damage from the spread of a pest or disease.

In discussion of these issues, reference is often made to the "precautionary principle", sometimes paraphrased as "better safe than sorry". The reasoning behind it is that when information is incomplete, regulators should act in the face of suspected serious risks. Such action should, however, be based on what is known, and be proportionate to the suspected risks. The SPS agreement allows for this: it specifically allows a government, in the absence of sufficient scientific evidence on which to base a measure, to take a provisional measure on the basis of the information it has. If such a measure is taken, the government must seek further information and review the measure in its light. No member has attempted to use WTO rules, for example, to challenge the restrictions imposed on imports of meat products from animals exposed to BSE, or "mad cow" disease.

The controversy about the SPS agreement mainly concerns three points:

- The first is the belief that the agreement, along with the TBT agreement, sets health and safety protection at particular levels, and prevents or discourages governments from giving higher protection. This is simply wrong. Both agreements support international standards, as a means of preventing unnecessary obstacles to trade. This does not imply, as is sometimes suggested, a "race to the bottom": international standards are generally based on best practice in developed countries. But the agreements leave individual governments free to set higher standards.
- The second concerns one well-known dispute, the US/Canadian complaint against the European Union's ban on imports of beef from cattle raised on growth hormones. The EU lost the case because it could not cite convincing scientific evidence to support the ban. (It did not argue that the ban was

provisional.) Some EU governments, and many commentators, have suggested that the case shows that the SPS rules may themselves need review.

- The third point concerns biotechnology, and particularly genetically-modified foods and other organisms (GMOs). This issue has yet to reach the WTO, except for some discussion of labelling of GM foods. But the widespread alarm about possible risks from application of biotechnology, particularly in Europe, point to potential difficulties ahead.

TRIPS and public health

The WTO agreement on trade aspects of intellectual property protection (TRIPS) also arouses controversy, notably because of its rules on patent protection for pharmaceuticals. The basic argument for patent protection is that, by rewarding inventors, it gives them the incentive to make discoveries from which the community benefits. The costs of developing new pharmaceutical products and bringing them to market, in terms of the research, development, testing and certification required, are colossal — expenditure of hundreds of millions of dollars is now quite normal before any sales are made. A difficult balance has to be struck between encouraging the development of new medicines and ensuring that they are available widely and at reasonable cost to the people who need them. The TRIPS agreement tries to strike that balance, by requiring 20-year patent protection, but also leaving it to individual governments to decide whether some kinds of inventions (for instance, medical treatment methods) should be patentable, and allowing compulsory licensing, especially to counteract anti-competitive practices. Moreover, the obligations of the TRIPS Agreement do not stand in the way of price controls and similar types of measures for pharmaceuticals.

The TRIPS Agreement explicitly states that if a country allows parallel imports — that is, imports of goods already put on the market in another country with the right holder's authorization — those practices cannot be challenged under the Agreement. In bilateral discussions between governments on this subject, countries often invoke the TRIPS Agreement when they want to resist requests from trading partners to limit the use of these various forms of flexibility.

IS THE WTO THE PLACE TO DISCUSS THESE ISSUES?

Comments on such controversial issues as the shrimp/turtle case, and the ruling on EU imports of US beef, sometimes seem confused. On one hand, WTO dispute settlement panels are accused of being irresponsible faceless bureaucrats, and the organization itself of trampling on national sovereignty and placing trade concerns over other important economic and humanitarian objectives. On the other, the perceived strength of the WTO dispute procedures leads to suggestions that WTO dispute panels should rule on non-trade concerns. Both can't be right. In fact, neither is.

The "faceless bureaucrats" on dispute panels are government trade officials or outside experts chosen for their knowledge of the trade rules and their impartiality. They hear evidence and then make rulings that are restricted to the question of whether the action complained against broke rules in one or more of the WTO agreements. They do not consider other issues, because they are not asked or qualified to do so. The Appellate Body, which is usually requested by the losing party to review the conclusions reached, consists of a small number of highly distinguished legal professionals. Its sole task is to review, and if necessary correct, the legal reasoning in panel reports. However, it has sometimes — as in the shrimp/turtle case — also underlined the limited reach of WTO obligations.

