
The World Trade Organization: Progress to Date and the Road Ahead

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The world trading system marks its 50th anniversary in 1998. During the postwar period, the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), have hosted eight rounds of multilateral trade negotiations, which have both liberalized trade barriers and expanded the scope and coverage of international trading rights and obligations.

The trading system has continually reinvented itself, albeit in an incremental fashion, throughout the postwar period. The last iteration of this process occurred at the end of the Uruguay Round, when the GATT member countries agreed to establish the WTO as part of a broad package of trade reforms (see Schott 1994). The new trade body entered into force in January 1995. It incorporated all the results of past GATT deliberations and integrated them in a new institutional structure quite distinct from the GATT (which was essentially a secretariat that serviced a global trade agreement).

The new WTO differs from the GATT in three significant respects. Each of these institutional changes has significant practical implications for WTO signatories.¹

First, WTO membership requires virtually all countries (except the poorest developing countries) to adhere to the obligations of all of the agreements negotiated in past trade rounds as a “single undertaking.”²

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1. For a more detailed analysis of the implications of the WTO institutional reforms, see Jackson (1995).

2. The two remaining WTO plurilateral accords, on government procurement and civil aviation, are exceptions to this rule.

In past GATT rounds, countries were not required to, and many did not, sign new agreements that interpreted and/or amplified existing GATT obligations. In the WTO, such “free riding” is out; developing countries are now full partners in the trading system and must adhere to all the multilateral trade agreements in the WTO. The single-undertaking requirement is one important reason why WTO negotiations for the accession of new members are more complicated than in the GATT era.

Second, the WTO establishes a permanent forum for ongoing trade consultations and negotiations. The new institutional structure of the WTO has allowed its members to continue sectoral negotiations on financial services, basic telecommunications, and maritime services; to inaugurate new global trade negotiations in the information technology sector; and to pursue the so-called “built-in agenda” of new negotiations that are mandated by several of the Uruguay Round pacts.³

Third, the WTO has a unified dispute-settlement system. The new WTO mechanism provides a single forum for adjudicating disputes regarding compliance with all WTO provisions, prevents disputants from blocking decisions, and, thereby, enhances the credibility of WTO rights and obligations among both developed and developing countries.

To be sure, the enhanced institutional status of the WTO has provoked numerous concerns from labor, environmental, and other non-governmental organizations (NGOs) regarding the new authorities vested in this supranational body. Contrary to the opinions of its highly vocal critics, however, the WTO has not created a bureaucratic monster, and its international civil servants have not usurped the national sovereignty of member governments.

First, the WTO secretariat is still relatively small compared to its cousins in other international institutions, although it is larger than the GATT staff because of the increased workload imposed by the Uruguay Round accords. WTO officials have been careful not to stretch their limited mandate, if for no other reason than that the burden of their existing workload has not allowed them to do so. Second, while the sovereignty issue remains a political football, there is little evidence that the WTO referees are advancing the ball. In fact, dispute panel and appellate rulings have followed closely the letter of WTO law (that is, what countries have already accepted) rather than interpreting existing agreements to effectively broaden the scope of WTO rights and obligations. Such judicial restraint acknowledges that the expansion of WTO provisions (and any ceding of national sovereignty that may arise therefrom) is the responsibility of member governments, not panelists.

Renato Ruggiero received a lot of criticism from the United States before he was appointed first WTO director-general, but his tenure has

3. Schott (1994, table 6) provides a time line for new WTO negotiations and reviews of specific Uruguay Round obligations.

been notable for its commitment to trade reform and economic growth and for expanding the world trade debate to a growing number of countries. To build on that record, his successor will need to bridge the seemingly conflicting demands of the WTO membership:

- Some countries do not want the WTO to venture beyond the agreed text of its present component accords, while others demand that the WTO broaden its agenda to consider new trade-related issues.
- Some countries want the WTO to remain a “closed shop” governmental forum, while others are pushing the WTO to adopt more transparent procedures that afford participation to private-sector groups and NGOs whose interests are affected by government policies.

Accommodating these diverse interests will tax the skills of trade officials who are now crafting the agenda for new global trade talks and test the durability of the trading system at the start of the new millennium.

Progress to Date

In its first three years, the WTO has built a solid record in managing the trading system and implementing the new Uruguay Round accords. WTO membership has grown to 132 signatories (from 108 in mid-1995), and more than 30 countries are currently negotiating accession protocols. Membership in the trading system has increased by almost 50 percent since the start of the Uruguay Round in 1986 (when there were 91 Contracting Parties to the GATT).

