Has The Paradigm Shifted?

Oregon's Future International Trade Public Panel Discussion
December 3, 2003
Portland State University

The following discussion has been edited for readability. This was an interactive, 3-hour panel which may be watched in its entirety at http://www.media.pdx.edu/PSU/Oregons_Future_120303.asx. Our thanks to the Hatfield School for arranging this taping. Articles from the International Trade Forum may be viewed at http://www.oregonsfuture.org.

Barbara Dudley, JD
Political Science Faculty
Portland State University

Thanks to *Oregon's Future* and Global Envision for sponsoring this, along with the Hatfield School which I am supposed to welcome you all on behalf of, so welcome. This is a somewhat, sometimes arcane topic, but this is a very, very good time for us to be having these conversations…the trade agenda has shifted dramatically and in fact it has shrunken dramatically. In Cancun in September (2003), the World Trade Organization met and the so called development round of negotiations of the World Trade Organization, and all of the trade agreements which are under it, was actually brought to something of a screeching halt because of resistance on the part of developing nations to the agenda that was primarily being put forward by the U. S. and the European Union.

The main sticking point that was most obvious to the press was about agriculture and the refusal of the United States and the European Union to reduce their subsidies of their own commodity agribusiness corporations and their commodity farmers and so those exports were actually having a very, very deleterious effect on farmers in developing countries. *(The WTO notified the Bush administration on May 3, 2004 that the United States has lost a preliminary ruling on the legality of its cotton subsidies. —Ed.)*

There were other issues, however, which got less play. One of them was about investment measures. This is a piece of the trade agreement that most people didn't understand at first but the measures were key to the developing countries' resistance in Cancun and also later, about two weeks ago in Miami, in the Free Trade Area of the Americas (FTAA) negotiations. Investment measures are really not what we generally think of when we talk about trade. When we talk about trade we think of the trade in manufactured goods for the most part, which is what the trade conversation has been for all of the years of the General Agreement on Tariffs and Trade (GATT) until the Reagan administration introduced new measures in 1986. Those new measures, included in this investment package, basically said that all countries that are members of the WTO need to open up their economies to investment by foreign corporations for the most part, foreign banks—foreigners period. They could not protect their domestic industries against competition, even internally from foreign capital, which was designed to smooth the flow of capital around the world. It is this measure which, I would say, most alarmed the trade unions in the U.S., but also most alarmed the developing countries.

The developing countries in Cancun basically did something that caught everybody very much by surprise; they formed a coalition and hung together. Forming a coalition happens all the time—hanging together, as we all know, as we have tried to be in coalitions, is another story. But they managed to hang together at least through the WTO negotiations and a good number of them—the most significant economies among them—are still holding together. We're

The Cultural Importance of Food

Jim Bailey

Faced with the options of accepting considerable success in numerous areas other than agriculture or declaring the six-year Uruguay Round negotiations a failure, the nations that in truth founded the WTO chose to abandon an agreement on agriculture for another day. Although free trade in agricultural goods will eventually come to pass, getting there will be a hesitant and slow process for two fundamental reasons.

The first obstacle is the highly practical concern of compromising national security. Elimination of agricultural trade barriers (namely tariffs and subsidies) forces a nation's agricultural producers to compete with foreign producers who have less expensive means of production. Obviously, the fundamental principle of capitalism (no profit, no production) would dictate that the domestic farmer ceases agricultural production and finds another line of work. Yet that is exactly the goal of free trade: those who can produce a good most cheaply will do so; those who cannot will find something else to produce. The theory of free trade is that if barriers are eliminated eventually everyone will produce only those things that they produce most efficiently.

Yet the nation that depends on foreign sources of food, particularly if that food must be transported over seas, puts itself in a very vulnerable position. Indeed, a nation dependent on foreign sources of food is in a far more precarious position than a nation which is dependent on foreign oil. The effects of that dependence would not require a crisis to be revealed and would affect every nation's interaction with other nations.

The insidiousness of that kind of dependence can be seen in the relationship between the U.S. and the Soviet Union during the Cold War. Despite being sworn adversaries and near-constant antagonists, the USSR depended on American wheat to feed its people- and the solvency of the American farmer (despite their professed loathing of communism) depended on Soviet wheat purchases. When the U.S. imposed a ban on sales of wheat to Russia in the 1980s, Russia turned to Argentina and American farmers successfully pressured Washington to lift the ban. The curious effect was that a traditionally very anti-communist segment of U.S. society was advocating action that supported the very system they opposed. Similarly, the USSR's dependence on foreign agriculture forced it to support those diametrically opposed to its existence.

