

CRS Report for Congress

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The World Trade Organization (WTO) Seattle Ministerial Conference

(name redacted)

Specialist in International Trade and Finance
Foreign Affairs, Defense, and Trade

Summary

On November 30th to December 3rd, the highest decision-making body of the World Trade Organization (WTO), called the Ministerial Conference, will meet in Seattle to make broad policy decisions. The key issue for the trade ministers attending the meeting will be to decide on the structure and topics for the agenda of a new round of multilateral trade negotiations. The new round will begin after the Ministerial and might continue for three years. Countries have committed to discuss agriculture and services trade in the new round. Other items that have been proposed for inclusion in the new round or for earlier consideration include tariff reductions, concessions for developing countries, labor issues and the environment, and the WTO decision-making process. Major labor, environmental, and consumer interest groups are expected to be present in Seattle to argue for more consideration of workers' rights and the environment within the WTO. This report provides a summary background on preparations for the Ministerial and related issues of congressional interest. It will be updated regularly. For more from CRS, see the *Guide to CRS Products* under "Trade."

On November 30-December 3rd of this year, trade ministers from the member countries of the World Trade Organization (WTO) will meet in Seattle to make broad policy decisions and establish an agenda for a new round of multilateral trade negotiations. Regular meetings of national representatives are required under the agreement that established the WTO. That agreement, reached during the Uruguay Round of multilateral trade negotiations (1986-1994), states that a Ministerial Conference composed of representatives of all members shall meet at least once every two years. The Ministerial Conference "shall have the authority to take decisions on all matters under any of the Multilateral Trade Agreements." The Seattle Ministerial will be the third such meeting since the WTO went into effect on January 1, 1995.

Previous Ministerials

The first Ministerial meeting was held in Singapore on December 9-13, 1996. At that meeting, trade ministers discussed the functioning of the WTO since it went into effect, implementation of the Uruguay Round agreements, and other issues. The meeting resulted in three working groups on topics considered “new issues”: (1) the relationship between trade and investment; (2) the interaction between trade and competition policy (e.g., antitrust policies); and (3) transparency (availability of information) in government procurement. Trade ministers directed that the WTO Council for Trade in Goods (which reports to the chief administrative body, the General Council) undertake further work on the simplification of trade procedures (“trade facilitation”). They also agreed to a plan of action to improve the capacity of least-developed countries to respond to trade opportunities (“capacity-building”). They recognized the International Labor Organization as the competent body to establish and deal with labor standards. Further, a large number of participants signed a declaration to reduce barriers to trade in information technology products.

The second Ministerial was held in Geneva on May 18th and 20th, 1998, and coincided with the 50th anniversary of the establishment of the modern multilateral trading system. The WTO’s precursor, the General Agreement on Tariffs and Trade (GATT), had been established in 1948. At the second Ministerial, participants directed the General Council to prepare a work program for the WTO, with recommendations for consideration at the third Ministerial. The communique at the end of the Ministerial stated that the General Council’s recommendations could cover implementation of the Uruguay Round, the future agenda of talks that were mandated by the Uruguay Round agreements (the “built-in agenda”), future work on the basis of the Singapore program, follow-up to the program on least-developed countries, or any other matters. Trade ministers also directed the General Council to prepare a work program on global electronic commerce and report on the progress of the work program and any recommendations for action at the third Ministerial. They agreed that countries continue the practice of not imposing tariffs on electronic transmissions.

Issues for the Seattle Ministerial

When trade ministers meet in Seattle at the end of this month, the leading topic will be an agenda for a new round of multilateral trade negotiations.¹ The core of this agenda will be the so-called “built-in agenda,” which was mandated under the agreements reached during the Uruguay Round. The most important topics of the built-in agenda are agricultural trade and trade in services. The Uruguay Round agreement on agriculture states that talks on continuing “substantial progressive reductions in support and protection resulting in fundamental reform” should begin by January 1, 2000. The agreement on trade in services calls for negotiations on services “with a view to achieving a progressively higher level of liberalization” that should begin by the same date. These negotiations on agriculture, services, and any other topics mandated by the Uruguay

¹ For further information on the new round of negotiations, see CRS Report RL30270, *The World Trade Organization: Future Negotiations*, by Arlene Wilson.

Round agreements are considered the backbone of a new round of multilateral trade negotiations that will begin after the Ministerial.

