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**Europe's responsibility for global development:
markets and institutions after Seattle**

*A contribution by the Working Group for Social Affairs in preparation for the
second COMECE Social Congress*

The Ministerial Conference of the World Trade Organisation (WTO) was abandoned on 3 December 1999 when the representatives of the 135 member states of the WTO failed to agree the agenda for a comprehensive new round of world trade negotiations. And yet in advance of the meeting there had been no shortage of ideas and proposals on what could be included in a new negotiating package.

The dominant theme at Seattle was not just the removal of trade barriers, as was largely the case in the previous rounds. The theme was globalisation, and the issues raised included worldwide respect for basic social rights, concern for a safe environment and healthy foods, and the perceived threat posed to local communities and national identities by a global minimum culture. These themes explain the high level of public interest in this conference.

In retrospect, the conference's failure is understandable. The anger felt by many developing countries towards the rich countries, which had failed to comply with a large number of the obligations they had accepted in the previous Uruguay Round (1986-1994), was too great. The public was not well informed about the importance of a multilateral framework of rules in the context of the WTO and about the fundamental value of the removal of trade barriers for development opportunities, particularly those of the poorest countries. And finally the attention of the principal actors was too focused on domestic political developments, so that the scope for international manoeuvring was limited.

The failure of the Seattle conference is extremely regrettable, but not tragic. But if after this failed attempt there is no success in laying the foundations for a programme of global governance in the coming years, the search will intensify for bilateral and regional agreements, which can only serve as temporary solutions and which, in the end, only reinforce the rights of the strongest. A new round of negotiations in the context of the WTO is an important element in a programme of global governance. Other components not dealt with here relate to rules on the international capital and financial markets.

This text is intended as a discussion document for the second Social Congress of the Commission of the Bishops' Conferences of the European Community, to be held from 31 March to 1 April in Brussels under the title: "Europe's responsibility for global development: markets and institutions after Seattle". Firstly, it is intended to outline steps to enable a programme for global governance to be achieved. Secondly, it is intended to develop the key points of such a policy, based upon the socio-ethical doctrine of balancing individual interest and the common good through the proper application of the principles of solidarity and subsidiarity.

I. Making global governance possible

If you want to jump a long distance, you have to take a long enough run-up. This basic principle can also be applied to the Seattle Conference; the conference's failure is evidence not so much of the impossibility of a policy of global governance but rather of the inadequate preparations for such an extensive undertaking. Therefore a series of preparatory steps are advisable before any new attempt can be made.

1. Convincing the developing countries through tangible actions

According to an estimate by the United Nations, protectionism on the part of the rich countries costs the developing countries \$700 billion per year, i.e. approximately four times as much as the total public aid for development provided by the industrial nations. To win developing countries' backing for a programme of global governance, the industrial countries' credibility could be enhanced by reducing protectionist measures and opening up markets.

The rich industrial countries could start by acting on the promises they gave in the context of the Uruguay Round, in order to convince the developing countries that the multilateral regulatory framework of the World Trade Organisation is not aimed simply at pursuing the economic interests of the big players in world trade but at achieving the common good of the whole world. The textile industry may be cited as an example here. During the last world trade round, the industrialised countries promised to remove their existing import restrictions within ten years. So far the European Union and the United States have withdrawn less than 5% of their import quotas.

One can imagine other measures that would emphasise the good will of the industrial countries. Every OECD country pays subsidies to agriculture, which together amount to \$335 billion per year. Subsidies, which enable producers in rich countries to export agricultural produce at rock-bottom prices, have proved to be particularly damaging to the developing countries. As a consequence, efforts to build functioning markets for agricultural produce in developing countries are often rendered useless. Phasing these subsidies out rapidly would be a confidence-building measure.

Since the conclusion of the Uruguay Round, the rich trading blocks have increasingly made use of their right to take protective measures to defend domestic industries, arguing that foreign producers are putting their goods on the market at less than the production price. These so-called ‘anti-dumping’ measures are enjoying growing popularity since the allegation of dumping is difficult to refute and provides a popular excuse for protectionist measures for domestic industries. The developing countries would certainly interpret voluntary self-restraint in the use of this instrument by the rich countries – at least until the re-negotiation of these WTO-permitted protectionist measures – as an indication of a shift of attitudes.

