

## **Seattle and Sustainable Development by Mark Halle**

Among the different opinions on what happened at the Third WTO Ministerial Meeting in Seattle, one point seems to rally everyone -- that Seattle changed things for good. Seattle represented the demise of the old way of preparing and conducting multilateral trade negotiations. Whatever ways are encountered to take the multilateral trade agenda forward, they are unlikely to bear much resemblance to the approach followed in the past.

This radical change in perspective has been both gradual and sudden -- the branch that gradually bends, then suddenly snaps. Frustration with the WTO system had been growing in all quarters. The environment and development NGOs grew tired of their issues being paid lip service, then relegated to the back shelf.

The environmental community, encouraged by the establishment of a Committee on Trade and Environment in 1995, watched while the CTE made virtually no progress for year after year, until it began to dawn on them that the CTE was nothing more than a distraction from the real agenda. They heard the WTO insist that it was not -- and did not intend to become - - an environmental body, then watched in amazement as the WTO Dispute Settlement Body snubbed the expertise and advice of leading environmental organizations while making decisions that had profound implications for the environment. They listened to the WTO repeatedly express support for international environmental organizations and processes, then watched as member states used the WTO to undermine and impede progress in these same organizations and processes.

The development community, and especially the developing countries, grew increasingly frustrated and angry, not only at the low priority accorded to their concerns, but also at the bad-faith implementation of what had already been agreed to during the Uruguay Round. Implementation of the textiles agreement or the massive abuse of anti-dumping provisions for protectionism offers just two telling examples. The heavy-handed process for choosing the new WTO Director General further undermined developing country confidence, and their marginalization from the preparations for Seattle and from the negotiations in Seattle itself pushed things over the brink.

Organized labour, though much of its protest may have been motivated by protectionist sentiment, was fundamentally making the same point as the other elements of the WTO-reform movement: that trade liberalization, indeed globalization itself, must contribute to widely supported international goals in the environmental and social fields or face a serious loss of legitimacy.

Even without the street demonstrations, the WTO was in trouble. The Uruguay Round had been aggressively sold to the developing world as very much to their benefit. Experience after five years of implementation has showed that to be far from the case. Benefiting a corrupt elite is not the same as benefiting a country, and the WTO has hidden for too long

behind aggregate growth statistics. It found itself a victim of the increasing democratization of the developing world.

Nor has the WTO found a way to handle the rapid expansion from GATT's sixty-something members to the 135 that are now inside the WTO, not to mention the others lining up at the door. Virtually all the new members are developing countries or economies in transition, and this has changed the character of the WTO considerably. Everyone knows that throwing negotiations open to all comers is a formula for ineffectiveness, as the UN admirably shows. At the same time, welcoming tens of new members into a club but keeping them off the club committees is not a formula for harmony. Developing country resentment has been growing for years -- and it came to a head in Seattle.

Even this might have been manageable had it not been for a major clash between Europe and North America. In the old days, trade negotiations tended to be prepared through debate in the OECD, the club of the world's richest 29 countries. When mature, they would move to the GATT/WTO, where a basic agreement would be negotiated by the Quad -- the U.S., Canada, Europe and Japan. It would then go into a negotiation with all GATT/WTO members to determine what would have to be conceded for the Quad position to be adopted.

For Seattle, though, there was no Quad agreement. In fact, a rift of geological proportions had developed over agricultural liberalization between the U.S. and Canada on the one hand, and Europe and Japan on the other. The former insisted on eventually eliminating export subsidies; the latter insisted on recognizing the many functions played by the agricultural economy beyond the production and distribution of commodities.

Yet even this rift might have been overcome if Seattle had not been dragged -- or pushed -- into the abyss by U.S. electoral politics. It would not be outrageous to suggest that the Clinton Administration sacrificed chances of an accord in Seattle to secure the labour and environmental vote for its candidates in the next election.

What is the damage? There is no Round. What momentum there was toward a new wave of multilateral liberalization is now seriously dissipated, and no one thinks there is much chance of restoring it until a new U.S. administration is in place. Desultory talks will continue on agriculture, and perhaps rather more effective ones on services, and there will be an ongoing discussion of select implementation issues, in particular relating to the Dispute Settlement system. But, essentially, the WTO vessel is demasted and becalmed.

