

The Multilateral Trading System

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9.1 Introduction

In the ongoing discussion about the world trading system it's important to make a distinction between the possibility versus the probability of the failure to launch a new round as in Seattle in November 1999. The latter required a catalyst to trigger the outcome of failure. But the transformation of the trading system combined with the structural weakness of the WTO would have ensured that even 'success' could not guarantee the future of a rules-based multilateral system in the absence of fundamental reform of the WTO.

The following discussion will first summarize the main transformative changes in the system which include the impact of the Uruguay Round as well as changes in the policy ambience and the policy process. I will then highlight the most urgent reforms needed to keep the system going and briefly note the longer-term changes required in the international governance architecture.

Without exaggeration, one could say that the ambience of trade policy-making has profoundly changed since the end of the Uruguay Round in 1994. This discussion will track the roots of this change to the transformation in the nature of the trading system initiated by the Uruguay Round. This transformation, however, is a necessary but not sufficient explanation of that event. Equally important is the impact of the spread of internet use in the mid-1990's, a phenomenon which is transforming the policy process -- as exemplified by the role of the NGO's in contesting the terms of the policy debate. In addition there are ongoing changes in the climate of ideas which raise questions about the neo-classical model at the core of economics and of trade policy. Finally, it will be

argued that coping with these changes will require structural reform, not only of the WTO, but also the postwar international architecture if the multilateral rules-based system is to endure. So let's begin at the beginning of the story: the Uruguay Round.

9.2 The Trading System is not just about Trade: The Uruguay Round

The inclusion of the so-called new issues (intellectual property and services) in the Uruguay Round was entirely an American initiative. A number of developing countries, led by India and Brazil, were bitterly opposed. But, as the government was aware, without a fundamental rebalancing of the GATT, it seems highly improbable that the American business community would have continued to support the multilateral system for much longer. (Ostry 1990: 23) So the American multinational enterprises (MNE's) undertook a major role in shaping the negotiations. On the intellectual property issue the main impetus came from the pharmaceutical, software and entertainment industries with the CEO of Pfizer playing a lead role as Chairman of the Intellectual Property Rights Committee (IPC). At the Punta del Este meeting in September 1986 many delegates were somewhat surprised to learn that the top priority of President Reagan for the Uruguay Round was to stop piracy since, unlike the services issue, the position of the U.S. on intellectual property had only been formalized a few months earlier. (Preeg 1995: 65) But by May 1988 the IPC, which had created an international business coalition including European and Japanese business organizations, presented a proposal which went well beyond eliminating piracy and included 'minimum standards, enforcement mechanisms, and dispute settlement.' (Ostry 1990: 24) This became the official American position and was eventually supported by the E.U. and Japan, who had

been lukewarm or even hostile to including IPR's in a 'trade' negotiation until prodded by their corporations. Moreover some academics had questioned the rationale for including intellectual property rights in the trading system especially since the effect of such rights on trade was ambiguous.

While TRIPS delivered the basic elements of the IPC agenda, because all complex negotiations involve trade-offs, some key issues were left unsettled. These must be reviewed as part of the so-called built-in agenda mandated by the Uruguay Round. Of all these issues by far the most contentious – explosive might be a better adjective – concerned Article 27.3(b) which allowed members to exclude from patentability certain plant and animal inventions. A hint of what was to come might have been observed in Geneva during the final stages of the negotiations when environmental NGO's covered Swiss highway bridges with graffiti admonishing 'GATT: no patents on life!' and draped the GATT headquarters building with a huge banner carrying the same message. (Croome 1995: 255) But even those who took note of the message could hardly have predicted the attack on GMO's (genetically modified organisms) and the 'life science' industry which erupted by the end of the decade and has become a rallying point for a wide and diverse range of groups opposed to the WTO and to the role of corporations in shaping the system. Moreover, the profound differences between the attitudes of European and American consumers with respect to food made from genetically modified plants and growing signs of a division between small farmers and large agribusiness corporations illustrate the complexity of this issue as compared with a 'distributional' issue such as agricultural subsidies. The GATT model of reciprocity was premised on the idea that protectionist lobbies could be offset by export interests. The debate was

over the division of the pie. But although the debate over GMO's has important distributional implications (both within and among countries) the central concern involves the recipe for making the pie and for this concern the old GATT model of reciprocity is largely irrelevant.

Moreover, it's important to underline that, in the services negotiations, reciprocity was also largely irrelevant to securing the GATS (General Agreement on Trade in services). By the end of the 1980's a major change in economic policy was underway. The revolution of what might be termed Ronald Thatcherism began in the OECD countries but was adopted by many developing countries, including countries in Latin America and in Central and Eastern Europe by the onset of the 1990's. Economic reform – deregulation, privatization, liberalization – were seen as essential elements for launching and sustaining higher growth. Even without the regulatory reform thrust from the Uruguay Round, the postwar economic regulatory state was no longer a dominant paradigm and reform of key service sectors such as telecommunications and finance were regarded as essential building blocks in the soft infrastructure underpinning growth.

With the inclusion of the 'new issues' of intellectual property and trade in services, the Uruguay Round marked a watershed in the evolution of the global trading system, ushering in the agenda of deeper integration. Thus, although the 'new issues' are not identical – obviously negotiations on telecommunications or financial services differ from intellectual property rights – they do have one common or generic characteristic. They deal with the institutional infrastructure of the economy. The barriers to access for service providers stem from laws, administrative actions or regulations which impede cross-border trade and investment. Further, since these laws and administrative actions

are for the most part invisible, a key element in any negotiation is transparency – i.e. the publication of all relevant laws, regulations and administrative procedures. In the case of intellectual property the negotiations covered not only comprehensive standards for domestic laws but, perhaps more importantly, detailed provisions for enforcement procedures. It's important to underline that this deeper integration agenda not only involves an inherently intrusive focus on domestic policy but also greatly reinforces the legalization trend in the trading system as will be clear in the discussion of the WTO dispute settlement.

Given this radical transformation of the system and the arduous task of completing the Round, it certainly seemed that in January 1995, at the official birth of the WTO, as a result of a favorable confluence of different forces, support by member governments for domestic and international liberalization appeared to be near-universal.

