Cordell Hull Institute

Trade Policy Analyses

Vol. 1, No. 7 December 1999

In Seattle (seen above) on December 2, 1999, during the WTO Ministerial Conference there, the Cordell Hull Institute and the Centre for International Economics, Canberra, held a one-day seminar for the Cairns Group Farm Leaders on the issues for a first WTO round of multilateral trade negotiations.

The seven papers for the meeting were published in advance as *Reason versus Emotion: Requirements for a Successful WTO Round* (Canberra: RIRDC, 1999).

Reproduced here is the paper by **Robert E. Litan** (above) that was presented at the meeting.

About the Author

Robert Litan is the Vice President, and Director of Economic Studies, at the Brookings Institution in

SEMINAR IN SEATTLE...

Moving Towards an Open World Economy

Robert E. Litan

As trade negotiators met in Seattle in December 1999 to set the agenda for the first round of multilateral trade negotiations under the World Trade Organization (WTO), they had much to cheer about. Eight successive trade rounds under the General Agreement on Tariffs and Trade (GATT) had brought tariffs worldwide down from over 40 percent at the end of World War II to an average of 6 percent today. The last two rounds began to tackle the more politically sensitive non-tariff measures. Together with continued improvements in communications and transportation, the removal of government-imposed trade barriers has enabled trade to grow more rapidly than output throughout the post-World War II period.

And yet the WTO Ministerial Conference was shaping up from over the preceding months to be among the most contentious of all that have occurred so far. The reason does not lie in the frictions between governments over which subjects to take up next; such differences in official views are normal during any negotiation. Instead it was because the meeting, and indeed the entire cause of trade liberalization, has become a visible symbol of increasing "globalization", which has aroused intense opposition from consumer groups, labour unions and environmental organisations around the world.

This opposition should not distract policy makers or, for that matter, citizens throughout the world from pursuing the "built-in agenda" remaining from the Uruguay Round negotiations — primarily phasing out agricultural protection and subsidies and liberalizing the rules governing services. Nor should it distract them from negotiating the removal of additional barriers to trade such as anti-competitive domestic regulations and restrictions against investment, which I shall address in this paper. However, I want to begin by briefly suggesting ways in which policy makers can and should change the political environment surrounding this

Washington, DC. Among his recent publications is Globaphobia: Confronting Fears of Open Trade (1998), co-authored with Gary Burtless, Robert Z. Lawrence and Robert Shapiro.

Prior to returning to the Brookings Institution, where he was a Senior Fellow in 1984-93, Dr Litan was Assistant Attorney-General in the Antitrust Division of the U.S. Department of Justice and earlier Associate Director of the Bureau of Budget and Management in the Executive Office of the President.

About the Meeting

The meeting was attended by about 450 from NGOs, labor unions, the media and so on who were in Seattle to observe the WTO ministerial conference.

Besides **Dr Litan**, the following presented papers at the meeting: **Guido Di Tella**, Argentina's Minister of Foreign Affairs; **Clayton Yeutter**, former U.S. Secretary of Agriculture; and **Robert L. Thompson**, director of rural development at the World Bank.

Others who spoke were **Brian Chamberlin**, New Zealand farm leader; **Hugh Corbet**, president of the Cordell Hull Institute; **Victoria Curzon Price**, of the University of Geneva; and **Andrew Stoeckel**, executive director of the Center for International Economics.

and future trade negotiations. My suggestions may not change the minds of the opposing groups; they are targeted at the wider public in all countries who might be tempted by the false rhetoric of the critics.

Improving the Political Atmosphere for Further Liberalization

The cause of further liberalization — or, more precisely, the removal of primarily internal barriers to external trade, which economists have dubbed "deeper integration" — probably will not move forward without:

- a change in message;
- greater attention to the victims of change (whether due to globalisation or not); and
- more transparency within the WTO itself.

Change the Message

For about 50 years, or very nearly the period of the GATT and the WTO, freer trade has been sold by political leaders to the nervous public as a vehicle for generating more jobs. As a result, the negotiations have always had a mercantilist undertone: remove barriers to other nation's exports and more jobs will be created at home.

