

**GLOBAL TRADING SYSTEM:
JOURNEY FROM SEATTLE TO DOHA**

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Abstract

The debacle at the Seattle Ministerial in 1999 had dealt a rude--albeit not crushing--jolt to the global trading system. It is fortuitous that the debacle neither led to inaction nor a retreat from free trade. The silver lining of this cloud was that the WTO members acknowledged the infirmities of the system. The large trading economies tried to build up international public opinion in favor of strengthening the global trading system and launched concerted endeavors to right the wrongs. A great many meaningful steps were taken in the lead up to the fourth Ministerial conference in Doha. Despite, and because of Seattle, good deal of progress was made during this period. This is not to mean that all the issue-specific disagreements among the individual members and country groups were eliminated. This article presents a succinct picture of a complex process. It provides details of the developments that took place in various sub-areas of global trading system during the period between the Seattle and Doha Ministerial Conferences.

KEY WORDS

1. Trading system
2. Ministerial Conference
3. Agriculture
4. Labor
5. Textiles and apparel

GLOBAL TRADING SYSTEM: JOURNEY FROM SEATTLE TO DOHA

By

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1. SEATTLE MINISTERIAL The principal objective of this paper is to succinctly point out how the global trading system reacted to the well publicized failure at Seattle and what measures it took in various areas of global trading system during the interim period between the third (in Seattle) and the fourth (in

Doha) Ministerial Conferences of the World Trade Organization (WTO). Despite, and because of Seattle, good deal of progress was made during this period, particularly on issues of interest to the developing economies. As the ground covered is large, an attempt has been made to deal with the major developments in all the principal areas during the interim period, ending with the relevant decisions at the Doha Ministerial Conference. While all the principal developments in important areas have been covered, this article is not intended to be exhaustive in its scope. It is too brief to be so. The principal sources of material and statistics regarding various developments in the global trading system and their sequences are the publications of the WTO put out during the interim period and just before the fourth Ministerial Conference (Refer to footnote 14 also).

Disagreements among countries on trade issues were (and are) not uncommon, they took a calamitous dimension in 1999, during the WTO's Ministerial Conference in Seattle¹. Seeds of discord had existed well before the Seattle Ministerial began. There were deep divisions of opinions, beliefs and expectations, which could be divided into North-South, North-North and East-West axes. A lot of this division of opinion was so complex that it could not be divided into any of these conventional axes. Numerous contentious issues had persisted between major trading economies and country groups until the beginning of the third Ministerial Conference. The resulting disharmony was enough to bedevil the preparations for the third Ministerial. It was incorrectly believed that these fissures in opinions could be covered in Seattle, after the Ministerial Conference takes off. In addition, the WTO system had a certain proclivity to function in a non-transparent manner. This tendency was an old relic of the General Agreement of Tariffs and Trade (GATT) era. Lack of transparency had enormous cost in international negotiations where 135 country delegations

¹ The Ministerial Conference is the highest-level decision-making body of the World Trade Organization (WTO). The first and second WTO Ministerial Conferences were held in December 1996 and May 1998 respectively in Singapore and Geneva. The third one was held in Seattle during November-December 1999.

were involved. Hindsight also reveals that some of the largest trading countries and country groups tried to manipulate the WTO system, which in turn led to aggravation of mutual distrust and erosion of the credibility of the system. The so-called "Green Room" consultation process², which had worked well during the GATT era, was found wanting when there were such a large number of member country delegations.

A structural issue that came to surface in Seattle was the presence of a large number of developing countries. In all, 65 developing economies had participated in the negotiations that had led to the formation of the WTO. In November 1999, WTO membership included more than 100 developing countries. Their number reflected strength. A small number of them were successful traders and were called the newly industrial economies (NIEs). Growth and expanding trade had made them more important than they ever were in the WTO scheme of things. Many of these developing country members became assertive, were not satisfied by their past role of sitting on the line and wanted to participate in defining the Seattle agenda. The decision-making process of the WTO had not evolved enough to accommodate this new situation.