But the law of unintended consequences was at work. Because of the focus of attention on economic regulation, the negotiations on social regulation concerning product standards, health and safety measures and environment received little publicity and little attention from the senior policy ranks. In the OECD countries social regulation started in the late 1960's and has been accelerating since then. The OECD has called the phenomenon 'regulatory inflation.' One could -- with a bit of a stretch perhaps -- say that the postwar economic regulatory state of the advanced countries is withering away, while the social regulatory state is alive, well, and growing. Thus social regulation, covering the environment, labor, food safety, product labeling, etc., has grown by 300-400 percent in the industrialized countries since 1970. (Organization for Economic Co-operation and Development (OECD) 1997: 191-248) (This is decidedly not the case in the developing

countries, nor are they likely to embrace the social regulatory state unilaterally: au contraire!) While there are a number of reasons for this bout of regulatory inflation a major factor has been the increasing influence of non- governmental organizations (NGO's) in the rich countries. For this and other reasons, it would be unwise to evaluate the implications of these new transnational actors simply on the basis of the street theatre in Seattle because they have and will continue to play an important role in the changing ambience of the policy process.

9.3 The Ambience of Trade Policy

There was very little public interest in the Uruguay Round negotiations. As the new Director-General of the WTO, Mike Moore, has described it: 'The Uruguay Round was launched in the silence of public apathy.' (World Trade Organization (WTO) 1999a) The same could be said about the previous seven rounds since the creation of the GATT in 1948. The negotiations were handled by governments although, as noted earlier, the reciprocity model involved lobbying by so-called distributional coalitions, chiefly business and trade unions, as an important element in the process and outcome. In the Uruguay Round, the role of multinational corporations and farmers was unique because of the unique character of the new issues and the centrality of agriculture as a deal-maker or breaker in the ultimate settlement. While the U.S. was the leader in launching and guiding all GATT negotiations, it's fair to argue that all the negotiations ultimately depended on cooperations between the two big players, the Americans and the European Community. It's true that in the Uruguay Round some developing countries were more prominent than in earlier negotiations in which they negotiated mainly to secure

unreciprocated access to OECD markets. But in the end the big North-South trade-off (the new issues in exchange for agricultural reform and reduction of barriers in textiles and clothing) required a transatlantic accord.

Today there are many governments who sorely miss the ‘silence of public apathy.’ The publicity surrounding international institutions is not only due to the role of the NGO’s, (of which more shortly). I would argue that the absence of apathy also reflects a broader and more pervasive secular change in the industrialized countries – an alienation from the elite. The American sociologist V.O. Key Jr. (1963: 27-53) wrote about the ‘permissive consensus’ of the earlier post-war decades. While the broad public had little detailed knowledge of international policy, opinion polls demonstrated consistent support for the government’s foreign policy which would, of course, include trade policy. As Key noted: ‘when a permissive consensus exists, a government may be relatively free to work out a solution of the issue or it may be free to act or not to act.’ (1963: 35) The deference to government, and more broadly to the establishment as it was then termed, underlay the permissive consensus and has dramatically declined since the 1960’s in all OECD countries as many recent analyses of opinion polls have demonstrated. (The Economist 1999: 49-50) Perhaps the Uruguay Round was the last gasp of the permissive consensus – and barely that.

Of course there are many reasons for the decline in deference to government and to the elites – a word of opprobrium in North America and even in Europe today. One major cause has been the much wider access to information and the role of the media. The latest stage in the information technology revolution – the accelerating use of the internet since the mid-90’s as exemplified by the role of the NGO’s in Seattle – will be

described shortly. But another development, more difficult to discern, is also at work – the ongoing change in the climate of ideas which is raising doubts about the received wisdom on trade and economic growth and will likely, over time, have an effect on policy. As Keynes famously observed : ‘The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Practical men, who believe themselves quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler from a few years back.’

9.4 The Climate of Ideas

One of the most important academic scribblers of this century was Joseph Schumpeter whose work on the capitalist engine of innovation, or creative destruction as he termed it, is enjoying a major revival in the new growth theory. But when read today his views about the future of capitalism, as expressed in his 1942 book *Capitalism, Socialism and Democracy*, seem absurd. His lengthy and brilliantly argued answer to the question heading Part II – Can Capitalism Survive – boils down to one word -- ‘no’.

He argued that the fatal flaw at the heart of the capitalist system is that its fundamental ethos – rationality – cannot be defended against the attacks of its progeny, the intellectual. The intellectuals – defined as people ‘who wield the power of the spoken and the written word’ (Schumpeter 1942: 147) live on criticism and their ‘whole position depends on criticism that stings.’ (Schumpeter 1942: 15) Capitalism is based on freedom so the intellectuals cannot be controlled. But the ‘unheroic and rationalist’ defense of the

capitalist is no match for the criticism that ‘nothing is sacrosanct’ (Schumpeter 1942: 15) and renders indefensible the system’s institutions.

So the weakness of the system which provides the target for the intellectuals (who, he notes, have many more outlets as books become cheaper, newspaper chains spread and radios proliferate) is the absence of a heroic and binding ethos, or set of moral values. As he so trenchantly put it: ‘The stock exchange is a poor substitute for the Holy Grail.’ (Schumpeter 1942: 137) But there it is – how wrong could he get? In the United States, at least, the Stock Exchange is the Holy Grail!

From the vantage point of the new millennium, when capitalism has been embraced by all but a few countries in the world, Schumpeter’s dire prediction seems almost bizarre. Nor is it just capitalism that reigns supreme. It’s core ethos – economics – can well boast of having invaded most of the other social sciences, a phenomenon (proudly) termed ‘economic imperialism.’ (Lazear 1999) Even, pace Schumpeter, religion has not been safe from the discipline’s imperial reach. For example, one can develop a really neat model of church attendance as investment under uncertainty – the uncertainty being whether or not you go to heaven. (Lazear 1999: 20)

Yet despite his erroneous forecast, was Schumpeter all wrong? Perhaps it would be unwise to dismiss the penetrating insight of his core argument about moral values. Echoes of the diatribes of his ‘intellectuals’ can be heard daily – and certainly can be read hourly on the internet.

Let’s move forward thirty or so years to another scribbler, the American sociologist and philosopher Daniel Bell. In his 1976 book *The Cultural Contradictions of Capitalism* we can hear faint echoes of Schumpeter but with a very different twist. The

intellectuals no longer exist. They have been replaced by a growing cadre in the knowledge and communications industry dedicated to the promotion of hedonism as the guiding principle for production and consumption. In the early days of American capitalism this unrestrained economic impulse was 'held in check by Puritan restraint and the Protestant ethic.' (Bell 1976: 21) But the Protestant ethic was destroyed by the granting of credit: 'with credit cards one could indulge in instant gratification' in an unending cycle of creating new wants and new means of gratifying those wants. (Bell 1976: 21) The result is that the capitalist system lacks a 'transcendental tie' or some set of 'ultimate meanings' to bind the society and defend the system. And that is Bell's cultural contradiction of capitalism.