This is a blow for agricultural exporters, especially the U.S., Canada and the other members of the Cairns Group, since agriculture represents the next big frontier in trade liberalization, but they are in large part to blame. Their single-minded persistence in regarding agriculture as just another provider of commodities, and large-scale industrial agriculture as the fastest road to wealth, ended up alienating a wide swathe of opinion. The fact that these same countries are the key promoters and users of genetically modified crops and most resistant to

efforts to prevent or at least label these, greatly increased suspicion and distrust. So, too, did their blanket dismissal of all contrary opinion as masked protectionism.

In an important way, it was a blow to Europe as well. Europe's system of agricultural supports is indefensible in a modern age, and is vastly wasteful of economic resources badly needed in other sectors. But agricultural subsidies are an extremely sensitive issue, and it is unlikely that European governments will muster the courage to dismantle the worst of them unless they can hide behind an international undertaking that obliges them to do so, and offers other advantages in compensation. With the collapse of the Seattle talks, Europe has bought itself a measure of political peace. But it is a pyrrhic victory, as the arrival of new members -- including large agricultural countries like Poland -- will make deep reform of the Common Agricultural Policy a necessity.

The lack of a new Round is in some ways also a blow for the developing countries. Their only real hope of advancing on the issues that concern them most is to place themselves in a position where they can trade off an agreement that carries significant benefits for the richer countries with real progress on their issues.

Two groups appear to be most satisfied with the failure in Seattle -- labour and the environment movement. Their alliance and their power of organization certainly contributed to bringing the juggernaut to a halt. This is not the first time that NGO Internet-based mobilization has had a significant impact. Negotiations for a Multilateral Agreement on Investment were derailed with significant help from a well-organized NGO swarm. NGO activism has turned around public opinion on GMOs, leaving major companies like Monsanto and Novartis in trouble. More positively, they generated the necessary momentum for the Land-Mine Treaty to be adopted.

In Seattle, they gave effective voice to an orchestra of fears about global change, deepening inequities, environmental degradation or loss of jobs. If the resulting music was not particularly harmonious, it was at least loud. And it is clear that what was done once to WTO can be done again. If street riots are discouraged at the next WTO Ministerial venue (some say in Qatar), the NGOs can mobilize to block ratification of a trade agreement they do not like. In reality, the WTO's only hope is to take essential and legitimate environmental and development concerns on board, a proposal that is more easily preached than practised.

The flexing of muscles from the labour sector appeared largely to be the work of U.S. unions, and represented an ill-disguised defence of privilege and protection. Although the labour folk made the most of the presence of Canadian unionists and a scattering of colleagues flown in from the developing world, and though they pushed forward their international federations like the ICFTU, in fact Seattle was heavily dominated by U.S. unionist opinion. What the United Steelworkers or the Teamsters have in common with most Third World labour federations is a deep mystery. The hope is that this manifestation of labour force will be a once-off, uniquely U.S. experience. This is not to say there are no

labour-related issues that the trading system needs to address. There are. It is simply that the trading system cannot afford to be held hostage to rich-country labour unions.

It is hard to escape the conclusion that the WTO itself is the big loser, and that a positive future depends on serious reform taking place there above all. Amid the victory parties and wakes that have been held after Seattle, the most sensible voice has been that of the French Prime Minister Lionel Jospin, who called for first priority to be placed on reforming the WTO, with the next Ministerial meeting devoted to agreeing to these reforms. Only then can real progress be made on the trade agenda.

### **Trust and trade-offs**

So, what reforms? It is important to preface a discussion of needed reforms with a note on how progress is made in a complex, political system such as the WTO. Trade negotiations are similar in many ways to straightforward commercial negotiations. They are successful if there is an adequate level of trust, and they are successful if both sides are prepared to make trade-offs.

Seattle stood little chance from the outset, because the minimal level of trust had not been developed. They stood no chance at all when it became evident that the key players had not come prepared to make the trade-offs necessary for progress to occur. In approaching WTO reform, the governing questions are: what can be done that will rebuild the trust so badly damaged in Seattle; and how can the issues be assembled on the table in such a way that the right trade-offs become possible?

