Trade rules after Seattle:
A business perspective

Maria Livanos Cattaui
Secretary-General, International Chamber of Commerce

Despite the damaging setback at Seattle in 1999, world business continues to urge that the launch of a new broad-based round of multilateral trade negotiations under the aegis of the World Trade Organization (WTO) must be a top priority on the international economic agenda. A start has already been made with new negotiations on trade in services and agriculture, as mandated by the Uruguay Round. These must be advanced expeditiously, and expanded at an early date to cover a significantly broader trade agenda to improve the prospects of achieving a balanced result that all WTO members can subscribe to. It is the responsibility of the powerful countries to give leadership and impetus to this task, and to communicate more effectively to their general publics the benefits of trade and investment liberalization.

Globalization is presenting great challenges as well as great opportunities to societies the world over. Sound multilateral rules for the worldwide marketplace are vital to ensure the smooth functioning and good management of globalization. Markets, like freedom, work well only within a suitable framework of rules. It is the task of governments, with the help of business, to cooperate closely to find the balance between freedom and rules that maximizes the scope for business to create wealth and employment.
In Seattle in 1999, governments were unable to reach consensus even on the agenda for a new trade round. After all the hype and despite all the expectations, ministers floundered in a sea of division and indecision. Of course, we knew before Seattle that different governments—and different groups of governments—placed more emphasis on some issues than others did. And we knew that some governments were more ambitious than others in the scope they foresaw for the new round. It was these differences that ministers were supposed to reconcile in Seattle in a spirit of compromise and determination to strengthen the WTO and the rules-based multilateral trading system.

In June 1999, the International Chamber of Commerce (ICC) published its strategic objectives for a new round in the name of world business.¹ We opted for a broad-based agenda because we believe that the more opportunities there are for negotiators to give and take, the better the chances of success of achieving a balanced result. We suggested that new trade negotiations should embrace a much broader concept of market access than in previous trade rounds, with the focus on multilateral rules that enable companies to compete freely and on equal terms in a global marketplace.

The ICC statement recommended that governments should:

• implement all Uruguay Round commitments in full and on schedule;
• improve market access, especially for developing countries, by further reducing tariffs and introducing effective restraints on non-tariff barriers;
• prevent abusive resort to anti-dumping measures;
• push forward the process of creating high-standard multilateral rules within the WTO to protect and liberalize foreign investment;
• expand and improve commitments on trade in services reached during and since the Uruguay Round, including trade in basic telecommunications, financial services, and the movement of natural persons;
• make a start in the WTO on liberalizing maritime transport, air cargo, and postal and express delivery services;
• speed up the reduction of substantial protectionist barriers that impede and distort trade in agricultural products—barriers that are particularly damaging to the export capability of many developing countries; and
• develop comprehensive and effective multilateral rules to simplify and modernize trade procedures, and in particular slow and bureaucratic customs procedures.

Even after the Seattle failure, we still think that this agenda is realistic, provided that the political will can be forged among WTO members to carry it forward.

Although Seattle was a setback and the dust has still to settle, we do not see it as a halt to trade liberalization. As business people, we are convinced that the achievements of half a century of trade liberalization provide the example, and it is unthinkable that the process will not continue.

That said, the ICC remains gravely concerned at the large number of high-profile trade disputes among members of the G-7 that are currently being allowed to sour international trade relations further and that are weakening the authority and effectiveness of the WTO and its dispute settlement system. Our concern at what happened in Seattle, however, extends beyond disagreements among governments over substance. The WTO seems to have become the scapegoat for everyone with a grievance about the modern world, and that—at the very least—is an unhealthy trend.

In an atmosphere of massive and sometimes violent protest in Seattle, much false information about the WTO, about business, about globalization, and about international trade was endlessly repeated. The WTO itself was depicted as a secretive and undemocratic institution controlled by the multinationals. Some protesters seemed to regard trade itself as a curse to be lifted from the brow of mankind; as the cause of lost jobs and the exploitation of workers, and the source of environmental pollution. But if the WTO were undermined, that would be a threat to the rule of law in world trade. If we go back to the law of the jungle, and the WTO’s effective dispute settlement machinery is disregarded, the principal nations to suffer will be the poor and the weak. The WTO is the best guaran-
There is a level playing field for all countries, at whatever stage of development.

In the interests of establishing a stable and predictable trading environment, it is important to understand the conditions that have given rise to this vocal opposition. In fact, the WTO has become the victim of its own success. Because it has a dispute settlement mechanism with teeth and its rules actually work, special interest groups are attempting to saddle it with issues that are not directly related to trade liberalization—and many of them want it to sink in the process. The WTO should be allowed to get on with its job of supervising the international trading system without being burdened with excess baggage. Its task is already dauntingly complex and difficult.