The idea that panels should take it on themselves to judge, for instance, whether food products involve unacceptable levels of risk for the environment is equally wrong. Judgements by international organizations have to be based on whether or not specific rules and commitments have been broken. If the aim is to have tribunals pass judgement on environmental issues, you first need agreed environmental rules, and agreed mechanisms for handling disputes about them. There may well be a case for establishing multilateral rules and mechanisms to deal with environmental issues similar to those which the WTO provides for trade. There is no compelling case for giving the job to the WTO rather than to a more specialized agency.

Ultimately, the responsibility comes back to governments. It is they that must recognize when new developments and concerns raise problems in international relations. It is they that must, when appropriate, seek new agreements. When trade

and non-trade objectives conflict, it is they that should find agreed solutions among themselves.

6. With so much at stake, the WTO must respond to its critics

Yes, it must and not all our critics are wrong. The system can be improved. What system created by people cannot be improved?

The days are long gone when trade negotiators wrangled only over tariff cuts, and made secrecy a top priority to prevent leaks of information from which speculators might profit. Even then, governments had a responsibility to carry national public opinion with them in seeking to cut trade barriers. Today they deal in the WTO with a much wider range of subjects, reaching even into areas previously outside the scope of international trade agreements. WTO negotiations and rules touch people's lives, present and future, in fundamental ways. As President Clinton said recently, such questions cannot be left to a "private priesthood for experts", particularly in an open world "where anybody can get on the Internet and say anything". The WTO has to reach out to its critics, demystify what it is doing, and provide civil society with information it needs to reach informed views that can then be brought to bear on governments.

This is not quite as straightforward as it may appear. The WTO is a government-to-government organization. Many members feel that they alone should bring direct influence to bear on discussions in the WTO. Elected sovereign governments, they say, have a legitimacy that no non-governmental organization can claim. They accept that national interests should be defined within each country by debate in which everyone can participate, including nongovernmental organizations of all kinds, from private corporations to defenders of consumers and the environment. But they insist that those interests, once defined, can be represented in the WTO only by governments.

One consequence is that governments have repeatedly said that they themselves have the main responsibility for enhancing public understanding of the WTO. Another is that there are limits to how far many members are prepared to go in allowing non-governmental organizations and individual private citizens into the

workings of the WTO, for instance by observing meetings and dispute proceedings. In the latter case, arguments about government responsibilities are not the only factor. Some members, particularly the smaller ones, fear that if acknowledged WTO meetings are thrown open, decisions affecting their interests will be taken in unacknowledged meetings to which they are not invited.

The debate on how far the WTO should open up is in full swing, and will no doubt continue at the Seattle meeting.

Meanwhile, however, much has already been done:

- Public access to WTO documentation — proposals, discussions and decisions — has been enormously improved. Documents are no longer routinely kept confidential for long periods: most are now issued without restriction, and posted to the WTO's Internet site (www.wto.org) immediately. The texts of most proposals for the Seattle meeting, for instance, can be consulted now by anyone, any time.
- Relations with non-governmental organizations have been greatly strengthened. Some 750 of them will be represented at the Seattle meeting, and will attend plenary sessions. On the eve of the meeting, the WTO is organizing a large full-day symposium at which NGOs will debate with government representatives on international trade issues for the next century. Similar symposia have been held at WTO headquarters in Geneva, including two in March 1999 on environmental and development issues.
- The press service of the WTO has been strengthened to keep pace with a huge and continuing increase in media interest.
- The Secretariat publishes a regular newsletter ("*WTO Focus*") on activities, as well as guides to the WTO agreements, reports, videos, and other publications — of which this is one — to help understanding of the WTO. It maintains the WTO website as a comprehensive source of up-to-date information on the WTO.
- The Director-General of the WTO, like his predecessors, uses frequent public statements and meetings with parliamentarians, non-government organizations and the general public to spread understanding of trade issues, and of what the WTO is doing about them.

Glossary of terms

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General

Built-in agenda Post-1995 work set out in WTO agreements.

