

SECTION 1

Introduction to the WTO

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The World Trade Organization (WTO) will hold its Third Ministerial Conference in Seattle in late 1999. This meeting will bring together some 2500 official delegates from 134 member countries and many observer countries; at least 2000 journalists from around the world; about 800 nongovernmental organizations (NGOs) representing agricultural, manufacturing, labor, environmental, high-tech, financial, and other associations; and an unknown number of protesters. This overview will discuss what the WTO is, where it came from, and why it is attracting such intense interest.

Why There Are International Trade Rules

Since humans appeared on earth, trading has been a basic behavior. Over the centuries, international trade has played an important role in international politics, economic development, and cultural exchange. When economists study the patterns of international trade, they focus on the concept of comparative advantage. According to comparative advantage, world output is greatest when each country specializes in producing goods that it is relatively “best” at making (“best” meaning that the country makes goods more productively than others do). Consumers want a variety of goods, so countries trade their specialties with each other, exporting what they are best at and importing those products that someone else is relatively better at making. Thus, trading benefits people at both ends of the exchange. When world production and trade patterns follow the principle of comparative advantage, world output and consumption are at their maximum levels. This argument is cited by people who want governments to support policies of free trade — that is, trade without any barriers or obstacles between countries.

Despite the benefits of free trade, trade protection is common around the world, historically and today. Trade protection means that governments

create policies — trade barriers — that reduce or prevent trade between countries. The simplest trade protection policy is a tariff, a tax that is placed on imports. Tariffs make imports more expensive and thus less competitive with domestic (home-produced) products. Tariffs raise prices, which hurts consumers, especially those with the lowest incomes. Among the many forms of non-tariff barriers to trade are subsidies and product standards. Subsidies are government payments to producers that allow them to sell their goods more cheaply than can foreign producers. Standards are rules that a product must satisfy, such as restrictions on ingredients or regulations on size and packaging. It is often cheaper or easier for home producers to comply with standards than for foreign producers to meet them.

Tariffs are clearly intended to reduce imports, but the reasons for non-tariff barriers are not so clear. Sometimes they are intended to achieve social goals such as consumer health, worker safety, or environmental protection. Sometimes they are simply trade barriers in disguise. International efforts to remove non-tariff barriers to trade thus can turn into international arguments about whether they are primarily social policies or trade policies.

Three Reasons Why We Observe Significant Trade Protection Rather Than Free Trade:

1. First, even though comparative advantage says that free trade results in maximum production and consumption, this does not mean that every person gets more. People who make goods for export and consumers who buy products benefit from trade. People who compete with imports are hurt by trade. The producers facing import competition have a lot at stake, and they often argue more loudly and more convincingly in favor of trade protection than do the exporters and consumers who argue for free trade.
2. Second, societies have goals beyond just high production and consumption of products. For example, a country might want a clean environment and healthy citizens or military security or jobs for young people. Policies such as environmental, health, and safety standards, controls on weapons trade, or job and education subsidies may aim to achieve these goals, but they also may create barriers to trade.
3. Third, in hard economic times, governments naturally think first about taking care of their own citizens. It seems logical to try to protect jobs by protecting their home companies from international competition. The problem is that if every country does the same thing, then world trade dries up and economies stagnate. This is what happened during the Great Depression of the 1930s.

If there were no international rules about when countries can and cannot put up trade barriers, international trade would be difficult, uncertain, and costly. Imagine a world in which each country had its own trade rules that might differ for each trading partner. Imagine that the rules could change from day to day and that countries could retaliate against each other for trade barriers. It is easy to see that such a world would have a lot less trade. Such a world would also see many trade arguments between countries, some of which could lead to war. We do not have to imagine these consequences, as this was the situation before World War I and between the two world wars. After World War II, world leaders agreed about the need for rules for international trade that would help prevent the economic chaos of the prewar years.

Origins of the World Trade Organization

In the aftermath of the Second World War, concern about promoting trade, along with the experience of the Great Depression, led government policy makers to try to establish a rules-based international trading system. They believed that trade rules had to be made multilaterally (that is, with many countries participating in the process), because unilateral actions (each country acting alone) would result in endless arguments and less trade. This period saw the establishment of organizations such as the International Monetary Fund to deal with exchange rate and international payments issues, the World Bank to deal with economic development issues, and the United Nations and its many agencies. The roster of proposed international agencies included an International Trade Organization (ITO), which was supposed to set and monitor international trade rules.

Fifty countries signed an agreement to create the ITO, but only two countries ratified it, and the ITO never came into being. However, as part of the preparation for the ITO, 23 countries signed a 1948 agreement on how to decrease tariffs. This General Agreement on Tariffs and Trade (known as the GATT) was already in use when the ITO plan died. Since everyone expected a replacement for the ITO to be created very quickly, no one saw any need to get rid of the GATT agreement. At the time, no one expected that it would take almost half a century to create a permanent replacement for the ITO.

But, for almost half a century — and entirely by accident — the GATT remained the only international trade agreement. Never intended to govern all international trade, the GATT had many gaps and weaknesses. For example, the original GATT had no institutional structure (no building no permanent staff); that was supposed to be in the ITO. It had no procedures for deciding trade arguments between countries. It had no enforcement powers. All that was supposed to be in the ITO. The GATT only covered tariffs; it had no rules for non-tariff barriers to trade. It also was intended only to deal with trade in manufactured goods.

Over the course of 45 years and eight “rounds” of multilateral negotiations, the GATT membership grew to well over 100 countries, and the GATT agreement was stretched and extended in a variety

of ways. For example, early on the GATT developed a way to deal with trade arguments. Each country would argue its case before a panel of GATT judges, and the judges would make a decision (a dispute “settlement”). Unfortunately, because the GATT had no power to enforce these decisions, losing countries regularly ignored GATT findings. Another extension started with the Tokyo Round (1973–1979), in which GATT participants agreed on the first rules regarding non-tariff barriers to trade. The Uruguay Round (1986–1993) was the first to create sets of rules for trade in agricultural products and trade in services.

However, by the time of the Uruguay Round, the capacity of GATT had been stretched to its limits. Countries were unhappy that the rounds were long, that GATT findings were often ignored, and that countries were making their own rules for problems the GATT did not cover. Therefore, the Uruguay Round also produced an agreement to create the World Trade Organization (WTO), the long-awaited successor to the ITO.

The 1993 Uruguay Round agreement was ratified in 1994, and the WTO came into being on January 1, 1995. The WTO differs from the GATT in three important ways:

- It is a permanent organization, with a director, a staff, and a building.
- Members negotiate continuously at the WTO, instead of only during rounds, as under the GATT.
- Members cannot ignore the findings of dispute settlements. If they do, they face penalties.

How the WTO Deals with Trade Arguments

Trade disputes (trade arguments) are an inevitable part of trading. One country complains that another has unfairly restricted the import of its products, and an argument starts. Arguments are especially difficult if they involve non-tariff barriers. The country accused of an unfair trading practice can claim that its policy has nothing to do with trade, that it is supposed to make people healthy, save the environment, promote education, and so forth. That country is likely to argue that it should have control over policies within its own borders. The country bringing the complaint usually says that the policy is trade protection in disguise.

The GATT and the WTO have rules for deciding whether a policy should be allowed. Some key rules are:

- **No discrimination:** A country must set the same policies for all of its trading partners — also known as the “most-favored nation principle.” Note that “no discrimination” does not mean trade barriers have to be low. A country could have high barriers, as long as they are the same for everyone.
- **Health and safety standards** must have a scientific basis — there must be scientific evidence of risk that is based on international standards or on studies done by the country.
- **Least trade-restrictive policies** — if there are different ways to achieve the same desirable result, a country must choose the policy that restricts trade the least.

The WTO’s dispute resolution process is much like the GATT’s: a panel of three judges hears from both sides and decides whether a WTO rule has been broken. The two sides are supposed to try to work out their differences before they go to a panel. Once the panel makes a decision, the losing country can appeal once. If it loses the appeal, then it must change its trade policy or pay compensation to the winning country. If the loser does not do either of those things, then the winning country is allowed to punish the losing country by putting tariffs on some of its products.

The WTO Today

As of 1999, the WTO has 134 member countries, and Estonia is in the process of becoming the 135th member. (For a list of members, see page 6.) Among the prominent nonmembers are China and Russia. China has been negotiating to become a member for some time, but no agreement has been reached.

The WTO, like the GATT before it, makes decisions by consensus, not by a voting process. Only government representatives take part in WTO decision making. Private companies and nongovernment groups cannot make speeches to delegates or testify in WTO hearings.

The WTO’s headquarters is located in Geneva, Switzerland. The current head of the WTO (the director-general) is Michael Moore, a New Zea-

lander, who took office in September 1999 after a bitter argument among WTO member countries. Mr. Moore succeeded Renato Ruggiero of Italy. Many developed countries supported Mr. Moore, while many developing countries supported a rival candidate from Thailand, Supachai Panitchpakdi. The argument over Ruggiero's successor strained the consensus-based decision-making process of the WTO. For several months it seemed impossible that all the members could agree on a candidate. Finally the membership settled on a compromise: Mr. Moore will serve for the first three years of a six-year term and Mr. Panitchpakdi will serve for the next three years.

Under the WTO rules, the trade ministers of member countries must meet at least every two years. The Seattle Ministerial Conference is the third since the WTO was created. It is widely expected that the Seattle meeting will launch a new round of international trade negotiations — some want to call it the “Millennium Round” — and that this round will aim to further reduce trade barriers in agriculture and services. It is also likely that the new round will deal with problems in the dispute resolution process. It may also discuss whether nongovernmental organizations (e.g., labor and environmental groups) should play a role in WTO decision-making. Some countries, including the United States and the European Union, want the WTO to discuss new areas such as trade and the environment, labor issues, and investment. However, other countries, especially less-developed ones, disagree. They say that the WTO should concentrate on helping poorer countries by completing the removal of trade barriers in agriculture and manufacturing before it takes on any new areas.

Controversies About the WTO

One consequence of a permanent WTO (rather than just a GATT agreement) is that it has drawn a lot of criticism and protest from nongovernmental organizations (NGOs) concerned about a wide range of issues relating to the environment, labor issues, human rights, and national sovereignty. It has also become a lightning rod for protests against globalization in general — including opposition to free trade, international investment, and the activities of multinational corporations. Some criticism addresses issues that the WTO may discuss in Seattle. For example, some WTO rules on the environment are limited in scope or are ambiguous and member country ministers have refused

to negotiate rules on labor rights. Some criticism attributes more power to the WTO than it actually has. For example, the WTO has few rules that deal with international investment, and it does not regulate international capital flows — those functions belong to the International Monetary Fund. The WTO also does not prescribe economic development policies, the mandate of the World Bank.

The WTO has also been accused of being undemocratic and of making decisions “behind closed doors.” It is true that WTO decision making is not open to the public, but whether this is good or bad is not clear. Recall that the WTO makes decisions by consensus. Consensus-building is a slow process that is, by its nature, not very public. This decision-making style is common in many countries around the world (and has the advantage of producing no losers who lose face), but it is unfamiliar to those used to majority voting.

The WTO has also been accused of being under the influence of multinational corporations. As mentioned above, private companies (and NGOs) cannot participate in WTO negotiations or hearings, so multinationals have no direct voice in the WTO. However, multinationals can try to influence the negotiating positions of national governments, and this occurs quite often (perhaps most obviously in democratic countries such as the United States).

Problems are inevitable in any rule-based system. Rules can be inflexible. Rules can have unintended consequences, especially when the world changes. The growth of the Internet and new industries such as biotechnology create challenges for the WTO. For example, WTO rules to protect knowledge (patents, copyrights) have allowed corporations to patent the DNA in tropical plants with the result that poor countries could lose control over their own products.

Supporters of free trade have responded to WTO critics with the argument that trade promotes economic development. As evidence, they point to the economic records of developing countries in recent decades. Those open to trade (e.g., in East Asia) have prospered, while those closed to trade (e.g., in sub-Saharan Africa) have fallen behind economically. They also note that trade barriers hurt poor people (especially low-income workers and consumers) more than people with high income. WTO supporters argue that developing countries will gain a lot from a new WTO round that removes agricultural and manufacturing trade barriers set by developed countries.

Both supporters and critics of the WTO tend to oversimplify the issues to make their cases more persuasive. In the trade dispute cases in this curriculum you will notice that real-life situations are complex and there are always groups that are unhappy with the outcome. For example, when a trade dispute involves the environmental laws of a country such as the United States, some groups are unhappy if the United States wins and others are

unhappy if it loses. If U.S. environmental laws are ruled illegal under the WTO, then environmentalists may complain that the WTO is contributing to environmental degradation and nationalists may complain that the WTO is infringing on U.S. sovereignty. WTO opponents may view a U.S. win as evidence that multinational corporations have too much power or that the United States is trying to dominate smaller countries.

Exercises

(Consult the glossary (pages 92–94) for definitions of terms.)

1. It is likely that the groups hurt by free trade will argue more vigorously for trade protection than the groups benefiting from free trade will argue against protection. To see why, try the following exercise:
 - Suppose you are a U.S. sugar producer. A tariff of a few cents on imported sugar makes the difference between being able to sell your product and being underpriced by imports. Make a speech to your fellow sugar producers to convince them to travel to Washington, D.C. to join a protest march in favor of sugar tariffs.
 - Now suppose you are a U.S. consumer. You buy sugar to put on your cereal in the morning and you buy soft drinks that contain sugar. Tariffs raise the price of the sugar. Make a speech to your fellow consumers to convince them to travel to Washington, D.C. to join a protest march against sugar tariffs.

Discuss why the speech in (a) is likely to be more successful.

2. You live in Central America and you want to produce coffee beans. You are deciding how much to plant. The #1 coffee-buying country in the world has passed a law prohibiting the import of coffee beans from your country because it opposes the politics of your government. The #2 coffee-buying country prohibits the import of coffee beans produced with the use of chemical pesticides. The #3 coffee-buying country prohibits the import of coffee beans that might have any insects (the kinds that could be killed by chemical pesticides). How does this information affect your planting decisions? How will you be affected if countries #1, #2, and #3 all reverse their rules by the time your coffee beans are harvested?
3. Do some research on other international organizations: the International Monetary Fund, the World Bank, the International Labor Organization, the United Nations Development Program, the United Nations Conference on Trade and Economic Development, and the Organization for Economic Cooperation and Development. What are the responsibilities of these organizations? What countries are members? How are these organizations funded? What are some of their successes? What do their critics say about them?
4. The WTO makes decisions by consensus rather than by majority voting. Compare these two decision-making styles. Use a class decision, such as what to do with some free time or what food to have at a class party. Discuss how majority voting and consensus building compare in terms of: the time it takes to reach a decision, who is happy/unhappy with the decision, and how much debate and discussion occur in public.