His description of the consequences of this 'hollowing out' makes fascinating reading. Among them are environmental degradation; a rise of religious fundamentalism; a growing attack on the idea that economic growth can solve all problems; and a rise of anti-cognitive, anti-intellectual culture which yearns for a simpler, less technocratic society. He describes the sensibility of the 1960's, which spawned the new culture, as 'rebellious but not revolutionary' in the sense that the rebels had no clear idea of what they wanted as an alternative social model. But the rebellion did have the effect of undermining authority and, in its attack against the hated government and business 'technocrats', insistently raised the cry for 'participation'.

Bell describes at some length his proposals for coping with this 'crisis of belief.' He rejects the view that it is a crisis of capitalism with its implication that socialism is an alternative. He argues that since the consumerist, free-enterprise society no longer has moral standing with the citizenry a new public philosophy is required if liberal society is

to survive. Central to his discussion of these philosophic rules is ‘the balance between equity and efficiency in the competition between social claims and economic performance.’ (Bell 1976: 256) Indeed, he argues that the question of equality ‘has become a central issue for the public household today.’ (Bell 1976: 262)

A good deal of what Bell wrote about the sixties generation and hedonistic society rings true today. There is little respect for authority and apparently no limit to the creation of consumption needs and wants. What is out of synch, however, is the view that equality would be the central issue in American domestic policy dialogue. In a recent analysis of American views about the role of government in reducing differences in income, in 1973 48 percent agreed that it is the government’s responsibility, in 1998 only 30 percent held the same view. (Blendon *et. al.* 1999: 14-17) This apparent tolerance for inequality is unique to the United States. And this has international implications worth a brief digression. (Kenen and Ostry 1999: 3-22)

In a period of ongoing and pervasive change in the external environment, institutions mediate the impact of that change and hence the pace and nature of adaptation. We live in such a period today; the change is called globalization; and the most flexible system, the American comes out on top.

The contrast between the U.S., Europe and Japan can be characterized as a contrast between Exit and Voice, a widely-used metaphor. An Exit paradigm is far more adaptable because change is governed by an anonymous mechanism that rewards the most efficient – winners prosper and losers appear to disappear. A Voice paradigm, by contrast, gives losers influence. Governments must then engage in a long and difficult process to renegotiate the social contract. ‘Rigidities’ designed to deliver stability and

social cohesion under high growth and predictable incremental change become powerful impediments to adaptability at a time of pervasive and unrelenting transformation. In Europe the Voice is loud and explicit. In Japan it is quiet and discreet. But in both systems Exit is difficult to arrange.

To a considerable degree, the difficulty stems from the ‘equality’ issue. The new technologies driving globalization are high-skill biased so that widening income disparity, so evident in the U.S. over the past two decades, is endogenous to the technology trajectory. Ongoing changes in technology and in the global economy ensure that the pressures for convergence to the American model will not soon abate. In Europe and Asia globalization has become a synonym for Americanization and ‘globaphobia’ is on the rise driven, in part, by rising inequality within and among countries.

So was Bell completely off the mark when he said that equality would be the central concern for reformulating the public philosophy of the United States? Perhaps the answer is yes and no. Yes, in terms of domestic policy where the superbly adaptable Exit model rules. No, if we listen to the voices of the AFL-CIO and demanding the inclusion of labour standards in trade agreements. Is the Voice model being externalized? The implications of an external Voice compensating for domestic Exit are worrisome indeed. But more of that below. For now let’s return to our academic scribblers.

In his contribution to the 1993 meeting of the British Association for the Advancement of Science, Samuel Brittan explains that he had suggested the theme *Market Capitalism and Moral Values* because ‘the relationship between moral evaluation and economic analysis has come back into fashion. It went underground in the heyday of the belief in economics as a supposedly technical guide to action: but now it has

resurfaced.’ (Brittan and Hamlin (eds.) 1993:1) Among the several reasons he suggests for this resurgence is a growing misunderstanding, especially in the media, of the positive role of markets; a misunderstanding based on a confusion between self-interest and materialism. (Brittan and Hamlin (eds.) 1993: 6) What is of particular concern to him is the ‘blank incomprehension’ about ‘the role of relative prices, including pay’ – i.e. the role of inequality in the allocative mechanism. (Brittan and Hamlin (eds.) 1993: 20) He is particularly scathing about the new wave of ‘social responsibility’ decrying the movement as ‘the codes that kill jobs.’ (Brittan and Hamlin (eds.) 1993: 8)

Brittan was not alone in his concern about the ‘blank incomprehension’ and indeed, during the 1990’s the issue of the trend to increasing inequality, especially but not only in the U.S., spawned a minor growth industry in the discipline. Was it due to trade or technology? Was it an economic ‘good’ essential to the effective functioning of the market economy? (Welch 1999) Was it an inevitable result of economic growth and therefore defensible in instrumental terms? (Barro 1999) Were those attacking a rising disparity due to the astonishing proliferation of millionaires in the U.S. best described as ‘spiteful egalitarians?’ (Feldstein 1998)

Perhaps the single best indicator of the revival of the equality issue was the awarding of the Nobel Prize in Economics to Amartya Sen in 1998. Sen’s work has proceeded on two fronts: development policy (where he has had a considerable influence on the World Bank) and welfare economics or policy analysis concerned with the ‘social good.’ In his 1999 book *Development as Freedom: Human Capability and Global Need*¹ he brings the two strands together and spells out his defense of the need to shift the focus of development from the single objective of economic growth, as measured by

national income, to a quite different and far more complex concept he calls freedom. Rejecting the economist's metric of income as the sole measure of well-being means that the market is not the sole allocative mechanism, so he's really back to basics. The basics include defining and measuring the objectives governing individual behavior – what it is that individuals seek to maximize – and defining and measuring the 'social good' – the aggregate of individuals' well-being. And the distribution of income and property is central to his concept of the social good.

This is not the place to review the complex mathematical/philosophical reasoning about 'functionings' and 'capabilities'. Suffice it to say that in rejecting the metric of income and in the absence of a market, someone must make judgments about weighting and comparability i.e. someone must define freedom and the good life in practical, concrete terms. Sen, of course, recognizes this but his answer is that although economists 'pine for some wonderful formula that would simply give us ready-made weights that are just right', no such formula exists and the alternative he comes up with is that of public discussion based on information about the different components of the quality of life. But this doesn't get over the basic hurdle of who's to define and judge. In the end these are issues of metaphysics or moral philosophy – but also of economics?

Needless to say, Sen's work has generated considerable debate and not only among development economists. In presenting his case for social justice, Sen rejects the libertarian concept of negative freedom and endorses positive freedom, including the rights to income, health, education and so on. He also rejects the Rawlsian concept of procedural justice, i.e. a system of fair rule. He is indeed arguing that morals are an integral part of the discipline. In response, there has been a vigorous defense of negative

liberty – the freedom to choose. The battle lines have been drawn and as the debate proceeds between the competing schools of scribblers it will be interesting to see which will most influence the ‘practical men’ in power.