I understand why politicians talk this way. Pollsters, especially in the United States, tell them that this is the best way to explain the benefits of trade to the public. With all due respect to that profession, I strongly disagree on the merits and the politics. On the merits, no serious economist will tell you that the reason to reduce trade barriers is to generate jobs. That is because employment in any economy is determined by the strength of aggregate demand, private and public. If private demand is weak, there are monetary and fiscal policies that can and should be used to stimulate it.

Instead, economists have argued for over 200 years that the benefits of trade lie in the improvements in living standards they provide to consumers. Cheaper and often higher quality imports use the same competitive forces that operate within domestic economies to encourage domestic firms to improve their productivity, lower their prices, and improve the quality of their products.

But it is difficult for the general public to relate to the global estimates of the gains from freer trade. For example, the World Bank estimated that the Uruguay Round agreements alone were expected to generate $100–200 billion in additional purchasing power for consumers worldwide every year.[1] Numbers like this are difficult to put into perspective and, frankly, not too many people really care whether and how much better off citizens in other countries are as a result of trade liberalization.

Political leaders should have better luck selling "freer trade" with estimates for their own countries. One that I think gets far too little attention in the United States is the estimate in the *1998 Economic Report of the President* that from 1960 to 1997 added trade had increased the average American's purchasing power by 4.3 percent. At prevailing income levels, this implies gains per person in excess of $1,200.[2] For a family of four, the benefits translate into a total of about $5,000 — real money and much more than any tax cut the politicians have promised the voters. The lesson? Each country should have its economists estimate the consumer gains from trade and further liberalization, and then sell the removal of further restrictions as the equivalent of a tax cut — without running up larger government budget deficits!

It should also be noted that the selling of trade as a job-creation machine is a dangerous two-edged sword. America's political leaders used the job-creation line when selling Mexico's accession to the North American Free Trade Agreement (NAFTA), primarily to combat the rhetoric of Ross Perot, who claimed that the agreement would create a "giant sucking sound" of jobs moving south across the border. The jobs argument seemed to work, until Mexico's economy was dragged down by the peso crisis and failed to generate additional U.S. exports that NAFTA supporters seemed to have promised. Although the United States fared better in its export trade with Mexico than other countries, the damage had been done. Trade liberalization seemingly had failed "to deliver". The lesson? Live by the jobs argument and you might die by it, too.[3]

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Cushion the Pain of Change

There is more to addressing the angst attending the trade negotiations than simply changing the message. People around the world are suffering real economic dislocation, which makes them and their governments nervous about taking affirmative measures that can all too easily be blamed for making things worse.

In 1997-98 much of the progress of the middle classes of the South-east Asian tigers has been wiped out by the worst financial crisis in that region since the 1930s depression. Unemployment rates in Western Europe continue to hover above 10 percent — unacceptably high given historically low unemployment rates in that region of the world. Even in the United States, which has enjoyed a record combination of economic growth, low unemployment and low inflation during most of the 1990s, many people are anxious. In part, this is because of the downsizing among major companies, made highly visible by the media (who ignore the millions of jobs being generated in medium and smaller sized companies). But even taking account of the low unemploy-ment rate, the displacement rate (or gross job turnover) has been higher than what could otherwise have been expected.[4]

Of course, all of these problems have much larger causes than globalization or, even more modestly, trade liberalization. The people of South-east Asian countries were victims of mismanaged government policies that encouraged too much borrowing in foreign currency at short maturities. There were also insufficient incentives to encourage lenders to take due account of the risks of pouring too much money into the region. The European unemployment rates are the products of excessively tight macro-economic policies, coupled with rigid labor market policies. The labor policies make it hard to fire unproductive workers, which discourages firms from hiring new, productive ones — hence the youth unemployment rates of 20 percent or more in many Western societies.