WTO Members

Membership in the WTO totaled 134 countries on February 10, 1999. An asterisk (*) denotes GATT members that became members of the WTO upon its creation on January 1, 1995.

Angola	Dominican Republic	Lesotho	Romania*
Antigua and Barbuda*	Ecuador	Liechtenstein	Rwanda
Argentina*	Egypt	Luxembourg*	Saint Kitts and Nevis
Australia*	El Salvador	Macau*	Saint Lucia*
Austria*	European Communities*	Madagascar	Saint Vincent and the Grenadines*
Bahrain*	Fiji	Malawi	Senegal*
Bangladesh*	Finland*	Malaysia*	Sierra Leone
Barbados*	France*	Maldives	Singapore*
Belgium*	Gabon*	Mali	Slovak Republic *
Belize*	Gambia	Malta*	Slovenia
Benin	Germany*	Mauritania	Solomon Islands
Bolivia	Ghana*	Mauritius*	South Africa*
Botswana	Greece*	Mexico*	Spain*
Brazil*	Grenada	Mongolia	Sri Lanka*
Brunei Darussalam*	Guatemala	Morocco*	Suriname*
Bulgaria*	Guinea Bissau	Mozambique	Swaziland*
Burkina Faso*	Guinea	Myanmar*	Sweden*
Burundi*	Guyana*	Namibia*	Switzerland
Cameroon	Haiti	Netherlands* (for the kingdom in Europe and for the Netherlands Antilles)	Tanzania*
Canada*	Honduras*	New Zealand*	Thailand*
Central African Republic	Hong Kong, China*	Nicaragua	Togo
Chad	Hungary*	Niger	Trinidad and Tobago
Chile*	Iceland*	Nigeria*	Tunisia
Colombia	India*	Norway *	Turkey
Congo	Indonesia*	Pakistan *	Uganda*
Costa Rica*	Ireland*	Panama	United Arab Emirates
Cote d'Ivoire*	Israel	Papua New Guinea	United Kingdom*
Cuba	Italy*	Paraguay*	United States*
Cyprus	Jamaica	Peru*	Uruguay*
Czech Republic*	Japan*	Philippines*	Venezuela*
Democratic Republic of the Congo	Kenya*	Poland	Zambia*
Denmark*	Korea*	Portugal *	Zimbabwe
Djibouti	Kuwait*	Qatar	
Dominica*	The Kyrgyz Republic		
	Latvia		

Observer Governments

Albania	People's Republic of China	Kazakstan	Saudi Arabia
Algeria	Croatia	Lao People's Democratic Republic	Seychelles
Andorra	Estonia	Lebanon	Sudan
Armenia	Ethiopia	Lithuania	Chinese Taipei
Azerbaijan	Former Yugoslav Republic of Macedonia	Moldova	Tonga
Belarus	Georgia	Nepal	Ukraine
Bhutan	Holy See (Vatican)	Oman, Sultanate of	Uzbekistan
Bosnia and Herzegovina	Jordan	Russian Federation	Vanuatu
Cambodia		Samoa	Vietnam
Cape Verde			Yemen

Note: All observer countries have applied to join the WTO except the Holy See (Vatican) and, for the time being, Ethiopia, Cape Verde, Bhutan, and Yemen.

(From: <http://www.wto.org>)

SECTION 2



Exploring Different Perspectives Regarding Trade and the WTO

Larry Dohrs, Global Source
Jon Garfunkel, Global Source

Introduction

This lesson is designed to provide an introduction to the multiple perspectives surrounding the WTO's role in the global economy. The WTO offers educators and students a context for examining issues surrounding free and fair trade, globalization, and the contention and balance between opportunity and exploitation in the global economy.

The readings are organized according to three dominant perspectives: those in favor of the work of the WTO (“free” trade), those against the work of the WTO (“fair” trade), and those seeking common ground. The terms “free” and “fair” trade are not particularly accurate, but they are useful in describing broadly the two predominant positions regarding trade. Those in favor of the WTO — or “free” trade advocates — generally favor a trade system unencumbered by tariffs and restrictions, and prefer to view trade separate from issues of labor and human rights and environmental concerns. They argue that these issues are best resolved through a market system and the governance of other international bodies such as the United Nations. Those against the WTO as it stands today, or “fair” trade advocates, generally support a trade system that gives high priority to issues of labor and human rights and environmental concerns, while arguing that the economic benefits of free trade are either overstated or are of lesser value than noneconomic issues. Others — those in search of common ground — advocate incorporating the issues of labor, human rights, and the environment into the WTO framework.

These readings were excerpted from a variety of sources that reflect the perspectives and specific interests of those supportive and critical of the WTO and its role in the global economy. Through reading the primary and secondary source materials included in this lesson, students will draw out and identify these multiple perspectives and be able to make their own informed choices as to where they stand on the role of the WTO in the global economy, how this debate relates to larger global issues, and how they can make their voices heard through further inquiry and participation.

Note to Teachers: An examination of issues surrounding the WTO raises many questions about the impact of international trade in our lives. Given the complexity of these issues and the contention over the WTO's authority, we suggest an approach of appreciative inquiry when teaching this topic, rather than an attempt to reach definitive conclusions. We suggest starting the unit with questions, using the curriculum to work through these questions, and closing the unit with questions for students to consider in the future.

► Objectives

- To introduce educators and students to the multiple perspectives surrounding the WTO's role in the global economy.
- To introduce students to the issues surrounding globalization and social responsibility.
- To teach students to think critically about media sources.
- To teach students to seek multiple perspectives in making informed choices about a situation.
- To encourage students to seek out possibilities for common ground in conflict resolution.

Curricular Themes

Free Trade and Fair Trade
International Trade Organizations
Globalization and Social Responsibility
Trade and Human Rights
Trade and Labor Issues
Trade and Environmental Issues
Conflict Resolution
Media Literacy

Applied Skills

Reading for Information
Summarizing
Synthesizing
Research
Critical Thinking
Debate
Appreciative Inquiry

Suggested Grades: 7–12

Suggested Time Frame: 1–2 Weeks

Related Washington State Essential Academic Learning Requirements (EALRs)

Geography #3: *The student observes and analyzes the interaction between people, the environment, and culture.*

3.3 The student examines cultural characteristics, transmission, diffusion, and interaction.

Civics #3: *The student understands the purposes and organization of international relationships and how U.S. foreign policy is made.*

3.1 The student understands how the world is organized politically and how nations interact.

3.2 The student recognizes factors and roles that affect the development of foreign policy by the United States, other nations, and multinational organizations.

Civics #4: *The student understands the rights and responsibilities of citizenship and the principles of democratic civic involvement.*

4.3 The student explains how citizen participation influences public policy.

Economics #1: *The student understands basic economic concepts and analyzes the effect of economic systems on individuals, groups, and society.*

1.1 The student comprehends key economic concepts and economic systems.

1.4 The student examines how government policies influence the economy and understands the theoretical background of taxes.

1.5 The student examines the importance of international trade.

Summary of Background Readings

The following background readings have been organized into four sections. Each section concludes with a list of suggested resources for further research.

Section A: Introductory Readings (pp. 14–17)

- About the WTO, from the official WTO Website
- Speech By U.S. President Clinton to the ICFTU Conference, Geneva

Section B: Arguments in Support of the Work of the WTO (“Free” Trade) (pp. 18–22)

- Address by Keith Rockwell, Director of Information and Media Relations, WTO, Geneva, Switzerland, at “A Window to the World Trade Organization: Progress and Opportunities,” Seattle, Washington
- “World Trade Organization Important to Citizens of City and State,” by Raymond J. Waldmann, *Seattle Post-Intelligencer*

Section C: Arguments Against the Work of the WTO (“Fair” Trade) (pp. 23–27)

- *The Call: A New World Government Is Being Written ... and You Are Not Invited*, by 180/Movement for Democracy and Education
- *A Citizen’s Guide to the World Trade Organization: Everything You Need to Know to Fight for Fair Trade* (excerpted), by Public Citizen, July 20, 1999
- *The Big Question*, by The Media Foundation

Section D: Seeking Common Ground (Debriefing Readings) (pp. 28–32)

- “New Approach Could Close Gap Between Rich and Poor Countries,” by Solveig Torvik, *Seattle Post-Intelligencer*
- “WTO Access Plan Good, as Far as It Goes,” by the Editorial Board, *Seattle Post-Intelligencer*
- *Time to Talk about Trade and Human Rights?*, by Larry Dohrs and Jon Garfunkel

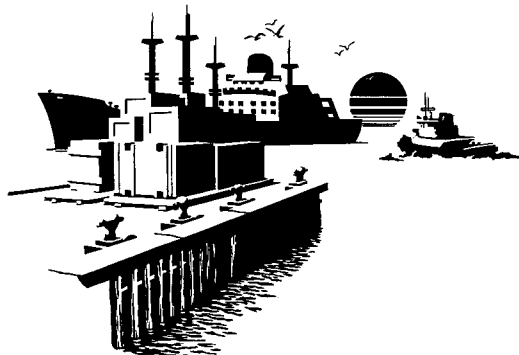
Section E: Summary Readings (pp. 33–35)

- Point of View: Free Trade and the WTO
- Point of View: Fair Trade and the WTO
- Point of View: Free and Fair Trade and the WTO?

How to Use the Following Background Reading Materials

Think, Pair, Share

- A. Start the lesson by asking students to define international trade.
- How does international trade play a role in their lives?
 - What goods or services do they use that derive from international trade?
 - Do they have an opinion about international trade?
 - People have traded goods and services since the beginning of time. Should there be rules that govern trade, and if so, who should make these rules? Why should there be rules? Who benefits from rules and who doesn't?
- B. Have the entire class read the *Introduction* (pages 1–5) and/or *Section A: Introductory Readings* (pages 14–17). Based on the information in their reading, have them individually or collectively answer the following questions:
- How does the WTO define itself?
 - What is the function and purpose of the WTO?
 - What kinds of trade issues does the WTO deal with? What does it not deal with?
 - After reading President Clinton's speech, how do you think he views the WTO?
- C. Organize students into two groups. Give one group readings from *Section B, Arguments in Support of the WTO*, and the other group readings from *Section C, Arguments Against the WTO*. Based on the information in these articles, have students individually or collectively answer the following questions:
- What do the readings discuss about the WTO and trade?
 - What information is given about the WTO?
 - What issues of trade are being addressed?
 - Do the articles support a “free” trade or “fair” trade point of view?
 - According to the readings, who is, or is not, benefiting from this trade?



D. Pair students from each group and ask each student to report the issues expressed in the reading and to respond to the questions asked. Ask these smaller groups to discuss the similarities and differences in the points of view they read about. Then, in small or large groups, have students discuss the following questions. (You may also want the students to respond in writing to these questions). These questions can be used to stage a class debate:

- What does free trade mean, and how does it play a role in our lives?
- Should free trade be regulated?
- What is the purpose of the WTO?
- Who participates in the WTO and why?
- What are the rules for participation in the WTO?
- According to the readings, who benefits from the work of the WTO?
- According to the readings, who does not benefit from the work of the WTO?
- How does the WTO affect our lives in the Northwest?
- How does the WTO affect the lives of other people in the world?
- Who supports the WTO?
- Who is critical of the WTO?
- How does the WTO address issues of labor rights, human rights, and the environment?
- Is the WTO the right organization to address these issues?
- Can there be citizen participation in the WTO?
- What were the different sources represented among the readings? Were there voices that were not represented?

E. Have the entire class read the *Debriefing Readings (Section D: Seeking Common Ground)*. Use this reading to generate a closing discussion or writing assignment about the possibilities of finding common ground among the different points of view.

Brief Suggestions for Expanding the Lesson:

- Search the media for additional articles about the WTO.
- Have students further research the historical and contemporary positions on free trade.
- Have students examine and discuss issues of conflict resolution in the debate over free trade. Is there room for common ground between the positions of free and fair trade?
- Have students write someone involved with these issues to find out more information or to express their opinion (see the organizations listed in the *Suggested Resources*, p. 37).
- Integrate the unit with science: Have students research how science has played a role in WTO disputes (i.e., European Union Beef Hormone Case, U.S.-Japan Apple Case).
- Integrate the unit with math: Have students examine the statistics that measure the growth of trade (through the WTO) and compare these statistics to the state of human development (through the United Nations Development Program). How do statistics help us better understand the state of the global economy? How can they be misleading?

Additional Suggestions for Expanding the Lesson: Balancing “Free” and “Fair” Trade: Planning for the Next Millennium

Contributed by: Nancy Bacon, World Affairs Council

One of the most hotly debated topics in our country today is how to balance “free” trade with “fair” trade practices. With jobs, economic growth, environmental protection, and protection of a middle-class labor force on the line. It is a challenge to find a middle ground that allows for free trade while paying attention to the fair trade issues of the environment, labor, and human rights. The following exercise is designed to give students an understanding of both sides of the debate while offering them the opportunity to work on a compromise that brings “free” and “fair” trade together. Presently, the WTO has a limited mandate to promote free trade without involving itself in the internal affairs of individual countries (and thus without getting involved in many “fair” trade issues). We will see this fall whether the WTO broadens its mandate to include these other issues, or continues to leave “fair” trade issues to be resolved in the marketplace.

A & B. Follow steps A & B from page 10.

- C. Divide the class into two groups. Assign one group to represent the “free” trade perspective and the other group the “fair” trade perspective. Give each student the *Summary Readings*. Students should read and internalize the arguments made in the readings, particularly for their assigned point of view. Students should create a chart listing the advantages and disadvantages of free” trade and fair” trade and then review the chart to identify what kinds of countries would be most sensitive to which disadvantages and attracted to which advantages. Factors to think about include a country’s cultural, political, historical, and economic realities. Have students take notes that outline their assigned point of view. Since they will be representing this perspective, they should feel comfortable arguing their case. Students should also understand any weaknesses in the defense of their point of view. This will prove helpful later when they are working out a compromise.