The most evident levels of distrust are between Europe and North America (though more accurately it is Europe and several others against North America and several others). This distrust is most evident around the subject of agriculture, but it is really about the purity of the trading system. GATT was easy because it essentially dealt with tariff barriers to the flow of manufactured goods. One of the reasons for the WTO's tribulations is that it has tried to go on as though the issues -- like agriculture -- that it now deals with were susceptible to the same sort of treatment. They are not. Much of the motivation behind Europe's insistence that the diverse functions served by agriculture be acknowledged (the multifunctionality debate) may be protectionist, but not all of it is. Nor is agriculture the only sector characterized by multiple functions. Indeed, virtually the entire WTO agenda is made up of multifunctional issues.

Distrust is alive and well also between the rich and poor countries. The latter feel both cheated and excluded. It will now be hard to win their trust without concrete measures which both offer them a better deal and a more assured place at the table.

For all their raucousness, the NGOs would not have been able to muster such energy and visibility had they not tapped into currents that run cold and deep in societies throughout the world. The methods and alliances of some NGOs may be deplored, but at the heart of NGO rejection of the WTO system is the widely shared sentiment that it is up to societies --

and not the forces of capital and economic self-interest -- to choose the shape and character of their world. Some way will have to be found to deal with this sentiment -- either by co-opting the NGOs World Bank-style or, preferably, by finding appropriate means to recognize and incorporate these concerns in the workings of the multilateral trading system.

### **The reform agenda**

What, then, is needed? The required action can be grouped into three categories: measures to improve transparency and participation; measures to address the impact of trade liberalization on sustainable development; and improved coherence and mutual support between the trade regime and other essential elements of the global institutional and policy infrastructure.

- **Transparency and participation**

Of all the reforms required of the WTO, the call for more transparency and more effective participation drew the most press. In many ways it is incredible that the WTO got away with negotiating in (literally) smoke-filled rooms for so long after everyone else had moved on to recognize that a new world requires new institutions and new ways of making decisions.

But that is now over. The WTO will have to come to grips with enabling effective developing country participation in the trading system. It will have to find a way of allowing genuine, balanced participation from legitimate representatives of civil society. And it will have to operate in a way that is substantially more transparent than has been the case in the past. None of this is rocket science. Hundreds of other international organizations have grasped this particular nettle and turned it into a tasty soup. The WTO's protests that it is different notwithstanding, it is not withstanding the wave of criticism levelled at it, and it is clear that its differentness has left the public indifferent.

Transparency measures will make it far more difficult for nations to say one thing to their public and another behind the locked doors of the WTO committee rooms. It will make it more difficult for them to agree on a national position in public, then sell it out to commercial interests in private.

What applies to the WTO applies also, in spades, to national trade policy. The most diligent opponents of transparency in the WTO are countries that operate opaque systems back home. Those who oppose participation with the shrillest voices are from countries that discourage it at home. It is time to recognize that there is an emerging global standard (the Aarhus Convention symbolizes it) for transparency, participation and access to judicial processes that cannot be ignored. It is the basis of the new global governance.

One development that is clearly picking up momentum is the interest shown by parliamentarians. They can be counted on to play a more active role at both the national and transnational level, and can serve as a useful bridge between civil society and the WTO.

But participation requires more than an open door. It requires the capacity to walk through that door. Capacity to follow trade and to operate its rules in one's own favour is severely limited, especially in the developing world, but also in non-trade sectors in the rich countries. If one thing is broadly agreed, it is that a considerably greater effort must be made to build this capacity if the trading system is to operate effectively in the future.

Calls for capacity building echoed through the halls in Seattle, and provoked a backlash. Desperate for something to show for its four days of work in Seattle, the developed countries hoped to look good by promising a massive increase in resources for training. While it is needed and urgent, it sounded a tad patronizing, and did not go down well with developing countries that had deployed their existing capacity *en masse* and were still denied entry to the negotiating rooms.

The fact remains, however, that building capacity within governments, civil society and the research community remains a high priority, and one area where positive action can quickly be taken.

- **Sustainable development**

Seattle made it clear that the WTO's commitment to sustainable development remains almost wholly theoretical. A dedication to the notion is carried in the preamble to the agreements closing out the Uruguay Round, but preambular language in a binding and enforceable legal agreement carries no more weight than such language would in a contract setting out the terms of a merger between two giant corporations. What counts is what is enforceable. The rest is for public consumption.