In addition to the debate over morals and equality, another battle has emerged in the last few years about the benefits of free trade. In addition to the debate over the impact of trade – and, more broadly, globalization – on labour markets a number of economists are raising questions concerning the link between trade and growth.² The implications for policy are significant: if trade is not a major engine of growth then, *ceteris paribus*, the costs of protectionism have been overestimated and indeed, the causality may run in the opposite direction. Of course the issue is not put in such simplistic terms and the *ceteris paribus* is heavily loaded with other considerations. Nonetheless, by raising the question itself, these scribblers will likely have some influence on the trade policy dialogue, especially in non-OECD countries.

To summarize the discussion thus far I would argue that Schumpeter’s assertion that the Achilles heel of the capitalist system was the absence of a binding set of moral values has now been revived, certainly in public discussion but also in the academy. Issues such as the link between growth and trade are part of the same climate of change. Maybe this is simply an example of the old aphorism that yesterday’s heresy is today’s dogma and the reaction to globalization is relatively minor. And are the demonstrations against international institutions just a replay of the 1960’s rebels without a cause? My own view is that it was not, which brings me to my last lot of academic scribblers – the ecological economists.

Environmental or ecological economics is also a product of the 1990's. The environmental movement is, of course, far older but the launch of an interdisciplinary journal that brought together biologists and economists took place in 1989. A constant theme in the writings has been that the laws of economics and ecology are not contradictory but incommensurable. (Gowdy 1999: 321-498) Many reasons are given for this uncompromising view but the main argument rests on the concept of scale. In neoclassical theory economic production is a self-contained process: scarcity of inputs are overcome by substitution (or innovation) and externalities should be handled by internalization and relative prices. But the scale of the economy *vis-à-vis* the global environment is not part of the model. To counter this, the ecological economists have coined a saying – that the economy is a wholly-owned subsidiary of the environment – which has gained widespread usage.

The economists' response that technology and effective implementation of market mechanisms can overcome the basic problem of scale have, thus far, been firmly rejected. It is argued that there are no technological substitutes for climatic stability or the ozone layer or bio diversity and that environmental degradation is irreversible. There are many other intractable issues such as appropriate discount rates or an agreed definition of sustainability, so we can be assured that the debate will be ongoing for some time. But meanwhile the new discipline has mounted a major attack on current economic policy--not least of all trade policy.

The most comprehensive and uncompromising critique of trade policy has been presented by Herman Daly, one of the founding fathers of the new discipline. (Daly 1993: 121-132) He argues that in order for one country to internalize environmental

externalities and not suffer a loss of competitiveness, tariff protection would be required. But even if this were agreed (which he thinks is unlikely) he is opposed to free trade and to capital mobility because globalization destroys local communities, and for ecological economists the preservation of community and the assurance of equity are values integral to 'sustainability'. But worst of all, free trade obscures the scale limits both local as well as global. He is thus opposed to the economists' proposals for tradable emissions and even to significant developing country imports of environmental technologies which would increase growth beyond local carrying capacity. There's much more to his exposition but what it boils down to is that since ecosystems can't grow, the subsystem (economy) must develop without growth and with very limited trade. If this seems utopian, it is. (But then, John Gray the eminent British political philosopher has attacked the global market as 'an experiment in utopian social engineering.' (Gray 1999: 235)

Of course there are many environmentalists who do not subscribe to such extreme views. Indeed the ecological economics school is largely rejected by many of the mainstream academics and NGO's. But some version of a new ecological paradigm, when combined with the other changes in the climate of ideas, certainly provided powerful ammunition to the anti-globalization movement. An inchoate and informed new paradigm stressing equality, ecology and community may perhaps be emerging. Maybe the rebels will find a cause.

9.5 Different Game; Different Players

'You taught me language; and my profit on't
is I know how to curse.'

Shakespeare: The Tempest

While economists, business and trade officials ponder how E-commerce will affect the global market, few seem to have given much thought as to how the internet has and will affect the market for policy ideas and therefore the policy-making process.

A major impact of the internet has and will be to make the market for ideas contestable, a radical transformation which will affect the domestic and international policy-making process. Inexpensive, borderless, real time networking provides the NGO's with economics of scale and also of scope by linking often widely disparate groups with one common theme. Equally important, it offers the opportunity to disseminate strategic knowledge formerly concentrated in governments and business. To illustrate this it's worth describing the first major policy impact of this technological revolution, the demise of the OECD's multilateral agreement on investment or MAI.

In October 1997, 47 NGO's from 23 countries and 5 continents met in Paris at OECD headquarters. The consultation had been arranged at the request of the World Wildlife Fund and some national representatives who had been lobbied by domestic advocacy organizations. The NGO's argued that the MAI would undermine sustainable development and national sovereignty. The most powerful case for this argument concerned the MAI's investor protection mechanism. This replicated the investment provisions in NAFTA which included procedures for resolving disputes by which private parties as well as governments could take action and adopted a very broad definition of investment expropriation, so broad it could lead to investor claims against government regulation in, say, environmental or health areas, which negatively affect the value of investment. In Canada, American corporations had launched several cases against the

Government that aroused a storm of opposition led by a coalition of NGO's. These same NGO's were among the most prominent in Paris in October 1997. And these same NGO's had been active in launching the anti-NAFTA debate by building coalitions in Canada, the U.S., and Mexico.

After the consultation the groups at the meeting organized an anti-MAI coalition and launched an international campaign to stop the negotiations. A World Wide MAI Website List³ displays 55 sites mainly from OECD countries and covering a wide range of interests. But environmental and legal groups together accounted for more than half the total. Groups in Canada and the United States provided a constant flow of information to coordinate the campaign. By October 1998 the negotiations had been suspended and in December, after the official withdrawal of the French government at the request of the red-green members of the coalition, they were officially terminated. (The action of the French government is not without significance. While North American greens have chosen an advocacy route to contest the market for policy ideas, the European environmentalists formed political parties and greens are now members of government coalitions in four E.U. countries: Germany, France, Italy and Finland as well as increasingly prominent in the European parliament.)