The protesters who would have the WTO abolished claim to represent the interests of the world’s poor and disadvantaged. Those groups need reminding that, far from favouring the rich and powerful countries, international trade rules and WTO disciplines give the poorer countries the chance to defend themselves against pressures from powerful trading partners. The WTO is based on non-discrimination. Rich and poor countries alike can be challenged if they violate an agreement, and they have an equal right to challenge others through the WTO’s dispute settlement procedures.

The claim that international trade is a negative rather than a positive force is difficult to understand. Look at the record of the twentieth century. As the United Nations Secretary-General, Kofi Annan, has remarked: the first half saw the world almost destroyed by war, partly as a result of its division into rival trade blocs. But the second half saw an unprecedented expansion of world trade, which also brought unprecedented economic growth. Since 1948, annual economic statistics have invariably shown growth in world trade outstripping economic growth. In other words, trade has been the engine of economic growth. This means that economic activity is more and more dependent upon trade as the years go by.

In 1998, world merchandise exports were worth over US$5 trillion, and in volume terms that represents an 18-fold increase over 1948. Although the world’s population has more than doubled, to reach 6 billion in 1999, exports per capita are eight times as high in
real terms as in 1948. The figures are so enormous it is difficult to take them in. Behind them is the reality that trade contributed enormously to world growth and prosperity over the half century, bringing better jobs and more resources for education, health, and other social spending. Despite the poverty that still exists in too many countries, the fact is that the world is far more prosperous now than it has ever been.

In April 2000, A.T. Kearney, the management consulting unit of Electronic Data Systems Corp., released the results of its 18-month study on globalization.² It traced the effects on 34 countries of integration into the world economy. The accompanying “globalization index” showed that nations that opened up their markets to free trade had not only faster economic growth but also striking improvement in social indicators, education, life expectancy, and infant mortality—even cleaner water. Kearney conceded that inequality—that is, the rich–poor income gap—has also widened and that in this game there are losers as well as winners, but the statistics weigh heavily on the plus side.

The challenge therefore is for developing countries to make the necessary reforms to their economies to ensure that they are in a position to reap the economic rewards of globalization and to create the fundamental conditions for prosperity to take root. The chief failure of the past two decades was not that global economic integration went too far, but that it has not as yet gone far enough. Too many countries and regions have remained marginalized. If the critics now persuade governments to turn their economies inwards, they will have thrown away the world’s best hope of a sustained reduction in poverty and global inequality.

Former Mexican President Ernesto Zedillo analysed the current state of play best at the World Economic Forum annual meeting in Davos in 1999, where he identified a peculiar alliance of anti-globalization forces. As he saw it, activists from the extreme left and the extreme right, environmental groups, trade unions of developed countries, and some self-appointed representatives of civil society have gathered around a common endeavour: to save the people of developing countries from development. He said that no one would claim that access to free trade and investment is sufficient to achieve
sustained development and overcome poverty. Much more is needed in terms of sound macroeconomic policies, domestic liberalization, permanently increasing investment in education, health, and human capital in general (especially for the poorest), as well as the strengthening of democratic institutions, including those that guarantee the rule of law.

However, what is now clear from the historical evidence of the twentieth century is that, in every case where a poor nation has significantly overcome its poverty, this has been achieved while engaging in production for export markets and opening itself to the influx of foreign goods, investment, and technology; that is, by participating in globalization. Indeed, I travelled extensively in Asia in 1999, visiting the many ICC national committees spread throughout the continent. In Taipei, Singapore, Hong Kong, and Bangkok, the story was always the same. All the business people and government officials in these economies feel betrayed and abandoned by the most developed countries, which, it seems to them, want to restrain their chances. They feel betrayed by protectionist special groups in Europe and Asia. All too often, the anti-trade lobbies blame economic disruption and job losses on international competition when the cause is inevitable technological change. And they fail to see that, as old jobs in dying industries disappear, new ones—higher paid and of better quality—are created in the new industries.

Nobody seriously wants to put the clock back on human progress. Technological change is inevitably accompanied by the transformation of whole industries. Think what the advent of the motor car and the demise of the horsedrawn carriage meant for the job market in the early years of the twentieth century. More recently, consider the impact of the word processor on typewriter manufacturers, of radio on newspapers, of television on radio. They all had to adjust.