2. Informing and involving the public

Until a few months ago, most people were unaware of the existence of the World Trade Organisation. The demonstrations held by so many different groups on the streets of Seattle have arguably not helped to fill this information gap. On the contrary, it seems they have only increased the general confusion about the nature and mandate of this organisation. A brief summary of the WTO’s aims and structures may shed some light on why this still relatively new international organisation has met with such a negative response.

At the Bretton Woods Conference in 1944, John Maynard Keynes proposed not only the establishment of the twin institutions named after that place, the International Monetary Fund and the World Bank, but also the creation of an organisation with the objective of dismantling protectionism and liberalising trade world-wide. While he was unsuccessful with this proposal, a general agreement on tariffs and trade, GATT, was reached in 1947, and the WTO evolved from this on 1 January 1995.

Originally, GATT had two basic functions. Firstly, it aimed to reduce the legal uncertainty surrounding cross-border trade through the creation of a multilateral regulatory framework for trade policy by the trading states represented within it. Secondly, GATT was to be a forum for resolving trade conflicts and for the negotiation of further rules and the lowering of trade barriers. Measures to achieve these objectives related only to manufactured goods and were restricted exclusively to ‘border measures’, i.e. customs tariffs and import quotas.

This original mandate has been changed by the member states on a number of occasions, both by developing the basic aims and by widening the range of economic sectors and policies. For example, in the Uruguay Round the second basic function of GATT was expanded to include a Trade Policy Review Mechanism, i.e. the regular evaluation of national trade policies by the WTO. The WTO was expressly mandated to seek co-operation with the IMF and the World Bank with a view to achieving greater coherence in global economic policy. Finally, sustainable development was adopted as a common goal in the preamble to the Marrakech Declaration, which established the WTO in April 1994.

The expansion of the economic sectors and policy areas concerned was even more far-reaching. In the Uruguay Round, trade in services and in agricultural produce was included

among economic sectors subject to the WTO regime. Even before the foundation of the WTO, other policy areas such as 'internal barriers to trade' came within GATT's reach. Then in 1995, for instance, the national laws to protect intellectual property (patents, copyrights etc.) were also made subject to the WTO rules.

Also, unlike many other international organisations, WTO has an effective sanctions mechanism to deal with breaches of the rules by its member states. Trade sanctions can be authorised against a member state that breaks the rules following a long procedure.

For many of those who demonstrated in Seattle or sympathised with the demonstrators from the comfort of their homes, the WTO has turned into a kind of global leviathan which is seen as taking power from legitimately elected governments in a way which is both undemocratic and non-transparent. Globalisation, which until last December had been so amorphous, suddenly took shape in the form of an anonymous bureaucracy. For others who demonstrated or took sides, the WTO appeared as precisely the opposite: a toothless tiger without the power to keep multinationals under sufficient control, to put regimes which act illegally in their place or to protect adequately the interests of the weak against the strong.

These conflicting perceptions are evidence of the need for explanation and education. Providing comprehensive public information on the nature of the WTO and its structures, its potential and its limitations, is therefore another important step towards making a programme for global governance possible. All concerned are facing this challenge. In particular, if the WTO Secretariat were provided with the necessary resources by the member states, it could presumably perform much better in this area than in the past, e.g. by establishing regional information offices. Church representatives and institutions can also make their own (modest) contribution to this.

However information alone will not be enough. Globalisation doubtless has many positive effects, particularly for a number of developing countries, but as people experience the negative results of globalisation in an increasingly direct way – whether at work or in their food, whether in the environment or their future prospects – they are demanding ever more the right to participate directly in decision-making and to be heard. Furthermore, the Internet provides the right technological conditions for this. In this context, non-governmental organisations have an important function in addition to governments, which carry democratic legitimacy. In implementing Article V of the Marrakech Declaration, the WTO Secretariat could further formalise its dialogue with non-governmental organisations. For instance, in a permanent 'WTO Forum' accredited NGOs could be given observer status in pending dispute settlement proceedings or negotiations on the further reduction of trade barriers. The Director General of the Secretariat would have a duty to report to the member states.