Of course there were a number of reasons why the MAI failed but there seems little doubt that the NGO's played a key role. (Smythe and Smith 1999) It's worth underlining the importance of the role of both environmentalists and lawyers in the networks. On the environmental front the MAI defeat echoed earlier events in Geneva. In 1991, after a panel ruling that the U.S. violated its GATT obligations by banning Mexican tuna caught by a process which killed dolphins – the famous or infamous tuna-

dolphin decision – American environmental groups mounted a major attack on GATT-zilla. The campaign in Washington raged against the cabal of faceless bureaucrats in Geneva who were undermining American sovereignty and subverting democracy. Although GATT survived and the Uruguay Round created the WTO, many of the themes, albeit for the most part in less colorful terms, are at the core of the continuing environmentalist critique of the WTO. The coalition between the greens and a wide range of other advocacy groups who, although for different reasons, see the WTO as an institution captured by and serving only corporate interests is of considerable significance. Despite a wide range of views about the ‘evils’ of globalization the green message seems to be very effective in coalescing dissent. Indeed global environmental coalitions were first launched in preparation for and during the Rio Summit in 1992, a watershed event in increasing the role of NGO’s and the first global summit to take place in the age of the new information technology. And the networks created at Rio were also part of the anti-NAFTA coalitions. (Preston 1994)

It’s also worth underlining the role of lawyers in North American advocacy groups. This role is indeed virtually unique and neither European nor Asian NGO’s share the ‘legalistic’ culture of U.S. and Canada. In a report on the MAI issued by European M.P. Catherine Lalumière she stresses the role played by the ‘Anglo-Saxon’ environmental NGO’s but also emphasizes their ‘deep capacity for legal analysis’ and recommends that the French government hire more lawyers and that French universities train more lawyers ‘knowledgeable in international law which is still largely anglo-saxon.’ (Lalumière 1998) Keynes reportedly said during the negotiations over the International Trade Organization in the early 1940’s that he had always believed that the

Mayflower was peopled by lawyers but he had changed his mind and now knew that only missionaries were on board. Maybe he was right both times! But humor aside, the legalistic approach to advocacy has become an important (and divisive) issue in the WTO as we will discuss below.

The campaign against the MAI was made possible by the internet as use accelerated in the mid-1990's. But as pointed out above, the campaign in Paris was based on learning acquired in earlier anti-globalization experiences utilizing the new technology, albeit in a less sophisticated form. As is characteristic of any innovation, learning by doing is a key element. Thus, while building on the experience of the anti-MAI campaign, which had built on NAFTA from experience at Rio, the mobilization of dissent against the WTO Seattle meeting was far broader and deeper, and illustrates the potential of the internet to make the market for ideas contestable, a radical transformation which will affect the domestic and international policy-making process. Inexpensive, borderless, real time networking provides the NGO's with economics of scale and also of scope by linking often widely disparate groups with one common theme. Equally important, it offers the opportunity to disseminate strategic knowledge formerly concentrated in governments and business.

An analysis of a large number of websites concerning Seattle and post-Seattle developments suggests that there are three broad functional categories of NGO coalitions or networks: what might be termed 'mobilization networks' whose chief objective is to rally support for a specific set of activities; 'technical networks' designed to facilitate and provide specific information; and networks dedicated to servicing developing and provide

specific information; and networks dedicated to servicing developing countries which I call a 'virtual secretariat'.

Two examples of mobilization networks preparing for Seattle were the International Civil Society Opposing a Millennium Round (ICS) and People's Global Action (PGA). The ICS claimed to represent more than 1400 local, regional and international NGO's from over eighty-seven countries. The list is attached to their statement and includes environmentalist, religious and human rights organizations, labor coalitions, women's groups, student groups and, small farmer groups who are opposed to the agribusiness oligopoly, from all OECD countries and a large number of developing countries.⁴ The PGA is also a very broad coalition which was dedicated to organizing a conference in Seattle on November 30, at the outset of the WTO meetings. On the internet the conference was termed N30. The PGA describes itself as 'an instrument for coordination, not an organization' and was formed in Geneva in February, 1998.⁵ The PGA organized a 'carnival against capitalism' in the city of London on June 18, 1999. The J18 carnival, as reported in *The Daily Telegraph*, deteriorated into violence, resulting in more than six hours of rioting and vandalism in the financial district. (*The Daily Telegraph* 1999: 1, 4, 5)

The mobilization networks are coalitions of a widely diverse set of NGO's often with conflicting interests. They pride themselves on their pure form of 'participatory democracy' with no center and no hierarchy. However in Seattle (and Washington during the April 2000 International Monetary Fund and World Bank meetings) both the libretto of the carefully choreographed street operas and the sound bites on television carried a simple, common theme – anti globalization or, rather, anti corporate

globalization and pro-democracy. The charge was that the WTO (or the International Monetary Fund or the World Bank) is dominated by the interests of transnational corporations; that rules and procedures are ‘undemocratic’; that it is harming the environment; and increasing inequality both within and among countries. The sound bite versions were the slogans: ‘fix it or nix it’; ‘no new round but turnaround’; ‘shrink it or sink it’.

So one must distinguish between the loose mobilization networks of diverse NGO’s around the world and the ‘headquarters executives’ responsible for creating and marketing the message. These H.Q. organizations such as Ralph Nader’s *Public Citizen* and *Global Trade Watch*; the U.S. based *Preamble Centre*; *Friends of the Earth* in the U.K. (which organized the ICS manifesto) were aided in logistics planning by a number of groups including the *Direct Action Network* or DAN and the *Ruckus Society*, and in press relations and media management by *Turning Point*, an NGO formed only in 1999 to produce a series of advertisements in the *New York Times* on the effects of globalization on the environment. Some analysts have argued that NGO’s like these are part of a new industry – the protest business. (Jordan and Maloney 1997)

The protest business could be a new market created by the internet – after all technological innovation can generate wholly new products and services. It’s difficult at this point in time to predict the viability of the new business but it seems to have combined three key ingredients or what I’ve termed the three M’s; a saleable message; a skillful media strategy; and money (from mass-mailings and a number of philanthropic institutions, mainly American).⁶ The objective is to influence the policy process through public opinion. It’s very important to underline, as noted earlier, that these new actors do

not resemble the distributional coalitions sparring over the division of the pie. Indeed in the traditional version of the political economy of trade, their support is quite irrational because of the free rider problem associated with collective action for public goods. This definition of rationality needs a re-examination.

Following from that, it's important to distinguish the very prominent role of a traditional distributional lobby, the American unions in Seattle (less so in Washington) from the mobilization networks. The so-called Turtle-Teamster alliance between the unions and the greens was probably a marriage of convenience to influence American trade policy but it seems unlikely that a lasting alliance could be forged given the profound divisions between these two groups. What was heard in the streets of Seattle was, as suggested, the Voice externalized but workers of the world are more likely to compete than unite.