Add to this witch's brew the growing international backlash against globalization, which was more than an economic or trade issue, an inapt chairperson of the Committee of the Whole³, a new and inexperienced Director-General of the WTO

² At the Centre William Rappard in Geneva, where the former GATT and present WTO headquarters are located, there is a room decorated in an unattractive parrot-green next to the room of the Director General. Whenever the Director General wanted to have a small meeting with some delegations, he traditionally invited them into the Green Room. It was a matter of convenience. In these meetings delegations of large trading countries agreed on important issues and the consultation process moved forward. These Green Room meetings were criticized by delegations of many developing countries for their lack of transparency.

³ A preliminary Committee of the Whole comprised representatives from all 135 WTO members and chaired by US Trade Representative Charlene Barshefsky met on the morning of December 1, 1999. Barshefsky urged delegates to send senior officials with decision-making authority to the mandated working groups. Although she notified delegations that she reserved the right to hold Green Room meetings, she preferred an inclusive approach such as that afforded by the working group structure. However, delegations continued to meet in a number of informal and bilateral sessions. An impromptu mini-Green Room process evolved and continued. The discord that had

and inadequate preparations for the Ministerial Conference by the Secretariat. Little wonder that a new round of multilateral trade negotiations (MTNs) could not be launched in Seattle⁴.

Failure at Seattle was a serious setback to the global trading system. It was apprehended by some that if the 142 member countries⁵ of the WTO again failed to embark on an ambitious round of MTNs during the fourth Ministerial Conference at Doha⁶, the WTO as an institution may become irrelevant and will be consigned to hibernation. There was a danger of multilateralism being supplanted by regionalism or even bilateralism (Das, 2001a). The 1990s are known for the "second wave" of regionalization of trade. In the six years since the creation of the WTO⁷, 90 new regional trading arrangements (RTAs) were reported by the member countries, against 124 RTAs reported during the total lifespan of 46 years of the GATT.

2. IN THE AFTERMATH OF THE FAILURE Although after December 1999, for trade economists Seattle became synonymous with failure, the debacle did not lead to a hiatus. Few analysts believed that a retreat from free trade was on the cards -- notwithstanding the street theatre in Seattle. It is widely recognized in the profession that the extraordinary growth of the global economy since the Second World War was *inter alia* driven by the liberalization of trade (Rodriguez and Rodrik, 2000; Rodrik, 1999). That the global trading system was a valuable and significant public good was well established and one large failure could not fritter away the achievements of half a century. An immediate impact of the

existed before the Ministerial continued unabated. If anything, it worsened. All night negotiating sessions between Ministers turned into feuding and finished in abject failure.

⁴ Various graphic accounts of failure at Seattle are available. For instance, see *Global Trading System At the Cross-roads: A Post-Seattle Perspective*, Dilip K. Das, Routledge, London and New York. 2001.

⁵ The fourth Ministerial Conference completed the WTO accession process of China and Chinese Taipei (Taiwan), making them 141st and 142nd members, respectively.

⁶ Doha is the capital of Qatar. The fourth WTO Ministerial Conference was held during 9 to 13 November, 2001.

⁷ A tangible result of the Marrakesh Agreement, signed on 15 April 1994, was creation of the WTO on January 1, 1995.

failure was that the WTO members, in particular the large trading economies and the members of the Quad⁸, woke up to the fact that the global trading system cannot be taken for granted. That not all the critics of the global trading system were wrong and that serious problems existed was a stark, if uncomfortable, reality. Instead of burying their heads in sand, majority of the large trading economies recognized this fact, earnestly discussed it in various international fora, tried to build up international public opinion in favor of strengthening the global trading system by rectifying the problematic issues and concerted endeavors were launched to right the wrongs. Consequently, a great many significant measures were taken in the lead-up to the fourth Ministerial conference.

In spite of Seattle, the WTO system was still the most consequential global arbiter of commercial disputes between trading countries, it provided technical assistance and training to developing country governments eager to participate more extensively in the global trading system, and conducted incisive trade policy reviews on neoclassical economic lines. Many trade analysts recognized that while RTAs can make a meaningful contribution to the global economy, they are no substitutes for a multilateral system of non-discriminatory trade regulations. Policy mandarins in most important trading economies recognized that global co-operation and improvement in global economic architecture is more important now than ever before. They seemed to concur that another failure in this regard would have high cost to the global economy. The WTO members were aware of the need for action on important trade issues.