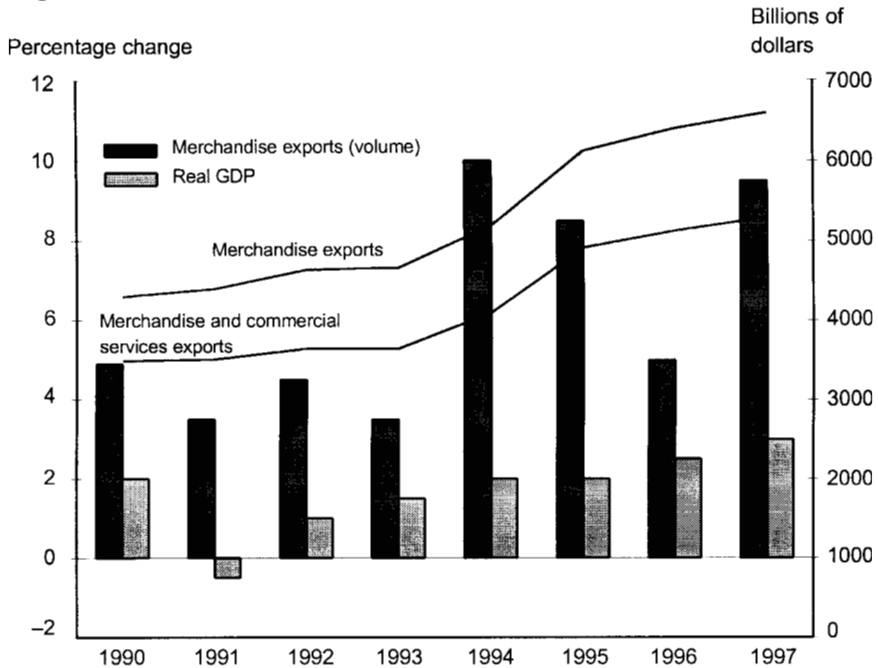
Under the stewardship of the WTO, growth of trade in goods and services has continued to soar. Over the period 1995-97, the volume of global trade increased by about 7.7 percent annually, far outpacing the growth in world GDP (see figure 1). In value terms, world exports of goods and services now approach \$7 trillion.

In addition, the WTO has been active from the start in hosting new trade negotiations and in resolving trade disputes among member countries. Both activities have contributed to the growing workload of the trading system and strained already tight WTO budgetary resources. Key results in both areas bear brief mention, as do the resource constraints.

Continuing Negotiations

Unlike in past decades, when trade negotiators went into hibernation after the conclusion of a global trade round (until the protectionist backlash eventually woke them up!), the WTO has conducted a series of successful sectoral negotiations that have supplemented the results of

Figure 1 Growth in world exports and real GDP



Source: World Trade Organization.

the nascent Uruguay Round accords. Three agreements have been concluded, dealing with information technology products, basic telecommunications services, and financial services. Combined, these pacts cover more than \$1 trillion in global transactions and constitute, in many respects, liberalization comparable to that achieved in earlier GATT rounds.⁴

In an era of globalized markets, these three agreements are closely interrelated. Information technology products provide the backbone for the global transmission of voice, data, and other telecommunications services. This information infrastructure, in turn, links financial markets around the globe and facilitates the provision of financial services, thereby underpinning growth in trade and investment.

These sectoral pacts were successful because they provided significant benefits to both developed and developing countries without requiring reforms of politically sensitive trade barriers. Developed countries reduced their generally low average tariffs on information-technology products. As key manufacturers of many of those products, developing

4. For summaries of these pacts, see Hufbauer and Wada (1997) and Dobson and Jacquet (1998).

countries also found it easy to go along (though some countries demanded a transition period beyond 2000 to phase out their own tariffs). More important, while many developing countries faced strong resistance to trade reforms from state-owned monopolies or highly protected/subsidized political supporters, their leaders regarded participation as part of their ongoing strategy of “competitive liberalization” to attract investment in high-growth export industries, which would be hindered by inadequate access to information and financial products. In short, negotiators were pushing on a door that was already ajar.

In more contentious areas, however, negotiations have lagged. The maritime-services talks collapsed, and little progress has been made on other items on the built-in agenda, including talks on government procurement of services and on the movement of natural persons. Talks that required significant changes in existing US laws or practices never got off the ground; those that codified US and EU norms have fared much better.

In sum, the post-Uruguay Round approach of pursuing sectoral talks has produced some notable results but has likely run its course. To build on these early successes, WTO members will need to develop a new negotiating strategy that accommodates more subjects so that countries can trade off concessions across sectors and issues.