In marked contrast to the mobilization networks are the technical networks such as, for example, Centre for International Environmental Law in Geneva and Washington; the International Institutue for Sustainable Development in Winnipeg; the Institute for Agriculture and Trade Policy in Minneapolis; the International Centre for Trade and Sustainable Development in Geneva; WEED (World Economy, Ecology and Development) in Bonn; and the Institute for Global Communications in Palo Alto, California, which directs and supports the Association for Progressive Communication (APC) linking 15,000 NGO computers in 95 countries. It was the APC that played a major role in providing communications services for NGO's at Rio. The primary purpose of these, and a number of similar networks, is to facilitate the greater participation of NGO's in the policy process by providing a flow of strategic and technical information,

very heavily weighted to environmental and legal issues. Some were present in Seattle and Washington etc., but probably not many on the streets.

These technical groups are interested in influencing policy mainly by operating through institutional channels both governmental and intergovernmental. Events like Seattle provide an opportunity to access national delegations and network with other NGO's. One example of their operational effectiveness has been the ongoing debate over GMO's (genetically modified organisms). The meeting in Montreal on the Cartagena Biosafety Protocol at the end of January 2000 was widely expected to be another Seattle but, in fact, ended in an agreement (albeit as a result of brilliantly ambiguous drafting!). (Economist 2000*a*, 2000*b*; World Trade Agenda 2000) The large number of NGO's engaged in the meeting proclaimed victory, especially in inserting the precautionary principle, a very contentious subject at the WTO. *En route* to the WTO there will be a number of other steps being carefully planned including meetings of the Codex Alimentarius, the institution that establishes international food standards recognized by the WTO.

Finally, a remarkable and recent development has been the proliferation of NGO's dedicated to providing information and undertaking advocacy on behalf of developing countries – a virtual secretariat. Examples are Third World Network in Malaysia with offices in India, Uruguay, Ghana, London and Geneva, and established links with other NGO's in both north and south and a wide range of publications; TWN collaborates with the South Centre in Geneva which is funded by LDC members with the mission of networking with other institutions 'to promote South solidarity' on policy; SEATINI (Southern and East African Trade and Information and Negotiations Initiative) with

several offices in African countries and funding from UNDP and UNCTAD and a mission to build the knowledge base and capabilities of African countries; Focus on the Global South in Thailand with a mission to link grassroots NGO's working on development issues to broader policy concerns including WTO and APEC; and CUTS (Consumer Unity and Trust Society) in India with a research and advocacy mission in trade and sustainable development. In addition, there are also a number of northern NGO's with a focus on Southern issues in the WTO such as Rongead (European NGO Network on Agriculture, Trade Environment and Development) based in France and funded by the European Commission, the French government and a private Foundation; Intrac (International NGO Research Centre) based in Oxford to train NGO's in developing countries and act as a consultancy; as well as a number of traditional development NGO's (such as Oxfam, Christian Aid and other religious organizations) which are now focusing on trade and environmental issues.

This South 'virtual secretariat' provided a continual flow of information on negotiations in Geneva; helped formulate policy positions on all major issues; and many of their leaders were present in Seattle and at the UNCTAD meeting in Bangkok in February 2000. Once again, they are not a homogenous group and may differ on specific subjects but, the strategic assets of information and political know-how can provide a base for a significant increase in bargaining power in the WTO.

The new prominence of the NGO's in trade policy-making should be evaluated in a broader context. Thus the American business community – in marked contrast to their activist transnational role in the Uruguay Round – has maintained a low profile with respect to WTO negotiations. Apart from the service industries, the business community

in both Europe and the United States has demonstrated little in the way of what might be termed generic or systemic interest and even in the case of services the interest is sector-specific rather than cross-cutting, although that may well change over time, and perhaps E-commerce will be the catalyst. However, the current lack of activism is remarkable and one can only speculate as to the reasons. Perhaps the Uruguay Round was truly a singular event because it involved a radical transformation of the GATT system and the stakes were very high. Moreover, the global span of many corporations today facilitates direct negotiation with host governments so, ask many of them, why bother with lengthy and tedious intergovernmental negotiations? Privatization of trade policy may be an attractive option. Another factor is the restructuring of American corporations over the past decade which has required a sharper focus on a limited number of specific governmental lobbying objectives with shorter-term impact on the bottom line. Thus Chinese accession to the WTO was a top priority. (That also seemed to be the case for the U.S. government whose objectives for a new round were minimal and defensive, while the EU position was far more assertive, including new issues such as investment and competition policy.) In the absence of a multilateral option which would require a narrowing of the transatlantic divide not only over agriculture but also more fundamental issues (of which more below), as the 1980's so clearly demonstrated, a revival of unilateralism, bilateralism and regionalism should not be ruled out.

To sum up if one were asked to predict the future of the world trading system the best single word would be 'uncertain.' But maybe that's too terse a reply. A layman's definition of Heisenberg's uncertainty principle is: we can know where we are but not

where we are going, or we can know where we're going but not where we are. So, how about Heisenberg squared as a more specific response? Yet that too is not adequate. Many lessons can be learned from the anti-globalization upsurge. But most important is the urgent need to reform the WTO, a necessary but not sufficient condition to ensure the survival of a global rules-based trading system. The postwar architecture for international cooperation also needs restructuring.

9.6 Reform of the WTO Plus

The political compact which created the post-war economic architecture, the Bretton Woods institutions and what was to have been the International Trade Organization or ITO, rested on an assurance that international rules would preserve space for domestic policy autonomy. The ITO never came into existence but one piece of it, the GATT, survived and indeed thrived. The objectives of the GATT were liberalizing trade through successive multilateral negotiations aimed at reducing border barriers and creating rules to govern and sustain the liberalizing momentum. The domestic policy space, defined in terms of economic regulation and the maintenance of full employment, was safeguarded by rules to permit temporary blockage of imports under clearly specified terms (dumping, subsidies and safeguards against import surges) as well as the rarely used but very broad Article 23 concerning 'nullification and impairment.' These rules were intended to provide a buffer or interface between the international objective of sustained liberalization and the objectives of domestic policy, in other words sovereignty. But with the Uruguay Round, the central domain of trade policy became domestic regulation and legal systems and the definition of domestic policy space today not only

differs from that of the postwar period (with the decline in economic regulatory intervention) but also differs significantly among the members of the WTO, especially with respect to social policy. The protective buffers have become protectionist tools, and in any case are largely irrelevant as a means of safeguarding the diverse and changing concept of sovereignty among the 130 plus members of the WTO.

It is not simply the move inside the border which represents the radical break between the GATT and the WTO. Of equal significance, as mentioned earlier, is the greatly strengthened Dispute Settlement Mechanism. It's important to note once again that the business groups who lobbied so successfully to include intellectual property in the Uruguay Round did so because the U.N. agency, the World Intellectual Property Organization (WIPO) has no dispute mechanism to enforce these rights. And, of course, the same is true for labor rights in the ILO or environmental policy in UNEP, the United Nations Environment Program. That's why the WTO is not simply a magnet for discontent but also for policy overload.