3) A reform of the World Trade Organisation

It is advisable to work for reform of the WTO before the launch of a new round of talks on the liberalisation and regulation of world trade. The failure of the Seattle conference is also partly due to the structural weakness of WTO's decision-making process and of the WTO Secretariat.

In the WTO negotiations, the 135 member states understandably think primarily of their national interests and follow a national agenda. As a result, prominent national interests can all too easily blind countries to the global common good. Therefore in order to achieve a programme of global governance, there will in future have to be procedures which, without limiting governments' rights to participate, make a more effective decision-making possible. There will also have to be a stronger WTO Secretariat able to win over national governments and populations by convincing analysis and effective proposals. A third desirable development is for the relationship between the WTO and other international organisations to be clarified. The World Trade Organisation cannot possibly create within itself the specialist expertise necessary to deal with all the issues arising from globalisation. A sensible division of labour is obviously required here.

Improvements in the architecture of the WTO might be discussed at the next ministerial conference of the WTO, which is due to be held in rotation in 2001. The European Union has a particular responsibility for this reform, and not only because up until now it has benefited from the WTO rules. From its own experience, it knows better than other states and communities of states how important and helpful a supranational and therefore impartial body is in achieving the common viewpoint on a problem which in turn forms the prerequisite for common action. It can argue from its own experience for the advantages of a liberalisation of markets within the context of the creation of an ordered framework.

In the global public view, only a reformed WTO, efficient, with clear internal structures and tied into a network with other international organisations, can be considered to be sufficiently legitimate to implement a programme of global governance in co-operation with other international organisations.

II - Key points for a programme of global governance

The key points for a programme of global governance are recommended in four sections. Following the thrust of the text so far, these relate mainly to international trade. Certain principles and examples of good practice are proposed.

1) *A millennium consensus as foundation*

A programme of global governance with specific agreements and measures cannot be forced through against the will of citizens and states. Its elements must rest on a basic global consensus, which will here be referred to as the *millennium consensus*. The millennium consensus could take a series of fundamental themes as its starting point. These include the absolute value of human life and the integrity of creation, the gift of freedom and the responsibility it brings, the question of the distribution and meaning of material wealth, the value of work and human friendship. Working towards the development of a millennium consensus could be an original contribution by the world religions to humanity's handling of the increased interdependence that results from globalisation. In terms of Christian social ethics, the guiding concept of the 'option for the common good of the world' could be offered in a faithful interpretation of our own tradition.

In *Gaudium et Spes*, the pastoral constitution of the Second Vatican Council, 'common good' was described as follows: 'Individuals, families and the various groups which make up the civil community are aware that they cannot achieve a truly human life by their own unaided efforts. They see the need for a wider community, within which each one makes his specific contribution every day towards an ever broader realisation of the common good. For this purpose they set up a political community according to various forms. The political community exists, consequently, for the sake of the common good, in which it finds its full justification and significance. Indeed, the common good embraces the sum of those conditions of the social life whereby individuals, families and associations might more fully and readily attain their own perfection.' (*Gaudium et Spes* No. 74).

2) For a free and responsible world economic system

There are many grounds for believing that the further specialisation of the economy offers an important instrument for relieving great material poverty in many areas of the world.

After the negative experience of the 20th century in terms of the attempt to satisfy human needs through central administration, the concept of a free market economy as a basic principle is no longer questioned. The competition, which is an integral part of it, has positive effects in very many areas. The existence of trade barriers to the provision of goods, and increasingly to the provision of services, forms a considerable obstacle to the diversification of human work at the global level through the market and competition.

The aim of free world trade to which the WTO is dedicated is therefore to be welcomed in principle, because it promotes prosperity and contributes to maintaining peace. At the same

time, free trade is not an unregulated freedom in which the law of the stronger is the only valid law. The establishment of the World Trade Organisation together with the dispute settlement procedure and its sanctions mechanism was therefore a major advance in the efforts to give globalisation a framework of political order, which cannot be frivolously thrown away. On the contrary, its further expansion and the further elaboration of an international business law are to be recommended.