U.S. wheat sales to Russia during the Cold War demonstrate how a powerful agricultural dependence can turn a nation's ideological principles into a pretzel. A second far more subtle, perhaps insurmountable, obstacle to free trade exists in agriculture: the unavoidable threat it poses to a nation's fundamental identity or, more grandly stated, a nation's unique mythos.

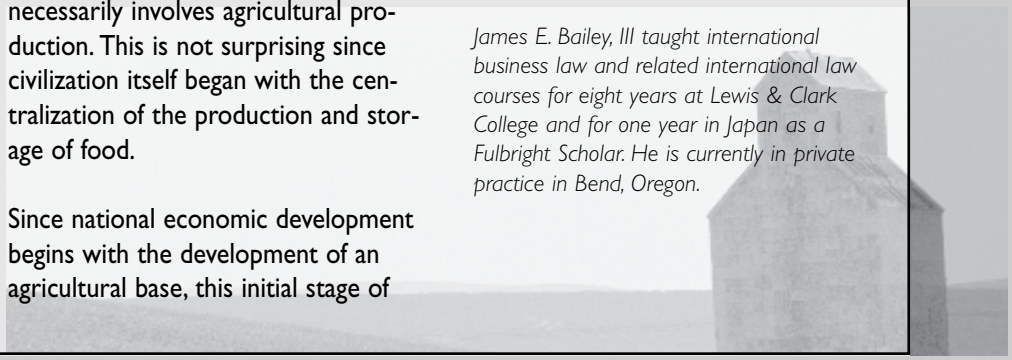
The 20th century American economic historian W. W. Rostow, pointed out that all nations pass through predictable stages of economic development. The first stage of development necessarily involves agricultural production. This is not surprising since civilization itself began with the centralization of the production and storage of food.

Since national economic development begins with the development of an agricultural base, this initial stage of economic development coincides with the development of a nation's most fundamental cultural values and principles. When faced with the question of voluntarily eliminating the livelihood from which their culture derived its most fundamental values, all nations instinctively resist.

Just as Japan protects its rice production by asserting its cultural importance, the United States would resist risking the loss of its cowboy tradition of raising cattle. Indeed, every presidential candidate at some point in his campaign dons a cowboy hat and talks of the need to protect the American farmer "and the values he embodies" despite the fact that these values are rarely enumerated and were formed when most of our population was rural.

Every nation will seek to protect some area of agriculture, not only for economic and security reasons, but because they believe the values embodied in the agricultural way of life must be preserved. The near-instinctive urge to protect the fundamental national identity, icon, or myth supercedes economics. A nation that casts aside its mythic self-image, regardless of its reality, risks losing everything its people believe make them unique. The fear of that loss may prove to be the most subtle and most formidable barrier to free trade in agriculture.

James E. Bailey, III taught international business law and related international law courses for eight years at Lewis & Clark College and for one year in Japan as a Fulbright Scholar. He is currently in private practice in Bend, Oregon.



National Treatment

One of the issues discussed at the conference was *national treatment,* one of the most significant elements of WTO agreements. Several panelists debated the fairness of national treatment provisions which require countries to treat foreigners and locals equally. This applies to foreign and domestic services, trademarks, copyrights, patents and most everything else. Following are remarks made by panelists on this subject. The complete panel discussion is available at http://www.media.pdx.edu/PSU/Oregons_Future_120303.asx.

Martin Hart-Landsberg: Scott, do you think in a trade agreement, that there should be agreements that say to governments, "You are forbidden to put any performance requirements, whether they are environmental, whether we are talking about capital mobility, whether we are talking about the number of suppliers?" That we would be better off, as a government, supporting trade agreements that put legal limits on all governments' ability to regulate such things?

Scott Goddin: That's an excellent question. I think really the standard is *national treatment.* Well, two things, [Marty], you and I have some experience in Korea. You can imagine Walmart and a U.S. trade negotiator getting into a discussion with a Korean trade negotiator, you know what they would end up with. It wouldn't be 'no' but really close. What Walmart is looking for is, I would like to enter that market.