Dispute Settlement

Through June 1998, the WTO dispute-settlement body had received 138 requests for consultations regarding alleged violations of WTO obligations (see table 1).⁵ The filings are notable in several respects:

- Complaints have been brought by both developed and developing countries, and the latter have often prevailed in cases against their more powerful trading partners. Developing countries have been involved in more than one-quarter of the requests for consultations.
- Cases brought to the WTO dispute-settlement mechanism have not been frivolous, that is, the process has not been used to harass or coerce countries. Panel rulings have found merit in the complainant’s charges in most of the cases that proceed to that stage. Of course, weak cases usually are weeded out before panels are formed.
- The number of disputes has risen dramatically each year, reflecting confidence in the system but stretching the limits of the sparse WTO staff. Twice as many requests were issued and three times as many panels established in 1997 than in 1995. Overall, panels have been

5. In some of these cases, several countries have filed requests for consultations with a particular WTO member on similar or identical issues.

Table 1 WTO cases and rulings by year, 1995-98

	1995	1996	1997	1998 ^a	Total, 1995-98
Consultation requests	25	39	50	24	138
Panels established	5	11	16	5	37 ^b
Panel rulings	0	4	7	6	17 ^c
Appellate body rulings	0	2	6	4	12 ^c
Cases settled/withdrawn	3	9	9	10	36 ^d

a. Through 30 June.

b. Includes nine joint panels: DS2 and DS4 (US gasoline standards); DS8, DS10, and DS11 (Japanese taxes on alcoholic beverages); DS12 and DS14 (EU trade description of scallops); DS16 and DS27 (EU banana regime); DS54, DS55, DS59, and DS64 (Indonesian automobile measures); DS62, DS67, and DS68 (EU/UK/Irish customs classification of computer equipment); DS75 and DS84 (South Korean taxes on alcoholic beverages); DS87 and DS110 (Chilean taxes on alcoholic beverages); DS103 and DS113 (Canadian measures on dairy products).

c. Includes four joint panels: US gasoline standards, Japanese taxes on alcoholic beverages, EU banana regime, and EU/UK/Irish customs classification of computer equipment.

d. Total exceeds sum of settled cases because, while the parties did not officially notify the secretariat of a mutually agreeable solution, the secretariat reports an "apparent settlement" of DS15 (Japanese measures affecting telecommunications equipment) and DS49 (US antidumping investigation regarding imports of tomatoes from Mexico). Figure also includes the three inactive cases: DS9 (EU import duties on cereals), DS17 (EU import duties on rice), and DS25 (EU implementation of Uruguay Round commitments concerning rice).

Source: <http://www.wto.org/wto/dispute/bulletin.htm>.

convened in response to almost 40 percent of the consultation requests.

- The number of appeals of panel rulings, a recourse previously unavailable in the GATT, has also increased significantly. Almost three-quarters of the 17 panel rulings have been appealed; only one of the appellate rulings has overturned a panel decision,⁶ but many have narrowed and clarified the scope of the panel findings.
- Countries generally have complied with WTO rulings within the 15-month period allowed under WTO provisions. However, differences remain regarding how to resolve WTO violations in several high-profile cases (e.g., EU compliance on bananas and hormone-treated beef) in which the compliance period has not yet expired.
- About one-quarter of the cases have been settled "out of court" or before the resolution of the panel process.

Given the large volume of US trade, it is not surprising that the United States is the most active complainant nor that, along with the European

6. This case involved a US complaint against the EU, UK, and Irish customs classification of computer equipment.

Table 2 US participation in WTO cases, 1995-98

	1995	1996	1997	1998 ^a	Total, 1995-98
US as complainant					
Consultation requests	6	17	17	10	50
Panel rulings in favor of United States	0	2	5	1	7 ^{bc}
Panel rulings in favor of defendant	0	0	0	1	1
Settled/withdrawn	1	2	5	3	11
Pending/active					28
Appellate rulings in favor of United States	0	1	3	2	6 ^b
Appellate rulings in favor of defendant	0	0	0	1	1 ^c
Panel rulings not appealed				1	1
US as defendant					
Consultation requests	4	8	10	3	25
Panel rulings in favor of complainant	0	2	1	1	4 ^d
Panel rulings in favor of United States	0	0	0	0	0
Settled/withdrawn	1	2	0	2	6 ^e
Pending/active					14
Appellate rulings in favor of complainant	0	1	2	0	3
Appellate rulings in favor of United States	0	0	0	0	0
Panel rulings not appealed				1	1

a. Through 30 June.

b. Includes the joint panel for DS16 and DS27 (EU banana regime).

c. Includes the joint panel for DS62, DS67, and DS68 (EU/UK/Irish customs classification of computer equipment).

d. Includes the joint panel for DS2 and DS4 (US gasoline standards).

e. Total exceeds sum of settled cases because, while the parties did not officially notify the secretariat of a mutually agreeable solution, the secretariat reports an "apparent settlement" of DS49 (US antidumping investigation regarding imports of tomatoes from Mexico).