GATT General Agreement on Tariffs and Trade, which has been superseded as an international organization by the WTO. An updated General Agreement is now one of the WTO's agreements.

GATT 1947 The old (pre-1994) version of the GATT.

GATT 1994 The new version of the General Agreement, incorporated into the WTO, which governs trade in goods.

General Council Top WTO decision-making body between ministerial conferences. Usually Geneva-based diplomats. Comprises all WTO members.

Members WTO governments (first letter capitalized, in WTO style).

Ministerial Conference Supreme WTO decision-making body comprising ministers from all members. Meets at least once every two years.

MFN Most-favoured-nation treatment (GATT Article I, GATS Article II and TRIPS Article 4), the principle of not discriminating between one's trading partners.

national treatment The principle of giving others the same treatment as one's own nationals. GATT Article III requires that imports be treated no less favourably than the

same or similar domestically-produced goods once they have passed customs. GATS Article XVII and TRIPS Article 3 also deal with national treatment for services and intellectual property protection.

TPRB, TPRM The **Trade Policy Review Body** is General Council operating under special procedures for meetings to review trade policies and practices of individual WTO members under the **Trade Policy Review Mechanism**.

transparency Degree to which trade policies and practices, and the process by which they are established, are open and predictable.

Uruguay Round Multilateral trade negotiations launched at Punta del Este, Uruguay in September 1986 and concluded in Geneva in December 1993. Signed by ministers in Marrakesh, Morocco, in April 1994.

Tariffs

binding, bound see "tariff binding"

electronic commerce The production, advertising, sale and distribution of products via telecommunications networks.

free-rider A casual term used to infer that a country which does not make any trade concessions, profits, nonetheless, from tariff cuts and concessions made by other countries in negotiations under the most-favoured-nation principle.

Harmonized System An international nomenclature developed by the World Customs Organization, which is arranged in six digit codes allowing all participating countries to classify traded goods on a common basis. Beyond the six digit level, countries are free to introduce national distinctions for tariffs and many other purposes.

ITA Information Technology Agreement, or formally the Ministerial Declaration on Trade in Information Technology Products, under which participants will remove tariffs on IT products by the year 2000.

ITA II Negotiations aimed at expanding ITA's product coverage.

nuisance tariff Tariff so low that it costs the government more to collect it than the revenue it generates.

schedule of concessions List of bound tariff rates.

tariff binding Commitment not to increase a rate of duty beyond an agreed level. Once a rate of duty is bound, it may not be raised without compensating the affected parties.

tariff escalation Higher import duties on semi-processed products than on raw materials, and higher still on finished products. This practice protects domestic

processing industries and discourages the development of processing activity in the countries where raw materials originate.

tariff peaks Relatively high tariffs, usually on “sensitive” products, amidst generally low tariff levels. For industrialized countries, tariffs of 15 per cent and above are generally recognized as “tariff peaks”.

tariffs Customs duties on merchandise imports. Levied either on an ad valorem basis (percentage of value) or on a specific basis (e.g. \$7 per 100 kgs.). Tariffs give price advantage to similar locally-produced goods and raise revenues for the government.

WCO World Customs Organization, a multilateral body located in Brussels through which participating countries seek to simplify and rationalize customs procedures.

Non-tariff measures

anti-dumping duties Article VI of the GATT 1994 permits the imposition of anti-dumping duties against dumped goods, equal to the difference between their export price and their normal value, if dumping causes injury to producers of competing products in the importing country.

circumvention Measures taken by exporters to evade anti-dumping or countervailing duties.

countervailing measures Action taken by the importing country, usually in the form of increased duties to offset subsidies given to producers or exporters in the exporting country.

dumping Occurs when goods are exported at a price less than their normal value, generally meaning they are exported for less than they are sold in the domestic market or third-country markets, or at less than production cost.

NTMs Non-tariff measures such as quotas, import licensing systems, sanitary regulations, prohibitions, etc.

price undertaking Undertaking by an exporter to raise the export price of the product to avoid the possibility of an anti-dumping duty.

PSI Preshipment inspection — the practice of employing specialized private companies to check shipment details of goods ordered overseas — i.e. price, quantity, quality, etc.