Meanwhile, in the United States, job turnover and pressures on wages, especially those at the bottom of the income distribution, are due overwhelmingly to continued technological change. Take the manufacturing sector, where trade competition is most intensive and yet where there has been secular decline in the share of the workforce devoted to making goods. As a result, even if the United States had maintained balance in its trade account rather than the large deficits to which people have been accustomed (because investment outpaces savings), the share of the workforce in manufacturing still would have declined over the past 30 years — as has happened with agricultural workers throughout this century. It could not have happened any other way. Annual productivity in manufacturing in the 1990s has been increasing at about 4 percent a year, well above the average for the rest of the economy.

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These considerations are well understood by economists and other analysts who get paid to understand them. But government actions such as trade liberalization that appear to roil the waters further for some workers — often those with the fewest skills and thus most easily frightened about losing their jobs — are highly unsettling. Accordingly, an urgent matter for all governments is to cushion the impacts on those individuals who might suffer temporary harm from the additional competition that further liberalization will unleash. There are two ways of doing this.

First, efforts to ease the pain of adjustment should be generic in nature and not limited to trade-displaced workers, who are difficult to identify in any case. I must be candid and confess that I did not always hold this view, backing instead trade adjustment programs carefully targeted at victims of trade or, even more precisely, victims of trade agreements themselves. I have become convinced that however sound trade-specific compensation may be — and there is an extensive literature in the economics profession supporting it — it is a mistake politically to design special programs for the trade-displaced. The reason is that by doing so, political leaders only reinforce the fears that many have about liberalisation. Instead they should be telling people that trade is

one of many other forces of change that is affecting their lives and that the role of government is to help people adjust to change regardless of its cause.

Second, adjustment assistance must be designed to be as much of a "trampoline" as a "safety net"; that is, the net should not only cushion their pain but also provide displaced workers with strong incentives and, if possible, the skills to locate and find new employment quickly.

Programs such as unemployment compensation that are in place in developed economies are essential parts of the safety net. Indeed, a central mission of the World Bank in the coming years should be to assist emerging-market countries to establish unemployment compensation programs of their own — programs that were sorely lacking when the Asian crisis broke out.

But unemployment compensation can also discourage some workers from rapidly finding a new job. More innovative approaches would be welcome. One that I have championed is "wage insurance" that would partly compensate, for a limited period, the earnings losses of displaced workers who have been with their prior employers for at least two years. The compensation would kick in, however, only when they obtained a new job, so as to provide strong incentives for finding new employment.[5] Such a program addresses the very real problem evident in the United States, and I suspect elsewhere, that many displaced workers fall down the economic ladder when they get new jobs. Indeed, the longer displaced workers were in their previous jobs, the larger the drop in their wages is likely to be — as much as 28 percent for U.S. workers with sixteen or more years of tenure.[6] To respond to concerns about the cost to governments of establishing such a program, I believe it is possible for private insurance firms to offer wage insurance, provided the government sells them reinsurance against very large losses associated with major increases in national or even regional unemployment.[7]

I am under no illusion that more effective safety net/trampoline programs will cause workers who believe they risk the loss of their jobs due to trade to change their minds and suddenly embrace the cause of free trade. However, such programs may be able to reduce the intensity of the opposition. And they may calm the nerves of others who may understand the advantages of lower prices that more competition brings but are nonetheless uneasy about the economic and technological change that further trade liberalisation might accelerate.

Increase WTO Transparency

As nations finish the tariff-cutting agenda that has dominated the previous GATT rounds, they inevitably begin to address the more politically sensitive barriers to trade arising from domestic policies.

These are more difficult to tackle because they can touch raw political nerves. In particular, they engage people and interests who have not been involved in or cared about trade negotiations — consumer and environmental organisations, for example. These groups have labored hard to raise certain domestic standards only to see them the subjects of negotiation in international arenas where they have less control. It is not surprising, therefore, to hear critics from both sides of the political spectrum express fears that international trade negotiations have led and will continue to lead to a loss of "sovereignty".

As all those familiar with the WTO dispute-settlement process know, there is nothing in the WTO that takes away any country's sovereignty.