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not talking small, insignificant, poor undeveloped countries. We are talking about China; we are talking about India, Mexico, Indonesia and other major economies. There were 22 of them finally in what was called the G-22 in Cancun. There was another group that was highly significant but got virtually no press, a coalition of African and Caribbean countries, that held together on one significant issue (cotton subsidies) and in the end walked out of the negotiation.

What do we want in terms of an international economy and what do we want in terms of a trade agreement? What is the bottom line that would in fact build our economy in a way that we would feel good about—to build an economy that we would want to be part of? That's why I am particularly happy that we are having this discussion now because the slate has been wiped clean for the moment. This is not to say that there are not multiple meetings going on in Geneva and elsewhere to try to put both of these trains back on track. But right now is a moment when people can really participate in the discussion and that is all I want to say by way of introduction.

Karen Wilde Goddin

Executive Director of the
Pacific Northwest International Trade

Thank you, Barbara. Obviously, Barbara has laid out a perspective that is not universally shared…I think, in this room looking around, it may be that some people really are wondering what is the WTO, why do we need it, is globalization good? The fact of the matter is that globalization is important, we do need it, and the WTO and trade agreements in their own right really are an effort to define the rules of the road. I think Barbara pointed out the success of what WTO and FTAA and regional multilateral trade efforts can achieve. Barbara is absolutely right about what happened at Cancun and in Miami at the FTAA, some people call it a la carte, some people call it the FTAA-lite. Economies like Brazil, like India, like China have developed economically, they want a seat at the table. They don't want to be outside the room, they don't even want to be inside the room, they want to be at the table and that's a good thing. I think the effort to engage and represent their own interests speaks to the benefit of the process. I think the question now is where do we go from here, how do we form and develop those issues? I think this should be less about the trade negotiations, it is really about globalization and business cycles and how do we address those issues. I think it is less about the negotiations and more about what government policies we might want to have in the U.S. and elsewhere to support those transitions and development of the economy both for people and the overall economy.

Martin Hart-Landsberg

Professor of Economics and
Director of the Political Economy Program
at Lewis and Clark College

Well, it's a pleasure to be here and I think the two introducers made clear that part of what's at stake in terms of the future is what are we talking about? What are these rules of the game in terms of the global economy? Let me sort of play off of some of the early remarks and try to develop a sense what is at stake. First of all it is important to realize that the WTO and the proposed Free Trade Area of the Americas are really different kinds of organizations than in the past. In the past we had something called the General Agreement on Tariffs and Trade. The General Agreement on Tariffs and Trade was not an organization it was an agreement. It had no enforcement powers.

The WTO is an organization—it has enforcement powers. It makes laws that

are binding on countries. The General Agreement on Tariffs and Trade only dealt with manufacturers and lowering tariffs on manufactured goods that were being traded. The WTO deals with not just manufactured goods, but agricultural goods, services, investment, intellectual property rights, a host of things. And more importantly, it deals with them not just in terms of tariffs but non-tariff barriers to trade as well. Things like safety standards, labeling, recycling standards, and environmental labor standards can all be taken as barriers to trade. The WTO and the proposed Free Trade Area of the Americas is something qualitatively different from the past, an organization with rules that deal with a host of things not just to promote unregulated trade, but also to promote unregulated foreign investments. In other words, the purpose of these agreements is about legally restricting the ability of government to regulate private sector activity.

Let me give you an example of some of the things involved in the WTO and the proposed Free Trade Area of the Americas. One is government procurement agreements, something the U.S. would like. The government procurement agreement says not only must government at all levels refrain from focusing on choices like hiring national firms, something the Third World countries would like to do for industrial policy, but develop their own national firms. Government procurement says you can't do that, but even more importantly it says that governments at all levels must use only commercial criteria when making purchases. That means that governments would be forbidden from taking into account labor standards, environmental standards,…or who owns the companies. In fact, according to one of the rulings, if government wanted to get recycled paper they can't even do that. They would have to just take paper, because goods are goods and all noncommercial criteria cannot be taken into account.

Let me take the service agreement. We have a service agreement, the European Union and the United States would like to see it expanded. They would like, every service to be open to foreign firms, and they would like to open as many services as possible. This would allow foreign firms to bid on those services and governments would be unable to restrict the number of foreign-service providers. Canada has already been told that it cannot restrict the number of whale watching boats even if it worries about the environment because that would be restricting the number of service providers.