Since the establishment of the WTO, the most high-profile and contentious disputes have concerned environmental or food safety issues (but this is likely to change as services negotiations extend agreements into the areas of education, health and culture.) The WTO does not regulate environmental or social policy but its rules, negotiated in the original GATT consensus, seek to constrain the trade restrictive impact of domestic regulation in order to prevent such regulation being used as a disguised barrier to trade. In recent cases, dispute panels and especially the Appellate Body (AB) have been forced to interpret the WTO rules which govern domestic environmental or food safety policies. Thus as is the case with all courts and all legal rules in such

complex areas, that interpretation has essentially involved these judges in an international institution making law that defines the boundary for domestic policy space. And, not surprisingly, this has spawned the criticism, especially by the North American NGO's, that the WTO suffers a 'democratic deficit'. Here is the echo of the 1960's cry for participatory democracy.

The NGO demand for democratization really comprises three requests: more transparency (publication of WTO documents, etc.) more access to WTO activities such as meetings of committees (this usually stops short of a request to be included in negotiations); and, for the legal advocacy NGO's, the right to observer status and to present *amicus curiae* briefs in dispute settlement panels and the Appellate Body. Of these three the first – transparency – is generally agreed by most member countries and indeed a great deal of WTO documentation is now available on its website. The second – the right to greater participation – is far more controversial and needs to be carefully considered (see below). And the third is opposed by many southern NGO's as well as a large number of governments. This is worth spelling out.

Whatever the merits of the case for participation as *amicus curiae* in dispute settlement procedures by NGO's, it is clear that if it were granted other non-governmental actors would, in the name of fairness, demand equal treatment: for example corporations, unions, and private legal firms. Further, since *amicus* briefs often carry little weight in judicial decisions, it seems likely that the next step would be a demand for the right to bring cases directly. The result would be to transform the mechanism into a purely litigious and adversarial process. It's difficult to comprehend how this would 'democratize' the WTO unless, of course, one subscribed to the view that in a 'true'

democracy private litigation is preferable to government regulation. While some would argue that the United States is moving to a system where 'lawsuits make policy' this combination of *laissez-faire* and *laissez-litiger* is not a model appropriate to an international institution. Indeed, there are now a number of proposals for reform of the dispute settlement system to make it less litigious and to promote mediation and arbitration in contentious cases.⁷

However, the NGO demand for democracy in terms of participation is perhaps the most difficult and controversial. The WTO is an intergovernmental organization and most member governments, want to keep it that way. They argue that NGO's should deal with their own governments if they wish to play a role in the policy process. The response of the NGO advocates of participation is that only they have a truly transnational vision which is lacking in national governments so that, for example, 'a citizen who cares very deeply about ending whaling ... will find his or her views better represented in international fora by the Worldwide Fund for Nature than by his or her own government, which has many goals it must simultaneously pursue.' (Esty 1998: 133) But it's not clear what the word citizen means in this context. There are no 'world' citizens but only citizens of nation states. Governments are accountable to their citizens, albeit some more so than others. How would we define accountability in the case of non-governmental organizations? And what about transparency? Who and where are their members? What is their source of funding? Are they 'accountable' to their membership or to their funders? These are simply examples of some of the questions that would have to be settled before a meaningful proposal on 'participatory democracy' in the WTO

could be debated. But any such proposal would be fiercely opposed by most developing countries in the WTO -- especially after their experience in Seattle.

For these countries, especially the poorest, the democratic deficit of the WTO stems from its governance structure. They feel – and are – excluded from many of the decision-making fora. The WTO is a member-driven organization governed by a rule of consensus: there is no weighted voting as is the case in the Bretton Woods institutions. But, of course, an organization with over 130 members, often with widely different views on important issues, cannot function when key and contentious policy issues must be negotiated. So other decision-making processes must be and are established. And, not surprisingly, these are dominated by the so-called Quad (the U.S.; E.U.; Japan, and Canada) and the larger and more influential developing countries. This process worked in the past but the issues today are far more divisive and likely to become even more so. Thus the most urgent requirement to enhance the flexibility, adaptability and legitimacy of the WTO is to establish a smaller body or Executive Committee which would in effect be a policy forum without rule-making power.

The Executive Committee would be able to meet on a regular basis and, with the assistance of the Director-General and the secretariat, review current and prospective policy issues in order to advise the biennial Ministerial Conference, which would retain full decision-making authority. With such a forum, at both a Ministerial and Senior Official level, the norms and principles of policy and the fundamental issue of forging a new international contract could be discussed and debated. It is essential to underline that forging a consensus in a smaller group aided by expert policy-analytic information is facilitated by peer group pressure. The Executive Committee can then play a role, at both

the official and ministerial level, in promoting the extension of that consensus to the entire membership.

In establishing such a Committee, the most difficult problem, of course, is membership and the various formulae tried out in the Uruguay Round failed to secure agreement. But the establishment of the Trade Policy Review Mechanism (TPRM), created a precedent for a possible formula. Thus different countries were subject to different review schedules on the basis of the member's share of world trade. This same formula could be used for establishing a committee of reasonable size and rotating membership which would ensure that all countries and regions would be represented within a given time frame. (Ostry 1998: 25)

Another function of the Executive Committee supported by a high quality (although not necessarily large) expert secretariat would be the diffusion of knowledge in national capitals, another essential ingredient of consensus-building. This, in turn, would facilitate a 'democratization' of the policy-making process in member countries by making the debate more transparent and more inclusive.

In order to keep up to date and reasonably small in size, the WTO could not possibly generate all its policy analysis in-house. Like most research bodies today, the WTO secretariat would have to establish a research network linked to other institutions such as the OECD, the Bretton Woods institutions, private think tanks, universities and the like. Knowledge networks are key elements in promoting cooperation and coordination. This networking should also include NGO's; business groups (the International Chamber of Commerce, for example); international labour associations, and so on.

While establishing an Executive Committee and improving the WTO's analytic and networking capabilities would help entrench the legitimacy and credibility of the institution, these reforms alone wouldn't do much to prevent further marginalization of many developing countries, especially the least developed. Technical assistance and more effective coordination with other international institutions will be required.

The gap between rich and poor countries has been widening over the past three decades largely due to differences in trend rates of growth of per capita income. The knowledge gap is far greater than the income gap and in the absence of change in domestic policies, as well as development policies directed at upgrading the institutional infrastructure, is bound to widen. This growing marginalization has little to do with trade but that fact has not prevented the anti-globalization movement from blaming the WTO.