Source: <http://www.wto.org/wto/dispute/bulletin.htm>.

Union and its member states, the United States is the target of the most complaints (see table 2). Through June 1998, the United States had filed 50 requests for consultations: 11 cases have been settled or dropped; 7 of 8 panel rulings (covering 11 initial complaints) have supported the US claim—with the only loss coming in the Kodak-Fuji case, although another favorable ruling was later reversed on appeal; and 28 cases are pending. In sum, the United States has gained at least a partial victory in 17 out of 19 cases in which it has been the complainant.

Other countries have been successful in their challenges to alleged US violations of WTO obligations, although 14 of the 25 cases involving US practices are still pending. All four panel reports to date have favored the complainant and have been upheld in large measure by the appellate body rulings; six other cases have been settled or dropped, though here the US position has often prevailed.⁷ US losses in the tuna-

7. An example is the Mexican claim against US import restrictions on tomatoes that were imposed in the context of a settlement of an antidumping dispute.

dolphin and shrimp-sea turtle cases, however, have raised hackles in the environmental community and reinforced its criticism of the WTO system (see Uimonen in this volume).

WTO members are currently reviewing the operation of the dispute-settlement mechanism, as mandated by the Uruguay Round accord. As indicated above, the process generally has worked well but is already showing signs of strain due to both the growing caseload and the increasing complexity of some of the issues brought before WTO panels. Three administrative reforms are needed to deal with these problems:

- The roster of panelists needs to be expanded so that global trade experts (both lawyers and economists) substantially replace Geneva diplomats. Residence in Geneva does not afford special insights into international trade matters and sometimes shades the objectivity of panelists, who must work on a daily basis with the disputing parties on other issues.
- The WTO's legal staff and translation services should be augmented to ensure the prompt release of decisions.
- Panel and appellate rulings should be released immediately to all WTO members and to the public. In the past, GATT disputants sought a comment period on "draft decisions" before they were made public to correct errors and to work out last-minute compromises (which rarely succeeded). The WTO appeals procedure obviates the need for such delay.⁸

These recommendations parallel some of the proposals put forward by the United States and the European Union in July 1998 that seek to improve the transparency of overall WTO operations.⁹ The WTO dispute-settlement mechanism will command broader public support if the public is confident that panelists are competent, impartial, and well informed on the substantive issues being adjudicated.

Resource Constraints

In a real sense, the WTO has already become a victim of its own success. Servicing new trade negotiations, the increased resort to the dispute-settlement mechanism, the growing number of trade policy reviews of

8. If disputants believe panel reports contain errors, they should raise objections with the appellate body rather than negotiate textual revisions directly with the panelists. The practice of circulating interim drafts of rulings can be counterproductive and should be dropped.

9. For a summary of those submissions and the text of the US proposal, see *Inside US Trade*, 17 July 1998, 17-18.

member countries (see Keesing 1998), ongoing and increasingly complex accession negotiations, and delicate consultations with the International Monetary Fund (IMF) and World Bank about trade reforms of countries in financial crisis have led to growing resource constraints, especially in the legal and economic analysis divisions.

Given these increased demands for WTO services, one would expect that governments would respond with at least modest increases in budget resources. However, the WTO budget has been tightly controlled. To be sure, the initial WTO budget provided a significant increase (15 percent) from the last GATT budget (1994), in recognition of the substantial increase in responsibilities of the WTO secretariat to manage the extensive new network of trade agreements. Since 1995, however, the budget has been virtually flat at about 114.4 million Swiss francs.¹⁰ Oddly, the United States has resisted budget increases, even though growing WTO bottlenecks caused by resource constraints will adversely affect US trading interests in areas such as dispute settlement and expanding WTO work in new issue areas sought by the United States—the adage “penny wise, dollar foolish” comes to mind.

The Road Ahead

Two years ago, in advance of the Singapore Ministerial, I analyzed four challenges facing the WTO and put forward recommendations on how to proceed in each area (see Schott 1996).¹¹ Ministers at Singapore “talked the talk,” but they were indecisive (except when it came to rejecting WTO talks on labor standards). Then the Asian financial crisis intervened; market turmoil raised new concerns about the willingness of countries to pursue new trade liberalization even as it increased the need for such reform in East Asia and in the major industrial countries to promote economic recovery. If anything, the Asian crisis has strengthened the case for moving forward with new WTO negotiations—both to promote medium-term growth prospects in emerging markets and to forestall a protectionist backlash in the United States and Europe against increased imports from those countries (Bergsten 1998).

