



# Completing the World Trading System

Proposals for a Millennium Round

Peter S. Watson

Joseph E. Flynn

Chad C. Conwell



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Peter S. Watson

*Winthrop, Stimson, Putnam & Roberts*

Joseph E. Flynn

*U.S. International Trade Commission*

Chad C. Conwell

*Paul Hastings Jonofsky & Walker LLP*



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COMPLETING THE WORLD  
TRADING SYSTEM  
PROPOSALS FOR A MILLENNIUM ROUND

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## About the Book

Remarks by Hon. Clayton Yeutter

Since the completion of the Uruguay Round, this is the first book to put the world trading system into perspective. It does a splendid job of outlining the shortcomings of the WTO and all of the major regional trade agreements, while also offering creative suggestions for future improvements.

What a superb tour of the trade horizon this is. It deftly summarizes all the major trade achievements of this century, puts them in proper context, and then just as deftly turns the reader's attention to where we go from here in the next century.

This text provides more thought and vision to the trade challenges of the future than any book I've seen in years. It not only critiques effectively the major trade agreements of the past half century, but it offers exceptionally well conceived recommendations for dealing with the shortcomings of the present system.

The tough trade issues of recent years have been characterized by more heat than light. Here's a book that finally provides some light. It confronts head on issues such as the linkage of trade with environmental policy and worker rights, the intricate relationship of trade and competition policy, and the trade/investment relationship. What a refreshing work product it is, worth reading by anyone interested in trade.

This is the first book to recognize that trade negotiations of the future will have to recognize and work within economic interrelationships beyond anything we've experienced in the past. The authors suggest an innovative approach focusing on the "contestability" of markets. Their views deserve to be heard and understood, for the "reciprocal concessions" approach to past negotiations is far too unsophisticated for the world we live in today.

This book concisely pulls together the most relevant trade policy issues of our day. It leaves out the fluff, while still giving the reader an historic perspective. The text provides a splendid foundation for anyone seeking to ponder how the world can best confront the numerous trade policy chal-



## About the Book

lenges of the millenium. It is objective, substantive, forward looking, and very well researched.

Hon. Clayton Yeutter, former U.S. Trade Representative and Secretary of Agriculture

Remarks by The Rt. Hon Mike Moore

On the eve of the millennium round of trade negotiations it is important that nations and people engage at every level and consider every option.

That's why this magisterial work is important to the debate process. Peter Watson and his co-authors bring great authority, insight and vision, drawing on years of public and private service. No-one will ever agree with everything they write. That's not the point. But from now on no background briefings for officials, Ministers or the media would be complete without reference to this important work. It's optimistic and takes an optimum position. It will irritate some and leave others breathless in the wake of the bow wave of its scope, vision and detail.

We end the century with a stark contrast in visions. The last chapter of European history before the new millennium will conclude with reference to the 'Euro' a common currency and to the nightmare of Kosovo. The message is clear, the contrast stark. Where societies are open, where they respect and enjoy each others' cultures, religions and art and where commerce interacts, people enjoy higher living standards, better health and education systems.

Where economies and societies are inward looking, closed, the worst in human nature so often comes to the forefront.

The millennium round must be more than an act of faith because at present many nations feel locked out, their faces pressed against the window. We must engage all WTO members and ensure all are winners so that hope can replace hate, prosperity replace poverty and we enjoy a new century based on persuasion not coercion, based on rules not force must be the civilised option. To do this we need detailed contributions, but we also need hope and idealism so that we can in the end appeal to what President Lincoln once called "the better angels of our nature!"

The Rt. Hon. Mike Moore, former New Zealand Prime Minister & Minister of Overseas Trade.

## About the Authors

The Hon. Peter S. Watson is Counsel in the Washington, D.C. office of Winthrop, Stimson, Putnam & Roberts. He also serves as Senior Advisor to Armitage Associates L.C. Mr. Watson previously served as Chairman of the U.S. International Trade Commission, and in the White House as the National Security's Council's Director of Asian Affairs. Mr. Watson is a Visiting Professor at St. Peter's College, Oxford University, in their annual International Trade Program, and is a Distinguished Lecturer at Georgetown University's School of Business. He has published several articles on international economic relations and foreign policy. Mr. Watson holds a Law degree from Auckland University, and post-graduate degrees in, respectively, International Law, and International Economic Relations, from McGill University.

Joseph E. Flynn is currently Chief of Staff to Commissioner Thelma J. Askey at the U.S. International Trade Commission. Prior to joining the Commissioner's staff, Mr. Flynn worked in the Office of Economics providing economic analysis and expert advice for various studies for the U.S. Trade Representative and the U.S. Congress. He also held the position of Deputy Chief of Staff to Chairman Peter S. Watson. He has participated on numerous USITC studies as a contributing author and has authored several papers in economics and trade policy. Mr. Flynn holds a Ph.D. in Economics from the University of Tennessee, Knoxville.

Chad C. Conwell is an attorney with the Los Angeles office of Paul, Hastings, Janofsky and Walker LLP. He received his J.D. from Georgetown University Law Center and his B.A. in Political Science from the University of California at Berkeley.