Proclamations of large trading economies in various international fora showed that between the period during the Seattle and Doha Ministerial Conferences, general support for a new round of MTNs was not unequivocal. If anything, support was not even general. Not all the WTO members favored embarking on an ambitious round of MTNs. As opposed to this, the European Union (EU) supported and canvassed the idea of a "comprehensive" trade round.

⁸ The European Union, Canada, Japan and the United States are the four members of the Quad.

Notwithstanding the differences, on 14 November 2001 WTO members struck a deal in a sagacious manner -- albeit not without brinkmanship. They finally agreed to a new round of MTN, its agenda and timetable. The forthcoming round is intended to liberalize trade further and improve the today's rule book in areas like antidumping. There are proposals to develop trade regulations in several new areas. This agreement represented one more step towards freer global trade. In comparison with the debacle in Seattle, this was a valuable achievement (The Economist, 2001a).

One important reason why many developing economies were not enthusiastic about the launch of a new round was their implementation related difficulties. Many of them found it difficult to implement all the recommendations of the Uruguay Round and thought that they were yet to receive all the benefits they expected from the Uruguay Round. This issue was also discussed during the second Ministerial Conference in May 1998, and it kept returning with a plaguing periodicity. Few areas generated more discord during the interim period between the Seattle and Doha Ministerial Conferences than these implementation related difficulties. Issue-related differences also persisted in several important areas. In addition, different countries and country groups saw this problem differently. For many developing economies capacity constraints and lack of technical know how were serious impediments to implementing the Uruguay Round agreement. Financial, human and institutional resources were the principal constraints for these economies and they vociferously and continuously voiced their concerns. Complexities of the Uruguay Round agreement were beyond the comprehension of many a government bureaucracy and they were unable to put it into effect despite their good intentions.

Seattle had tarnished the reputation of the WTO and the global trading system suffered a serious image problem. For building confidence in it, a four-point plan was chalked out, which included (a) adoption of proactive measures by 29 industrial economies for increasing the market access of the least developed

countries⁹, (b) devising a mechanism for having fruitful dialogues on implementation related issues of the developing countries, (c) strengthening of technical co-operation and capacity building activities of the WTO by formulating the Integrated Framework¹⁰ of technical assistance to the least developed countries, and (d) evolving and devising procedures for ensuring more active and fuller participation of the WTO members in the global trading system.

The Ministerial Declaration Adopted on 14 November in Doha recognized the vulnerability of the least developed countries¹¹. It committed the global trading system to "addressing the marginalization of least-developed countries in international trade and to improving their effective participation" in it. Industrial economies were eager to make this round of MTNs look like a "development round". It is reflected in the agenda, which shows several commitments to help the least-developed countries. On balance, the developing economies, particularly the least-developed countries, are expected to benefit from the forthcoming round because of several important decisions taken during the Ministerial Conference. First, a non-binding decision was taken in the area of intellectual property rights, whereby these rights would not hinder access of these countries to cheap medicines. Second, they are also going to benefit from the commitment to reduce barriers on industrial goods, particularly "peak" tariffs" -- the highest rates that countries use to protect their most sensitive industries. This should help improve access of poor countries in textiles and clothing markets (The Economist, 2001b).

As stated above, one of the reasons behind debacle at Seattle was the inadequacy of the Green Room consultation process and opacity of the

⁹ The United Nations has designated 41 low-income, essentially land-locked or water-locked, economies as the least developed countries.

¹⁰ The six multilateral organizations involved in the Integrated Framework are: (1) International Monetary Fund, (2) International Trade Center, (3) United Nations Development Program, (4) United Nations Conference on Trade and Development, (5) World Bank and (6) World Trade Organization.