A country may lose a dispute, but it can refuse to change the offending practice. The only thing that then happens — because the WTO is not a world government — is that the countries prevailing in the dispute are entitled to compensation.

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Addressing Barriers to Competition within Countries

The whole point about trade liberaliztion is to enhance competition. Rounds of multilateral trade negotiations have now come close to eliminating border barriers to competition. Nonetheless, competition may still be restricted inside a country. This may be because of government regulation — for example, restrictions prevent entry into some industries, such as telecommunications. Or it may be because government has taken insufficient interest in enacting or applying competition or antitrust laws to stop private companies restricting competition. In the balance of this section, I will concentrate primarily on private barriers to competition and how to reduce or eliminate them.

As with trade barriers, the primary victims of restrictive private practices are consumers inside each country who are compelled to pay higher prices than they would if there were more competition. But the toleration of private barriers to competition also hurts exporters and consumers abroad. Private sector boycotts or

refusals to deal, for example, can be just as effective in preventing entry of foreign products or services as tariffs or quotas are. In addition, anti-competitive acts in one country — price fixing, for example — needlessly raise the prices of goods wherever they are sold, in domestic and foreign markets.

Although roughly 80 countries now have laws aimed at fighting private barriers to competition, enforcement is highly uneven (and in its infancy in many of the countries that adopted competition laws in the 1990s). As a result, the countries with the most sophisticated enforcement apparatus — such as the United States and the European Union — have been gradually taking on the role of a global anti-trust agency, but without all of the authority that a true world anti-trust body would have.

While there is no consensus around the world on what a complete set of anti-trust laws should look like, there is reasonably wide understanding that cartel behavior — price fixing, territorial allocations and group boycotts, for example — ought to be punished. Why not have all countries sign on to such a code on a voluntary basis?

In particular, these countries have pursued what I call carrot-and-stick approaches to enforcement. The carrot approach involves cooperation. For example, the United States has entered into "positive comity" agreements with Canada and Australia under which each country offers to undertake anti-trust investigations at the requests of the others. The United States also has entered into "mutual legal assistance treaties" with about twenty countries. These treaties enable enforcement officials to exchange information and assistance during criminal anti-trust investigations. And, in 1994, the U.S. Congress passed the International Antitrust Enforcement Assistance Act, which gives U.S. anti-trust agencies authority to enter into agreements with other countries to exchange otherwise confidential information on a reciprocal basis.[9]

Cooperation works well when other countries want to cooperate. But what if they do not? Both the United States and the European Union have been willing to use the stick approach by extending anti-trust enforcement beyond their borders — in technical legal language, to apply their antitrust laws 'extraterritorially'.

For example, the U.S. Justice Department obtained a court order (actually a consent decree) in 1994 against a UK manufacturer of glass manufacturing equipment (Pilkington) for unlawfully attempting to extend the life of its intellectual property, to the detriment of U.S. exporters. Even bolder, the Justice Department sued Japanese fax paper companies for fixing the prices of exports to the U.S. market, even though the fixing took place outside the United States. Nonetheless, the courts have upheld the right of U.S. anti-trust authorities to pursue such cases as long as the anti-competitive activity has a substantial effect on U.S. commerce.

Meanwhile, the European Union has not been hesitant about applying its merger law to impose conditions on some well-known American companies that have sought to merge — Boeing-McDonnell Douglas and MCI-Worldcom, among others. Here, too, jurisdiction has been claimed because each of the companies involved sells its goods and services to European customers.

The extra-territorial application of national anti-trust laws, however effective it might be in stopping anti-competitive behavior, has understandably raised concerns among other countries about its intrusive nature. Countries such as the United States respond that, if only other countries adopted and enforced their own anti-trust laws, there would be no cause for U.S. enforcers to roam the globe.