An examination of the texts being negotiated in Seattle before the collapse repeated the preambular dedication to sustainable development, but the legal text was disturbingly free of sustainable development commitments. So, have we had no impact?

It is fair to say that the WTO is now paying for its blanket disdain of any group that was not a member state. In treating friendly and constructive forces in the same way as hostile ones, it has missed the opportunity to collaborate with the former and to move forward in a way that might have afforded it some protection from the latter.

One problem is that the WTO has never been clear about the goal that trade liberalization is intended to reach. This may be because articulating such a goal would give ammunition to those who feel that the WTO should be judged by the progress it makes toward that goal. If the goal is economic growth of the GDP kind, the WTO will not win broad support. The goal must be wider.

The time is right for the WTO to articulate its end-purpose, which should be sustainable development or something very similar. Sustainable development would link the WTO with many other international processes, but more important it would provide the basis for developing filters in the absence of which the WTO is flying blind. Is TRIPS a good

agreement or a bad agreement? The answer depends on what one believes it aims to achieve. If, however, the goal were clearly sustainable development, then TRIPS could be judged on the extent to which it advances -- or impedes -- the achievement of sustainable development.

Much work still needs to be done in looking at the real sustainable development impact of existing WTO agreements and practices, without even raising the issue of new agreements. Sustainable development is a factor in all of WTO agreements, and not just in those issues covered by the Committee on Trade and Environment or those focused on developing country interests. Sustainable development interests must be looked at in the context of all aspects of the WTO's work. Ideally, all areas of the WTO's work should contribute to advancing sustainable development.

The coming years will require a rededication of the WTO to broader goals, and an agreement to put all of its actions to the test of compatibility with these goals. The current waves of assessments are a good step in that direction, and will provide much empirical ammunition for the coming discussions with the WTO. But the process should go further. It may be the only way to generate the confidence in the WTO needed for the coming reforms.

- **Coherence**

Hearing the WTO repeat like a mantra that trade liberalization is good for the environment, good for the poor, good for development, indeed just plain good was grounds enough for the Seattle riots. It has long been clear that trade liberalization *could* be good for sustainable development but only *provided* that trade, development and environment policies were harmonious and mutually supportive. Largely, they are not, with the result that trade liberalization has undermined development objectives and damaged the environment.

Trade policy circles profess support for policy coherence and insist on their support for environment and development policy goals, though they tend to prefer these to be pursued elsewhere. This might be fine were it not for the international policy class system. The unwritten assumption is that trade (and other first-class policies such as fiscal and monetary policy) are set first and that business or economy-class policies must demonstrate their compatibility with the former. Thus, the correct interpretation of the WTO community's statement of support for environmental policy is that this support is conditional on it being compatible with -- or not affecting -- trade policy.

What happens when it isn't? Trade policy rules supreme with the Dispute Settlement Body to enforce compliance. When an issue of commercial importance is developed in an environmental forum -- such as the attempt to negotiate a Biosafety Protocol which could affect trade in genetically modified foods -- the reaction of the trade policy crowd is to grab it, or if that is not possible, to derail it.

Real compatibility among key policy sectors will not be possible until there is an equitable means of adjudicating among the different and conflicting policy objectives, and there is a set of principles to guide such adjudication. There is no single answer, but in respect of trade

policy, it is clearly important that *frontier commissions* be set up to examine the interface between the different policy areas. This means both a heightened effort in areas such as the environment to achieve coherence among its own policies and positions, allowing the environmental community to negotiate with the trade area on a more nearly equal footing. It also means tying progress in trade liberalization to progress in other key areas -- and thus achieving the trade-offs noted above.

## **Conclusion**

Every crisis is an opportunity, and if Seattle was a disaster for the cause of liberalized trade, it was also a clarion call for change. The WTO had been on a collision course with social and environmental interests for some time. That they finally collided is not a surprise, although it is somewhat astonishing that the collision took place so soon and so violently.

For those who believe that the economic growth made possible by trade liberalization is a necessary ingredient of sustainable development, the debacle is the prelude to an era of exceptional opportunity (assuming that the WTO does not go the hedgehog route of rolling up into a ball and aiming the bristles outward). If we know where we would like to end up on transparency and participation, on sustainable development, and on policy coherence, it does not mean that we are clear about the best way to get there. We will need energy, creativity and the ability to put aside old quarrels in the common search for a better outcome.