If service sectors are opened, if a government is giving a subsidy to any one firm, it would have to give that same subsidy to every single foreign firm that wanted to provide that service. Supposedly government services are exempted but the requirement is: only those services that the government gives that are not commercial or in competition with the private sector. For example, if PSU gets any government subsidy, any and as many foreign companies who want to set up private universities in Portland would have to get the very same subsidies from the state of Oregon, according to this agreement. The goal is that the state wouldn't have the money to do that and it would stop giving subsidies. That is the purpose of the service agreement, to commercialize, to deregulate, and to privatize services. That is the goal of the agreement.

A further aspect to the agreement is the necessity test. Foreign companies

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There are already domestic competitors well established there. I don't want the [Korean] government to say, "O.K., you're welcome. I'll allow you to set up one operation and you'll have no other opportunity to go anywhere else. And this is how big your parking lot can be and oh geez, I realize you can only get two cars…"

Now certainly, it is the right of the government to say, "This is what we do with our companies, this is how we regulate, and we will apply that standard to you." What we are looking for very often in these negotiating situations is national treatment.

And also [secondly] we go in with a wish list. We'll ask for 10 things knowing that we'll end up with 5. But it's also give and take. At the same time we're asking for things, countries will also be asking for things. So you're going to end up, as in any negotiation, that we'll give some things and we'll give others, but we're certainly not asking for beyond- national treatment.

Martin Hart-Landsberg: One [problem] obviously is the 'we'. I know you are speaking about the U.S. government, but obviously the government doesn't represent all of our interests when it negotiates. It's obviously representing the interests of Walmart.

Under the service agreement, if the U.S. government was to be putting in tourism, or any other sector, we would lose the ability to say "only so many resorts or no resorts in a particular place", because the service agreement

doesn't say *national treatment,* it says there are no limits. And the service agreement would say that the governments cannot subsidize particular firms or put performance requirements or restrictions that companies might find burdensome.

So, while yes I agree with you that you can find some cases where such agreements or such things might be helpful, the law doesn't restrict itself just to those cases. It would legislatively limit the ability of all governments, and have as a desire, to limit the ability of governments to control…things like government procurement… Governments can't take in [to account] noncommercial criteria [such as environmental concerns for recycled paper] no matter whom they deal with. So the question is, when our government is negotiating this, it's not picking out just the ones that you and I might like it. It's moving for a law that basically would say that governments must secede freedom to companies [and these companies may] do what they want.

Joseph Kruzich: That, I think, is a fundamental misreading of the World Trade Organization and what we are trying to achieve with services, in reducing trade barriers in the service sectors. Minimum wage standards in foreign countries will not be affected by reduction of tariffs or any kind of services agreements. Environmental regulations are permitted. Governments are not loosing their sovereignty in this area. They are obliging themselves, as well as the United States obliging itself, to

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would be allowed under the terms of the treaty to challenge any regulation that impacts services whether environmental, health, or consumer protection if they believe that they are "more burdensome than necessary". What does more burdensome than necessary mean? That is a good question of course. Under the WTO for example, a food safety standard has been set in consultation with food companies and any country that wants to have a higher degree of safety standard has to have proof, beyond a shadow of a doubt, that it is absolutely necessary. What would be an acceptable standard for teachers, for water quality, for child-care centers, for any service, even postal service?

The point is that what is at stake here is something very big. It's about things that have nothing to do with trade, it has to do with the privatization and the profit making ability of companies. Now what about trade, isn't that a part of this? When the WTO negotiations failed we read all sorts of articles about "Oh the poor third world, they desperately need this free trade" and there were studies quoted by the World Bank and other groups saying "So much was lost when these treaties didn't move forward, 500 billion, a trillion, whatever, isn't that a shame." As an economist, I have read these studies and let me tell you that when you go and do huge studies like the World Bank does you have to make assumptions. Well here are the assumptions that they use.

One is they assume that if we drop all of the tariffs, there will be no unemployment. They assume full employment, they assume there will be no capital mobility, and they assume that trade will never become unbalanced. They assume that if tariffs go down and a country imports more, automatically they will export more. If you have a study that assumes no unemployment, no capital mobility, and no trade imbalances, not surprisingly you get a benefit.