Although most countries recognize their obligations to address the topics of the built-in agenda, they are far from agreement on how these topics should be addressed. On agriculture, for example, the United States and other members of the Cairns Group, a group of agricultural exporters, advocate the reduction or elimination of agricultural export subsidies and other assistance. In testimony before the House Agriculture Committee on October 20, 1999, U.S. Trade Representative (USTR) Charlene Barshefsky said that U.S. proposals in agriculture for the new round are (1) elimination of export subsidies; (2) substantial reduction of trade-distorting supports; (3) lower and bound tariff rates; (4) better administration of tariff-rate quotas; (5) stronger disciplines on state trading enterprises; (6) improved market access for least-developed WTO members; and (7) trade in biotechnology products based on transparent, predictable, and timely processes.² The conflict between the United States and the European Union (EU) on agriculture that dominated the Uruguay Round is continuing in the preparations for the Ministerial. For example, the United States has charged that the EU is pushing a comprehensive agenda for the new round to take attention away from agriculture. The United States also opposes the EU position on the “multifunctionality” of agriculture, which means the use of agriculture for rural development and other purposes aside from food production. The United States has a conflict with Canada over state-trading enterprises. Although Canada and the United States share many objectives on agricultural trade, Canada insists on maintaining its marketing boards, including the Wheat Board. U.S. farmers want disciplines on Canada’s Wheat Board and claim that the promotional efforts of the Wheat Board give an unfair advantage to Canadian farmers.

Countries are far from agreement as well on how trade in services should be addressed in the new round. U.S. objectives mentioned by Deputy USTR Susan Esserman during testimony before the Senate Finance Subcommittee on Trade on October 21, 1999, include: (1) liberalized restrictions on a broad range of services; (2) increased participation in telecommunications and financial services agreements; (3) rules for new technologies; and (4) no discrimination against certain modes of delivering services.

Countries disagree over whether the scope of the new round should be limited to the built-in agenda or expanded for more comprehensive talks, and trade ministers will address this question in Seattle. Developing countries argue for a more narrow agenda, saying that the developed countries have not yet implemented the commitments made under the Uruguay Round. Developing countries are insisting on time extensions to the commitments they made during the Uruguay Round before they agree to significant, additional commitments. The EU and Japan are promoting a broad agenda. The EU has proposed that the round include the built-in agenda items of agriculture and services, as well as investment, trade facilitation, competition, trade and environment, technical barriers to trade, and government procurement.³ In testimony before the Senate Finance Committee on September 29, 1999, USTR Barshefsky said that, “The core of the Round should address market access concerns,” and the round’s agenda should be

² For further information on agriculture in the new round, see CRS Report 98-254, *Agriculture in the Next Round of Multilateral Trade Negotiations*, by (name redacted).

³ For EU policies on the new round, see [<http://europa.eu.int/comm/dg01/dg1newround.htm>].

“complemented and balanced by a forward work-program” to address areas where consensus does not yet exist. In other words, the United States does not support the broad agenda of the EU and Japan.

Another issue related to the scope of the new round is whether countries should sign agreements as they are reached (“early harvest”) or wait for an overall agreement that includes tradeoffs among many topics (“single undertaking”). This question also is expected to be decided by the end of the Ministerial.

As countries prepare for the Seattle meeting, they will face the question of whether or not to expand the new round to include social issues. At a conference in mid-August, the G-15 developing countries announced that they opposed linking social clauses, such as labor issues, with trade and protested attempts by developed countries to add items that would impede market access to developing countries.⁴ The EU wants these items on the agenda. The United States proposes further study of most of these issues but wants a work program established on trade and labor. In her September 29 testimony, USTR Barshefsky noted that the United States already submitted a proposal in the WTO for establishment of a work-program to address trade issues relating to labor standards. She also stated that the United States will seek enhanced links between the WTO and the International Labor Organization through mutual observer status.

Other topics that have been mentioned as possible items on the agenda for the new round include “trade facilitation” to make customs procedures simpler and more understandable, the three topics for the working groups that were established at the first Ministerial in Singapore (investment, competition, and government procurement), and the environment. A controversial topic is antidumping: the United States is adamant that this topic not be included in future negotiations, but a large number of other countries, including Japan, are pushing to have it added.

Many other issues will be considered in Seattle either as part of the discussion on the new round or separately. One issue is special treatment for less-developed countries. On November 18, 1999, the Chairman of the WTO General Council circulated working papers for a WTO Ministerial Declaration.⁵ The papers showed that WTO members concurred on very little, but they did agree that the principles of the new round should include development objectives, such as economic development and eradication of poverty, and special and differential treatment for developing countries.

Another proposed topic for the Seattle meeting is market access for non-agricultural products. Sectoral negotiations began as the Early Voluntary Sectoral Liberalization program under the Asia Pacific Economic Cooperation (APEC) forum, and talks on eight of those sectors moved to the WTO as the Accelerated Tariff Liberalization (ATL).⁶ The

⁴ *Washington Trade Daily*. August 19 and 20, 1999.

⁵ Earlier draft texts for the Declaration were released on October 7 and on October 19, 1999.

⁶ The eight sectors being considered under the Accelerated Tariff Liberalization (ATL) initiative are: chemicals, energy equipment, environmental goods, fish and fishery products, forest products, gems and jewelry, medical equipment and instruments, and toys. See CRS Report RL30286, *Asia* (continued...)