# Complete List of Acronyms

ABAC	APEC Business Advisory Council
AD	anti-dumping
AFTA	ASEAN Free Trade Agreement
AIA	ASEAN Investment Area
AIJV	ASEAN Industrial Joint Venture
ANZCERTA	Australia-New Zealand Closer Economic Relations Trade Agreement
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BTA	Basic Telecommunications Agreement
CAP	Community Agriculture Policy [EU]
CBERA	Caribbean Basin Economic Recovery Act
CEC	Commission on Environmental Cooperation [NAFTA]
CEPT	ASEAN Common Effective Preferential Tariff
CER	Australia-New Zealand Closer Economic Relations Agreement
CET	common external tariff
CFTA	United States — Canada Free Trade Agreement
CP	Committee on Competition Law and Policy
CTE	Committee on Trade and Environment [WTO]
CTI	Committee on Trade and Investment [APEC]
CVD	countervailing duty
DG	drafting group
DSB	Dispute Settlement Body [WTO]
DSU	Dispute Settlement Understanding
EAEC	East Asian Economic Caucus
EC	European Community

## Complete List of Acronyms

EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
EG	expert group
EMS	European Monetary System
EMU	European Monetary Union
EPA	Environmental Protection Agency [United States]
EPG	Eminent Persons Group
ERM	European Exchange-Rate Mechanism
EU	European Union
PSA	Financial Services Agreement
FTA	free trade agreement
FTAA	Free Trade Area of the Americas
GAO	US General Accounting Office
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GBT	WTO Group on Basic Telecommunications
GDP	gross domestic product
GSM	Global System for Mobile Communications
HRD	human resources development
IAA	International Antitrust Authority
IAP	Individual Action Plan [APEC]
ICPO	International Competition Policy Office
ICSID	International Center for Settlement of Investment Disputes
IEM	Internal Energy Market
ILO	International Labor Organization
IMF	International Monetary Fund
IPR	intellectual property rights
ITA	Information Technology Agreement
ITO	International Trade Organization
MAI	Multilateral Agreement on Investment
MC	ministerial conference
MEA	multilateral environment agreement
MERCOSUR	Mercado Comun del Sur (Common Market of the Southern Cone)
MFN	most-favored nation
MOU	memorandum of understanding

MRA	mutual recognition agreement
MTN	multilateral trade negotiation
NAAEC	North American Agreement on Environmental Cooperation
NAALC	North American Agreement on Labor Cooperation
NADB	North American Development Bank
NAFTA	North American Free Trade Agreement
NAO	National Administrative Office [NAFTA]
NATO	North Atlantic Treaty Organization
NGBT	Negotiating Group on Basic Telecommunications [WTO]
NTA	New Trans-Atlantic Agenda
NTB	non-tariff barrier
OAS	Organization of American States
OECD	Organization for Economic Cooperation and Development
OEEC	Organization for European Economic Cooperation
PBF	Pacific Business Forum
PTA	preferential trading arrangement
RIA	regional integration agreement
RTA	regional trading agreement
SAA	Statement of Administrative Action [United States]
SMC	Singapore Ministerial Conference
SOM	senior officials meeting
SPS	sanitary and phytosanitary standards
TAA	NAFTA Trade Adjustment Assistance program
TAA	Trade Agreements Act
TBT	technical barriers to trade
TPRB	Trade Policy Review Board
TRIMs	Agreement on Trade-Related Aspects of Investment Measures
TRIPs	Agreement on Trade-Related Intellectual Property Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UR	Uruguay Round
URA	Uruguay Round Agreements
URAA	Uruguay Round Agreements Act [United States]
USITC	United States International Trade Commission

## Complete List of Acronyms

USTR	United States Trade Representative
VAT	value-added tax
VER	voluntary export restraint
VRA	voluntary restraint agreement
WTO	World Trade Organization
VRA	voluntary restraint agreement
WTO	World Trade Organization

## Foreword

The Third Ministerial of the World Trade Organization in Seattle, Dec 1-3, 1999 serves as a major point of reference as to how much of the unfinished work of the World Trade System will be completed within the follow-on Round of negotiations. What this book seeks to do is to provide an "optimal blueprint" of what this Round might maximally achieve, and the historical underpinnings to that blueprint. There is certainly no false expectation held that the proposals advanced here will necessarily be reduced to actual agreements in this Round. Instead, the purpose of the work is to reflect on the original vision of the principal founders of the World Trade System, and offer ways that their precepts might be articulated into actual instruments and disciplines, based, in part, upon the examination of relevant bi-lateral and regional arrangements.

One may justifiably take exception to the suggestion that indeed there ever was a single "vision" for the architecture of the post-war International Trade Organization, as developed through the *Havana Charter*. However, fundamental to the *Havana Charter* is its adoption of Cordell Hull's understanding that domestic, as well as external, measures can restrict and distort the international movement of goods, services and capital, and that such distortions must be eliminated or significantly limited.

However, today we are still trying to determine how, and indeed to what extent, we wish to incorporate into the WTO system a fundamental underpinning of the ITO — that governments should obligate themselves not only to providing MFN and national treatment to other Members, but indeed to constructing a domestic economy without access barriers, through undertakings on restrictive business practices, the providing of services, and investment protection. The paradox is, of course, that due to the realities of increasing international economic interdependence, a

greater need exists today than at the time of the ITO for disciplines in these areas, but with less consensus existing on if, and how, to proceed to adopt them.

This uncertainty should not, of course, prevent one from offering suggestions for the way forward. Therefore this work proposes new WTO disciplines for investment and competition policy, as well as a series of proposals to facilitate regulatory reform in services, the area in which they are most needed. Finally, a series of proposals are made to restructure the basic WTO agreements to remove inconsistencies which have evolved in the last 50 years, and to facilitate truly effective market access, that is, the ability to fully contest international markets. Collectively, these types of reforms are fundamental prerequisites to the more orderly operation of today's dynamically evolving world trading system.

Peter S. Watson  
Washington, D.C.



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