

OPINION

Get the WTO criticisms right in the trade debate

BY JOHN R. MAGNUS

CONGRESS WILL VOTE LATER THIS year, pursuant to section 125 of the Uruguay Round Agreements Act, on whether to rescind its 1994 approval of the World Trade Organization agreements. The debate over the vote will feature a variety of complaints and criticisms. But to get as much benefit as possible out of this debate — whatever the results — it is important to get the criticisms right.

Many attack the WTO for being, in effect, a governmental institution, to which considerable authority has been ceded. They say it adopts rules and policies under a one-country, one-vote formula that undermines America's big-power advantage. While appealing on the surface, this charge is untrue because there is little that the WTO members can vote on. Significant changes require consensus approval, including that of the United States.

There are valid and potentially valid criticisms of the WTO, but they are not being well aired or even tested as hypotheses. In what areas might criticism be justified?

1. The WTO's substantive rules are bad.

Compared to what? The main principles are pretty benign on

their face: Don't discriminate against imports, regulate transparently, treat all WTO members' goods and services equally, don't cause trade injury with subsidies, and so on. What's not to like?

The biggest problem seems to be that we don't have enough WTO rules — that there are many barriers around the world, notably in Asia, that current WTO rules do not reach. In addition, existing rules only grudgingly accommodate environmentally motivated import regulations.

2. The results are bad.

Here there is much to look at, but it points in different directions.

America's economy is booming. But no one can prove how much, if any, of that is caused by the difference between (a) the degree of openness of U.S. and foreign markets under the WTO agreements and (b) the degree of openness that would exist otherwise.

The rule of law has spread noticeably around the globe. But huge swaths of the world's population, many of them citizens of WTO member countries, do not live in democracies or under anything resembling the rule of law.

The last 20 years have been pretty peaceful. But not entirely

peaceful, and the role of trade in keeping the peace is still basically just a theory. In any event, we don't really know whether we have more trade as a result of the WTO.

America's trade deficit, especially the merchandise component, has grown under the WTO agreements. This is particularly hard for many Americans to accept. That is because American industries are very competitive according to traditionally accepted indices and have improved their efficiency/productivity during the 1990s faster than their foreign competitors. And it's also because the WTO agreements were advertised as creating immense new market opportunities for America's output.

In the end, judging the results depends on initial expectations. One probable cause of America's problems digesting the trade-liberalization achievements of the early 1990s — the North American Free Trade Agreement and Uruguay Round — has been the overselling of those deals by politicians.

3. The dispute-settlement system is delivering some lousy decisions.

Undeniably, it is. But enforcement of dispute panels' decisions is still essentially a bilateral affair, heavily affected by relative

economic power. As long as the WTO does not shift to a system of collective security, wherein a wrong against one member is treated as a wrong against all and subject to retaliation by all, America will remain fully capable of deflecting flawed panel decisions.

We will also retain the ability to use economic power to try open closed foreign markets. Whether the government is willing to use its power is another matter, but it is hard to base a vote against the WTO on our own (potential) fecklessness.

4. The WTO is a place where incumbent government officials gather to quietly make deals that entrap and circumvent their legislatures, as well as the civil society groups that wield influence in legislatures.

Incumbents come back from Geneva to their capitals and tell their various constituencies, "OK, here are some changes we are going to have to make. Many of you may not like it, but we were in a negotiation and had to give a little to get a little. In any event, we are now bound internationally to make these changes. If you oppose them, then you are opposing the trading system itself and are therefore the worst kind of retrograde bonehead."

In this manner, by making international commitments, incumbents end-run domestic political processes that would otherwise produce vastly different results.

Is this true? If it were, it would pose an immense challenge for the WTO's champions, who in 1994 managed to convince Congress that the WTO would not undercut America's "sovereignty." To some extent, the answer is measurable. But no one, least of all the WTO's loudest critics, seems to be testing.

In Congress, the section 125 procedure will not be a nail-biter. There is no realistic prospect of a majority in either chamber voting for a resolution to rescind approval of the WTO agreements, or of the president signing such a resolution. But the procedure will go forward, and some good should come of it.

For many, that will consist of a renewed and explicit congressional commitment to WTO membership. But it would be nice if, along the way, the debate could explore the WTO's actual imperfections and, thereby, potentially, illuminate ways of improving it.

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