In their groups, students should think about the opposing group — what argument will the opposing group make against their point of view? What arguments can be made against the opposing point of view? Students should be ready both to defend their perspective and point out possible weaknesses in the arguments of the other group. (The goal is not to encourage students to reject the opposing perspective, but to ensure they are familiar with the strengths and weaknesses of both perspectives.)

- D. Divide the class into groups of four to six students, each group with equal (or near equal) representation from both the “free” trade and “fair” trade groups. The goal of this step is to give students the opportunity to present their points of view, debate the merits of both sides, and, if possible, come up with a compromise settlement that respects both sides of the debate.

Give the discussion as much structure as you feel necessary. One approach is a mini-debate with a negotiated outcome. Assign students roles: spokesperson (one for each perspective in each group), notetaker, and lead negotiator (one for each side). Flip a coin to see which side presents first. Each spokesperson should give a two-minute mini-speech outlining the group’s point of view. Notetakers should be taking notes throughout the exercise.

Discussion

Each group discusses the points of view, determines areas of conflict, and determines what assumptions are being made in each argument. For example, some “free” traders might argue that economic growth will give a country resources to better care for the environment, but this assumes that a country will make that choice given the opportunity. Similarly, some “fair” traders might argue that it is a moral imperative not to allow child labor or labor under a certain minimum wage, but this assumes that it would be better for the families to earn no money vs. the minimal money they are earning by having any job at all.

With the “trade negotiators” taking the lead (acting as moderators), students work through the following questions:

1. What do all members agree on?
2. On what can they not agree?
3. What assumptions are they making in arguing their point of view?
4. What cultural issues might get in the way of forging agreements between countries on trade practices? (Students in each group might pretend they are in a given country, say India, England, or Senegal, and think through what is important in these countries with respect to trade.)
5. What are the areas in which compromise might be possible?

Students should discuss compromise solutions and work out a resolution for how world trade should be conducted. (Some groups may not be able to find a compromise solution; in this case, they should be clear why, in their opinion, a compromise is not possible.) The trade negotiators should conclude the discussion by recapping their perspective on trade and acknowledging areas in which they will compromise in their trade practices.

E. As a lead-in to a full class discussion about trade, each group could present an overview of their discussion and any compromise that they were able to come up with. Use discussion questions under “D” in the previous activity as a jumping off point for discussion.

F. Follow-up Activities:

1. In preparation for the WTO meeting in November, have students write a formal letter to WTO Director Michael Moore outlining their suggestions for how the WTO might address trade practices in the next millennium.
2. Have students design a flyer that states their position on the WTO. The flyer should clearly outline a proposed role for WTO in the next millennium. Students should remember their audience and write persuasively either for or against the activities of the WTO based on the outcome of their discussion.
3. The readings in this section come primarily from U.S. sources. Discuss how other countries’ views of “free” and “fair” trade might differ from those of U.S. citizens. Search the foreign press for other countries’ views of the WTO and key trade issues.

Section A: Introductory Readings

Before delving into the complex debate on the WTO, it is useful to understand what it is and where it may be heading. The following material provides an important introduction to the organization.

“About the WTO” is drawn from the official WTO website, which provides background on the organization’s mission, structure, and functions. Readers should note that the way an organization identifies and defines itself can differ from how outsiders, especially critics, perceive it.

U.S. President Bill Clinton’s vision of the WTO of the future is drawn from a 1998 speech he gave to a meeting of the International Confederation of Free Trade Unions (ICFTU), the world’s leading labor union organization. The ICFTU met at the same time as the last WTO Ministerial in Geneva, Switzerland (similar to the WTO Ministerial to be held in Seattle in 1999). President Clinton was clearly appealing to the labor movement point of view, and readers can compare his vision to the U.S. policies regarding the WTO.

➤ The WTO at a Glance ◀

LOCATION:	Geneva, Switzerland
ESTABLISHED:	January 1, 1995
CREATED BY:	Uruguay Round negotiations (1986–94)
MEMBERSHIP:	134 countries (as of February 10, 1999)
BUDGET:	122 million Swiss francs for 1999 (81.7 million \$US)
SECRETARIAT STAFF:	500
HEAD:	Michael Moore (Director-General)

FUNCTIONS:

- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organizations

WTO Website: <http://www.wto.org>

About the WTO

(From: www.wto.org)

◆ The WTO in Brief

The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

The result is assurance. Consumers and producers know that they can enjoy secure supplies and greater choice of the finished products, components, raw materials, and services that they use. Producers and exporters know that foreign markets will remain open to them.

The result is also a more prosperous, peaceful, and accountable economic world. Decisions in the WTO are typically taken by consensus among all member countries and they are ratified by members' parliaments. Trade friction is channelled into the WTO's dispute settlement process where the focus is on interpreting agreements and commitments, and how to ensure that countries' trade policies conform with them. That way, the risk of disputes spilling over into political or military conflict is reduced.

By lowering trade barriers, the WTO's system also breaks down other barriers between peoples and nations.

At the heart of the system — known as the multilateral trading system — are the WTO's agreements, negotiated and signed by a large majority of the world's trading nations, and ratified in their parliaments. These agreements are the legal ground rules for international commerce. Essentially, they are contracts guaranteeing member countries important trade rights. To everybody's benefit, they also bind governments to keep their trade policies within agreed limits.

The agreements were negotiated and signed by governments. But their purpose is to help producers of goods and services, exporters, and importers conduct their business.

The goal is to improve the welfare of the peoples of the member countries.

◆ The Multilateral Trading System

The World Trade Organization was established in 1995. One of the youngest of the international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War. So while the WTO is still young, the multilateral trading system that was originally set up under GATT is already 50 years old. The system celebrated its golden jubilee in Geneva on May 19, 1998, with many heads of state and government leaders attending.

The past 50 years have seen exceptional growth in world trade. Merchandise exports grew on average 6% annually. Total trade in 1997 was 14 times that of 1950. GATT and the WTO have helped to create a strong and prosperous trading system contributing to unprecedented growth.

The system was developed through a series of trade negotiations, or rounds, held under GATT. The first rounds dealt mainly with tariff reductions but later negotiations included areas such as antidumping and non-tariff measures. The latest round, the 1986–94 Uruguay Round, led to the WTO's creation.

The negotiations did not end there. Some continued after the end of the Uruguay Round. In February 1997 agreement was reached on telecommunications services, with 69 governments supporting wide-ranging liberalization measures that went beyond those agreed upon in the Uruguay Round. In the same year 40 governments successfully concluded negotiations for tariff-free trade in information technology products, and 70 members concluded a financial services deal covering more than 95% of trade in banking, insurance, securities, and financial information.

At the May 1998 ministerial meeting in Geneva, WTO members agreed to study trade issues arising from global electronic commerce.

The next Ministerial Conference will be held in Seattle, November 30 to December 3, 1999. In 2000 new talks are due to start on agriculture and services, and possibly a range of other issues.

◆ Organization of the WTO

The WTO's paramount objective is to help trade flow smoothly, freely, fairly, and predictably.

It does this by:

- Administering trade agreements
Acting as a forum for trade negotiations
- Settling trade disputes
- Reviewing national trade policies
- Assisting developing countries in trade policy issues through technical assistance and training programs
- Cooperating with other international organizations

Structure

Membership

The WTO has more than 130 member nations, which account for over 90% of world trade. More than 30 other nations are negotiating membership. Decisions are made by the entire membership, typically by consensus. A majority vote is also possible but it has never been used in the WTO, and was extremely rare under the WTO's predecessor, GATT. Members' parliaments ratify the WTO's agreements.

Decision-Making Bodies

The WTO's top level decision-making body is the Ministerial Conference, which meets at least once every two years. Below it is the General Council (normally ambassadors and heads of delegation in Geneva, but sometimes officials sent from members' capitals), which meets several times a year at the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body. At the next level, the Goods Council, Services Council, and Intellectual Property (TRIPS) Council report to the General Council.

Numerous specialized committees, working groups, and working parties deal with the individual agreements and other areas such as the environment, development, membership applications, and regional trade agreements. The first Ministerial Conference in Singapore in 1996 added three new working groups to this structure.

They deal with the relationship between trade and investment, the interaction between trade and competition policy, and transparency in government procurement. At the second Ministerial Conference in Geneva in 1998, ministers decided that the WTO would also study the area of electronic commerce, a task to be shared among existing councils and committees.

Secretariat

The WTO Secretariat, based in Geneva, has around 500 staff and is headed by a director-general. It does not have branch offices outside Geneva. Because the WTO members make decisions, the Secretariat does not have the decision-making role of other international organizations.

The Secretariat's main duties are to supply technical support for the various councils and committees and the ministerial conferences, to provide technical assistance for developing countries, to analyze world trade, and to explain WTO affairs to the public and media. The Secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become members of the WTO. The annual budget is roughly 117 million Swiss francs.

◆ The WTO Agreements

How can you ensure that trade is as fair as possible and as free as is practical? By negotiating rules and abiding by them.

The WTO's rules — the agreements — are the result of negotiations between the members. The current set were the outcome of the 1986–94 Uruguay Round negotiations, which included a major revision of the original General Agreement on Tariffs and Trade (GATT).

GATT is now the WTO's principal rule book for trade in goods. The Uruguay Round also created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement, and trade policy reviews. The complete set runs to some 30,000 pages consisting of about 60 agreements and separate commitments (called schedules), made by individual members in specific areas such as lower customs duty rates and opening of markets for services.

Through these agreements, WTO members operate a nondiscriminatory trading system that spells out their rights and their obligations. Each country receives guarantees that its exports will be treated fairly and consistently in other countries' markets. Each promises to do the same for imports into its own market. The system also gives developing countries some flexibility in implementing their commitments.

Dispute Settlement

The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly. Countries bring disputes to the WTO if they think their rights under the agreements are being infringed. Judgments by specially appointed independent experts are based on interpretations of the agreements and individual countries' commitments. The system encourages countries to settle their differences through consultation. Failing that, they can follow a carefully mapped out, stage-by-stage procedure that includes the possibility of a ruling by a panel of experts, and the chance to appeal the ruling on legal grounds. Confidence in the system is borne out by the number of cases brought to the WTO — 167 cases by March 1999 compared to some 300 disputes dealt with during the entire life of GATT (1947–94).

Developing Countries

More than three-quarters of WTO members are developing or least-developed countries. All WTO agreements include the following special provisions to help these poorer members:

- longer time periods for implementing agreements and commitments
- measures to increase trading opportunities
- provisions requiring all WTO members to safeguard the trade interests of developing countries
- and support to help developing countries build the infrastructure for WTO work, handle disputes, and implement technical standards.

In 1997, a high-level meeting on trade initiatives and technical assistance for least-developed countries brought their concerns to center stage. The meeting involved six intergovernmental agencies and resulted in an “integrated framework” to help least-developed countries increase their ability to trade, and some additional preferential market access agreements.

A committee on trade and development, assisted by a subcommittee on least-developed countries, looks at developing countries' special needs. Its responsibility includes implementation of the agreements, technical cooperation, and the increased participation of developing countries in the global trading system.

Excerpt of President Clinton's Speech to the International Confederation of Free Trade Unions (ICFTU) Conference, Geneva, May 16, 1998

We must recognize that in the new economy, the way we conduct trade affects the lives and livelihoods, the health and the safety of families around the world. We must build a trading system for the 21st century that honors our values as it expands opportunity. We must do more to make sure that this new economy lifts living standards around the world, and that spirited economic competition among nations never becomes a race to the bottom in environmental protections, consumer protections and labor standards. We should level up, not level down. Without such a strategy, we cannot build the necessary public support for the global economy. Working people will only assume the risks of a free international market if they have the confidence that this system will work for them. The WTO was created to lift the lives of ordinary citizens; it should listen to them. I propose the WTO, for the first time, provide a forum where business, labor, environmental, and consumer groups can speak out and help guide the further evolution of the WTO. When this body convenes again, I believe that the world's trade ministers should sit down with representatives of the broad public to begin this discussion.

This speech can be found in full at <http://www.icftu.org> under “Geneva WTO meeting marks further step forward in core labour standards campaign.”

Section B: Multiple Perspective Readings

Arguments in Support of the WTO (for “Free” Trade)

This reading contains arguments in support of the work of the WTO. The address at a Seattle conference by WTO spokesman Keith Rockwell responds to frequently asked questions about the WTO. These include environmental and labor issues and concerns about the closed nature of WTO decision making. His answers can be contrasted with the voices of critics on the same issues, which are found in Section C. In a newspaper op-ed article, Raymond Waldmann ties the work of the WTO to the Seattle and Washington economies. Mr. Waldmann is a vice president at the Boeing Co. and chair of the Seattle Host Organization for the WTO Ministerial Conference. Boeing is a leader among U.S. corporations in advocating for free trade, and exports a substantial proportion of its products abroad. Washington is the nation’s most trade-dependent state, with approximately one-third of all jobs related to international trade.

Understanding the Role of the World Trade Organization

Address By Keith Rockwell

Director of Information and Media Relations, World Trade Organization, Geneva, Switzerland

At the Conference: “A Window to the World Trade Organization: Progress and Opportunities”

Hosted by: Washington Council on International Trade, Seattle, Washington, July 9, 1999

(Excerpted from the full text with permission from author)

A. Seattle Preparation: The Process (of setting the agenda)

The preparatory process for Seattle was kicked off last year at the Geneva Ministerial meeting. Delegations have been meeting roughly twice a month, formally and informally, in an interactive process designed to bring to the fore the issues which delegations want to address. At this time, more than 60 proposals have been received, from developing and developed countries alike. Beginning in September, we will leave this wish list stage and begin a reality check. Obviously, not everyone will get everything they want when the recommendations are sent to ministers in Seattle.

B. Seattle Preparation: What We Know Now

What do we know for sure about the shape of any package coming out of Seattle?

- We know that trade in services and trade in agriculture will be subjects of negotiations by the beginning of next year, because these talks have been mandated by the Uruguay Round Agreement.
- Many agriculture producing countries, worried about the impact of more imports, stress the importance of the “multifunctionality” of agriculture and the need to preserve farms for reasons of environmental protection, food security, and rural society.
- Developing countries, both exporting and net food importing, have stressed the importance of addressing their needs.
- With services there is a widely shared view that any emerging package should be as comprehensive as possible and that there should not be any general exclusions.
- The wish list among members for the services negotiations is as varied as the members themselves; the United States has been extremely active in promoting rules for electronic commerce, a sector increasingly accepted as primarily services related. Developing countries are pushing for removal of red tape in the movement of natural persons across borders.