Business enterprise thrives on change, on seizing new opportunities, and on creating new products to satisfy new markets. Moreover, because we live in a global economy, it does not matter if those markets are at the uttermost ends of the earth.

We also have to admit, however, that business as a whole has not succeeded in convincing public opinion of the merits of trade liberalization or in making the case for the global economy. It is incum-
bent upon world business, together with governments, to explain to the greater world community the benefits and opportunities that flow from a readiness to embrace the world economy. The fears and misconceptions must be dispelled.

Furthermore, we should be very concerned with one particular aspect of the activities of anti-globalization special interest groups. An idea made popular at Seattle, and which is potentially damaging to multilateralism, is that democratically elected governments do not represent the will of their citizens. The corollary of this idea is that, since international organizations are composed of member governments, they similarly do not represent the will of citizens worldwide. This is a growing trend, which could have far reaching systemic implications. However, no one elected the protesters to represent them. Democratically, the activists have no right to the “seat at the table” that they demand. But that does not mean that their views should not be heard. The protesting non-governmental organizations (NGOs) need to be reminded that, in democratic societies, the way to advance a cause is to submit it to the scrutiny of the voters, not to intimidate officials doing their best to implement the policies of elected governments.

The ICC is convinced that the emergence of a global market economy, a process that has only just begun, will bring unprecedented prosperity to millions. This is why, through its website and other means, the ICC is intensifying its efforts to better communicate this message on behalf of world business.

As in the build-up to Seattle, debate will continue to rage about whether or not trade should be linked with labour and environmental standards. All along, the ICC has maintained that governments must avoid saddling the multilateral world trading system with wider objectives, however laudable they may be. The ICC agrees with those who fear that labour and environmental issues could be a pretext for protectionism. Those fears received credence from suggestions in Seattle that trade sanctions should be used to punish countries deemed to be breaching core labour standards.

Any right-minded person believes that core labour standards should be established and maintained. But it is poverty that creates bad labour conditions, where such practices as abuse of child labour
can flourish. The cure for poverty is economic growth and job creation. To quote the Secretary-General of the United Nations, Kofi Annan: “Practical experience has shown that trade and investment not only bring economic development but often bring higher standards of human rights and environmental protection as well. . . . Indeed, a developing civil society will generally insist on higher standards as soon as it is given the chance to do so.”

Trade sanctions would have the opposite effect, for they deny markets to an offending country, weaken its economy, and lower its living standards. Desperately poor rural workers in developing countries will certainly not benefit from such measures. Trade sanctions can only obstruct development and increase poverty.

The movement to keep trade negotiations separate from environmental or labour policies is not confined to business but is supported by the overwhelming majority of the 138 WTO member governments. Similar views are also held by the United Nations, as was made clear in July 1999, when an ICC delegation conferred with Mr. Annan and the heads of UN agencies on relations between business and the United Nations. In a joint statement, we agreed that the WTO-based multilateral trading system should not be called upon to deal with such non-trade issues as human rights, labour standards, and environmental protection. To do so would expose the trading system to even greater strain and the risk of increased protectionism while failing to produce the required results. The right place for addressing these issues is the United Nations and its appropriate specialized agencies.

Business recognizes that the implementation of the rules and disciplines of the multilateral trading system can sometimes have a significant impact on other policy areas. We would therefore welcome a more coordinated collaboration between the WTO and other intergovernmental organizations with different but related policy responsibilities, especially in the fields of development and environmental policies. Currently, too much duplication and inadequate coordination are preventing intergovernmental bodies from taking effective global action to ensure the protection and conservation of international “public goods” in such areas as the oceans, the atmosphere, water, biodiversity, and public health.
Business looks to the United Nations to give a lead in tackling such global problems as cannot be resolved by isolated national or regional initiatives. There is a particular need for the United Nations to provide a strong single focal point on environmental issues, which have important linkages to the work of a host of other intergovernmental organizations. World business recognizes the need for the United Nations to have sufficient resources and authority to tackle effectively the complex and often interrelated global problems of today, while urging further streamlining as part of the institutional reforms being undertaken by the UN system to tackle bureaucracy and the duplication of tasks. The United Nations should be prepared to assume responsibility for coordinating international decision-making more efficiently.

The last year of the twentieth century saw a constructive new relationship develop between the United Nations and business, with each side recognizing that their respective goals are mutually supporting. Peace, development, the rule of law, and harmonious and constructive relations between nations are fundamental goals of the United Nations. Achievement of these goals enables business to expand and prosper. By creating wealth and jobs, by stimulating scientific and technical progress, and by constantly improving products under the stimulus of competition, companies help to defeat poverty and improve the quality of life. And poverty is the enemy of the humanitarian values espoused by the United Nations.