The friction over competition policy suggests that the subject belongs in a more neutral forum, such as the WTO. Not all parties agree with this, however. The United States does not appear to be enthusiastic about adding competition policy to the trade negotiating agenda or even creating a working group on the subject at the WTO. The U.S. anti-trust enforcement agencies are worried that any effort to develop harmonized anti-trust standards would result in weaker anti-trust protection than now exists in the United States and possibly other countries. In addition, it is difficult to detect much enthusiasm among the private sector for WTO anti-trust standards. Firms generally do not want more aggressive anti-trust enforcement. Furthermore, while some firms may be irked by the willingness of U.S. and perhaps EU anti-trust enforcers to seek them out wherever they do business, they are likely to see little gain if the net result of any multilateral negotiation is to toughen anti-trust enforcement in other countries.

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— *World Development Report* for 1999

Still, governments committed to reducing barriers to trade — whether foreign or domestic — should have an interest in strengthened anti-trust enforcement. The United States wants other countries to toughen up. But other countries may resent the cowboy approach to enforcement practiced by the U.S. authorities (and to a lesser extent the EU authorities) around the world. Given such views, there should be room for a deal.

The question is: what kind of deal could be made? One possible approach is for the WTO to codify a set of minimum competition policy standards. While there is no consensus around the world on what a complete set of anti-trust laws should look like, there is reasonably wide understanding that cartel behavior — price fixing, territorial allocations and group boycotts, for example — ought to be punished.[10] Why not have all countries sign on to such a code on a voluntary basis?

An alternative and/or supplementary approach is to remove barriers to competition in specific sectors.[11] The Uruguay Round negotiations successfully tackled one sector — telecommunications — where governments have long restricted entry. Since an agreement on telecommunications was reached in 1997 a number of countries, notably Germany and the United Kingdom, have made great strides towards allowing additional competition. Two key challenges remain: ensuring that the 1997 agreement is implemented in the other signatory countries and expanding the number of signatories to include the other members of the WTO.

Another obvious sector where entry restrictions impede competition is airline traffic. So far, liberalization in this sector has proceeded for the most part bilaterally. An "open skies" agreement — allowing airlines from any country to fly anywhere — could bring major benefits for consumers worldwide. For similar reasons, I would like to see the end of cartel-like pricing in the ocean shipping market. In each of these cases, however, there are major vested interests against further liberalization, so I am not sanguine that significant progress will be made on each of them any time soon.

Accordingly, if competition issues are put on the agenda, primary attention ought to be paid to generic, minimum competition policy standards. But agreeing on standards will produce few gains for consumers unless those standards are enforced. This is a key lesson of another multilateral standards agreement, the Basel capital standards for banks. These standards, established in 1989 by the twelve member countries of the Basel Committee, have not been universally enforced, a major weakness.

How could the WTO ensure that minimum competition policy standards would be enforced? The traditional answer from trade specialists probably would be that, if countries fail to follow through on standards they have formally accepted, other nations could bring actions before a WTO dispute-setytlement panel under the WTO's nullification and impairment provisions. These provisions entitle countries to compensation if parties renege on their commitments. Coming from a country where litigation is driving too many policy outcomes, the prospect of trade litigation over the effectiveness of other nations' prosecutorial efforts leaves me "underwhelmed", to say the least.

I have a bolder, albeit more controversial, idea. Why not search for a way to encourage other countries to enforce their minimum anti-trust laws, rather than penalize them for failing to do so? One way to do that is to modify the anti-dumping laws for this purpose.

I think it is fair to say that current anti-dumping laws — which the WTO now tolerates — have become instruments of trade protection that are defended only by domestic industries fearful of additional competition. I am aware of no respected economist anywhere in the world who defends the current laws. On the contrary, economists have roundly condemned them. As the *1999 World Development Report* of the World Bank states (p. 59): "Even though there is no economic rationale for doing so [emphasis added], anti-dumping laws treat the effects of competition from foreign firms differently from those of competition from domestic firms."[12]

Unfortunately, the United States is heavily responsible for the diffusion of anti-dumping laws around the world. As a result, today the numbers of anti-dumping actions filed by the new users

of the practice — Argentina, Brazil, India, Korea, Mexico and South Africa — outnumber those of the traditional users, including the United States, Australia, Canada and the European Union.[13]

I realize, of course, that it is politically unrealistic to expect that WTO members will agree any time soon to replace existing anti-dumping laws with anti-trust laws, as many economists have advocated. Indeed, the subject of anti-dumping is so politically sensitive in the United States that its trade negotiators do not even want to utter the word, let alone put it on the agenda of the first WTO round of multilateral trade negotiations.