¹¹ See pages 1 and 2 of World Trade Organization (WTO). 2001. *Ministerial Declaration, Ministerial Conference*, Geneva. 14 November. WT/MIN(01)/DEC/1.

negotiation process. A large number of member countries felt that they were not able to participate effectively in the process. This process of consultation was ready for the dustbin of history. Therefore, the Green Room process was abandoned after the Seattle Ministerial and replaced by a system of regular meetings to consult with and inform all members of a broad spectrum of WTO activities. These meetings were open-ended, involved all the heads of delegations, and were further strengthened by consultations in other formats like one-on-one meetings. The new approach was "bottom-up" and was essentially proponent driven. Thus, those delegations in favor of a certain position or agenda item would meet in an effort to raise support for their positions. Member governments also began meeting outside the formal General Council¹² process to test levels of support on a range of issues of their interest. This process succeeded in narrowing differences in positions taken by member countries, although they were never in unison. The Ministerial Declaration stressed that "transparency and effective participation" is the collective responsibility of all the WTO members. It committed to making "WTO operations more transparent", to more "effective and prompt dissemination" of information and to "improve dialogue with public" (WTO, 2001a).

Implementation-related difficulties of the developing countries, noted above, were seriously addressed during the interim period between the third and the fourth Ministerial Conferences. The General Council established a framework for discussion and negotiation of the implementation issue. It was known as the Implementation Review Mechanism (IRM). Between October 2000 and October 2001, the General Council held five special sessions under the sponsorship of the IRM. The outstanding issues and existing difficulties were assessed with an objective to "increase the participation of developing countries" and ways to get around them were proposed in these special sessions. Furthermore, these issues were fully acknowledged at the fourth Ministerial Conference in a document called *Decision on Implementation-Related Issues and Concern*

¹² The General Council is the WTO's day-to-day governing body.

(WTO, 2001b). It not only addressed implemented-related issues but also resource constraints that were encountered in the implementation of obligations in various areas of the Uruguay Round agreement.

3. BUILT-IN AGENDA The Marrakesh Agreement had a "built-in agenda" for the next round of MTNs, which included further negotiations over agriculture and services¹³. Together these two sectors of the global economy account for approximately two-thirds of global output and the same fraction of global employment. Owing to major disagreements between the EU, Japan and the United States (US), trade in agriculture had always remained a contentious issue. It was widely recognized that the achievements in these two areas during the Uruguay Round were merely a beginning and that the two agreements needed to be broadened (Anderson, 1998 and Das, 1998). The two mandated negotiations were launched in January 2000.

The first phase of six negotiating meetings on trade in agriculture ended in March 2001. During this phase member countries submitted their proposals containing their starting positions. This phase of negotiations did not progress smoothly, albeit 121 member governments submitted 45 proposals and three technical documents. Six special sessions were planned for the second phase. These sessions were planned around technical issues, involving a good deal of in-dept coverage of topics. The most important issues covered were tariff quota administration, agricultural tariffs, amber, green and blue box, domestic support, export subsidies, export credit, state trading enterprises, export taxes and restrictions, food security food safety, geographical indicators, and special agricultural safeguards. By September 2001, the Agriculture Committee succeeded in arriving at decisions on (a) export credits, (b) improving the effectiveness of the implementation of the ministerial decisions on the possible

¹³ Article XX of the Agriculture Agreement mandated the WTO members to continue negotiations for reforms in trade in agriculture, while Article XIX of the General Agreement on Trade in Services (GATS) mandated negotiations to further liberalize trade in services. The mandate

negative effects of the reform program on least developed countries, and (c) the transparency of tariff quotas¹⁴. The EU, which had taken a strong stand against trade liberalization in agriculture in the past, had to accept a stronger commitment for eliminating trade-distorting farm-export subsidies than some of its members, notably France, would have liked.

Building on the work done and progress made (refer to the preceding paragraph) over the interim two-year period, the fourth Ministerial Conference committed to "comprehensive negotiations aimed at: substantial improvement in market access", and "reductions of all forms of export subsidies" which is more likely in a phased manner than abruptly". Substantial reduction in trade-distorting domestic support has also been emphasized. The deadline for submission of modalities for further commitments, including provisions for special and differential treatment, has been fixed at March 2003.

The General Agreement on Trade in Services¹⁵ (GATS) had several mandates for a heavy work program covering a wide range of issues. Since their timely launch, work on further liberalization of trade in services progressed without major hurdles. Some of it called for negotiations among the members of the GATS, while other issues called for thorough study and scholarly review. During the first phase, in 2000, members agreed on the principal guidelines and procedures for negotiations. This agreement was a potent enabling force for the future negotiations. It delineated two basic principles: (a) members' right to regulate the trade in services and balance it with national policy objectives, and (b) members' right to specify the services they wish to open for international trade and conditions thereof. Members of the GATS also agreed to deal with the need of the developing economies, in particular the least developed countries, in a

required both of these negotiations to start in early 2000. These mandates came to be known as the "built-in agenda" of the Uruguay Round.