We know that the dynamic of these negotiations will be different from that of the Uruguay Round.

- Services and agriculture were not part of the GATT in any meaningful way, and a very long initial negotiation was required to determine how those negotiations would be shaped and the form that any eventual agreement would assume. While we cannot at this point know what will emerge from these discussions over the next few years, it is safe to assume that the experience garnered in the Uruguay Round will provide useful guidelines in the upcoming talks. This is one reason why negotiators say they believe the upcoming negotiations can be completed in three years.
- We know that many developing countries will put the issue of implementing existing WTO agreements to the forefront of their objectives for the new discussions.
- We also know that the developing countries will be more active in their participation in these negotiations than they were in the Uruguay Round, when many took the view that they should adopt a defensive strategy designed to curb the aspirations of the developed countries. This time around, they have been far more active in pushing issues of importance to them. Clearly, this will have a significant impact on how the negotiations are conducted.

C. Seattle Preparation: Question Marks

Perhaps the biggest question mark hanging over this process is the scope of the negotiations. Some delegations, for example, the European Union and Japan, desire a comprehensive round. Others, particularly in the developing world, desire to focus primarily on the issue of implementation of existing WTO agreements. Various countries have put forth a wide range of issues and it is difficult to predict whether they will be on the agenda, and if so, the form of negotiations in these sectors.

Trade ministers from least developed countries, meeting in South Africa last month, renewed their call for the WTO members to commit themselves to an plan of action in Seattle. This is by no means an exhaustive list of possibilities for the forthcoming negotiations; it merely represents a snapshot of where we are now. We do not have time to go into detail on all of the issues, but I would like to talk briefly about four that I know are of great interest to the people of the Pacific Northwest and of the entire nation.

Specific Issues

A. Environment

The environment is already included among the many issues addressed in the WTO. In fact, the first full paragraph in the Marrakech Treaty states that the parties to the agreement recognize that “their relations in the field of trade and economic endeavor should be conducted with a view to . . . allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.”

Article XX of the General Agreement on Tariffs and Trade permits members of the WTO to restrict imports of certain products under certain conditions, provided they do not exhibit “arbitrary or unjustifiable discrimination between countries” or represent “a disguised restriction on international trade.”

These exceptions to WTO rules can be applied in cases where governments deem them necessary to protect human, animal, or plant life, or health. They can also be applied to products made with prison labor or in cases relating to the conservation of exhaustible natural resources. In each case, such measures can only be applied to foreign companies if they also applied domestically.

The Trade and Environment Committee (CTE) has been established as part of the Marrakech Agreement. Since its creation, the CTE has discussed a wide number of issues including the relation between the WTO and multilateral environmental agreements, eco-labeling, green protectionism, and the impact of trade liberalization on the environment.

Critics of the CTE argue that it has not done enough. They point out that the issue of the environment and trade has not advanced sufficiently on the WTO agenda.

Two points are worth making: (1) The first is that not all the member governments agree on what the role of the WTO should be in dealing with the environment, which creates something of a dilemma in a consensus-driven organization. (2) The second point is that the development of environmental policies will never be the role of the CTE. The committee can only appeal to other specialized forums and to national governments to implement sound policies. Given that environmental officials could not agree on global environmental policy objectives in Rio in 1992, in Kyoto in 1998, or in Cartagena 1999, it is difficult to imagine that trade officials in Geneva will magically be able to resolve these differences.

At the moment, there is no consensus among WTO members that trade sanctions should be used in cases involving the environment. This does not mean that the WTO has no role to play in preserving and protecting the environment. Among the main recommendations of the 1992 Rio Earth Summit were the notions that trade liberalization leads to more efficient allocation of resources, including environmental resources, and that liberalization has the capacity to generate the income that developing countries require to protect their environment.

Many countries have argued that a reduction in production-linked subsidies in agriculture, energy, mining, and fishing would have a positive impact on the environment.

B. Transparency (opening the WTO to the public)

The role of international organizations has changed fundamentally over the last five decades. It is no longer enough that such organizations provide a framework for promoting peace and stability among nations and prosperity at home.

Today, international institutions must go to great lengths to explain why they are relevant not only to governments, but to families, to workers, to businesses, and to civil society.

Countries around the world hold different attitudes toward openness and transparency and this is reflected in the positions of WTO member governments. On issues such as opening dispute settlement hearings or the General Council to the public, there is no consensus at present.

But there has been a recognition that steps need to be taken to improve transparency. In July 1996, the General Council agreed to make public all documents within six months, except in those cases where a member specifically requests that a document remain restricted. Such documents include government position papers, minutes of meetings, and committee reports. In reality, many member governments make their documents public immediately.

While, it's true that some documents, particularly those that could have implications in financial or commercial markets, have remained confidential, today more than 90% of WTO documents are available to the public. This figure will increase as each successive period of restriction expires.

The Secretariat, too, has embarked on efforts to improve the transparency of its operations. In fall 1996, WTO launched a website that now contains all publicly available official documents, press releases, and speeches by the director-general. Also included are information briefs prepared by the Secretariat, free publications, statistics, job openings, and publications lists.

C. National Sovereignty

One of the great dilemmas in policy making today is the contradiction between the fact that, as Tip O'Neill, former speaker of the House of Representatives, said: "all politics are local," and the fact that we live in a world in which the nations are more and more interdependent, economically and socially.

In the WTO, all decisions of consequence are taken by consensus, which means not that all nations agree, but that no nation disagrees. The reason for this approach is because each nation reserves the right

to protect its national interests — its sovereignty. Sometimes, it's true, nations make concessions in some areas of a negotiation in order to extract benefits in another. But these are tradeoffs that a nation willingly enters into. Not only do the negotiators sign off on these agreements, but the final texts are then sent to parliaments for ratification, another way in which national sovereignty is preserved.

Robert Lawrence, the Harvard professor, compares WTO membership to signing a contract. As with any contract, he says, there are some restrictions attached on what you are entitled to do. But membership to the WTO is a contract that members willingly accept because they believe it is in their interests to do so.

D. Labor Standards

The issue of labor standards is among the most controversial before the WTO membership today. Prior to the WTO's first Ministerial Conference in Singapore in 1996, members clashed repeatedly on the issue of the WTO's involvement on the question of labor standards.

At the Ministerial Conference, negotiators agreed on a framework in which the WTO would handle the question of trade and labor standards. Ministers agreed to renew their commitment to the observance of internationally recognized core labor standards. They agreed the International Labor Organization (ILO) was the competent body to set and deal with these standards; they agreed that further trade liberalization fosters the economic growth and development vital to the promotion of these standards; and they agreed that the WTO and ILO Secretariats would continue their existing collaboration.

They also rejected the use of labor standards for protectionist purposes and agreed that the comparative advantage of low-wage developing countries must "in no way be put into question."

The ICFTU has called for the development of a mechanism for enforcing the commitments members have taken in Singapore. It has also called for the creation of a committee similar to the CTE that would seek to clarify issues pertaining to trade and core labor standards.

Within the developing world it is widely held that efforts by the United States and a group of European countries to bring the issue of core labor standards into the WTO are protectionist in nature.

Mr. Rockwell's complete speech can be found at: <http://www.wcit.org/rockwellspeech.htm>

World Trade Organization Important to Citizens of City and State

By Raymond J. Waldmann

Seattle Post-Intelligencer (reprinted with permission from author)

May 11, 1999

Why should the people of Seattle and Washington state care whether the World Trade Organization meets in Seattle later this year?

What is the news about Seattle having prevailed over some 40 other U.S. cities to host the historic event?

And why has President Clinton invited trade ministers of the 134 member countries to have the first WTO ministerial meeting in the United States in the 50-year history of the General Agreement on Tariffs and Trade (GATT) and the WTO?

The answer is simple: Because trade matters to the U.S. economy, to Washington state and to Seattle and because the WTO matters to trade.

The Geneva-based WTO is the only global body dedicated to developing international trade rules. From the U.S. perspective, the WTO is our voice and vote for dealing with trade issues. The WTO provides the rules-based system of international trade on which we rely. Members negotiate agreements ensuring that:

Countries may not raise their tariffs or other border taxes whenever they feel like it, and thereby exclude American products from their markets; countries may not impose unjustified technical barriers such as inspection requirements on U.S. wheat, apples and other agricultural products just to protect their home markets, nor may they favor products from specific countries; countries may not allow or encourage piracy of intellectual property, thereby protecting our software and computers, books and films, CDs and tapes; countries are restricted from violating the rules on subsidies and export assistance, and flooding the world with government-subsidized products whose prices we could not match.

Trade is not a panacea for the political, economic and social problems of the world. But it is a force for peace and cross-cultural contact. Countries are less likely to go to war against their trading partners than they are against strangers. The WTO furthers the process of protecting against commercial skirmishes and potential trade wars by forging agreement among nations on trade protocols.

Without the WTO, trade would be too dangerous a proposition for countries to leave to their trade ministries, and eventually trade disputes could become national security issues. A non-WTO world would more closely resemble the international economy before World War II, where countries used trade as tools of foreign policy, and international commerce was a pawn of aggressor states. As Franklin D. Roosevelt's former secretary of state Cordell Hull said, "When goods do not cross borders, armies do."

Fortunately we do not live in that world.

Indeed, if the WTO didn't exist, we would have to create it. And that is precisely what the United States and 22 other countries did in 1948.

Today, 134 members of the WTO are dedicated to preventing trade conflicts from getting out of hand. By nature, the wheels of international law move slowly, but the WTO patiently and continuously improves its rules and institutions in order to make the world a better place. Through successive rounds of trade talks going back to 1949, the GATT

and its successor the WTO have reduced tariffs on goods from industrial countries from an average of more than 40 percent in 1948 to today's 3.9 percent. As a result, trade has exploded; today it is 26 times the volume of 1949.

Through GATT and WTO, countries have tackled and solved some of the thorniest problems of trade, and have settled hundreds of trade disputes. The WTO has already:

- Dramatically reduced tariffs and other barriers to trade, so that today's exporters and consumers are able to shop for the best deals almost anywhere in the world;
- Solved more than 100 trade disputes in the past four years between countries before they got out of hand and turned into bitter trade wars;
- Made great strides in clarifying the rules of the road so that every country is aware of its rights and obligations;
- Established basic criteria for the protection of intellectual property and investments made in foreign countries;
- Established appropriate penalties for countries violating the predetermined trade norms. It tries to make sure countries don't violate those norms, but if they do, it provides appropriate penalties;
- Opened up a new dialogue on transparency within the WTO, and on environmental and human rights concerns.

As we enter a new era of high-tech global trade, there is every reason to expect the WTO will continue its efficient work improving the standards of living for all.

Let's welcome the WTO to Seattle and be thankful that the U.S. government and the WTO have chosen to kick off the next round of trade talks, the "Seattle" round, in our city.

Raymond J. Waldmann is vice president for international relations at The Boeing Co. and serves as chair of the Washington Council on International Trade and chair of the Seattle Host Organization for the WTO Ministerial Meeting.

Section C: Multiple Perspective Readings

Arguments Against the Work of the WTO (for “Fair” Trade)

These readings contain arguments against the work of the WTO. *The Call*, by the student group 180/Movement for Democracy and Education, claims the work of the WTO serves to “reinforce and expand corporate globalization” and promotes free trade at the expense of human rights, labor rights, the environment, and public health. Their organization, founded in 1998, leads a “Road to Seattle” campaign to challenge the WTO Ministerial Meeting. *A Citizen’s Guide to The World Trade Organization* is published by Public Citizen, a consumer watchdog group founded in 1971 by Ralph Nader. Public Citizen fights for issues such as cleaner and safer energy sources, a cleaner environment, fair trade, and a more open and democratic government. Their Global Trade Watch project published this overview, which critiques the WTO’s policies and specific dispute cases. The Media Foundation poses the *The Big Question* in the context of the “free” trade mission of the WTO: Is economic “progress” killing the planet? Based in Vancouver, B.C., The Media Foundation is a network of citizens using the technology of the information age to raise awareness and foster participation in the debate about overconsumption and exploitation of resources.

THE CALL: A new world government is being written . . . and you are not invited

By 180/Movement for Democracy and Education
From: <http://www.corporations.org/democracy/wto.htm> (1999)

(Excerpted from the full text with permission)

Day in and day out we struggle with our governments and corporations for minor victories: clean air, safety from genetically engineered foods, our children’s health, selective purchasing laws against military dictatorships, and many, many others. As we fight and win our daily battles, corporations are consolidating their power over life around the globe and over our human governments.

At the forefront of the corporate push for global dominance is the World Trade Organization, or WTO. The WTO is less than five years old but already acts as the Virtual Senate where corporate profits are protected from environmental, human rights, labor, and public health laws across the world. Only one thing matters in their new world order — corporate profits, the bottom line.

Meanwhile, workers worldwide are pitted against each other in a race to the bottom of wages and working standards. Real wages are dropping enormously across the globe, while wage inequity is increasing. Competing countries are pressured into lowering environmental standards or facing the consequential flight of investment and jobs allowed by “free trade” agreements brokered by the WTO. The power of multinational corporations to move money in or out of a country at a moment’s notice holds workers and governments hostage to quarterly profit reports.

The WTO serves only to reinforce and expand corporate globalization and free trade. Any corporation whose “investor rights” are threatened by public interest legislation gets its agent government

to bring a complaint to a three-person WTO panel that decides whether the laws will stand. Consider just a few examples of what's going on:

- A WTO panel wipes out a European ban on beef from cattle treated with artificial growth hormones that was unanimously supported by countries in the European Union. The complaint was brought by the United States on behalf of the U.S. cattle industry.
- Guatemala is intimidated into changing an infant health law, designed to restrict misleading labels and promote breastfeeding over artificial milk substitutes, after the U.S. government threatened to bring a complaint on behalf of Gerber, Inc.
- The state of Massachusetts is sued for passing selective purchasing laws requiring divestment from corporations propping up the brutal military dictatorship in Burma.

The World Trade Organization has elevated trade and profit above democracy, above justice, above the right to live free. And they're doing it without telling you and me. While we spend our time winning victories by swinging at the branches, multinational corporations are flexing the power and secrecy of the WTO, trying to strengthen their control at the roots.