10. The US share of the WTO budget has declined slightly because of the expanding WTO membership, but since the US contribution is calculated in Swiss francs, and the dollar has appreciated since early 1995, the dollar amount of the US payment has fallen from \$14.3 million in 1996 to an estimated \$12.6 million in 1998 (US Office of Management and Budget data sheet).

11. The four challenges entailed promoting new trade liberalization; expanding the trade agenda in areas such as investment, competition policy, labor, and the environment; linking regionalism and multilateralism; and augmenting WTO institutional reforms (including WTO-IMF linkages).

Trade ministers will reconvene in the United States in late 1999 to propel new WTO negotiations. The agenda for those talks is not yet finalized, although significant components (from the built-in agenda) have already been agreed in the Uruguay Round accords. In this section, I will build on proposals put forward in Schott (1996) regarding both the substantive agenda and organization of new WTO negotiations to reflect recent global developments and to underscore the importance of ongoing reforms to reinforce the credibility of, and political support for, the WTO.

The WTO Agenda

The basic challenge facing WTO members is to craft an agenda for the new global trade negotiations that provides the broadest participation and the greatest potential for agreement on significant new trade reforms.¹² Given the diverse and often divergent trading interests of key WTO participants such as the United States, European Union, Brazil, and India, the agenda will need to be broad ranging. At the end of the talks, developed and developing countries alike must be able to “take home” some of their negotiating priorities. In other words, the agenda must hold the promise of something for everyone, so that countries can attract domestic political support for participating in the talks and for reforming their own trade barriers.

At first glance, some analysts argue that the problem is already solved because the built-in agenda provides an agreed mandate for new negotiations in critical areas such as agriculture and services. To be sure, agriculture and services do provide the twin pillars of new WTO negotiations. However, even with the addition of industrial tariffs, these subjects would not comprise a “critical mass” of issues that could yield agreements to liberalize long-entrenched trade barriers.

As a practical matter, countries will agree to reduce their hard-core trade barriers only if they receive reciprocal reforms of foreign barriers that provide substantial benefits to their exporters, thus creating a counterbalancing political force to their protectionist lobbies. Sectoral talks do not provide sufficient scope for such tradeoffs, because policymakers have to match winners and losers within each sector. With the notable exception of the Information Technology Agreement (ITA) and the basic telecommunications services pact, experience of past GATT negotiations clearly demonstrates that sectoral negotiations, especially in agriculture, come up dry in terms of trade liberalization.¹³

12. Setting the WTO agenda is further complicated by uncertainty about the role of potential new entrants (e.g., China and Russia) in the talks.

13. For example, even the heralded financial services pact failed to achieve any significant liberalization of existing trade barriers (Dobson and Jacquet 1998).

Global talks need a broad-based agenda to provide cross-sector trade-offs. The Uruguay Round results would have been much more limited if negotiators were not able to link reforms in agriculture and textiles to those in intellectual property and services.

Accordingly, the WTO agenda must be comprehensive if the new negotiations are to succeed. Developing countries need to agree to a mixture of trade liberalization and regulatory reform in new areas such as investment and electronic commerce if they want developed countries to commit to further reforms in hard-core trade barriers in agriculture and textiles. The United States and other countries need such results if they are to be successful in reinforcing their export-oriented constituencies and defusing important WTO critics and, thus, sustaining their political commitment to WTO talks.

To that end, WTO members need to pursue three specific tasks:

- Expand the built-in negotiating agenda to cover new issues such as investment and competition policy, electronic commerce, and trade-related labor and environmental issues, as well as traditional subjects such as industrial tariffs.
- Guide regional initiatives in Europe, the Asia Pacific, and the Western Hemisphere into constructive multilateral channels. Free trade commitments among countries in these areas cover almost two-thirds of world trade, so coordinating these efforts in Geneva would go a long way toward promoting global free trade (see Bergsten 1998).
- Better integrate the work of the WTO with other global economic institutions to promote more coherent economic policies in cooperation with the IMF, World Bank, International Labor Organization (ILO), and other United Nations economic agencies.

Expanding the Built-in Agenda

The list of potential new subjects for WTO negotiations is long. The trade-related aspects of many issues have not been clearly defined and require further examination. To be included on the agenda, WTO members should be satisfied that the issue is important in trade and economic terms, that negotiations have clearly defined and pragmatic (i.e., achievable) objectives, and that the talks reinforce political support for the WTO process.

At least four topics have been frequently cited as candidates for new WTO talks: investment, competition policy, labor, and the environment. None of these issues is entirely new to the WTO. Skeletal obligations on investment issues are already included in the Uruguay Round pact on trade-related investment measures (TRIMs); that accord also calls for a review of “whether the agreement should be complemented with

provisions on investment policy and competition policy” (TRIMs Article 9). The WTO Committee on Trade and the Environment has an extensive but underutilized mandate, and GATT provisions already cover limited labor issues (e.g., Article XX exemptions regarding prison labor and new WTO provisions on professional labor services).