¹⁴ The sources of information and statistics here, as elsewhere in this paper, are the various WTO documents published during 2000 and 2001 as well as the background papers posted on the web site of the WTO before the fourth Ministerial Conference in Doha. These documents provide an authentic chronology of events, actions, interactions and developments.

flexible manner. The first phase ended with the adoption of *The Guidance and Procedures for Negotiations* by the Council for Trade in Services.

The second, more intensive phase, began in March 2001. In all, 50 countries submitted 100 sector specific proposals. The coverage was not only wide in terms of sectors, it also included the movement of natural persons, treatment of small and medium-sized enterprises, transparency of regulations, classification issues and MFN exemptions. Meaningful progress was made in several areas including MFN exemptions, treatment of autonomous liberalization, assessment of trade liberalization in services, review of air transport services, and transparency in regulations. The fourth Ministerial Conference reaffirmed *The Guidance and Procedures for Negotiations* "as the basis for continuing the negotiations" in the future. Members of the GATS have been given the mandate to submit the initial requests for specific commitments by June 2002 and initial offers by March 2003.

4. TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Compliance of developing countries to the TRIPS¹⁶ Agreement was scheduled for January 2000. Therefore the TRIPS Council began the review of the domestic TRIPS laws of developing countries. The review was a long and gradual process and was to be completed at the end of 2001. A number of developing countries expressed their inability to comply with the TRIPS Agreement and asked for the compliance deadline to be postponed. Industrial country members were not impressed and did not want to consider postponement of the deadline. Article 71.1 of the TRIPS Agreement also mandated a review of the implementation of the Agreement in 2000, which was being undertaken by the TRIPS Council. Subsequently, it was supported by the fourth Ministerial Conference (See Para

¹⁵ The GATS came into force on 1 January 1995.

¹⁶ TRIPS is the accepted acronym for the trade-related aspects of intellectual property rights.

19, WTO, 2001a). Some of the members wanted the focus of the review on how well the TRIPS Agreement has succeeded in meeting its original objectives, while others wanted it to focus on the experiences during implementation of the Agreement. After long debates, the fourth Ministerial asked the TRIPS Council to "take full account of the development dimension" in the review.

The TRIPS council began developing a multilateral system for notifying and registering geographical indicators of TRIPS. Geographical indicators are names of places that a product takes on and then the name stands for the product and its quality. An excellent example is "Champagne" (Article 23 of the TRIPS Agreement). Products covered by such geographical indicators are protected under the TRIPS Agreement in order to prevent misleading the public and prevent unfair competition. Several member countries have asked for a higher level of protection on a wider range of products, which was being studied by the TRIPS Council by launching a fact finding mission during the interim period between the third and the fourth Ministerial Conferences. The Fourth Ministerial Declaration supported the establishment of a multilateral system of notification and registration of geographical indicators for wines and spirits by the fifth Ministerial Conference, which will be held in 2003.

The TRIPS vis-à-vis public health has been a vitally important issue. Many members who were part of the TRIPS Agreement eagerly sought clarification on what the governments can do or not do under the agreement, and how "flexibilities" provided under the Agreement can be operationalized. Compulsory licensing and parallel imports were widely discussed because the TRIPS Agreement allowed these flexibilities under certain conditions. Industrial countries stressed that clarifications must not weaken legal rights and obligations under the TRIPS Agreement. Apparently members had differing emphases. While developing country members laid stress on supporting public health policies, industrial country members wanted legal rights protected more firmly so that new drugs can be invented.

5. TRADE RELATED INVESTMENT MEASURES

TRIMs¹⁷ is another chestnut on which intense divergent views prevailed among the WTO members since 1997, if not before. Division of stands on trade and investment has continued to be on North-South axis. A Working Group was set up to study the trade-investment nexus in an analytical manner. The WTO and the GATS have some provisions on certain aspects of trade and investment. The TRIMs Agreement under the WTO prohibits any trade distortions created by domestic input purchase requirement for the foreign investors as well as domestic sale requirements. Similarly, the GATS has regulations regarding the establishment of a "commercial presence" by a foreign service supplier. The prevalent legal framework of governing foreign direct investment (FDI) is government-to-government Bilateral Investment Treaties (BITs), supplemented by double taxation treaties. Historically these treaties were signed between developing and industrial economies. However, the scenario has changed fast and the number of BITs among developing countries has been on the increase.