For example, the physical presence of foreign suppliers in a specific country is indispensable for cross-border trade in services. For this reason, foreign direct investment and labour migration will also have to be considered in greater detail in the WTO.

International trade is no longer only hindered by states that construct high barriers. Nowadays there is also the danger that global competition can be distorted by multinational enterprises, and distortions to competition are generally at the cost of the weaker party (e.g. through monopolies and price cartels or through corruption). However multinational companies, as private players, are still not sufficiently taken into account in intergovernmental treaty frameworks such as the WTO. This makes the European Union's proposal to agree principles for dealing with potential monopolies and cartels at a global level in a new WTO negotiating round very welcome. It would also be sensible to arrange for more transparent procedures in public procurement through a multilateral convention in the WTO as an effective step towards removing the distortion of competition in that sector.

If the forecasts on the potential growth of electronic trade prove to be correct, the World Trade Organisation would also be a suitable international body to deal with issues relating to the control of international trade by electronic means.

Modern biotechnology is viewed as the most important area of growth in the dawning century. At the same time, questions about our understanding of creation arise in response to many developments now being tested or planned in the production of foodstuffs or in the medical sphere. The trade in new products and services raises many questions which it makes sense to explore within the framework of the WTO.

3) Global solutions for global challenges – a consequence of subsidiarity

The principle of subsidiarity applies to the global ecological challenge more than to any other subject. It is a logical consequence of the concept of subsidiarity, by which it is a breach of justice 'to claim for the wider and superordinate community what the smaller and subordinate political units can achieve and bring to a proper end' (*Quadragesimo Anno*, 79), and the reverse also applies. What cannot be achieved on the lower level belongs on the next one up.

Our responsibility towards creation and our descendants compels us to take swift action to protect the climate and to protect endangered species at a global level, as smaller communities cannot master these threats alone. The global ecological challenge is already addressed through the mechanisms of trade policy in the WTO treaty structure as agreed in multilateral environmental conventions. In future, it might be dealt with primarily in a world environmental organisation, which would nevertheless have to be closely linked to the WTO.

On the other hand, 'smaller and subordinate communities' must not be prevented from making efforts to preserve their culture and way of life in the widest sense. Therefore the privileged promotion of indigenous cultural products or indeed educational institutions by governments should not be prohibited by the WTO. For the same reason, but on quite a different level, rules for the protection of intellectual property should be formulated at WTO level with the aim of protecting original production and cultivation methods.

4) No permanent world peace without effective international solidarity

A socio-ethical consideration of a programme of global governance must not neglect the question of how much it helps the poorest countries. From this perspective, certain instruments of European agricultural policy (e.g. export subsidies) or obstacles to access to the European market (e.g. for textile products) can be criticised for reducing development opportunities for poor countries. This has already been mentioned above. Therefore any results of a new WTO negotiation round and the EU's contribution to this will have to be measured above all by the extent to which progress is achieved in these areas. The numerous permitted exceptions from the basic principles of free trade (e.g. most favoured nation status) in the WTO treaties are already evidence of the efforts which will be required to make it possible for the least developed countries to take part as equal partners in world trade on a step-by-step basis.

In addition, over and above the requirements of a world trade order, the rich countries must commit themselves once again to their promise to devote at least 0.7% of their gross national product to development co-operation. The industrial countries are further away than ever from this sum (1999: 0.23%). This scandal is all the greater because there is much to indicate that the division between rich and poor in the international context is again widening further under the conditions of globalisation.

In a world which is growing together, the conditions in which people work cannot leave us unmoved, even if they live in quite a different part of the world. Children who are compelled to carry out heavy work; prisoners who have to perform forced labour; employees who are denied the right to organise themselves; and women, who must accept unequal pay solely because of their sex, deserve our solidarity. It is, however, questionable whether even the most important social standards can be guaranteed world-wide through trade sanctions. Respect in social terms for the dignity of human beings cannot become permanent without increased conviction and awareness. The campaign by the International Labour Association

(ILO) to obtain global recognition for at least a core of four basic social rights through education and positive encouragement may be of greater service to the world-wide respect of social standards. In any event, closer collaboration between WTO and ILO is an urgent necessity.