To be sure, expanding the WTO agenda in these areas will provoke tensions between developed and developing countries and exacerbate frictions among interest groups within member countries. In particular, WTO members will need to overcome the baggage of previous efforts on environmental and labor issues to pursue useful initiatives in new WTO talks. In addition, negotiators need to recognize that:

- Trade negotiations can only deal with a small subset of the issues in these areas, and WTO initiatives must have clear and narrowly focused objectives.
- Developed countries also are sinners in these areas; if WTO negotiations are to be credible, both developed and developing countries must be willing to reduce their trade-distorting practices (e.g., investment controls and incentives).¹⁴

As Richardson (in this volume) cogently argues, the trade-related aspects of competition policy are a large issue that should be handled in small, incremental steps in the WTO. First, seek agreement that competition policy authorities would consult with their counterparts in other WTO countries about practices that impede the rights of foreign investors or exporters. Over time, such closer contacts could help to develop common standards (starting with cartels and mergers) that could be codified in a new pact on trade-related antitrust measures.

In contrast, investment negotiators should “think big” and build on the work in the Organization for Economic Cooperation and Development (OECD) to craft a WTO accord at least comparable to the “world class” standards of the North American Free Trade Agreement (NAFTA). Such an accord should provide both most favored nation and national treatment to foreign investors (with exceptions for national security and a few other narrowly defined sectors) as well as disciplines on investment incentives (Graham 1996). In so doing, a WTO investment pact would also reinforce the objectives of talks on competition policy, since more open investment regimes promote competition in the domestic market (see Graham and Richardson 1997).

The WTO established a Committee on Trade and the Environment (CTE) in one of its first decisions in January 1995, but the CTE’s work to

14. Myopic negotiators in the OECD failed to focus on their own protectionist policies, adding to the burden of crafting an acceptable Multilateral Agreement on Investment (see Graham in this volume).

date has been inconclusive. The obligations of GATT Article XX and the standards and sanitary/phytosanitary agreements relating to environmental matters are ambiguous and have precipitated several high-profile disputes in which WTO panels have been unable to address concerns raised by even “moderate” environmental lobbies. Esty (1996) and Uimonen (in this volume) among others have cited problems that should be addressed by the WTO and offered constructive solutions, including eco-labeling and promoting the conformity of WTO rules with multilateral environmental agreements.

Trade-related labor issues pose more intractable problems. Labor issues are highly contentious among WTO members and also provoke highly vocal and substantive concern among WTO critics. The Singapore Ministerial clearly rejected WTO negotiations on labor issues and deferred to the ILO regarding the strengthening of international labor standards and enforcement mechanisms. The trade ministers’ response was a logical reaction, albeit an overreaction, to the perceived protectionist intent of the United States and others that wanted the right to impose new trade barriers against those countries that do not meet some standard of acceptable behavior.

All countries want their workers to enjoy higher standards of living and cleaner and safer working environments; most also support basic labor rights as codified in the numerous ILO conventions. But few want their domestic policies subject to foreign coercion via trade sanctions.

Given recent friction in this area, US objectives regarding the enforcement of labor rights will not have much value unless WTO members negotiate common rights and obligations. Brandishing the sanctions stick in advance of such negotiations has been counterproductive to US interests; indeed, it has set back prospects for WTO talks in this area for the near future.

A better approach would be to start with a discussion of the relevance of GATT provisions to labor issues—perhaps in a new WTO-ILO joint committee—and exclude the enforcement issue as a sign of good faith by the United States and others. The WTO-ILO committee could then be tasked with preparing a report on what can and should be done in the WTO to promote higher labor standards and on how WTO members can, in Sir Leon Brittan’s words, “ensure basic minimum protection against the abuse of human rights in the workplace” (Brittan 1997). In this way, the WTO could establish closer links with the ILO to ensure that, in the words of President Bill Clinton (1998), “open trade lifts living conditions, and respects the core labor standards that are essential not only to workers rights, but to human rights everywhere.”

Such an approach recognizes the importance of labor issues in international trade but leaves most of the substantive work on the matter to the ILO, as agreed at the 1996 Singapore Ministerial. To be sure, it is confined to procedural issues, but it would codify the nascent, informal process

evolving between the WTO and ILO. Given the residue of ill-will from previous US initiatives, it would be a useful step in rebuilding cooperation among WTO members needed for future trade talks in this area.