Developing and industrial economies did not change their views on TRIMs during the period between the Seattle and Doha Ministerial Conferences. They continued to hold the view that the present BITs regime, assisted by regional agreements on FDI, has led to confusion, and that establishing a stable non-discriminatory environment would increase global FDI flow. A large number of developing economies are still opposed to starting negotiations on this issue under the aegis of the WTO. They prefer to wait until the Working Group, noted above, provides a thorough analytical study on the trade and investment nexus. They continue to hold that multilateral agreements will only add to the obligations of the developing countries, while limiting their abilities to align foreign investment flows with national development objectives.

¹⁷ TRIMs is the accepted acronym for the trade-related investment measures.

Skillfully balancing the two divergent stands, the WTO members agreed at the fourth Ministerial to start negotiations on TRIMs after the fifth Ministerial in 2003. The scope of the study by the Working Group was further expanded by the members to include issues like transparency, non-discrimination, modalities for pre-establishment commitments based on a GATS-type positive list approach¹⁸, development provisions and balance-of-payments safeguards.

6. TEXTILES AND CLOTHING This has traditionally been an area of capital importance for the developing economies because they have comparative advantage in this sector. In 2000, their exports of textiles and clothing were \$356 billion, which was 7.7 percent of world trade in manufactures. During the Uruguay Round, the Agreement on Textiles and Clothing (ATC) provided for a phased dismantling of quotas. The WTO members were required to "integrate", meaning progressively liberalize all textiles and clothing trade in four stages and bring it within the ambit of the normal WTO regulations on 1 January 2005. A quasi-judicial body, called the Textiles Monitoring Body (TMB), was also established to supervise the implementation of the ATC.

The Council for Trade in Goods (CTG), assisted by TMB, conducted reviews of the first two phases of liberalization. During the review of the first stage, the exporting countries were found to be disgruntled about the choice of products for liberalization by the importing countries, new restrictions imposed by way of ATC safeguards and anti-dumping actions. There was an apprehension among the exporting countries that major importers may not be able to meet their ATC obligations. The second major review was conducted in October 2001. The exporting countries were still disappointed by the persisting number of restrictions and a lack of high-value products in the liberalization commitments. As opposed to this, the TMB contended that major importers like Canada, the European Union and the United states, were well on their way to complying with the ATC's norms of integration. According to the computations of the TMB, by

¹⁸ A positive list approach lists areas where liberalization is allowed.

January 2002, over 50 percent of the 1990 volume of textiles and clothing imports in these countries would be under normal WTO regulations. The review also noted that the number of ATC safeguard measures used during the second phase declined sharply. While reaffirming the "full and faithful implementation" of the ATC during the fourth Ministerial Conference, WTO members did not propose any major or radical measures in this regard (WTO, 2001b).

7. TRADE AND ENVIRONMENT The mandate of the Committee on Trade and Environment¹⁹ (CTE) was to build a constructive relationship between trade and environmental issues. The CTE tried to build on the work carried out in the past in the GATT and adopted a broad-based work program, covering trade in goods, services, and intellectual property rights. In accordance with the directive, it submitted progress reports on all items of its work to all the four Ministerial Conferences held so far²⁰. The CTE organized several symposia on trade and environment interface²¹. Among others, representatives of civil society attend these symposia. It has succeeded in bringing environmental and sustainable development issues into the mainstream of WTO operations.

That the WTO is not to become an environmental agency is clearly laid out as one of the mandates of the CTE. At the same time, WTO members can legitimately place national environmental goals ahead of their obligation regarding not raising trade restrictions or not applying discriminatory trade measures²². These provisions have been the focus of CTE operations. Although the wide-ranging debates among the WTO members and in the academic world have not culminated, it was concurred that the preferred approach on global or trans-boundary environmental issues needs to be developed through co-operation with the multilateral environmental agreements (MEAs). The CTE, therefore, frequently holds information sessions with the secretariats of various

¹⁹ The CTE was created during the Uruguay Round in April 1994.