At the same time, however, emerging-market countries not only are increasingly heavy users of anti-dumping but are among the most frequent victims. I therefore expect that many of these countries will want to put anti-dumping on the WTO's agenda. Their main reason is that the agenda is shaping up to be heavily dominated by subjects requiring developing countries to give up something for very little in return — for example, to reduce agricultural protection, to open up to foreign service providers and, if the United States and the European Union have their way, to lift their labor and environmental standards.

It is odd that the United States, the country that in the past has benefited so much from trade liberalization and is poised to do so again in the future, should have such difficulty in convincing its own public of the merits of this cause. It is about time that American leaders tried again — with the right message and the right policy tools.

Anti-dumping may thus yet find its way into the trade discussions, eventually. But if these laws are not likely to be eliminated, how can they be used as a carrot to induce more effective anti-trust enforcement? My answer is that countries that adopt and enforce some minimum set of anti-trust standards, as determined by a specialized panel of WTO competition policy experts, would be entitled to have their firms qualify for somewhat less protectionist anti-dumping provisions in the event they are subject to such investigations. For example, this more relaxed (and sensible) anti-dumping law might not have a "cost of production" test; it might have a tougher injury test; and/or it might allow evidence of consumer benefits of the subject imports to offset any injury suffered by domestic producers.

In short, there is a way — without eliminating the anti-dumping laws — to reform them further competition policy reform. At the outset, few emerging market countries may qualify for the specialized anti-dumping treatment I have suggested, because their anti-trust laws may be relatively new and their enforcement of them relatively uneven. But the prospect of qualifying for such treatment in the future could provide powerful incentives for change. And all this could happen without threats of retaliation and the prospect of additional protection, which unfortunately can be one of the outcomes of WTO dispute-settlement panel findings.

Liberalizing Investment Restrictions

Investment restrictions are controversial for two basic reasons. One is that many developing countries that now restrict foreign

investment do not want to drop them. The other is that there are fears in developed countries that relaxation of investment restrictions will accelerate a "race to the bottom", encouraging firms to relocate to lower wage countries.

Both sets of objections are ill-founded. If the Asian financial crisis demonstrated anything, it was that foreign direct investment (FDI) is "sticky" and that portfolio capital is not. Countries such as Korea that discouraged FDI but welcomed "hot money" wished they had it the other way around. FDI not only brings resources to recipient countries but it typically comes with managerial and technical expertise that can serve as powerful engines of growth over the long run.

As to the fears about a race to the bottom in the developed world, it is important to recognize that most FDI from such rich countries as the United States now goes to other rich countries rather than poor ones.[14] Furthermore, where U.S. firms in particular have invested in low-income countries, they pay wages that are eight times the local income per person, thereby raising incomes in those countries (which ostensibly is one of the objectives of many of the protesters against globalization).[15]

Nonetheless, the merits have not been driving policy on cross-border investment lately. When the OECD attempted to ratify a Multilateral Agreement on Investment (MAI), which would have established national treatment for foreign investors, among other things, it ran into protests from non-government organizations spreading fears about a race to the bottom. Ironically, the opposition effectively used the Internet — a cutting edge technology that should greatly expand cross-border trade — to "crash the party". At the same time, business interests from developed countries that often have been very effective in adding political muscle for trade agreements did not fight vigorously for the MAI. In part, this may have been because large multinational businesses often find their way around local investment restrictions, while smaller to medium sized enterprises do not. In addition, many countries already have attractive FDI laws. Ultimately the MAI was shelved.