Guiding Regional Initiatives into Multilateral Channels

The second task for the WTO is to ensure the consistency of regional trade initiatives, especially those involving developed countries, with the objectives of the multilateral trading system. The WTO has already taken a small step in this regard by establishing a new Committee on Regional Trading Arrangements (CRTA), but to date that body has performed only limited monitoring of existing preferential trade pacts.

However, regional trade initiatives are rapidly proliferating—examples include the nine sectors subject to free trade talks in the Asia Pacific Economic Cooperation (APEC) forum, Mercosur and its growing web of free trade pacts with its neighbors, the nascent negotiation of a Free Trade Area of the Americas, and the proposed “Transatlantic Economic Partnership,” which aims to solidify US-EU trade relations. Each initiative professes to support WTO objectives and to be consistent with the WTO obligations of its members. But the WTO requirements for preferential trade pacts are vague, incomplete, and subject to expansive interpretation (see Lawrence 1996). Moreover, political pressure to avoid free riding on the agreements can lead to implicit, if not blatantly explicit, discrimination in some product sectors.

The WTO CRTA cannot maintain oversight of these initiatives in real time. To help to promote the consistency of regional pacts with both the spirit and letter of international trade rules, WTO representatives should be assigned to work with the APEC Secretariat, the tripartite committee (the Organization of American States [OAS], Inter-American Development Bank [IDB], and Economic Commission for Latin America and the Caribbean [ECLAC]) servicing the Western Hemisphere talks, and the Transatlantic Business Dialogue. The WTO staff could both provide information on international trade obligations and monitor the progress of each initiative in meeting the requirements of GATT Article XXIV and GATS Article V.

Such efforts would also serve the broader objective of reinforcing multilateral trade reforms. Almost 50 WTO members have already committed in APEC and the Western Hemisphere to the ambitious goal of achieving regional free trade over the next 10 to 20 years. The next logical step would be for the WTO CRTA to help to coordinate these initiatives, thereby promoting global free trade (Bergsten 1996).

Cooperation with Other International Institutions

The third task for the WTO is to improve coordination with the IMF and the World Bank in addressing national and regional financial crises.

Greater coherence of global economic policies, including between international organizations, was a noteworthy but unfortunately hollow goal of the Marrakech accords. Over the past three years, despite numerous challenges (e.g., Mexico's peso crisis and its subsequent "tequila" effect on other Latin American countries in 1995, and East Asia's financial meltdown in 1997-98), the three tenors of the global economy continue to sing solos rather than harmonious duets and trios. Officials have issued hortatory declarations and increased staff contacts but have done little to take advantage of the synergies of their respective organizations in dealing with these problems.

Obstacles to effective coordination of these institutions are well known. First, the WTO does not have sufficient staff resources (and never will, given the huge requirements) to participate in IMF missions and to assess on an ongoing basis how trade reforms fit into the overall mix of economic policies recommended by the IMF/World Bank in response to requests for financial assistance. However, the WTO's trade policy reviews, especially if revised to examine current and prospective trade policy reforms and coupled with the additional reforms noted below, could provide useful information to this process.¹⁵

Second, the IMF does not have the leverage to induce countries to implement *and sustain* trade liberalization introduced as part of IMF programs. Once IMF funds have been disbursed, there is little pressure and no legal obligation to maintain the trade reforms (if the liberalization is not bound in the country's WTO schedule of commitments). Perhaps more important, the IMF emphasizes macroeconomic reforms and to date has given short shrift to microeconomic issues such as trade and labor market reforms that are important to sustaining political support for the policy reforms over the medium to long run.

What can be done? The WTO cannot expand its staff enough to make it an equal partner in developing rescue programs. However, it can strengthen WTO representation in the formulation and negotiation of IMF/World Bank programs in two ways. First, the WTO should establish a small office in Washington, preferably in facilities donated by the IMF and/or World Bank, headed by a WTO deputy director-general (drawn from Geneva, where there are too many sous-chefs anyway). The WTO needs high-level representation to access the decision-making forum of the other institutions, and such an office could provide regular and constant contacts among the three institutions.

Second, the WTO representatives need to do more than channel information to their financial counterparts; they also need to apply their trade expertise in the actual negotiation of the reform packages with individual countries. To facilitate this participation, WTO members would

15. For an analysis of the WTO's trade policy review mechanism and proposals for its reform, see Keesing (1998).

need to agree on a mechanism that provides “advance credit” for trade reforms entered into in IMF packages in prospective or ongoing WTO talks. In turn, the IMF should require that all trade measures included in their packages be bound in the WTO.

The Negotiating Process

How should WTO members organize negotiations that will likely encompass issues currently covered by WTO obligations, plus those that member countries want to add to the WTO portfolio? If the past is prologue, then the answer would be to convene the first WTO “round”—which, in light of the prospective timing of the talks, has already been coined by Sir Leon Brittan, vice president of the European Commission, as the “Millennium Round.”