What happens to education under their new world order? Education is already becoming a commodity. Under the WTO it will be further commodified. Like all products there will be global standards — set by the multinational corporations. Students' control over our education will be completely lost. Educational workers — like all workers — will lose control over their work places. Most importantly, our local communities, the communities our schools are built to serve, will lose all control over their educational institutions. This disturbing trend can already be seen gaining rapid momentum in high schools and universities around the United States.

North American federal governments have been at the forefront of trampling over democracy and social justice in the name of expanding corporate power in the WTO. Yet there has been relatively little mobilized opposition in North America compared to the degree of action elsewhere around the world. Perhaps that is why the WTO considered the serene locale of Seattle, Washington, to hold its third high-level Ministerial Meeting in November 1999.

Seattle's attendees will be facing an aggressive agenda. Indications are that the European Union will try to insert into the WTO many provisions from the failed Multilateral Agreement on Investment (MAI: the "corporate bill of rights," which fell in the face of popular resistance last year).

The organization's assumption is that Seattle is the place where these provisions can be discussed and inserted most easily, far outside of the world's public eye. But it already looks like they made a mistake.

People from throughout North America are mobilizing to converge on Seattle. The overwhelming evidence that life is being sacrificed for profits is garnering a response. It's time to organize Democracy Teach-Ins in our communities and on our campuses so we will all know the WTO's agenda and how to be ready to meet them in Seattle.

In the spirit of advancing all of our movements for democracy and social justice, let us join together in the fourth round of Democracy Teach-ins on the World Trade Organization and Globalization.

By learning and teaching we start mobilizing and agitating, and our momentum begins to reclaim democracy and dignity from the grips of corporate power.

*The full text of this article can be found at:
[http://www.corporations.org/democracy/wto.html# alarm](http://www.corporations.org/democracy/wto.html#alarm)*

A Citizen's Guide to the World Trade Organization: Everything You Need to Know to Fight for Fair Trade

By Public Citizen, July 20, 1999
From: www.citizen.org

(Excerpted: The full text of this booklet can be found at: www.citizen.org/pctrade/gattwto/gatthome.html)

The WTO and Corporate Globalization

What do the U.S. Cattlemen's Association, Chiquita Banana and the Venezuelan oil industry have in common? These big business interests were able to defeat hard-won national laws ensuring food safety, strengthening local economies and protecting the environment by convincing governments to challenge the laws at the World Trade Organization (WTO).

Established in 1995, the WTO is a powerful new global commerce agency, which transformed the General Agreement on Tariffs and Trade (GATT) into an enforceable global commercial code. The WTO is one of the main mechanisms of corporate globalization. While its proponents say it is based on "free trade," in fact, the WTO's 700-plus pages of rules set out a comprehensive system of corporate-managed trade. Indeed, the WTO has little to do with the 18th century free trade philosophy developed by David Ricardo or Adam Smith, who assumed neither labor nor capital crossed national borders.

Under the WTO's system of corporate-managed trade, economic efficiency, reflected in short-run corporate profits, dominates other values. Decisions affecting the economy are to be confined to the private sector, while social and environmental costs are borne by the public.

Sometimes called the "neoliberal" model, this system sidelines environmental rules, health safeguards and labor standards to provide transnational corporations (TNCs) with a cheap supply of labor and natural resources. The WTO also guarantees corporate access to foreign markets without requiring that TNCs respect countries' domestic priorities.

The myth that every nation can grow by exporting more than they import is central to the neoliberal ideology. Its proponents seem to forget that in order for one country to export an automobile, some other country has to import it.

A global system of enforceable rules is being created where corporations have all the rights, governments have all the obligations, and democracy is left behind in the dust.

Now the world's transnational companies want more — a new "Millennium Round" of further WTO negotiations which would accelerate the economic race to the bottom by expanding the WTO's powers.

But this concept's failure goes beyond this inherent sham: the lose-lose nature of export-led growth was exposed in the aftermath of the East Asian financial crisis of 1998. When the IMF compelled Asian countries to try to export their way out of their crises, the U.S. became the importer of last resort. U.S. steelworkers lost jobs to a flood of steel imports, while workers in Asia remained mired in a terrible depression.

The neoliberal ideological underpinning of corporate-managed trade is presented as TINA — "There Is No Alternative" — an inevitable outcome rather than the culmination of a long-term effort to write and put into place rules designed to benefit corporations and investors, rather than communities, workers and the environment.

The top trade officials of every WTO member country are meeting in Seattle at the end of November. If you haven't bought the public relations campaign on TINA and want to help change the rules, join your fellow citizens on the Road to Seattle and Beyond. To start with, the WTO must assess the effects of its current rules before negotiating new agreements. This booklet explains what the WTO is, how it is damaging the public interest, how corporations and some governments want to expand WTO's powers, and what you can do.

What Is the WTO and How Does It Work?

More and more the WTO is under pressure to expand its agenda because more and more it is seen as the focal point for the many challenges and concerns of globalization.

Renato Ruggiero

WTO Director General (1995–1999)

The WTO is the international organization charged with enforcing a set of trade rules including the General Agreement on Tariffs and Trade (GATT), Trade Related Intellectual Property Measures (TRIPS), General Agreement on Trade in Services (GATS), among others. WTO was established in 1995 in the “Uruguay Round” of GATT negotiations.

Prior to the Uruguay Round, GATT rules focused primarily on tariffs and quotas. Consensus of GATT members was required to enforce the rules. The Uruguay Round expanded GATT rules to cover what is known in trade jargon as “non-tariff barriers to trade.” These are food safety laws, product standards, rules on use of tax dollars, investment policy and other domestic laws that impact trade. The WTO's rules limit what non-tariff policies countries can implement or maintain.

Currently there are 134 member countries in the WTO and 33 nations with observer status. Officially, decisions in the WTO are made by voting or consensus. However, developed countries, especially the so-called QUAD countries (U.S., Canada, Japan and the European Union), repeatedly have made key decisions in closed meetings, excluding other WTO nations.

The WTO's lack of democratic process or accountable decision-making is epitomized by the WTO Dispute Settlement Process. The WTO allows countries to challenge each others' laws and regulations as violations of WTO rules. Cases are decided by a panel of three trade bureaucrats. There are no conflict of interest rules and the panelists often have little appreciation of domestic law or of government responsibility to protect workers, the environment or human rights. Thus, it is not surprising that every single environmental or public health law challenged at WTO has been ruled illegal.

WTO tribunals operate in secret. Documents, hearings and briefs are confidential. Only national governments are allowed to participate, even if a state law is being challenged. There are no outside appeals.

Once a final WTO ruling is issued, losing countries have a set time to implement one of only three choices: change their law to conform to the WTO requirements, pay permanent compensation to the winning country, or face non-negotiated trade sanctions. The U.S. official position is that ultimately, laws must be changed to be consistent with WTO policy.

The WTO's Record: Threats to Democracy, Health, and the Environment

When the WTO was created, concerned citizens and public interest organizations warned that the combination of the WTO's pro-industry rules and powerful enforcement would pose a threat to laws designed to protect consumers, workers, and the environment. Almost five years later, there is a clear record: the cases settled under WTO rules show the WTO's bias against the public interest.

Note: “A Citizen's Guide” includes information and a commentary on the beef hormone and the shrimp/turtle cases later referenced in this curriculum.

The Big Question

By The Media Foundation

From: <http://www.adbusters.org> (1999)

(Excerpted from the full text with permission)

When the representatives of the 134 member countries of the World Trade Organization meet in Seattle, Washington for the 1999 WTO Ministerial Conference, November 30 to December 3, there should be plenty for them to talk about.

Like the trillions of dollars a day in foreign exchange transactions that have turned the global economy into an ungoverned casino which may fail any day. Like the rising global temperatures, ozone depletion and extreme weather phenomena that suggest a major climate change is under way. Like the document signed by 1,500 scientists (including half of all living Nobel Prize winners) warning that humankind is proceeding down an unprecedented and catastrophic path by destroying the life-support systems of the planet.

Oddly, these issues hardly ever come up at the conference.

This year, culture jammers will make sure they do.

On posters, T-shirts and billboards, in newspapers, radio and TV spots, we will dare our leaders to confront The Big Question: Is economic “progress” killing the planet?

Those six words will blaze in the public imagination. Ordinary citizens will think about them. Policy makers will debate them. Students will confront teachers with them.

Then, at the closing press conference in Seattle on December 3, before a worldwide TV audience of millions, a reporter will stand up and ask: “U.S. Trade Representative Charlene Barshefsky, how do you measure economic progress? How do you determine if the economy is healthy or sick?”

Barshefsky will probably skate. She’ll formulate some answer about how the WTO’s global negotiations will further open markets in goods, services, and agricultural trade, and how an ever-rising GDP will follow. She’ll try to move on. But a few reporters will demand a better answer — a real answer. Should we consider the Exxon Valdez spill a “success” since it boosted GDP? What other measures of progress besides the GDP are being used? How are losses of natural capital like the disappearing salmon fisheries of the Pacific Northwest being factored into the national accounts? Are the costs of climate change being considered? What about ozone depletion? Desertification? Biodiversity loss?

A point will be reached, either right there at the WTO press conference, or at some future press conference, when it dawns on the world that these masters of finance can’t be trusted with the farm. They don’t know the answer to the simplest and most fundamental of all questions about the economic system they manage: Are we moving forward or backward?

And so it begins. Over the next few months, we will undertake to catalyze a millennial moment of truth — a mindshift from economics to bioeconomics — from which old-guard thinking will never fully recover.

Section D: Debriefing Reading

Finding Common Ground

Conflict resolution is a challenging task. However, it is far better for those with conflicting or opposing points of view to find ways to work together rather than to stay polarized in their positions. The WTO has set strict boundaries surrounding its mission to promote free and open trade among countries. Critics argue that this approach to “free” trade is not “fair” trade because it does not consider issues such as labor rights, human rights, the environment, and the democratic laws within nations. The WTO argues that its approach recognizes the vast cultural, social, and economic differences among nations that make agreement on these issues unlikely. Can there be any middle ground among these positions? Is international trade interdependently linked with the quality of life on this planet? It is possible for the WTO to promote “free” and “fair” trade? These readings suggest there can be common ground in this debate. Solveig Torvik discusses the findings in a recent United Nations Human Development report, which examines the widening gap between rich and poor and challenges the WTO to address this problem. The Editorial Board of the *Seattle Post-Intelligencer* encourages the WTO Ministerial to engage in a dialogue with its critics during the November meeting. Closing the section, Larry Dohrs and Jon Garfunkel explain the benefits of finding common ground among issues of trade and human rights.

New Approach Could Close Gap Between Rich and Poor Countries

By Solveig Torvik
Seattle Post-Intelligencer
July 15, 1999

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<http://www.seattlep-i.com/pi/opinion/torcol1.shtml>

(Note: The last character in torcol1 is numeral 1).

Brief Summary:

This article draws upon a United Nations Development Program (UNDP) report that details the income and spending characteristics of people in rich versus poor countries. It also mentions the growing economic gap between the computer “knows and knows nots.” A key point is that the UNDP urges the WTO, businesses, and bureaucrats to balance their concern with profits with a concern for people who are “disenfranchised by the turmoil of today’s global marketplace.”

The full text of the UN Human Development Report can be found at: <http://www.undp.org/hdro/>

Curriculum continues on page 30.



WTO Access Plan Good, as Far as It Goes

By The Editorial Board
Seattle Post-Intelligencer
August 10, 1999

The *Seattle-Post Intelligencer* does not grant permission to reproduce articles in material posted on Internet web pages. You may access this article on the PI web page:

<http://www.seattlep-i.com/pi/opinion/wtoedx.shtml>

Brief Summary:

This editorial discusses Clinton administration efforts to encourage the WTO ministers to listen to the concerns of groups representing consumers, the environment, and labor. It emphasizes that the narrow trade promotion objective of the WTO has broad social policy implications that have yet to be addressed.

Time to Talk About Trade and Human Rights?

By Larry Dohrs and John Garfunkel

From: Trade and Human Rights: A Pacific Rim Perspective, A Source Handbook
Global Source Education, February 1999 (reprinted with permission)

Dialog is needed on issues of international trade and human rights. Identifying areas of common ground among proponents of free trade and human rights, as well as the broader community, serves the interests of all parties. Up to the present, discussions of trade and human rights have tended to be polarized and contentious, but there is now an opportunity to move beyond adversarial positions.

Globalization is the name given to a rapid increase in the worldwide integration of ideas, economies, politics and people. There is no question that globalization is a powerful trend, unlikely to be reversed during an era when technological advances continue to pull quickly downward the costs and barriers to information transfer. To illustrate, the numbers of international phone calls to and from the United States has been consistently doubling every five years since 1980. Daily foreign exchange transactions have risen from \$60 billion in 1983 to more than \$2 trillion today.

This increasing integration and interdependence is a boon to manufacturers and traders, who are able to shift production rapidly to improve quality or reduce costs, and to seek new markets efficiently. It also strengthens the efforts of international human rights, labor rights, and environmental interests, who are now more rapidly able to close any gaps between perceived corporate or national abuses and the places where effective pressure can be put on the corporation or country in question.

Therefore, corporate behavior in the international arena, as it relates to human rights concerns, has become a bottom line issue. As a result of growing human rights advocacy, media scrutiny, and the ease of communication provided by the internet, companies that are tied to human rights and labor abuses are quickly subject to boycotts, negative publicity, loss of hard-earned good will, and losses of revenue. At the same time, some companies, including those in the Pacific Northwest, are recognizing that a proactive approach to potential human rights and labor concerns can result in a boost for corporate image.

The case of Nike has been much in the news during the past two years. Reported labor abuses in Vietnam, Indonesia and China have been widely

reported, even on the sports network ESPN, where Nike spends many millions of dollars to build its brand name. Nike's initial response to criticism was blunt rejection, an understandable reaction from a company that for years had been a paragon of success. As the reports and criticism kept coming, Nike began to take the issue more seriously. First it hired Andrew Young, former U.S. Ambassador to the United Nations, to write a report. Young's report was quickly condemned as superficial and inadequate, and Nike has largely dropped it as a public relations shield. Meanwhile, Nike may have lost tens of millions of dollars in sales from human rights related boycotts. As a result, the company has made a public commitment to a more open examination of labor practices, and a more stringent application of the corporate code of conduct, though its critics contend that Nike needs to continue to commit itself to yet more openness.