What we have here really is not trade agreements that are supposed to liberalize and help people but in fact agreements that are designed to tie the hands of government and through government, us. These treaties have really one purpose and that is to restrict our ability to regulate economic activity.

The reason these treaties are on the agenda right now is precisely because profits have been squeezed over the last 10 or 15 years and companies are looking for new ways to make more money. We were very well served by the collapse of the negotiations of the WTO and the lack of forward progress on the Free Trade Area of the Americas, but unfortunately we here in this country need a better understanding of what's at stake.

In other words, the purpose of these agreements is about legally restricting the ability of government to regulate private sector activity.
Martin Hart-Landsberg

Scott Goddin

Director of the Portland U.S. Export Assistance Center

The administration remains committed to negotiation of multilateral, regional, and bilateral trade agreements as a means of encouraging economic growth, expansion, and development. This is all based on the premise that export-led growth has been responsible for increasing global wealth and prosperity. This does not deny dislocation or inequities.

The developments in Cancun certainly signaled the shift in the negotiating paradigm with the emergence of Brazil and China among others in the united negotiating block. This isn't necessarily a new development, as Barbara indicated, coalitions are expected to form around interests. It was a very important acknowledgement in Cancun that China

is going to be a player—no surprise. Now keep in mind that multilateral negotiations collapsing is almost an oxymoron. Big, big conferences like this usually end that way. The WTO final negotiating round was supposed to take place in Brussels in 1992. We didn't wrap up until 1994. This is the way these things go.

Further progress in the WTO discussions are unlikely until the U.S. and the E.U. resolve major bilateral issues that we have. As a rule, multilateral trade negotiations do not make progress in years when the "silly season" takes place in Washington, so we've got some time.

The FTAA outcome in Miami, my guess, was probably a foregone conclusion. That was the week that we announced textile restrictions on China. And the E.U., along with Japan, received permission to retaliate on the steel subsidy. If you are the head U.S. trade negotiator and you are walking into yet another multilateral discussion, and the big one failed a few weeks ago, and you are looking really, really bad, vis a vis the WTO, FTAA-lite was a wonderful victory.

If you followed the press on the FTAA, it was probably no surprise that on the first day of that week we announced that we were going to embark on a bilateral FTA, I believe with Panama. Surprise, surprise. Everybody who came to that meeting knew that if we didn't get what we wanted on the first day then hey, guess what, we are going to do a bilateral with our friend here. I think it sort of set the tone.

In the near future we will likely continue bilateral agreement negotiations. The list is literally A to Z. Australia, Thailand, Dominican Republic, Panama, KAFTA (Korea-Australia Free Trade Agreement), in Central America about five countries, Morocco, Uruguay, and others as they present themselves. Is this new? Is this the end of multilateralism as we know it? Not necessarily.

As Karen indicated, the process of globalization will continue to proceed at pace with or without trade agreements. The administration believes that a framework of trade negotiations provides the better basis for insuring continued prosperity matched with provisions for workers displacement, and also incorporating advice with regard to environmental, labor, and other considerations.

Tim Nesbitt

President of the Oregon AFL-CIO

By the way, what Scott referred to as "the silly season", and I know he was being facetious, I think is probably the most important election we are going to face in our lifetimes. I think this issue of trade ought to be front and center in the debate in the presidential and congressional elections next year (2004).

Trying to answer this same question of what we have learned from the summits in Cancun and Miami, I think one obvious thing we learned was that a lot of people, both within and beyond our borders, think the corporate free trade agenda is bad for them as workers and bad for them as citizens. Another thing we learned is that in some countries elected officials and trade representatives represent interests other than those of global corporations. We also learned again what we experience everyday in our labor movement and that is that negotiations start to get more dramatic when they involve a more equal contest of interest, when a weaker party resists the demands of the stronger, and when we begin to see a better balance of power at the bargaining table. In that context, getting to 'no' can be liberating. I think that's why the deadlocks in Cancun and Miami were celebrated by the proponents of fair trade both within and beyond our borders. But, getting to a different version of 'yes' with some other form of global trade agreements can be daunting and I'm not yet confident that the failure of these summits in Cancun and Miami will necessarily lead to better models for trade agreements. The opportunity has been created for that to happen.