These complementary goals led the UN Secretary-General, Kofi Annan, to propose a Global Compact between the United Nations and business to uphold a set of core values in the areas of human rights, labour standards, and environmental practice. Business has now formally accepted Kofi Annan’s challenge, and the ICC has started to use its website to demonstrate how the private sector is fulfilling the compact through corporate examples.

To succeed in business, you have to be an optimist and you have to be persistent. The WTO system has come through some fairly bruising recent conflicts involving its most powerful members and its dispute settlement mechanism is intact. The system works and its members are respecting it. The WTO evidently does have its attractions. Some 30 countries are lining up to join, so it must be
doing something right. The turmoil in emerging markets in 1998
did not provoke the protectionist reaction that many experts pre-
dicted. The lesson that markets must be kept open despite tempo-
rary difficulties appears to have been well learned.

For almost half a century, the ICC gave strong support to the
several successive rounds of negotiations to liberalize world trade
carried out under the aegis of the General Agreement on Tariffs and
Trade. We were particularly supportive of the ambitious Uruguay
Round negotiations, which resulted in unprecedentedly wide-ranging
agreements further to reduce tariff and non-tariff barriers to trade,
and which initiated a process of extending multilateral rules to new
trade-related policy areas of major importance to world business. We
believe that, without the WTO and without the rules-based inter-
national system it is striving to establish, we will revert to bully
economics.

From the point of view of world business, the following actions
are surely needed now:

• The new balance of power within the WTO means that industri-
alized countries can no longer expect to impose their views on
developing countries. A recent update of a survey on investment
conditions in developing countries undertaken by the European
Roundtable of Industrialists—with the assistance of the ICC—
showed clearly that unilateral liberalization and market-opening
reforms were taking place in developing countries irrespective of
the WTO process.5 This trend now seems firmly entrenched.
However, the management of the global economy will require the
development of effective global rules and the WTO must play a
central role in this process.

• Efforts need to be intensified to devise a combination of measures
to assist the least developed countries, including greater market
access for their exports, and help in building up their institu-
tional and human capacity and their infrastructure.

• Debt relief for the least developed is on the international agenda,
but it makes no sense to spend extra billions of dollars on en-
hanced debt relief if the ability of poorer countries to reduce their
debt burden is impeded by export barriers.
• We at the ICC intend to improve developing country participation in our policy work, and to work harder to mobilize the business communities in these nations.
• The ICC called for the establishment of more effective intergovernmental organizations in its recommendations for the Millennium Assembly of the United Nations in September 2000. Serious thinking is taking place at a high level within the United Nations as regards the creation of a world environmental organization, bringing together activities such as those of the UN Environment Programme and the UN Commission on Sustainable Development.
• Efforts should be made to advance trade and investment issues in other intergovernmental organizations in addition to the WTO. For example, the Organisation for Economic Co-operation and Development has undertaken analytical work on the liberalization of air cargo. The World Customs Organization has revised its Kyoto Convention on the Simplification and Harmonization of Customs Procedures, and might require business support from ICC national committees to encourage governments to ratify the revised convention.
• The ICC should seek to better explain to the general public the benefits of the WTO’s work, and encourage WTO members to undertake the necessary preparatory work to launch mandated negotiations. Although business will not be able to convince the more vocal and extreme NGOs, it should continue to articulate its views through legitimate democratic consultative processes and work harder to convince parliamentary majorities in individual countries.
• The ICC should focus on the major difficulties to be addressed before multilateral trade negotiations resume, make further recommendations on specific issues, and encourage a more effective division of responsibilities among intergovernmental organizations.
• Liberalizing trade in services is a relatively new and complex area of WTO work, which entails changes in domestic regulatory frameworks rather than the more traditional disciplines on measures at the border involved in trade in goods. Further measures to liberalize investment are important to ensure successful further
liberalization of trade in services. Countries should be encouraged unilaterally to open their markets and to liberalize their investment regimes.

- An important feature of the global economy is the growing importance of intra-firm trade in goods and services, which accounts for between one-third and one-half of world trade. Governments must keep up with the needs of global business, for example in the area of the simplification of trade procedures.

We know that liberal trade conducted under a system of multilateral rules agreed among nations is the best hope of future prosperity for everybody, whether rich or poor. It is also a powerful force for peace in the world. This is a lesson we should all take with us as we step into the twenty-first century.

Notes

3. See chapter 1 in this volume.