QRs Quantitative restrictions — specific limits on the quantity or value of goods that can be imported (or exported) during a specific time period.

rules of origin Laws, regulations and administrative procedures which determine a product's country of origin. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty. These rules can vary from country to country.

safeguard measures Action taken to protect a specific industry from an unexpected build-up of imports — governed by Article XIX of the GATT 1994.

subsidy There are two general types of subsidies: export and domestic. An export subsidy is a benefit conferred on a firm by the government that is contingent on exports. A domestic subsidy is a benefit not directly linked to exports.

tariffication Procedures relating to the agricultural market-access provision in which all non-tariff measures are converted into tariffs.

trade facilitation Removing obstacles to the movement of goods across borders (e.g. simplification of customs procedures).

VAR, VER, OMA Voluntary restraint arrangement, voluntary export restraint, orderly marketing arrangement. Bilateral arrangements whereby an exporting country (government or industry) agrees to reduce or restrict exports without the importing country having to make use of quotas, tariffs or other import controls.

Textiles and clothing

ATC The WTO Agreement on Textiles and Clothing which integrates trade in this sector back to GATT rules within a ten-year period.

carry forward When an exporting country uses part of the following year's quota during the current year.

carry over When an exporting country utilizes the previous year's unutilized quota.

circumvention Avoiding quotas and other restrictions by altering the country of origin of a product.

CTG Council for Trade in Goods — oversees WTO agreements on goods, including the ATC.

integration programme The phasing out of MFA restrictions in four stages starting on 1 January 1995 and ending on 1 January 2005.

ITCB International Textiles and Clothing Bureau — Geneva-based group of some 20 developing country exporters of textiles and clothing.

MFA Multifibre Arrangement (1974–94) under which countries whose markets are disrupted by increased imports of textiles and clothing from another country were able to negotiate quota restrictions.

swing When an exporting country transfers part of a quota from one product to another restrained product.

TMB The Textiles Monitoring Body, consisting of a chairman plus ten members acting in a personal capacity, oversees the implementation of ATC commitments.

transitional safeguard mechanism Allows members to impose restrictions against individual exporting countries if the importing country can show that both overall imports of a product and imports from the individual countries are entering the country in such increased quantities as to cause — or threaten — serious damage to the relevant domestic industry.

Agriculture/SPS

Agenda 2000 EC's financial reform plans for 2000–06 aimed at strengthening the union with a view to receiving new members. Includes reform of the CAP (see below).

border protection Any measure which acts to restrain imports at point of entry.

BSE Bovine spongiform encephalopathy, or "mad cow disease".

box Category of domestic support. **Green box:** supports considered not to distort trade and therefore permitted with no limits. **Blue box:** permitted supports linked to production, but subject to production limits and therefore minimally trade-distorting. **Amber box:** supports considered to distort trade and therefore subject to reduction commitments.

Cairns Group Group of agricultural exporting nations lobbying for agricultural trade liberalization. It was formed in 1986 in Cairns, Australia just before the beginning of the Uruguay Round. Current membership: Australia, Argentina, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

CAP Common Agricultural Policy — The EU's comprehensive system of production targets and marketing mechanisms designed to manage agricultural trade within the EU and with the rest of the world.

Codex Alimentarius FAO/WHO commission that deals with international standards on food safety.

distortion When prices and production are higher or lower than levels that would usually exist in a competitive market.

deficiency payment Paid by governments to producers of certain commodities and based on the difference between a target price and the domestic market price or loan rate, whichever is the less.

EEP Export enhancement programme — programme of US export subsidies given generally to compete with subsidized agricultural exports from the EU on certain export markets.

food security Concept which discourages opening the domestic market to foreign agricultural products on the principle that a country must be as self-sufficient as possible for its basic dietary needs.

internal support Encompasses any measure which acts to maintain producer prices at levels above those prevailing in international trade; direct payments to producers, including deficiency payments, and input and marketing cost reduction measures available only for agricultural production.