Of course Nike, as a consumer products company, is particularly vulnerable to the public's perception of its image and behavior. But threats to the bottom line are not limited to companies with a consumer market. Oil giant UNOCAL is currently the defendant in a lawsuit in federal court in Los Angeles, brought by Burmese citizens alleging that their human rights were violated when UNOCAL, in partnership with the Burmese military junta, used forced relocation, forced labor and extortion in the process of extending a natural gas pipeline through Southern Burma. The judge has refused UNOCAL's petitions to throw out the suit, and the company's potential exposure in the case is in the hundreds of millions of dollars.

Grassroots policy groups recently have been successful at putting human rights issues on national and local agendas because these issues resonate with the American public. Surveys show that consumers are increasingly aware of, and concerned with the origins of the products they consume, and the conditions under which they were produced. An April 1997 survey of Washington State voters by Elway research found that 72% thought human rights considerations (and, additionally, environmental considerations) should be given equal or greater weight than economic considerations in trade agreements. Washington State is the

most trade-reliant state in the United States.

Trade advocates, including former Treasury Secretary Robert Rubin, assert that labor issues, environmental issues, and human rights concerns should be considered separately from trade issues. But critics respond that the World Trade Organization (WTO) is already deeply involved in such issues, pointing to a WTO ruling that struck down a U.S. law that barred imports of shrimp from countries that do not require turtle-protection measures by their shrimp fishers. They further point to attacks in the WTO by the European Union and Japan, against a law passed in Massachusetts to promote human rights by barring state contracts to companies doing business with the military junta of Burma.

In fact, the only arena in which human rights and environmental concerns are currently addressed together is the annual consideration of “Most Favored Nation” status (MFN) for China. This fact creates an extremely high-risk scenario for international traders. The broader American public, already deeply suspicious of both free trade and China, has only the MFN debate as its perceived outlet. An ill-timed misstep by the Beijing regime could conceivably create an emotional response in the United States that would force Congress to revoke MFN for China, an extremely blunt move that would affect billions of dollars of trade and thousands of jobs. If this were to occur, trade advocates who have tried to limit debate on trade and human rights issues would likely have only themselves to blame.

A better approach can be seen in the way environmental concerns have been addressed in recent years. When the first Earth Day was held in 1970, environmentalists were perceived as inherently radical. But as the years have gone by, the government and corporate sectors have recognized the extent of popular feeling on the environment, so that now, 30 years later, there are constant efforts by government, scientific, corporate and nongovernmental organization (NGO) sectors to make positive, if incremental changes in the direction of environmental sustainability.

Environmental issues are in the mainstream and, despite accusations of “greenwash” by corporations, and complaints of extreme tactics by NGOs, there has been substantial progress toward identifying “middle ground” where all sectors can agree on certain standards that need to be met.

The cycle of change on human rights issues is likely to be similar. Worth noting however, is the fact that just as globalization has accelerated, so

other cycles of change have also accelerated. In fact, a number of human rights and environmental advocates are recognizing that their fields are largely inseparable. The case of Nigerian environmental activist Ken Saro-Wiwa, who was hanged by the Nigerian military after leading a campaign to highlight the environmental record of Royal Dutch Shell, may have been a watershed. This leads one to conclude that human rights questions will become increasingly mainstream in the years to come. Savvy companies are recognizing human rights concerns as a strategic issue, and are moving to put themselves on the “good” side of public perception.

The need has grown for open dialogue to determine a proper place for human rights in the worlds of business and politics, and perhaps the best place for this to be initiated is in an educational forum, where students can become engaged by real world issues discussed from several points of view. This discussion has particular relevance to students in trade-reliant Washington State, part of the Pacific Rim, where they also form a substantial consumer bloc.

The Trade and Human Rights Project, an independent educational outreach organization founded in 1998, provides educational context through curricular materials and community resources to educators who form the “front lines” in preparing our children to face a “globalized” future. The Project is committed to presenting all points of view, and to encouraging open dialogue on the interdependent relationship between international trade and human rights issues. The Project also seeks to work with companies that view human rights as a key corporate concern, similar to issues of diversity, sensitivity and environmental responsibility.

Our community has an interest in social, political and environmental sustainability. In order to achieve progress toward that goal, there needs to be a commitment to cooperation by all participants in the current debate. As we identify the strengths and weaknesses of each position, uncover patches of common ground shared by all sides, recognize the validity of popular will, we will begin to move the debate away from the frustration of confrontation and dismissal, and toward a future where the legitimate needs of individuals, corporations and communities are more likely to be met. Can this be a legacy of the WTO Ministerial Meeting to be held in Seattle in November of this year?

Larry Dohrs and Jon Garfunkel are directors of The Trade and Human Rights Project at Global Source Education in Seattle.

Section E: Summary Readings

Point of View:

"Free" Trade and The WTO

The creation of higher-paying jobs supported by trade raises living standards for tens of thousands of American households. Trade barriers, by making goods and services more expensive, cost you money at the store. In 1990, prior to the WTO, private sector studies estimated that trade protection cost U.S. consumers approximately \$70 billion per year. By reducing trade barriers, WTO rules lead to more affordable prices and a greater variety of the things that we purchase everyday. The standard of living improves for all Americans, but particularly for low-income families, since lower prices mean that your paycheck goes further in the marketplace. The WTO Agreements result in lower prices for business and consumer products. By the time that the Agreements are fully implemented in 2005, the annual effect will be equivalent to an increase of \$1500 to \$3000 in purchasing power for the average American family of four.

Statement from the Executive Office of the President of the United States' Trade Representative

[T]rade matters to the U.S. economy, to Washington state and to Seattle and because the WTO matters to trade. The Geneva-based WTO is the only global body dedicated to developing international trade rules. From the U.S. perspective, the WTO is our voice and vote for dealing with trade issues. The WTO provides the rules-based system of international trade on which we rely. Members negotiate agreements ensuring that:

- Countries may not raise their tariffs or other border taxes whenever they feel like it, and thereby exclude American products from their markets; Countries may not impose unjustified technical barriers such as inspection requirements on U.S. wheat, apples and other agricultural products just to protect their home markets, nor may they favor products from specific countries; Countries may not allow or encourage piracy of intellectual property, thereby protecting our software and computers, books and films, CDs and tapes;
- Countries are restricted from violating the rules on subsidies and export assistance, and flooding the world with government-subsidized products whose prices we could not match.

Trade is not a panacea for the political, economic and social problems of the world. But it is a force for peace and cross-cultural contact. Countries are less likely to go to war against their trading partners than they are against strangers. The WTO furthers the process of protecting against commercial skirmishes and potential trade wars by forging agreement among nations on trade protocols.

Raymond Waldmann, vice president for International Relations at The Boeing Co. and chairman of the Washington Council on International Trade

[T]hose who genuinely care about the poor are wrong to demonise the WTO. Free trade offers the best hope for poor countries to escape misery. According to a study by Jeffrey Sachs and Andrew Warner, two economists at Harvard University, developing countries with open economies grew by 4.5 percent a year in the 1970s and 1980s, while those with closed economies grew by only 0.7 percent a year. At that rate, open economies double in size every 16 years, whereas closed economies have to wait 100 years. Open economies do better because they can attract foreign investment and technology. And with free trade, even the poor can buy cheap imports rather than rely on shoddy, overpriced goods produced by local monopolies.

Philippe Legrain, trade correspondent for the Economist

Point of View:
“Fair” Trade and The WTO

The WTO’s tribunals conduct WTO challenge cases in secret. Even briefs from the public are only accepted by WTO panels if endorsed by a government. (NGOs cannot file briefs with the WTO unless they find a government that is willing to submit the briefs.) Furthermore, only national governments are allowed to participate, so a state attorney general could only assist with defense of a challenge against a state law if invited by the current administration. A government that has lost a WTO case has no recourse to appeal outside of the WTO’s limited appellate process. Once a final WTO ruling is issued, losing countries have only three choices: change their law to conform to the WTO requirements, pay permanent compensation to the winning country, or face trade sanctions.

WTO will impede progress toward the development and implementation of labor standards. . . . For instance, under WTO rules it is illegal for a government to ban a product based on the way it is produced. Thus, even if a WTO member has laws prohibiting domestic child labor, it could not choose to ban imported items made with slave or child labor, both of which are prohibited by the International Labor Organizations’s (ILO) core labor standards.

Citizens would be wise to question why any legislative body would approve an arrangement like the WTO that so clearly limits the sovereignty of all levels of government and so adversely affects the ability of elected officials to legislate in the public interest. When one considers the political and legal contortions that were more often than not necessary to ensure its passage in national legislatures in 1994, it is clear that the most nations joined the WTO despite broad public and in some cases (India, Philippines) parliamentary opposition. In short, the WTO suffers from a fundamental legitimacy crisis.

Worldwide, public opposition to the WTO led to often vitriolic fights over implementing legislation in national legislatures. Governments were well aware of the difficulties inherent in promoting an agenda that few supported and through which even fewer would benefit. Rather than leave the fate of the WTO up to the vagaries of the democratic process, many governments resorted to all sorts of dirty tactics to force WTO legislation on an unwilling public.

Public Citizen

New subjects for discussion in the WTO introduced by wealthy countries threaten the chances of developing countries of competing in conditions already so difficult and unequal that they will doubtlessly serve as a perfect pretext for the establishment of non-tariff barriers or inhibit access of developing countries’ products to the market.

Third World countries have gradually lost everything: tariffs which protected developing industries and generated income, agreements on basic products, associations of producers, indexation of prices, preferential treatment, or any mechanism to protect the value of their exports and to encourage development. What are we being offered?

Why is no mention made of the unjust and unequal terms of trade? Why do we no longer mention the unbearable weight of foreign debt? Why is the developed countries aid for development being cut?

*Speech delivered by Cuban President Fidel Castro at the World Trade Organization
in Geneva, Tuesday, May 19, 1998*

At the forefront of the corporate push for global dominance is the World Trade Organization, or WTO. The WTO is less than five years old but already acts as the Virtual Senate where corporate profits are protected from environmental, human rights, labor, and public health laws across the world. Only one thing matters in their new world order — corporate profits, the bottom line.

The Call . . . by 180/Movement for Democracy and Education

Point of View:
“Free” and “Fair” Trade and The WTO?

We must recognize that in the new economy, the way we conduct trade affects the lives and livelihoods, the health and the safety of families around the world. We must build a trading system for the 21st Century that honours our values as it expands opportunity. We must do more to make sure that this new economy lifts living standards around the world, and that spirited economic competition among nations never becomes a race to the bottom in environmental protections, consumer protections and labor standards. We should level up, not level down. Without such a strategy, we cannot build the necessary public support for the global economy. Working people will only assume the risks of a free international market if they have the confidence that this system will work for them. The WTO was created to lift the lives of ordinary citizens; it should listen to them. I propose the WTO, for the first time, provide a forum where business, labour, environmental and consumer groups can speak out and help guide the further evolution of the WTO. When this body convenes again, I believe that the world’s trade ministers should sit down with representatives of the broad public to begin this discussion.

U.S. President Clinton

The past two years have once again revealed how powerful and destructive untrammelled markets can be. The result is a sea change in the debate. The question is no longer how to free up capital but how to control it; not how to forge global markets but how to regulate them; not how to tame inflation but how to fight deflation and stimulate demand. Conservative free traders have no answers to these challenges, which open the way to a new era of progressive reform, to defining what AFL-CIO president John Sweeney calls a “new internationalism.”

Robert L. Borosage, co-director of the Campaign for America’s Future

The problem is how to craft a compromise that secures the huge benefits of free trade while respecting countries’ rights to pursue other aims. It is a delicate balancing act. Trample too much on domestic sovereignty, and popular support for free trade will evaporate. Tread too lightly, and it will be open season for protectionism. Broadly, the solution is for governments to pursue their political aims in ways that harm the rest of the world as little as possible. But that is often tough to achieve in practice.

Editors of The Economist

The United Nations Development Program (recently issued a reported) to illustrate the accelerating, worrisome gap between those of us who live in countries that are well off and those who don’t . . . (and to urge that a new approach be taken to the “globalization” of economies so that poor countries can share the wealth. Efforts to improve health and education of residents of the world’s poorest nations can make a difference. The U.N. report argues that there’s a role for the World Trade Organization in giving poor nations a break. The report wisely warns of “the growing marginalization of poor nations” and urges the WTO, businesses and bureaucrats to balance their concern with profits with a concern for people who are “disenfranchised by the turmoil of today’s global marketplace.” It also says, and rightly so, that “market forces alone will not rectify the imbalance” in living standards posed by the rich nations’ corner on technologies such as the Internet. . . . Closing our eyes to such unequal distribution of goods and services is folly. History amply attests to the foolishness of promoting, rather than reducing, gaps between haves and have-nots.

Solveig Torvik, editorial writer and a member of the Seattle Post-Intelligencer Editorial Board

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Source Materials

Free Publications by and from the WTO
(E-mail Address: publications@wto.org):

- *Focus Magazine*
The official newsletter of the WTO covers negotiations, dispute settlement, and other activities. It also reports on general trade-related matters, with features on economic developments and major trade policy issues. Published monthly in English, French, and Spanish. Free upon request; downloadable from the Internet: www.wto.org/wto/focus/focus.htm
- *The World Trade Organization: Trading into the Future*
An introduction to the WTO — what it is, why it was created, how it works, and what it does, written specifically for nonspecialists. Available in print, on diskette, or downloadable from the WTO Internet site (complete with hyperlinks and the ability to search the document for specific issues). English, French, and Spanish versions available free on request.
- *Video: Ministerial Conference, Singapore 1996, Global Challenges*
English, French, and Spanish versions; 24 minutes; available in PAL, SECAM, NTSC; free on request

The Case Against the Global Economy, edited by Jerry Mander and Edward Goldsmith, Sierra Club Books, San Francisco, 1996.

Globalization and Human Rights, a 1998 documentary by Globalvision, www.globalvision.org

Globalization with a Human Face, United Nations 1999 Human Development Report, can be found at: <http://www.undp.org/hdro/>

The Lexus and the Olive Tree, by Thomas Friedman, Farrar, Straus & Giroux, New York, 1999.

One World, Ready or Not, by William Greider, Simon and Schuster, New York, 1997.