United States wanted to complete the ATL talks before the Seattle meeting, but according to some reports, completion by the Ministerial might be unlikely. In addition to sectoral negotiations, talks have been underway in the WTO on information technology products, and the United States is pushing for a second agreement on these products, to follow on an agreement reached a few years ago. Further, the 1998 Ministerial in Geneva called for work on electronic commerce, and Ambassador Esserman testified on August 5th before the House Ways and Means Committee that the “top immediate [U.S.] priority [at the Seattle Ministerial] is to ensure that cyber-space remains duty-free.” The EU has questioned whether such electronic commerce should fall under the trade in services (not goods) agreement. A temporary extension of the duty-free treatment on electronic commerce that was reached at the second Ministerial and a proposal to study the issue further are under consideration.

An important proposal that has had little discussion in the past is how to make the WTO decision-making process (including dispute procedures) more open to non-governmental organizations and others affected by the outcome of WTO decisions. Both the United States and the EU have taken the position that the WTO needs to better address the concerns of its “constituents.” The United States also supports institutional reforms to make the WTO more transparent and more understandable to the public. The U.S. proposals on WTO “transparency” (openness), however, has not received broad support from other countries.

Many groups that oppose the WTO’s decision-making process or its trade rules are expected to be in Seattle to voice their positions. The National Wildlife Federation (NWF), for example, is calling for a “balance” of economic and environmental concerns in U.S. trade policy, reform of the WTO to reflect environmental priorities, more “open, democratic procedures,” and WTO trade rules that are “consistent with environmental protection goals.”⁷ The AFL-CIO wants WTO rules changed to incorporate workers’ rights, address how trade liberalization affects incomes, and make proceedings more open and visible.⁸ These and other non-governmental organizations will try to influence the agenda for the upcoming WTO talks.

In the time before the Ministerial starts, WTO officials are trying to build a consensus on the topics for discussion in Seattle. The November 18th working papers by the Chairman of the WTO General Counsel was one step toward that end. The papers, however, show that countries are still wide apart on a large number of major issues. The time remaining before the Ministerial is seriously limited. WTO officials had hoped to have a more refined draft text for trade ministers to consider. What is not resolved before the Seattle meeting, which appears to be extensive, will be brought to the table for trade ministers to resolve.

⁶ (...continued)

Pacific Economic Cooperation (APEC) and the 1999 Summit in New Zealand, by (name redacted).

⁷ NWF web site at [<http://www.nwf.org/nwf/international/trade/wto/actionnow.html>].

⁸ The AFL-CIO web page includes a call for workers to join a march and rally on November 30th in Seattle. See [<http://www.aflcio.org/wto/index.htm>]. A number of environmental groups are also expected to join the protests.

Issues for Congress

Since the Ministerial is expected to focus on the agenda for the new round of multilateral trade talks, an important legislative issue is what kind of authority, if any, Congress should grant to the executive branch for the new round. In the past, Congress gave a “go-ahead” in the form of fast-track negotiating authority, which assured a timely up-or-down vote on an agreement, on the condition that trade officials consulted adequately with Congress during the entire process. Currently, there is no fast-track trade negotiating authority, and Congress has not approved a set of objectives for the new WTO round. So, U.S. trade officials will attend the meeting in Seattle without a mandate from Congress.

What does the absence of fast-track authority mean for the upcoming WTO talks? Some trade observers point out that President Reagan did not have fast-track authority when the Uruguay Round trade negotiations began in 1986. At that time, proposals to grant fast-track authority were under consideration in Congress, and fast-track authority was eventually approved in 1988. These observers suggest that a delay in granting fast-track authority will not prevent the new round from moving forward.

However, other observers believe the situation then was more supportive of the round of negotiations. If this round begins, and while it is underway Congress grants fast-track negotiating authority to finish it, then the negotiating process might not be disrupted. But if the round begins, and Congress grants no fast-track authority or grants authority that would require a major change in the U.S. position, then the consequences might be significantly different. Without fast-track authority, any legislation needed to implement agreements would be subject to the normal legislative process, which means that implementing legislation could be amended (possibly requiring renegotiation) or might not be brought up for a vote.

Beyond fast-track, there are other perspectives to the Seattle Ministerial. One perspective is that the fate of the Seattle Ministerial should not be viewed as a referendum on U.S. support for open trade. While there remains understanding that increased trade and lower trade barriers raise a country’s standard of living over time, there is much debate within the United States about the distribution of benefits both among trading partners and within countries.

A second perspective is the leadership role of the United States in world trade. For most of this decade, the United States was the chief proponent of multilateral trade negotiations to reduce trade barriers. Now, however, there is widespread public debate about the U.S. commitment to open trade and whether the United States needs to negotiate with other countries to achieve an optimum trade policy. If the United States is reluctant to continue as a leader in world trade talks, then serious questions arise. Where do we go from here? If the new round fails to get off the ground, will the world trading system slip toward protectionism? Should open markets no longer be the main objective of commercial talks, but instead be only one element along with other issues such as social normalization? Should new alliances be formed among countries and a new leadership evolve?

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