International Office of Epizootics Deals with international standards concerning animal health.

multifunctionality idea that agriculture has many functions in addition to producing food and fibre, e.g. environmental protection, landscape preservation, rural employment, etc.

peace clause Provision in Article 13 of the Agriculture Agreement says agricultural subsidies committed under the agreement cannot be challenged under other WTO agreements, in particular the Subsidies Agreement and GATT. Expires at the end of 2003.

reform programme Programme for reducing subsidies and protection and other reforms under the Agriculture Agreement.

SPS regulations Sanitary and Phytosanitary regulations — government standards to protect human, animal and plant life and health, to help ensure that food is safe for consumption.

variable levy Customs duty rate which varies in response to domestic price criterion.

Intellectual property

Berne Convention Treaty, administered by WIPO, for the protection of the rights of authors in their literary and artistic works.

CBD Convention on Biological Diversity

counterfeit Unauthorized representation of a registered trademark carried on goods identical or similar to goods for which the trademark is registered, with a view to deceiving the purchaser into believing that he/she is buying the original goods.

geographical indications Place names (or words associated with a place) used to identify products (for example, "Champagne", "Tequila" or "Roquefort") which have a particular quality, reputation or other characteristic because they come from that place

intellectual property rights Ownership of ideas, including literary and artistic works (protected by copyright), inventions (protected by patents), signs for distinguishing goods of an enterprise (protected by trademarks) and other elements of industrial property.

IPRs Intellectual property rights.

Lisbon Agreement Treaty, administered by WIPO, for the protection of geographical indications and their international registration.

Madrid Agreement Treaty, administered by WIPO, for the repression of false or deceptive indications of source on goods.

mailbox Refers to the requirement of the TRIPS Agreement applying to WTO members which do not yet provide product patent protection for pharmaceuticals and for agricultural chemicals. Since 1 January 1995, when the WTO agreements entered into force, these countries have to establish a means by which applications of patents for these products can be filed. (An additional requirement says they must also put in place a system for granting "exclusive marketing rights" for the products whose patent applications have been filed.)

Paris Convention Treaty, administered by WIPO, for the protection of industrial intellectual property, i.e. patents, utility models, industrial designs, etc.

piracy Unauthorized copying of copyright materials for commercial purposes and unauthorized commercial dealing in copied materials.

Rome Convention Treaty, administered by WIPO, UNESCO and ILO, for the protection of the works of performers, broadcasting organizations and producers of phonograms.

TRIPS Trade-Related Aspects of Intellectual Property Rights.

UPOV International Union for the Protection of New Varieties of Plants (Union internationale pour la protection des obtentions végétales)

Washington Treaty Treaty for the protection of intellectual property in respect of layout designs of integrated circuits.

WIPO World Intellectual Property Organization.

Investment

export-performance measure Requirement that a certain quantity of production must be exported.

FDI Foreign direct investment.

local-content measure Requirement that the investor purchase a certain amount of local materials for incorporation in the investor's product.

product-mandating Requirement that the investor export to certain countries or region.

trade-balancing measure Requirement that the investor use earnings from exports to pay for imports.

TRIMS Trade-related investment measures.

Dispute settlement

Appellate Body An independent seven-person body that, upon request by one or more parties to the dispute, reviews findings in panel reports.

automaticity The “automatic” chronological progression for settling trade disputes in regard to panel establishment, terms of reference, composition and adoption procedures.

DSB Dispute Settlement Body — when the WTO General Council meets to settle trade disputes.

DSU The Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes.

nullification and impairment Damage to a country's benefits and expectations from its WTO membership through another country's change in its trade regime or failure to carry out its WTO obligations.

panel Consisting of three experts, this independent body is established by the DSB to examine and issue recommendations on a particular dispute in the light of WTO provisions.

Services

accounting rate In telecoms, the charge made by one country's telephone network operator for calls originating in another country.

commercial presence Having an office, branch, or subsidiary in a foreign country.

GATS The WTO's General Agreement on Trade in Services.

general obligations Obligations which should be applied to all services sector at the entry into force of the agreement.