The experience with the MAI suggests that the time is not yet ripe for the WTO to put investment issues generically on the next negotiating agenda. Already, the completion of services liberalization — which is really about national treatment of service firms — is part of the built-in agenda of the Uruguay Round agreements and will be on the agenda of the first WTO round. In addition, there is much work to be done in services. As it is now, only 25 percent of service sectors in industrialized countries are subject to full international competition; the figure for developing countries is only 7 percent.[16]

Accordingly, I suggest that the WTO finish the job of liberalizing services trade before tackling broader investment issues. There is

The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

Trade Policy Analyses

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another reason to take services first. Service firms do not often have large plants subject to relocation, or the kind of activity that the non-government organisations who helped kill the MAI fear most. Instead, services almost by definition have to be delivered on site. So when border restrictions on establishing services are dropped, workers in developed countries need not fear a loss of their jobs. On the contrary, the establishment of service operations abroad may increase the demand for related service workers at home.

Conclusions

While the world has come a long way in liberalizing trade, it has some distance to go. The challenge for negotiators now is not only to define a workable agenda but to take appropriate measures to convince the sceptics that additional competition continues to be in their interest. This can be done, but will require some innovative thinking on the part of policy makers and opinion leaders generally — not just trade negotiators. Indeed, it is odd that the United States, the country that in the past has benefited so much from trade liberalization and is poised to do so again in the future, should have such difficulty in convincing its own public of the merits of this cause. It is about time that American leaders tried again — with the right message and the right policy tools.

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[1] *Work Development Report 1995* (Washington, DC: World Bank, 1995), p.57.

[2] This estimate is based on the empirical estimates of Jeffrey Sachs and Andrew M Warner, "Economic Reform and the Process of Global Integration", *Brookings Papers on Economic Activity*, Brookings Institution, Washington, DC, No. 1, 1995, pp.1-95.

[3] The NAFTA experience teaches another important lesson: rich countries run great political risks when negotiating bilateral deals with countries at a much lower stage of economic development. In such situations, it is easy for opponents to 'demagogue' about losing jobs to low-wage countries with less stringent labor standards and environment protections. Indeed, the anti-trade protests have their origins in the NAFTA debate.

[4] Charles L Schultze, "Downsized and Out? Job Security and American Workers', *Brookings Review*, Washington, DC, Fall 1999, pp. 9-13.

[5]See Robert E Litan, "Expanding the Winner's Circle', *Blueprin*t, Winter 1998, pp. 32-8. The World Bank, *World Bank Development Report 1999*, Washington, DC, 1999, p. 59, endorses a similar idea. There is also evidence, at least in the United States, that workers are best retrained "on the job" rather than in government programs. So a system that encourages displaced workers to get back to work as rapidly as possible would also encourage more rapid and effective retraining.

[6] Schultze, pp. 9-13.

[7] Litan, pp. 32–8.

[8] American courts do not typically allow the parties filing such briefs to argue orally and I am not advocating that the WTO do so either. Once one non-government party is allowed in, it is hard to draw the line at where to stop others from coming in as well.

[9] To my knowledge, Australia is the only country so far to enter into such an agreement with the United States.

[10] Edward Graham and J David Richardson, *Global Competition Policy* (Washington, DC: Institute for International Economics, 1997).

[11] Merit E Janow, "Unilateral and Bilateral Approaches to Competition Policy: Drawing on Trade Experience', *Brookings Trade Forum*, Washington, DC, 1998, pp. 253-85.

[12] For a recent, comprehensive critique of the anti-dumping laws, see Robert D Willig, "Economic Effects of Antidumping policy', *Brookings Trade Forum*, Washington, DC, 1998, pp. 57-80.

[13] *World Development Report 1999* (Washington, DC: World Bank, 1999), p. 60.

[14] And most imports come from other rich countries.

[15] Graham, "Trade and Investment at the WTO: Just Do It!", in Jeffrey J Schott (ed.), *Launching New Global Trade Talks: an Action Agenda*, Special Report No. 12 (Washington, DC: Institute for International Economics, 1998), p. 158.

[16] *World Bank Development Report 1999, op. cit.,* p. 65.