Countries, which demand to tailor their own agreements to their own needs, are breaking new ground and that is important, but they are also entering dan-

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confer *national treatment*, that it does not create special preferences for national industries as opposed to foreign industries that want to compete in a certain sector.

Martin Hart Landsberg: My point is that from the point of view of the quality of life that we want to have, this is a bad treaty. The process is bad. What the U.S. government is negotiating, not with the involvement of Congress, but with the trade representatives and largely corporate dominated advisory councils, is a process designed not to ensure *national treatment* but to restrict our ability as communities to our government to regulate economic activity for our benefit.

Barbara Dudley: In response to what Joseph said, I just want to give you another definition as well. It is true that the WTO and the NAFTA, and other agreements, do not forbid a country from having environmental regulations, that probably would not get by Congress, although you never know. What it does say is that they cannot have environmental, food safety, or public health, or worker safety regulations that are not the least trade restrictive as possible, and that are not based on sound science. It was the second, the sound science one that was used to force the Europeans to accept hormone-treated beef. And that will be the line, I assume, that the US government will take when it takes on the EU on their restrictions on GMO (genetically modified organisms). That's not about

national treatment, they will put the same restrictions on their own farmers and so on. It is about being as least trade restrictive as necessary or sound science.

Editors note
The Grocery Manufacturers of America (GMA) represents the powerful players in the U.S. who have much to loose if the EU does not import GMO foods into its countries. Recently the European Commission, notified the World Trade Organization of its proposals to regulate genetically modified food and feed with labeling and tracking requirements. The GMA opposes the mandatory labeling requirements for biotech foods by the Commission. GMA bases its objections on inconsistencies between the labeling provisions of the Commission's proposed regulations and Europe's obligations under the WTO Agreement on Technical Barriers to Trade. Barbara Dudley refers to this principle in her comments when she talks about measures that are the least restrictive to trade. The GMA wants less trade-restrictive measures for providing consumers information about biotechnology. In the April 21, 2004 issue of GMA Industry Affairs, C. Manly Molpus, President and Chief Executive Officer of the GMA, expresses concern about the role of science and in particular non-scientific factors, affecting the European Commission's decisions on labeling GMO foods.

An important point not mentioned in the discussion is that the principle of national treatment *applies only once a product, service, or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of* national treatment *even if locally produced products are not charged an equivalent tax.*

On another front, it appears that state laws restricting outsourcing violate global multilateral national treatment *agreements made by the United States. Governor Kulongoski has complained about outsourcing state contracts for services such as the handling of calls about monthly assistance for our Department of Human Services. However, a state ban on outsourcing services purchased by the State would not be legal. A federal outsourcing ban is highly unlikely; it would invite foreign countries to retaliate against U.S. firms.*

Jay Hutchins

gerous territory. If the FTAA becomes a loose federation of countries who sign up for bilateral trade agreements, it may slow down the march to a monolithic Free Trade Area of the Americas, but it's unlikely to stop it. In that sense I think I'm agreeing with Scott in some respects.

The economic and political powers of the free trade regime will remain difficult to overcome. Think of the United States, all fifty of our states are free to set their own labor laws, tax systems, and regulations to protect the environment and public health. Corporations can easily play off of these states, against each other, to leverage rollbacks in all of these areas. We've seen it time and again. The most recent example is one in which Boeing demanded and got reductions of unemployment for all laid-off workers in Washington, not just in the aerospace sector, as a condition of even considering to locate its assembly facility for its new aircraft in that state—which still may not happen. That's what we have to think of in terms of these bilateral trade agreements. The new approach might take longer but it could still lead to some of the same results.

The cards are being stacked against developing countries but those cards are being dealt right from here, from corporate headquarters based in the U.S., in a game where we are continually promised one thing and given another. What we are promised over and over again is jobs, and good jobs. It's up to us to change the hands that are dealt at these trade meetings just as it is up to the developing countries to play their hands differently. The emperors of free trade may not be wearing clothes made in sweatshops and sold at Walmart but that is what they have been offering to American workers, along with fewer jobs, lesser pay and benefits, and greater inequality at the expense of low-income and middle-income working families.

