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Reflections After Seattle

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Abstract

The WTO cannot operate in isolation from the concerns of the world in which it exists. Our ability to advance trade, build a stronger system, and move forward in a new round will hinge on our ability to make simultaneous progression on these issues. How do we do this? First, we must move toward a more collective leadership, one that reflects the reality of a multipolar world and especially the emergence of developing-country powers. Second, we need to look at the policy challenges we face as pieces of an interconnected puzzle. Third, we need a new forum for the management of these complex issues, one that is truly representative of the new global realities and that brings world leaders together to tackle an expanded policy agenda and the new challenges of globalization. Fourth, there is a need for a clear mandate from leaders to promote a common global strategy and common global actions.

REFLECTIONS AFTER SEATTLE

*Renato Ruggiero**

We already live in a new world, very different from the world that launched the Uruguay Round just a decade and a half ago. The Cold War is over. Even more significant is the rise of the developing world as a major power in the international economy as a result of the shift to freer markets and open trade—an event that could rank with the industrial revolution in historical significance. All of this is taking place against the backdrop of globalization, the linking together of countries at different levels of development by technology, information, and ideas, as well as by economics. The presence in Seattle of thousands of people from all over the world signalled a new reality, still very much incomplete and unbalanced, that is taking shape. Each of these events alone would have widened the frontiers of the trading system and tested its ability to adapt. Together they represent a fundamental challenge to the way this system works and a dramatic expansion of the role the World Trade Organization[1] ("WTO") is being asked to play.

How is the WTO to make decisions and set priorities on the basis of consensus among 130-plus members, including trade powers such as Brazil, India, South Africa, and soon China, not to mention the United States and the European Union? How

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1. Marrakesh Agreement Establishing the World Trade Organization, LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 1, 33 I.L.M. 1144 (1994) [hereinafter WTO Agreement].

can it hope to cope with new issues such as investment or competition policy while avoiding institutional over-stretch? How is it to manage the interface with nontrade issues such as health policy, the environment, labor standards, and human rights? And how will it avoid a "democratic deficit," or the concern that the trading system is out of touch with the very people it was designed to serve?

For almost fifty years, the trade policy debate was essentially about free trade versus protectionism. Although this is obviously still important, the WTO now finds itself at the center of a new and much more complex debate about how to manage global economic interdependence. Why is the WTO in this position? In part it is the victim of its own success. The WTO was created in 1995 to be a pillar of this globalizing world. Our goal was an ambitious one: to build a universal trading system bringing all economies under one institutional roof and one set of rules while preserving special and differential treatment for developing countries.

In the first five years of its existence, the WTO moved substantially toward these ambitions. We now have 140 members, four-fifths of which are developing or transition economies. China shortly will join, and an additional twenty-eight candidates are waiting in line, including Russia, Saudi Arabia, and Vietnam. We have brought some of the most advanced sectors of the world economy into the system, with sweeping agreements in information technologies, telecommunications, and financial services, underlining the reality that multilateralism, rather than regionalism, offers the most viable framework for globalized trade. Our efforts to integrate the least-developed countries has achieved strong support, and we have begun important dialogue with non governmental organizations. Most important, we have established a binding dispute settlement mechanism,[2] which is not only used by a growing number of countries, large and small, but is respected by them as well.

The WTO's role among international institutions has grown significantly and its increased political significance was underlined by the presence of world leaders at the 50th anniversary

2. *See* Understanding on Rules and Procedures Governing the Settlement of Disputes, Apr. 15, 1994, WTO Agreement, Annex 2 LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND vol. 31, 33 I.L.M. 1226 (1994) [hereinafter DSU].

celebration of the General Agreement on Tariffs and Trade[3] ("GATT") in May 1998.

As the WTO becomes more important to the world economy, it also becomes a growing focal point for public hopes and concerns. How should the world protect endangered species and promote sustainable development? Should trade be linked to labor standards and human rights? Can we preserve cultural identities in an age of borderless communications? Can we have an open world economy without a stable financial system? And what about eradicating poverty, reducing inequalities, and promoting the rights of women? These and many other issues are a world away from "traditional" trade concerns such as tariffs or quotas. And yet all find themselves part, directly or indirectly, of the new trade agenda. All appear interlinked—many facets of a single issue—to the public. All will be expressed more loudly and insistently in an age when the images of ethnic cleansing, starving children, or burning rain forests come into our homes every night via television. People will demand answers, and rightly so.

My point is not that the WTO as an institution has the responsibility for answering all of these questions. We cannot—and should not—ask the WTO to also become a development agency, an environmental policeman, or a watchdog for labor and human rights. This organization cannot be allowed to gradually drift away from its trade vocation. It would serve neither the WTO nor any other cause if it were to pretend it could offer solutions to every nontrade issue.