Organizations

180 Movement for Democracy and Education
www.corporations.org/democracy/wto.html

The Media Foundation
www.adbusters.com

People For Fair Trade – WTO Host Committee
www.peopleforfairtrade.org/

People’s Global Action (PGS) against free trade
www.agp.org/agp/en/index.html

Public Citizen
www.publiccitizen.org, www.tradewatch.org
1600 20th St. NW, Washington, D.C. 20009;
(800) 289-3787

Third World Network
www.twinside.org.sg

United States Trade Representative (USTR)
www.ustr.gov

Washington Council on International Trade
(WCIT), WTO Seattle
www.wcit.org/wto.htm

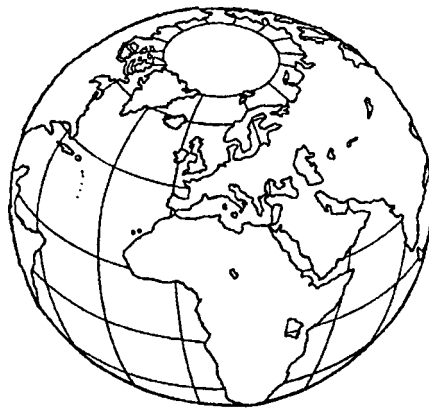
World Trade Organization
www.wto.org
WTO, Centre William Rappard,
Rue de Lausanne 154,
CH-1211 Geneva 21, Switzerland
WTO Information and Media Relations
Division: enquiries@wto.org

WTO Seattle Host Organization
www.wtoseattle.org/

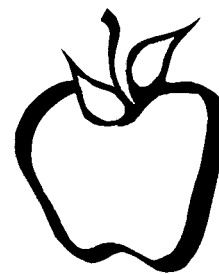
The Trade and Human Rights Project at
Global Source Education

For more information about educational connections to study the WTO and related issues of globalization and social responsibility contact:

The Trade and Human Rights Project at
Global Source Education
Office: 7409 Greenwood Ave. N, Seattle, WA
Mailing Address: PO Box 30094,
Seattle, WA, 98103
(206) 781-8060; glblsrc@ix.netcom.com



SECTION 3



The U.S.-Japan Trade Dispute Over Apples

Debra Glassman, Ph.D.
University of Washington Business School

Apple growers in the United States have long struggled to export apples to Japan. Officially, Japan opened its markets to imported apples in 1971. But not one American apple entered the country until early 1995, and then only two varieties were allowed in. When U.S. growers tried to export other types of apples to Japan, they were blocked by Japanese testing requirements. The United States complained about these requirements to the World Trade Organization (WTO), and a decision on the case was made in 1999. To understand why it has taken so long to get U.S. apples into Japan, it is important to look at the apple industry in both countries and at the role of the WTO and its rules.

► Objectives

- To gain an understanding of the struggle over the years to export U.S. apples to Japan.
- To analyze the apple industries in both the United States and Japan and identify the impact of different cultures on marketing.
- To recognize and articulate the multiple perspectives related to the U.S.-Japan trade dispute over apples.
- To understand the dispute resolution process and how scientific evidence plays a role.
- To engage students in the examination of how cultural factors play a role in the global economy.

Curricular Themes

International Trade Organizations
Conflict Resolution
Economics
Science Inquiry
Cultural Perspectives
Washington State History
Pacific Rim Studies

Applied Skills

Reading for Information
Summarizing
Synthesizing
Research
Debate
Critical Thinking

Suggested Grades: 6–12 **Suggested Time Frame:** 2–5 days

Washington State Essential Academic Learning Requirements (EALRs)

Geography #3: *The student observes and analyzes the interaction between people, the environment, and culture.*

The student examines cultural characteristics, transmission, diffusion, and interaction.

Civics #3: *The student understands the purposes and organization of international relationships and how U.S. foreign policy is made.*

The student recognizes factors and roles that affect the development of foreign policy.

Civics #4: *The student understands the rights and responsibilities of citizenship and the principles of democratic civic involvement.*

The student explains how citizen participation influences public policy.

Economics #1: *The student understands basic economic concepts and analyzes the effect of economic systems on individuals, groups, and society.*

The student examines how government policies influence the economy.

The student examines the importance of international trade.

Instructions to Teachers:

Previous student introduction to the WTO (Section 1) is suggested before beginning this section. Each section of this case can be a separate class session.

Note: In preparation for the WTO meeting in Seattle in November 1999, The World Affairs Council and CIBER are coordinating a Student Ambassador program aimed at promoting discussion about WTO issues. The ambassadors will introduce the U.S.-Japan apple dispute with role-playing exercises. If a student ambassador is visiting your class, do not give students the last section entitled “What Happened.” The ambassador presentation will cover the trade dispute and the WTO hearing.

Background to the Dispute

The United States produces about 5.1 million tons of apples a year. Forty percent of all U.S. apples come from Washington State. Exports are very important to the apple industry. Washington apples are sold in 40 countries around the world.

Japan officially opened its apple market to imports in 1971. But no foreign apples could meet the strict regulations that Japan imposed to keep pests and apple diseases out of the country. As an island nation Japan is more susceptible to infestations because it lacks natural defenses to fight pests and other diseases.

The Japanese government and local growers were particularly worried about a type of insect called the codling moth, which lays eggs on fruit; the moth larvae then eat their way into the fruit. Codling moths like apples best, but also infect pears, cherries, plums, and walnuts. These moths are found in temperate areas around the world — wherever apples are grown — except they are not found in Japan or mainland Asia. The moths can spread from place to place through the transport of infested fruit. In Japan apples are grown primarily in Aomori Prefecture, in the far north of Honshu Island. Because this is a compact area, Japanese apple growers fear that codling moths would easily spread to infect all Japanese apple orchards and other fruit-growing areas.

In response to Japanese concerns, Washington apple growers raised \$100,000 in the mid-1970s to conduct research on methods to prevent moths from being exported along with the apples. From this effort, a method was developed to kill codling moth eggs and larvae. This method combined chemical fumigation and cold storage of apples after harvest.

However, this was not enough to get U.S. apples into Japan. The Japanese extended the apple import ban because of concern about fruit flies, which lay eggs and grow inside various fruits in a manner similar to the codling moth. U.S. growers agreed to conduct yearly trappings for fruit flies and also for a variety of apple worms. Then, in the mid-1980s, the Japanese banned the import of apples on the grounds that fire blight disease would be transmitted in imported apples. Fire blight is a bacterial disease that infects blooms and shoots of fruit trees. There is no known treatment for this disease. In the late 1980s, test results from studies performed by U.S. scientists showed that healthy apples could not transmit fire blight.

U.S. apple growers began to refer to Japanese policy as the “bug of the month club.” It seemed like the Japanese were keeping U.S. fruit from entering Japan by changing specific pest concerns as soon as U.S. farmers had contained the “bug” in question. The Japanese insisted that these measures are necessary to keep foreign pests and disease out of their island nation.

But as much as the U.S. tried, apples were not permitted into Japan until U.S. Trade Representative Mickey Kantor placed political pressure on the Japanese in 1993. Japan finally agreed to allow U.S. apples in, as long as growers followed a strict and costly testing and inspection regimen that included fumigation and cold storage. Even then, only Red and Golden Delicious apples were permitted to enter the country.

Exercise 1: **Marketing U.S. Apples in Japan**

Prepare a commercial or advertisement for the first U.S. apples to be sold in Japan. Think about what you want to emphasize — is it the price of U.S. apples, their taste, their looks, or some other characteristic?

After you do this exercise, you may want to look at the Washington Apple Commission web site, <http://www.bestapples.com>, to see how Washington apples are marketed.

Japanese Apple Preferences

Japanese consumers view apples as a delicacy and eat about 800,000 tons a year. Almost all are grown in Japan, and over half (480,000 tons) are Fuji apples. By comparison, the most popular apple in the United States is the Red Delicious. Less than 5% of the apples eaten in the United States are the Fuji variety.

Fuji apples are popular in Japan because of their sweet taste. Often apples are served for dessert, and they are peeled and presented with fanfare. This means that it is important for apples to look good — to have a natural color and even shape, and to show no blemishes. It also means that thin-skinned apples are preferred, because they are easier to peel. Apples are often given as gifts. Japanese consumers are willing to pay up to \$5 per apple for the best varieties, while a Washington State apple sells for about \$0.50 in the United States.

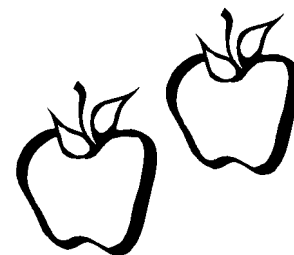
To satisfy consumer preferences for perfect-looking apples, Japanese apple growers treat their product with great care — picking the apples by hand and even wrapping them in paper while they are still on the tree (to protect them from pests and to prevent blemishes and sunburn). All this extra care requires a lot of labor. Growers depend heavily on family and friends to help tend the trees and fruit. Competition for labor is stiff in northern Japan, as better wages can be earned in the southern cities. All these factors together account for the high price of Japanese-grown apples.

Exercise 2: **Comparing Apples**

Compare two kinds of apples — Delicious (either Red or Golden) and Fuji. Start by looking at the apples and describing all the differences in appearance. Then cut and peel the apples. Compare the peels — which one is thicker? Finally, conduct a blind taste test and describe the sweetness and texture of the two apples. Which kind of apple is better to carry around in your backpack for a snack and which kind is better for dessert?

Exercise 3: **Surveying Japanese Apple Preferences**

Find some native Japanese individuals to survey — for example, make e-mail contact with a Japanese school or contact Japanese exchange students at a local college or university. The World Affairs Council in Seattle can help you make these connections. Ask the Japanese consumers about their apple preferences — what kind of taste, shape, and color they look for in an apple. Ask when they like to eat apples. Ask whether they have ever eaten American apples (like Delicious) and what they think of them.



U.S. Apples in Japan: A New Argument

U.S. apples first hit the Japanese market in early 1995. They were marketed to the Japanese as a cheaper alternative to domestic apples. The 1995 sales of Red and Golden Delicious apples were strong, but sales fell off sharply in 1996. There were two main reasons for the decrease in sales. First, it became apparent that initial sales had been due to consumer curiosity. When consumers discovered that Delicious apples did not have the prized characteristics of perfect appearance and sweetness, they did not buy them again. Second, Japanese apple growers aggressively lowered their prices. There was also competition from New Zealand apples, which were first allowed into Japan in 1994.

Once U.S. apple growers learned that Japanese consumers did not like Delicious apples, they wanted to sell other varieties in Japan. But they ran into a problem. Japanese law requires separate testing for each type of apple. This meant, for example, that the method used to deal with codling moths — the chemical fumigation and cold storage of harvested Delicious apples — would not be accepted for Fuji apples. Instead, the Japanese government wanted U.S. growers to do new tests to show that this method worked just as well for Fuji apples. U.S. growers immediately complained that this was unreasonable. It would take two years and a lot of money to run new tests. They said that there was no reason to believe that the chemicals and cold storage would work any differently on other kinds of apples. But Japanese government officials disagreed. They said that the effect of chemicals in killing off pests could easily be different depending on the size of the apple, the thickness of its skin, and its sugar content.

The U.S. government complained to the Japanese government, but months of talks between the governments failed to resolve the argument. In October 1997, the U.S. asked the World Trade Organization to set up a panel to hear the dispute. The U.S. argued that the Japanese practice of requiring separate testing for every variety of apple was not supported by any scientific evidence and was simply a trade barrier in disguise. Japan argued that it had a legitimate concern about preventing the introduction of new pests. Japan also argued that it had a scientific justification because there may be differences in the pest-destroying effect of chemical fumigation in different apples.

Exercise 4: The WTO Arguments

WTO rules say that trade barriers, like standards, must be based on scientific evidence. This exercise simulates a WTO dispute resolution hearing on whether Japanese testing requirements violate the WTO rule.

Divide the class into three groups:

1. A panel of three to five WTO judges (odd number required)
2. U.S. government representatives
3. Japanese government representatives

Each government will prepare arguments and present them to the WTO judges.

The judges will ask questions and then vote on whether Japan violated WTO rules.

What Happened

In October 1998 the WTO released the findings of the panel. The judgment supported the United States. The judges found that Japan's separate testing requirements for different varieties apples were not supported by scientific evidence and therefore were illegal under WTO rules. The Japanese government appealed these findings, but the appeal was rejected in February 1999.

A government official from the Aomori prefecture said, "We are extremely disappointed [by the WTO ruling against Japan]. We don't think the current inspection system is too harsh." But U.S. Trade Representative Charlene Barshefsky said, "This case establishes the important principle that testing requirements are based on science, not speculation. Thinly veiled protectionist measures are not acceptable."

In March 1999 the Japanese government announced that five new varieties of apples will be allowed into Japanese markets without additional standards other than those already in place. The varieties include Fuji, Jonagold, Granny Smith, Braeburn, and Gala. These varieties are expected to be popular with Japanese consumers, but Japanese buyers will likely import small quantities at first. The new varieties could arrive in Japanese markets with the 1999 crop, depending on how quickly the Japanese government moves.

Exercise 5: **Marketing U.S. Fuji Apples in Japan**

Prepare a commercial or advertisement for the U.S. Fuji apples to be sold in Japan. What will you do differently given what you have learned from the experience of marketing Delicious apples?

U.S. apple growers are optimistic that these new varieties will sell well in Japan, because they are the kinds that Japanese consumers most enjoy. As mentioned earlier, the Japanese prefer larger, sweeter varieties, like the Fuji, and have historically been willing to pay high prices for them. U.S. Fuji apples can be imported into Japan and offered at prices significantly lower than for those grown domestically. Recent economic downturns in Asia may prompt Japanese consumers to turn to more affordable apples, such as imports from the United States. In addition, a new U.S. marketing strategy aimed at portraying apples as a wholesome, anytime snack has generated some interest in Japan. Retailers have devised recipes designed to make the apples more appealing to Japanese consumers.

Competition from U.S. apple growers might have a devastating impact on Japanese apple producers, who are already burdened by high costs of production and competition from New Zealand. If the U.S. Fuji apples are successfully exported to Japan, then it is possible that Japanese growers will ultimately not be able to compete at all.

Exercise 6: **Side Effects of the Apple Dispute**

Identify other groups of people in the United States and elsewhere who are affected by the apple trade dispute. Here are some questions to get you started:

- Which other countries in the world produce apples?
- What industries use apples to produce other products?
- Who picks and transports apples?

Suggested References and Resources _____ for Further Research _____

References

Evans, Brent. *Washington State's Perspective*, January 15, 1997; an online letter from the Asia regional director of the Washington Apple Commission; www.voicenet.co.p/~daval/d/tanibrentevans.html

Mapes, Lynda V. Engulfed in Debt, Apple Growers Are Bulldozing Orchards and Calling It Quits. *The Seattle Times*, October 3, 1999.