It is true that globalization is going to occur no matter what, but the rules of the game for globalization are what will determine whether we will have positive or negative outcomes for workers and citizens around the world. Lets get back to that 'silly season' in 2004 and talk about making smart trade an issue in the 2004 election by demanding truthful assessments of its impact on jobs and the environment in this country and our trading partners and by talking to our representatives in Congress and making this an issue in the 2004 election. Thank you.

Joseph Kruzich

Deputy Policy Officer in the South Asia Bureau for Press and Public Diplomacy of the U.S. State Department

I want to thank the organizers of this forum for putting this event together. I think there are few other issues that are more important for the economic prospects of this region and our country than a discussion, an open, public, factual discussion about free trade and how we can make that work. It also feeds into the priority issue for the U.S. government at the moment, which is national security. Free trade agreements that increase prosperity around the world, especially in the Arab world and Muslim world, will make our policies and our attempts to counter terrorist groups from ever bringing off another Sept. 11.

Has the paradigm shifted? If by the question we mean the standard answer of

economists that comparative advantage is the bedrock for international trade and that it benefits every country that engages in international trade, then I think the words that Adam Smith penned over 200 years ago still ring very, very true: That international trade benefits all nations that participate. We should bear that in mind when we discuss international trade.

Any attempt to limit the ability of American companies and the ability of the U.S. to negotiate free trade agreements with foreign countries to create new markets for American products puts a lot of jobs related to exports at risk. Export-oriented jobs in the US pay on average 13%-18% more than non export-oriented jobs. Not only is globalization and free trade benefiting and creating millions and millions of jobs in this country, those jobs are 13-18% higher than they would be if we were just focusing on workers and firms engaged in domestic trade. We are talking not about decreasing the standards of living of the citizens of this country and the workers of this country, but actually increasing it in dramatic ways by reducing tariffs and trade barriers and creating more opportunities for American companies to invest abroad, to trade abroad.

Finally, Alan Greenspan—one of the key architects of the economic boom in the 1990's, who was manager of interest rates and fed policy, has noted that openness and globalization are one of the most underestimated aspects of U.S. growth in the 1990's. I would heartily agree with that, I think it is probably the primary reason, along with technology, for the boom of the 1990's. I would add we may be about to see an end. Recent figures from the Commerce Department today acknowledge that third quarter productivity growth was 9.8%. That's amazing. Now obviously an economy as mature and large as the U.S. economy is, cannot maintain 8.2% growth rates, 9.8% productivity growth rates over the long term. But those rates certainly show the potential of the U.S. economy, one of the most open and globalized economies to take advantage of international trade and to benefit from it.

The Cancun negotiations were only a mid point to the Doha round. Doha's goal was to reduce trade barriers by 2005. We still may be able to meet that target, or we may not, it depends on the willingness of countries to come forward with good proposals for reducing trade barriers. One of the experiences that, or conclusions that we have drawn from the negotiations in Cancun was not that they collapsed. These sorts of detours happen often in a multilateral negotiation, they are more complex, there are more players in the game. NGO's are far more influential than they were 10 years ago when we were concluding the Uruguay Round. Clearly a number of developing countries have formed coalitions as well to assert their interests in a way that didn't exist before. It will be possible to overcome those, in my opinion, to come up with some very effective trade policies that will have the effect of reducing trade barriers and expanding prosperity around the world.

The only thing I would add to sum up is the observation that we have been continually celebrating growth and productivity; productivity and economic growth. The real story though is that we have had a very poor distribution of the gains of productivity over the last several decades. That is also what is happening around the globe.
Tim Nesbitt

We acknowledge that the WTO must address special problems for developing countries. First we've got to acknowledge that subsistence farmers need help and they need to have some special status in negotiations. That will happen.

Developing countries though also need to receive assistance in strengthening the rule of law in their nations. Nothing takes away from the willingness of a foreign corporation to go into a country and invest there with large amounts of money than corrupt governments and all of the extra costs for doing business in a country where corruption is rampant. If you look at the list that Transparency International puts together on the most corrupt and least corrupt governments in the world, it is no accident that the governments that rank at the bottom of the list are also the same ones that are the least globalized, that receive the least foreign investment, and have the lowest growth rates.