Initial commitments Trade liberalizing commitments in services which members are prepared to make early on.

modes of delivery How international trade in services is supplied and consumed. Mode 1: cross border supply; mode 2: consumption abroad; mode 3: foreign commercial presence; and mode 4: movement of natural persons.

multi-modal Transportation using more than one mode. In the GATS negotiations, essentially door-to-door services that include international shipping.

national schedules The equivalent of tariff schedules in GATT, laying down the commitments accepted — voluntarily or through negotiation — by WTO members.

natural persons People, as distinct from juridical persons such as companies and organizations.

offer A country's proposal for further liberalization.

protocols Additional agreements attached to the GATS. The Second Protocol deals with the 1995 commitments on financial services. The Third Protocol deals with movement of natural persons.

prudence, prudential In financial services, terms used to describe an objective of market regulation by authorities to protect investors and depositors, to avoid instability or crises.

schedule "Schedule of Specific Commitments" — A WTO member's list of commitments regarding market access and bindings regarding national treatment.

specific commitments See "schedule".

Regionalism/trade and development

ACP African, Caribbean and Pacific countries. Group of 71 countries with preferential trading relation with the EU under the Lomé Treaty.

Andean Community Bolivia, Colombia, Ecuador, Peru and Venezuela.

APEC Asia Pacific Economic Cooperation forum.

ASEAN Association of Southeast Asian Nations. The seven ASEAN members of the WTO — Brunei, Indonesia, Malaysia, Myanmar, the Philippines, Singapore and Thailand — often speak in the WTO as one group on general issues. The other ASEAN members are Laos and Vietnam.

Caricom The Caribbean Community and Common Market comprises 15 countries.

CTD The WTO Committee on Trade and Development

Customs union Members apply a common external tariff (e.g. the EC).

EC European Communities (official name of the European Union in the WTO).

EFTA European Free Trade Association.

free trade area Trade within the group is duty free but members set own tariffs on imports from non-members (e.g. NAFTA).

G15 Group of 15 developing countries acting as the main political organ for the Non-Aligned Movement.

G77 Group of developing countries set up in 1964 at the end of the first UNCTAD (originally 77, but now more than 130 countries).

G7 Group of seven leading industrial countries: Canada, France, Germany, Italy, Japan, United Kingdom, United States.

GRULAC Informal group of Latin-American members of the WTO.

GSP Generalized System of Preferences — programmes by developed countries granting preferential tariffs to imports from developing countries.

HLM WTO High-Level Meeting for LDCs, held in October 1997 in Geneva.

ITC The International Trade Centre, originally established by the old GATT and is now operated jointly by the WTO and the UN, the latter acting through UNCTAD. Focal point for technical cooperation on trade promotion of developing countries.

LDCs Least-developed countries.

Mercosur Argentina, Brazil, Paraguay and Uruguay.

NAFTA North American Free Trade Agreement of Canada, Mexico and the US.

Quad Canada, EC, Japan and the United States.

SACU Southern African Customs Union comprising Botswana, Lesotho, Namibia, South Africa and Swaziland.

S&D "Special and differential treatment" provisions for developing countries. Contained in several WTO agreements.

UNCITRAL United Nations Centre for International Trade Law, drafts model laws such as the one on government procurement.

UNCTAD The UN Conference on Trade and Development.

Trade and environment

Agenda 21 The Agenda for the 21st Century — a declaration from the 1992 Earth Summit (UN Conference on the Environment and Development) held in Rio de Janeiro.

Article XX GATT Article listing allowed "exceptions" to the trade rules.

Basel Convention An MEA dealing with hazardous waste.

BTA Border tax adjustment

CITES Convention on International Trade in Endangered Species. An MEA.

CTE The WTO Committee on Trade and Environment.

EST Environmentally-sound technology.

EST&P EST and products.

ex ante, ex post Before and after a measure is applied.

LCA Life cycle analysis — a method of assessing whether a good or service is environmentally friendly.

MEA Multilateral environmental agreement.

Montreal Protocol An MEA dealing with the depletion of the earth's ozone layer.

PPM Process and production method.

TBT The WTO Agreement on Technical Barriers to Trade.

waiver Permission granted by WTO members allowing a WTO member not to comply with normal commitments. Waivers have time limits and extensions have to be justified.