Clearly, the WTO, with very limited technical training resources (less than one percent of its budget) cannot deal alone with the marginalization problem. That may have been acceptable when trade policy was only about trade. But the much more demanding WTO agenda and the litigious and evidentiary-intensive dispute process has placed a burden on many non-OECD countries. The richer countries have access to analytical expertise at the OECD, at their home base, and also have far larger Geneva missions. So an upgrading of WTO training resources is urgently required. And this would also facilitate more effective coordination with the World Bank's efforts to improve the governance and institutional infrastructure, including legal systems and regulatory policies.

Reform of the WTO governance structure and enhanced research and training resources would help tackle the 'democratic deficit' but the so-called 'trade and ...'

issues will require confronting the inadequacy of the post-war international architecture. In the absence of a stronger (ILO) International Labour Organization and a new environmental institution, the WTO will continue to be a magnet for policy overload.

If the objective of the American and other OECD unions is to improve working arrangements in developing countries, the mandate rests with the ILO. (If it's not, then it's a matter for domestic policy designed to ameliorate the distributional consequences of adjustment to global forces.) But the ILO has no power of enforcement. Moreover, many of its developing country members have resisted repeated attempts to improve enforcement capacity – while at the same time opposing labour standards in the WTO. Indeed in 1997 when the Director General of the ILO proposed that the ILO could act to oversee a multilateral system of voluntary social labeling the initiative was rejected by the Non-Aligned Movement. (O'Brien *et al.* 2000: 104) This dilemma (or hypocrisy) must be resolved and the ILO monitoring and enforcement mechanisms strengthened. But development institutions will also have to play their role since labour standards are clearly linked to growth. What will be needed, in effect, is reform of the ILO and more effective coordination with the WTO, the World Bank and UNCTAD, i.e. improved coherence in international policy-making which was in fact one of the objectives of the Uruguay Round, although at the time of the launch coherence was conceived in terms of coordination only with the Bretton Woods institutions.

It's worth noting that while this 'macro' approach to labour standards would rest on government policy, an innovative 'micro' policy is now rapidly evolving independently of government and, indeed, generated by 'technical' NGO's. The Washington-based Council on Economic Priorities (CEP), is a consumer organization

established in 1969. In 1998 SA8000 was launched – on the Fiftieth Anniversary of the Universal Declaration of Human Rights. CEP had established a separate accreditation agency (CEPAA) only the year before which developed a ‘social accountability’ code that includes the ILO basic labour rights plus rules on wages and hours. The codes are technically designed for auditors and their development involved large corporations, unions, and NGO’s. They have been endorsed by international certification agencies. Monitoring of the developing country subsidiaries of the transnational corporations which have adopted SA8000 will be carried out by a network of NGO’s linked to CEPAA. While the information is designed for a consumer audience, the next step will be to involve investors, beginning with large pension funds. The core strategy of this micro policy is market-like: consumer and investor pressure will force an increasing number of firms to join the SA8000 crowd with a little help from global whistleblowers and the media! This policy innovation is very new (and but one example of a burgeoning of ‘soft law’ projects) (Clapp 1998: 295-316; Diller 1999: 99-128) but certainly it is worthy of further research, especially as it is also a spin-off from the information technology revolution. As CEP has noted, ‘With instantaneous media connection and the internet... today’s remote factory scandal can become tomorrow’s global headline.’⁸

While labour standards have no place in the WTO the same cannot be said of environmental issues. Trade and the environment are linked in both positive and negative ways as the recent report by the WTO has clearly demonstrated. (World Trade Organization (WTO) 1999*b*) But using trade policy as an instrument of environmental policy is both ineffective in terms of achieving environmental objection and costly interims of growth. However, in the absence of a strong environmental institution

(which the United Nations Economic Program or UNEP is not) using the dispute settlement mechanism to define the boundary between domestic and international policies will not work and the WTO will continue to be under attack. Perhaps as a first step housing all the multilateral environmental agreements in a reinforced UNEP could help the process but, in effect, only a new WEO (World Environmental Organization) with a clearly defined mission, political influence, and analytic and technical resources could effectively launch the policy dialogue on the relationship between ecology and economy, including, of course, the role of trade. This will not be easy because there really are significant differences between the two models – the economic and the ecological – even if we reject both utopian formulations. The economists' concepts of maximization and trade-offs; of equilibrium; and the primacy of efficiency, yield unambiguous policy statements. A defining characteristic of the ecological sciences is uncertainty, seen most vividly today in the rapid and unprecedented changes in biotechnology. If risk can't be accurately estimated then unambiguous assessments are precluded. Moreover, the ecological paradigm stresses the goals of equality, and community as well as efficiency so the two paradigms, even in modified versions, will not be easy to reconcile. What the eventual outcome of the debate will be remains to be seen. But an optimist would opine that where there's a political will there's a policy way. The best hope is that, unlike the Asian financial crisis in 1997, which led to much talk about architecture but little action, the ongoing assault on the global trading system may prove to be the catalyst for a serious re-thinking of global policy.

ENDNOTES

¹ This is taken from Ostry, Sylvia (1999). 'The Sen Commandments: A Review of Development as Freedom: Human Capability and Global Need', *National Post* Sept 25/99. Toronto. See also Sugden, Robert (1993). 'Welfare, Resources, and Capabilities: A Review of Inequality Re-examined by Amartya Sen', *Journal of Economic Literature* xxxi.1947-1962.

² For a full review of the recent literature see Rodriguez, Francisco, and Rodrik, Dani (1999). 'Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence', *National Bureau of Economic Research Working Paper 7081*. Cambridge, Mass., and also Harrison, Ann, and Hanson, Gordon, 'Who gains from trade reform: Some remaining puzzles', *Journal of Development Economics*, 59, 125-154. For a recent survey of the debate see articles in *The Economic Journal*, Oxford, September 1998.

³ See World Wide MAI Website Lists, jeaton@fox.nstn.ca, April 3, 1998.

⁴ See <http://www.twinside.org.sg/souths/twn/title/wtomr-cx.htm>.

⁵ See <http://www.agp.otg/agp/en/PGAenfos/about.html>.

⁶ The Chronicle of Philanthropy (acewald@mindspring.ca) noted that after Seattle and Washington a conference of the National Network of Grantmakers drew some 350 participants to Boston to discuss why philanthropies should care about globalization and promote NGO's concerned with the issue.

⁷ See, for example, Barfield, Claude (1999). 'More than you can chew?', *The New Dispute Settlement System in the World Trade Organization*, Paper prepared for the International Institution Advisory Commission, Draft 15. <http://www.aei.org/past-event/conf1209b.htm>.

⁸ 'SA8000: Setting the Standard for Corporate Social Accountability', <http://www.cepaa.org>.

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