²⁰ Refer to footnotes 1 and 4.

²¹ The latest was held in July 2001 in Geneva in which the author of this paper participated as a resource person.

include rights like collective bargaining, freedom of association, elimination of workplace discrimination, elimination of forced labor and child labor.

In Seattle, core labor standards turned out to be the most divisive issue. The US, supported by the EU, emphatically proposed formation of a Working Group addressing these issues. After intense debates in the Working Group, no consensus was reached and the developing countries' resolve against inclusion of the labor standards hardened further. Since then, the WTO members have turned their attention toward the International Labor Organization (ILO). That the ILO is "the competent body to set and deal with these standards" was not a novel idea. It was first agreed at the first Ministerial Conference in Singapore. Collaboration between the WTO and ILO secretariats in this regard has since intensified, so has exchange of documentation and information. Accordingly, the ILO increased its interest and commitment to these issues.

The WTO members agreed that a permanent forum for exchange of views should be established between the two institutions. Also, high-level ad hoc meeting should take place between the two institutions from time to time. Although in 1999, the ILO members agreed to prohibit the worst forms of child labor, they also logically recognized that it is largely a function of poverty and that only sustained economic growth is the long-term solution of exploitative child labor. During the June 2001 governing body meeting of the ILO, the Working Party on the Social Dimension of Globalization reached several agreements on how it might proceed with this work. It was agreed that the technical capabilities of the Working Party should be augmented and that trade liberalization, employment and investment link should be studied thoroughly. The communiqué of the forth Ministerial recognized the work done as well as under way in the ILO in this regard and reaffirmed its faith in the decisions taken during the first Ministerial Conference at Singapore. The ILO study on the social dimension of globalization is awaited.

9. TRADE AND COMPETITION POLICY As tumbling trade and investment barriers promoted global trade and investment, apprehensions regarding anti-competition practices eroding these gains grew in a rampant manner. Liberalizing trade and investment policies in collaboration with supportive competition policies can go a long way in contributing to sound economic growth globally, in particular in the developing world. By 2000, 80 WTO members, including 50 developing and transitional economies, had adopted some kind of competition laws under the rubrics of "antitrust" and "anti-monopoly" laws. These laws had provisions against inimical practices like price fixing and cartels, abuse of dominant market position or monopoly, competition thwarting mergers, agreements between distributors to make new competitors' entry difficult, and similar competition stifling measures. Competition policy also includes measures promoting competition in the national economy, like privatization policy.

The WTO Working Group on the Interaction between Trade and Competition Policy (WGTCP) was set up at the Singapore Ministerial Conference in 1996. The WTO members evinced immense interest in the working of WGTCP. Their involvement was reflected in the large number (180) of submissions received by the WGTCP. The General Council directed the WGTCP to delve into (a) the relevance of basic WTO principles²⁴ to competition policy and vice versa, (b) "approaches to promoting co-operation and communication among members", and (c) "the contribution of competition policy to achieving the objectives of the WTO, including promotion of international trade". In 1999, the WGTCP has focused its work on and around these three issues. In 2000, the scope of the WGTCP was further expanded to include (a) general impact of competition policy on domestic economic development, (b) "implications, modalities, potential benefits of enhanced international co-operation" in this area, and (c) "the issue of capacity building in the area of competition law and policy".

²⁴ The basic WTO principles were defined to include national treatment, transparency and most-favored-nation (MFN) treatment.

In September 2001, during the on-going preparation for the forth Ministerial, the same group of members started informal discussions on improvements and clarifications of the DSU. Their objective was to launch negotiations on possible amendments to the DSU during the forthcoming Ministerial Conference. The forth Ministerial communiqué agreed to launching the negotiations on improvements and clarifications of the DSU. The new deadline for completion of work in this regard is May 2003.