Wait! Aren’t rounds too slow and cumbersome? Politicians demand immediate gratification (and so do their constituents)! Recognizing that domestic protrade coalitions erode when talks linger without an “early harvest” of results, President Clinton, among others, has criticized the long duration of past GATT rounds and argued that “we must develop an open global trading system that moves as fast as the marketplace” (Clinton 1998).

To be sure, the old GATT approach no longer fits the fast-paced world of global commerce. However, the WTO has already upgraded the GATT model because its new institutional framework accommodates continuous negotiations. Thus, WTO ministers can start and finish talks on some issues while other subjects remain under debate and new issues are added to the agenda. The ability to conduct continuing negotiations means that the old GATT Round need no longer be the model for WTO talks.

Instead, Schott (1996) has proposed a hybrid concept, drawn from a basic US tradition, the “roundup.” The earlier description bears repeating:

WTO members should modify the concept of “rounds” and initiate instead a series of “roundups,” that would lasso together issues under negotiation that are ready for closure while continuing negotiations on “stray” issues and adding new issues to the herd. Roundups would have the advantages of traditional rounds—cross-sector tradeoffs and packaging of agreements so that negotiators can focus on the overall benefits of the deal and can avoid having to identify concessions given in one sector for those received in another.

In essence, roundups would be consecutive rounds rolled together, thus avoiding the hiatus in negotiations that led to renewed protectionist pressures after past GATT rounds. In that regard, they fit well in the new institutional structure of the WTO that now accommodates continuing negotiations with at least biennial reviews by ministers. WTO members could use these meetings as deadlines to foster inter-issue tradeoffs in regularly scheduled roundups and to revise and augment the WTO negotiating agenda for ongoing negotiations.

The concept of roundups fits very well with the EU proposal for a Millennium Round of multilateral trade negotiations. Indeed, Brittan (1997) recently argued that WTO members must “devise ways of ensuring that the whole process can be accelerated and that while it is still proceeding, first fruits of the negotiations can be gleaned before the whole process is completed.” Roundups seem to be just what the juris doctor ordered!

Let me put forward a few ideas on how roundups could work. At their next ministerial in the United States in late 1999, WTO members could agree on:

- A comprehensive agenda with terms of reference that set basic objectives for trade reform over the next decade.
- A balanced package of initiatives for negotiation starting in January 2000 that seeks to achieve significant components of the long-run reforms before the next ministerial in late 2001.
- An open and rolling agenda for continuing negotiations through 2010, recognizing that new items could be added to the list over time.

Having continuing negotiations means that not all of the problems in a given sector need to be rectified in the first phase of talks or initial roundup. For example, the first package might include, *inter alia*, agreements on electronic commerce and investment, WTO exceptions regarding multilateral environmental agreements, and sharp reductions in agricultural export subsidies and textile tariffs. Liberalization of remaining agricultural tariff-rate quotas and acceleration of the phaseout of apparel quotas might then be addressed in the second roundup in 2003.

For the United States, the package of agreements reached at each roundup would presumably trigger new implementing legislation that would be somewhat smaller than the voluminous bills associated with recent GATT rounds. The process of crafting packages of trade accords every few years means that US negotiators must have the authority, and the commensurate political commitment from Congress, to put existing US trade barriers on the table right from the start. Over the past few years, US officials have been reticent to do so, for fear that such action would spur new opposition to fast track.

Roundups will thus require early reauthorization of fast-track negotiating authority in the United States. As in the past, WTO talks can start without fast track, but meaningful negotiations will not be engaged until the United States brings some chips to the bargaining table. Renewal of US fast-track authority is thus a prerequisite for success at the 1999 WTO ministerial in the United States.

To get fast track, however, the administration and Congress will need to address concerns raised in the public debate over trade policy about

the impact of globalization (including expanded trade and investment) on jobs and wages as well as on related issues such as the environment and labor.¹⁶ In an increasingly globalized economy, trade is now regarded as a necessary part of the solution to problems in these areas, even if it is not the primary channel of action. That is why the WTO needs to address concerns in these so-called “nontrade” areas, even if the trading system is not the primary conduit for action.

The following chapters examine the detailed issues that should be addressed in prospective WTO negotiations. Together they set out a rich agenda for the 1999 WTO trade ministerial and for successive roundups in the new millennium.

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16. For example, Litan (1998) has proposed earnings insurance for displaced workers to address concerns about the impact of new trade initiatives on the US economy. Essentially, the insurance would encourage workers to find new jobs quickly and subsidize temporarily the difference in their previous and new wage.

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