But equally clearly, the WTO cannot operate in isolation from the concerns of the world in which its exists. Deeper integration means that trade and commercial exchanges do not take place in a vacuum. More than ever before, trade and the rules of the trading system intersect with a broad array of other policies and issues, from investment and competition policy to environmental, developmental health, and labor standards. We have to improve the relationship between all these issues and the trade system so as to respond to the desire for a coherent and balanced consideration of different policies and objectives. Our ability to advance trade, build a stronger system, and move for-

3. General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11, T.I.A.S. 1700, 55 U.N.T.S. 194 [hereinafter GATT].

ward in a new round will hinge on our ability to make simultaneous progression on these issues. How do we do this? First, we must move toward a more collective leadership, one that reflects the reality of a multipolar world and especially the emergence of developing-country powers. This does not mean that the G-7/G-8 is suddenly any less important. It means simply that the advanced economies alone are no longer enough to provide international leadership. The new G-20, even if it exists only at a level of finance ministers, is already indicative of the kind of broader international leadership that is needed.

Second, we need to look at the policy challenges we face as pieces of an interconnected puzzle. We can no longer treat trade, finance, the environment, development issues, health, and human rights as separate sectoral issues. Both nationally and internationally, we need to give more thought to how we co-ordinate policy goals, harmonize an expanding web of international agreements, and commit ourselves to agreed common actions. As we enter a new century, we need a new vision of security—human security—that reflects the reality that financial crises or environmental degradation are equally threatening to the global peace and demand an equally collective response.

Third, we need a new forum for the management of these complex issues, one that is truly representative of the new global realities and that brings world leaders together to tackle an expanded policy agenda and the new challenges of globalization. Certainly we need greater co-operation and coherence among the WTO, the International Monetary Fund ("IMF"), the World Bank, the United Nations, and other international organizations. But there are limits as to what can be accomplished horizontally, international bureaucrats talking to other international bureaucrats. If we want real coherence in global policymaking and a comprehensive international agenda, then co-ordination has to come from the top and it must be driven by elected leaders.

Fourth, there is a need for a clear mandate from leaders to promote a common global strategy and common global actions. We need a common strategy—among international institutions, national administration, and civil society—for strengthening the international rule of law, eradicating poverty, and reducing worldwide inequalities within a set period. We need a common strategy to achieve a sustainable environment in developing and

developed countries alike and we need a common strategy to eliminate the greatest part of global trade barriers, at least reflecting on a multilateral level what governments have already agreed to in regional arrangements. This strategy must be focused on people and values more than on governments, harnessing interdependence and globalization to address today's challenges. An annual report to the world's leaders should indicate the progress we have made toward achieving these common goals.

Which brings me to my final point: progress in resolving the challenge of the new century will hinge on our ability not just to build a coherent global architecture, but to build a political constituency for globalization with free trade, dazzling technologies, and global capital markets. As important as these realities are, they do not capture the full picture. We are linked together by the exchange of ideas, images, and information, as well as by the exchange of goods, services and capital. There is a globalization of our hopes and fears, not just our economies. And it is this human dimension of globalization more than any other that is forcing the international system to change.

In every country and region, the same questions and anxieties are expressed: people want the benefits of global trade and integration but they fear the effects of globalization on the environment, wage levels, and cultural identities. They recognize the need for greater co-operation and co-ordination at the international level, but they instinctively resist interference in their domestic affairs. They turn to global organizations to help manage their interdependence, but then they begrudge these same organizations the resources and mandates they need to fulfill their roles. The new polarity of the post-Cold War era is not between left and right, but between those who accept global change and those who resist it.

So at the threshold of a new century, the trading system finds itself at a crossroads. The challenges it faces involve more than the minutiae of technical details or negotiating positions. They involve broader political questions about the kind of international system we want. What are our objectives for the 21st century? And how do we convince a wider public of the value of these goals? The World Bank is advancing its Comprehensive Development Framework. The IMF is examining the financial architecture. The International Labour Organization is promot-

ing core labor standards and the United Nations Environment Program is trying to co-ordinate global environment policy. Meanwhile, trade ministers struggle to launch a new multilateral trade round. Are these merely parallel tracks, moving forward but never meeting? Or can they be brought together to form pieces of a larger picture, a global vision of the future?

The WTO is a rule-based institution whose decision making is based on consensus and whose constituency is 140 countries. Four-fifths of these are developing countries or economies in transition; China and twenty-eight other countries representing over 1.6 billion people are waiting to join. Such an organization cannot be the enemy of the people that stood in the streets of Seattle. The goals of the protesters are right; their target is wrong. A strong multilateral trading system is essential to promote growth and generate the resources needed to meet all their objectives. Without the WTO, we will go back to a world of national barriers, protectionism, economic nationalism, and conflict. History has repeatedly showed where this road can lead.

What we need is not a weaker WTO but a stronger and improved system of global governance of our ever-growing interdependence. This is the strong message that emerged from the conference in Seattle and must be reflected in the next round. In a recent speech, President Clinton called for "globalization with a human face,"[4] a phrase that nicely captures the challenges but also the immense potential of our interdependent future. What we sought in Seattle has been called many things: a millennium round, a development round, a services round, a market access round. But if it is to be successful and relevant to the future, it will above all have to be a "round with a human face."

4. *See* President William Jefferson Clinton, Address at the International Labor Organization Conference at the United Nations Assembly Hall in Geneva (June 16, 1999).