11. INFORMATION TECHNOLOGY PRODUCTS At the time of negotiating the Information Technology Agreement (ITA), 29 WTO members participated. Its current membership has risen to 56 countries. Together they account for 93 percent of world trade in information technology (IT) products²⁶. The signatory members of the ITA eliminated all tariffs on IT products in January 2001. With an objective to expand product coverage, negotiations on ITA II began in 1997. They intensified in 1998, but no ITA II list of products could be agreed upon. A major point of contention was regarding certain electronic consumer goods, which are in general use with IT products. The ITA Committee organized an industry symposium in July 1999, in which industry representatives complained of non-tariff barriers (NTBs) like licensing requirements and safety standards working as trade barriers. At the third Ministerial Conference, some attempts were made to conclude these negotiations on ITA II list of products, but to no avail.

The ITA Committee launched a yearlong phased program of NTBs on IT products. The first phase was devoted to making an inventory of NTBs that were pointed out by the industry participants in 1999 symposium. The second phase was to focus on the economic impact of these barriers, while the third phase was devoted to resolving the NTB issue. The fourth Ministerial took note of the work progress of the ITC Committee and expressed general satisfaction about it.

²⁶ The value of global trade in information technology products was \$760 billion in 1999.

12 SUMMARY Several reasons led to the failure of the third Ministerial Conference at Seattle, the most significant one among them was the discord among the members. To be sure, the failure jolted the global trading system, it neither led to inaction nor a retreat from free trade. Instead of burying their heads in sand, the WTO members particularly the large trading economies tried to build up international public opinion in favor of strengthening the global trading system and launched concerted endeavors to right the wrongs. A great many meaningful steps were taken in the lead up to the fourth Ministerial conference. Despite, and because of debacle in Seattle, good deal of progress was made during this period. This is not to mean that issue-specific disagreements among the members were eliminated. Notwithstanding a lack of harmony in opinions and stands, the WTO members succeeded in striking a deal at the end of the fourth Ministerial Conference. A new round of MTNs, its agenda and timetable were agreed upon.

Immediately following the Seattle debacle, 29 industrial economies announced four "confidence building measures". They recognized the pressing need to render special treatment to the 41 least developed countries. The Green Room process of consultation was consigned to the dustbin of history after the Seattle Ministerial Conference and replaced by a system of regular meetings to consult with and inform all members of a broad spectrum of the WTO activities. Implementation-related difficulties of the members were fully acknowledged and a good deal of attention was paid to these problems under the IRM. Two mandated negotiations, those in agriculture and services, were launched. Both of these negotiations progressed in two-phases and despite initial disagreements made substantive headway.

The TRIPS Council began a review of the domestic TRIPS laws of developing economies. A review of implementation of TRIPS Agreement was also started. Work on developing a multilateral system of notifying and registering

geographical indicators progressed, not the same can be said about work on TRIPS vis-à-vis public health. Strong differences in opinions persisted on this issue. A large number of developing countries still do not want to negotiate on TRIMs and on establishing a non-discriminatory environment for global FDI flows. A Working Group was set up to study the trade-investment nexus. At the fourth Ministerial Conference, members agreed to start negotiations on TRIMs after 2003.

There was a strong disenchantment among the textile exporters about the slow implementation of ATC. The CTG, assisted by TMB, conducted reviews of the first two phases of liberalization. It concluded that at the end of the second phase major importing countries were on course and were going to comply with the ACT's norms of integration. The CTE organized several symposia on trade and environment interface and succeeded in bringing environmental and sustainable developmental issues into the mainstream of the WTO operations. After wide-ranging debates, it was agreed among the members that the preferred approach to global or trans-boundary environmental issues needs to be developed through co-operation with the MEAs. The CTE also devoted a good deal of time to the analysis of eco-labeling, transparency provisions and export of domestically prohibited goods.

The chestnut about trade and labor standards began to lose its volatility and members began to veer towards the stand taken during the first Ministerial Conference in this regard. The WGTCP focused its work around the general implications of a trade and competition policy, benefits of enhanced international co-operation in this area, and the issues related to capacity building. An official review of DSU was undertaken to examine several areas of possible improvements, particularly the "sequencing" issue. In the area of trade in IT products, ITA II negotiations were in progress, although they were far from completion. A yearlong program of a study on NTBs in IT was also launched. These developments testify to the fact that, despite debates and disagreements,

a great deal of meaningful developments took place in the global trading system during the interim period between the third and the fourth Ministerial Conferences.

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