Now let me talk a little bit more about bilateral and regional trade approaches of the U.S. government. What this does for us is it creates an opportunity for us to balance off the approaches on the multilateral side so that if we can't make progress on the multilateral side we can move to the regional and to the bilateral side of this, and we move very quickly on that. What we have done is we have secured trade promotion authority for President Bush; we've negotiated free trade agreements with Singapore and Chile. Those have been ratified and will create great opportunities for American companies to invest in those countries and trade in those countries. I just want to conclude by saying again that the paradigm really hasn't shifted, that the paradigm is the same and it is that countries that engage in free trade, countries that engage in multi-lateral trade organizations where the rules are clear, but where corporations and the

private sector in large part is allowed to drive investment opportunities and to drive market opportunities, creates more jobs, more prosperity, and the single most important factor in the prosperity that the world economic system has enjoyed since the end of WWII.

Thank you.

Paul Thiers, Ph.D.

Assistant Professor of Political Science at Washington State University's Vancouver

I do think discussion is probably the most important thing we can do today. I think that there may or may not have been a shift in the balance of power. The most important thing coming out of Cancun and Miami is that certainly there is a perception of a shift in the balance of power and that I think is more important. I think nobody is sure how much it has shifted and for how long and those are big questions that we are waiting for the answers to right now.

This accounts for kind of a strange thing happening in Geneva right now. Nobody is speaking. In the head of delegation meeting immediately following Cancun, the US, the EU, and most of the major countries in the G-22, the developing world, one of the developing world groups, most of them didn't say anything of substance whatsoever. Both sides are simply eyeing each other. We are seeing that same thing in the green room processes that are still going on. Everyone is just eyeing each other to see who will blink first.

In other words, there is this new reality of the two sides having tightened up their own solidarity within their groupings and are staring each other down. In the meanwhile of course, bilateral pressure continues in the background to try and erode one side or the other, particularly to try to erode the G-22 side.

The sense I get in China as far as what has changed since Cancun is that again there is this strong perception that there has been a shift in the balance of power. Particularly among Chinese students, academics, Chinese NGOs—I sensed a real excitement about China's role in the G-22. Global solidarity is now a point of national pride. I'm not quite sure what that will mean in the long term but I think it is a little bit preferable perhaps to some of the national nationalism that I am used to in among those circles. There are good things and bad things about that of course. Populism is not democracy and whether or not populism becomes democracy is a very, very important point to consider.

Among Chinese officials I think there is much more ambivalence and to some extent they are uncomfortable with China being a leader in the G-22. In fact they are almost resentful of any suggestion that China might need to be a leader. I think perhaps the preferred position is to see China as the sort of muscular big brother that stands quietly beside Brazil and India so that nobody thinks Brazil and India are not strong, but doesn't do any talking. Even those officials are eager to talk about G-22 solidarity; they just don't want to talk about China needing to play any leadership role.

The agricultural subsidy issue is really very, very hot in China right now, and here I want to point out an issue about comparative advantage, somewhat in response to what Joseph said. Once we get past basic economic theory, most economists and certainly people who are not trained as economists are quite eager to recognize or quite willing to recognize that comparative advantage is a construction of policy and political power and equity. The other thing I think is very interesting is that China like Brazil is anticipating an end to the Peace Clause *(This refers to an Agriculture Agreement that protected any countries using subsidies from being challenged by other countries under WTO agreements. It expired January 1, 2004. —Ed)*

Brazil already has several complaints drafted and will present those I think on midnight on day one. But China is also in that process of working their complaints up. And research shows that China probably has complaints perhaps valid on sugar, rice, wheat, and milk against the US And EU.

The key to understanding Chinese behavior is Brazil. This is also something I didn't quite see coming. China will not take the lead but will continue to back up Brazil if Brazil does not retreat. There is some sort of global populist bonding going on here among knowledgeable young people who are studying this stuff in college in China. There is admiration for what Brazil has been doing since Cancun.

I think it's interesting to consider the populist, social-democratic politics of Brazil and the interest group, and the liberal-democratic politics of the U.S. as being in some sort of inherent contradiction to each other, in terms of what they mean for negotiating positions in the WTO. And where do you go to resolve that? With bilateral pressure, very, very severe threats, it will be very interesting to see what Brazil will do.

Be careful how afraid you are of things like the WTO and trade agreements. An analogy I like to give to people is that if you consider the UN capable of delivering world peace then you should be very scared of the WTO. If you are willing to take that premise with a grain of salt then it puts it in a little more proper perspective.

Scott Goddin