Mathee, Imbert. An Apple Bonanza Goes Sour. *Seattle Post-Intelligencer*, May 14, 1997.

Warner, Geraldine. No Washington Apples Bound for Japan in 1998. *Good Fruit Grower*, May 1, 1997; www.goodfruit.com/archive/May15-97/feature5.html

Japan To Let in More Apples. *The Seattle Times*, March 10, 1999.

Northern Hemisphere Apple Situation. *FAS Online*; 1997–98 report on trade and markets for U.S. apple producers; <http://www.fas.usda.gov/htp/circular/1998/98-11/aplefea.tim>.

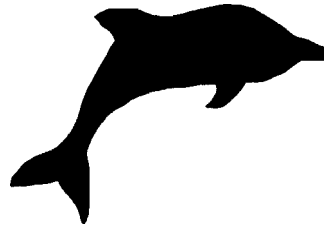
Golden Sour. *The Economist*, September 11, 1993, p. 63.

Resources

Washington State University IMPACT Center (International Marketing Program for Agriculture and Trade); <http://impact.wsu.edu>

Washington State Apple Commission; www.apples.org

SECTION 4



Trade and the Tuna-Dolphin Dispute

Wendy Ewbank
Madrona Nongraded School, Edmonds

The World Trade Organization is often the center of media attention because of trade disputes. The “dolphin dispute” discussed in this section involves a complaint by Mexico about the U.S. boycott of their tuna exports. Through this unit the students can gain an understanding of the multiple perspectives related to this issue and the dispute resolution process used by the WTO.

► Objectives

- To gain an understanding of what the WTO is, why it was formed, and specifically how the agency is tasked with settling trade disputes between governments.
- To learn the vocabulary associated with the WTO and international trade.
- To recognize and articulate the multiple perspectives related to a specific trade dispute, in this case — the U.S. boycott on tuna caught using “purse seines,” which significantly increased dolphin mortality.
- To understand the dispute resolution process through a role-play that culminates in a decision by WTO judges.
- To analyze the impacts of a WTO decision on the environment, on governments, on the economy, and on future trade practices.
- To identify persistent issues and critical questions related to trade disputes.

Curricular Themes

Trade and Environmental Issues
Pacific Rim Studies
Conflict Resolution
Trade and Labor Issues
Globalization and Social Responsibility
International Trade Organizations

Applied Skills

Reading for Information
Summarizing
Synthesizing
Research
Debate
Critical Thinking

Suggested Grades: 6–12

Suggested Time Frame: 7 days

Washington State Essential Academic Learning Requirements (EALRs)

Geography #3: *The student observes and analyzes the interaction between people, the environment, and culture.*

- 3.1 The student will identify and examine people's interaction with and impact on the environment.
- 3.1 Benchmark (middle school): Analyze the different ways people use the environment, the consequences of use, and possible alternatives. Explain how the actions and interactions of human societies affect and are affected by the environment.
- 3.1 Benchmark (high school): Analyze and evaluate the possible benefits and consequences of people's use of the environment. Analyze how environmental knowledge and responsible action can affect species' survival.

Civics #3: *The student understands the purposes and organization of international relationships and how U.S. foreign policy is made.*

- 3.1 The student will understand how the world is organized politically and how nations interact.
Benchmark 2 (middle school): Describe and explain how national interests affect international relations. Describe U.S. roles and interests in major international organizations and international political alliances now and in the past.
Benchmark 3 (high school): Analyze the relationships and tensions between national sovereignty and international issues, in such matters as territory, economic development, nuclear and other weapons, use of natural resources, and human rights concerns.

Economics #1: *The student understands basic economic concepts and analyzes the effect of economic systems on individuals, groups, and society.*

- 1.5 The student will examine the importance of international trade.

Summary of Activities

- Day 1: Distribute background readings on the WTO and the tuna-dolphin problem involving the United States and Latin American countries (primarily Mexico). Assess students' understanding in a game of Jeopardy.
- Day 2: Describe legal actions taken (primarily by the United States) thus far. Identify the multiple perspectives involved. Assign roles for the simulation.
- Days 3–4: Students research their roles and prepare for a hearing or summit (depending on desired outcomes).
- Day 5: Conduct the hearing (or summit).
- Day 6: Evaluate the resolution of the dispute and analyze the impacts this outcome would have in real life. Then, reveal the judges' decision (that the U.S. boycott was illegal according to international trade policy as laid down by GATT) and the events that have occurred as a result. Assign students to communicate their personal feelings on the issue in either an editorial essay or political cartoon. (Ideally, share with students essays and cartoons depicting other WTO disputes.)
- Day 7: Share essays/cartoons and evaluate the WTO role today. Discuss the persistent questions and ask the class what other issues the simulation raised.

✓ Day 1 Lesson Plan

Distribute and read together the handout on “Background of the WTO.” Next, give students the reading on “Tuna Fishing and the Purse Seine Technique.” Let them know that they need to read critically, as their understanding will be tested in a game of “Dolphins in Jeopardy.” (They must not refer to the readings during the game!)

Divide the class into teams of approximately five students each. Display the scoreboard on an overhead, and cross off the box as that question is asked. (As a prize for the winning team, you may want to give them first choice of roles for the simulation.)

Category 1: The WTO

Points

- 10 Q: What is a tariff?
A: A duty (tax) set by a government on imported goods
- 20 Q: What has the presence of the WTO done to tariffs?
A: Reduced them significantly (>40% in 1948, versus 3% average in 1995)
- 30 Q: Name two goals of the WTO:
A: 1. to help facilitate trade
2. to settle trade disputes between governments
3. to set up trade negotiations between countries
- 40 Q: What was the WTO before 1995?
A: The GATT (General Agreement on Tariffs and Trade)
- 50 Q: What do some perceive to be flaws in the way the WTO now works?
A: (These are just a few of the possible answers):
1. Environmental protections are weakened.
2. Large corporations have influence; citizens don't.
3. Trials are conducted in private and records not made public.

Category 2: Tuna Fishing

Points

- 10 Q: What does the presence of a herd of dolphins suggest, in some waters?
A: A school of tuna swimming in the sea beneath them
- 20 Q: What is the ETP?
A: Eastern tropical Pacific
- 30 Q: What technique is used by Mexico, and was used by the United States, to catch tuna?
A: Purse seine technique
- 40 Q: What did Congress do, in the face of public pressure to save dolphins?
A: Ban American fishers (and later all fishers in the ETP) from using purse seines
- 50 Q: What does Mexico think is a better response than a “dolphin-safe” law?
A: Education on techniques to avoid dolphin injury

Category 3: Governments and People

Points

- 10 Q: What two countries are mainly involved in the tuna-dolphin dispute?
A: The United States and Mexico
- 20 Q: What country has the most complaints to the WTO?
A: The United States (with 35)
- 30 Q: Who sits as judges on the Dispute Resolution Panel?
A: Three judges nominated from and approved by the 134 WTO countries
- 40 Q: What had to happen in 1994 for the United States to become a participant in the new WTO?
A: A majority of the U.S. House of Representatives and Senate had to vote “yes.”
- 50 Q: Why might the government of one country file a complaint against another, using the WTO dispute resolution process?
A: If they felt a country’s policy was an unfair trade barrier.

Category 4: The Law

Points

- 10 Q: What agreement resulted from the Uruguay Round of negotiations in 1994?
A: To create a new, expanded GATT called the World Trade Organization (WTO)
- 20 Q: What clause did GATT develop, which gives a nation international trade privileges?
A: Most-favored nation clause
- 30 Q: What U.S. law, originally written in 1972, was used to stop U.S. fishers from using the purse seine technique?
A: The Marine Mammal Protection Act
- 40 Q: What was the main reason Mexico complained about the U.S. tuna policy?
A: The United States was pushing its policy on another country where it had no jurisdiction, and imposing an unfair trade barrier.
- 50 Q: What were the main guidelines of the U.S. Dolphin Conservation Act of 1992?
A: Prohibited the sale, purchase, shipment, or transport of any tuna not “dolphin safe”

Dolphins in Jeopardy Game

The WTO	10	20	30	40	50
Tuna Fishing	10	20	30	40	50
Governments and People	10	20	30	40	50
The Law	10	20	30	40	50

Handout:

Background on the World Trade Organization

Today's World Trade Organization (WTO) has only existed since 1995. Its predecessor organization, the GATT (General Agreement on Tariffs and Trade) was formed in 1948.

GATT had several important tasks. It set rules for trade negotiations between countries, monitored the enforcement of these rules, established the most-favored nation clause, and settled trade disputes. The existence of GATT brought about a dramatic increase in global trade, largely because tariffs were lowered. A tariff is a duty (tax) imposed by the government of a country on imports that country receives. Tariffs after GATT were reduced worldwide from more than 40% in 1948 to just 3% on average in 1995.

Members of GATT (now the WTO) pledge to work together to reduce tariffs and other barriers to international trade, and to eliminate discriminatory treatment in international commerce. An important GATT principle is that protection of domestic industries (those within a country) is to be done strictly through tariffs, and not through import quotas.

In 1994, GATT had 125 full members. Eight rounds of negotiations have occurred since 1947. The Uruguay Round, which began in 1986 with 15 negotiating groups, resulted in an agreement in 1993 that created the WTO in 1995. The U.S. Senate and House of Representatives had to vote in 1994 on whether to give the United States the go-ahead to participate in the proposed WTO. The next big meeting of the WTO will be held in Seattle from November 30 to December 3, 1999.

The WTO is often at the center of media attention because of trade disputes. When a dispute arises over a trade issue (usually because one nation feels another is unfairly restricting trade or access to another nation's market), a dispute resolution process begins. A tribunal of three judges hears the arguments of both sides. Tribunal judges are nominated from the 134 WTO nations, then chosen by the WTO. They are trade specialists, not environmental experts. The WTO tribunal does not have a "conflict of interest" provision, so there is a possibility that one of the judges could have an interest in the cases they review.

Today, the country with the most complaints to the WTO is the United States (with 35 complaints). Next is the EC (European Community, with 21), then Canada (9), followed by Japan and Mexico (5 each). Some trade disputes in recent years include complaints about:

- Europe banning hormone-treated beef;
- Europe imposing restrictions on banana imports;
- The U.S. applying different rules on the chemical make-up of imported gasoline than for domestically refined gas;
- A U.S. ban on shrimp imports from countries whose fishing fleets do not fit their nets to exclude sea turtles;
- The U.S. Helms-Burton law that allows companies (e.g., Wal-Mart) to file lawsuits against foreign countries profiting from property obtained from Cuba;
- A U.S. ban on asbestos in products;
- U.S. fuel economy standards on imported cars.

Some people feel the WTO has too much power in making global policies and in settling disputes. Common complaints include: environmental protections are weakened, large corporations have great influence while private citizens don't, and the dispute tribunals are held in private and do not immediately make their records public.

Handout:

Tuna Fishing and the Purse Seine Technique

In the eastern tropical Pacific (ETP), dolphins and yellowfin tuna have a special relationship that scientists might call symbiotic. Herds of dolphin on the sea's surface indicate the presence of schools of tuna further down.

One way to catch the tuna is to encircle the dolphins with a net, known as a "purse seine." This technique got its name because the net acts like a drawstring purse, whose top and bottom edges are bunched up, trapping fish and cetaceans. Unfortunately, the purse seine nets have caused the deaths of countless dolphins over the years. In the 1980s the number of dolphins killed by foreign boats rose dramatically. At least six million dolphins died in these encircling nets between 1958 and 1994.

A turning point came in 1988 when film footage (shot by environmentalist Samuel LaBudde posing as a cook on a Panamanian tuna boat) showed 200 dolphins drowning in nets. American students who saw the film went to their school boards and demanded that tuna be taken off the school menus. Parents and companies began to pay attention to the message. A subsequent consumer boycott spurred most U.S. fishermen to stop the killing, and it persuaded Congress to take action.

The United States reacted — after much publicity and public outcry — by revising the Marine Mammal Protection Act (originally written in 1972) to prevent American fleets from using the purse seine method if they were fishing in the eastern tropical Pacific. At this time, many American fishers left the ETP for western waters, where the tuna are not attended by dolphin escorts. However, Latin American fishers continued to fish with encircling nets in the ETP.

Congress passed a law saying that cans of tuna (Bumblebee, Starkist, etc.) should have to earn a "dolphin-safe" label, so that consumers would know whether dolphins were killed in the process. Since some of the tuna is caught by foreign fishers, Americans decided this ban should be extended to foreign fishing fleets. Congress decided the tuna we imported could not be caught using purse seines in the ETP. They banned tuna from countries such as Mexico, whose fisheries were still killing dolphins.

The fishers who use purse seines in the ETP come mostly from Mexico, Venezuela, and the tiny island of Vanuatu. The U.S. Congress approved a boycott on tuna caught by these fishers, because they were violating our Marine Mammal Protection Act. Congress passed the Dolphin Conservation Act of 1992, which prohibited the sale, purchase, shipment, or transport of any tuna not "dolphin safe."

The dispute we will be focusing on involves a complaint by Mexico about the U.S. boycott on their tuna exports. The Mexican government felt the boycott was unfair, because the act didn't punish a product — it punished a process. They also felt the United States was trying to impose its regulations in the high seas, where it had no jurisdiction. Mexican fishers feel that educational efforts would be much more effective than the "dolphin-safe" law; they would push for more instruction in how to avoid dolphin injuries using the purse seine technique. Such education has had a positive impact on lowering the dolphin deaths caused by Mexican fleets. They have learned how to release the mammals from their nets. (The stressful impact of this trauma on dolphins has still not been determined by scientists.)

✓ Day 2 Lesson Plan

Review the information in “Background for Teachers: Legal Actions Taken to Save Dolphins” (p. 52) and convey the essence to students (perhaps through note taking). These two actions directly led to the GATT complaint by Mexico. Students will be involved in a project highlighting multiple perspectives. They will assume the roles of parties with a stake in the outcome or a role in the decision-making process.

The role playing has two stages. First, various interest groups will present their views to government trade representatives. Then the trade representatives will argue their cases before WTO judges.

Review the roles to be played for the Dispute Resolution Panel; briefly summarize:

The arguments in support of the U.S. position:

- The Marine Mammal Protection Act is clearly necessary to preserve dolphin species, which know no national boundaries.
- There are alternative ways to fish for tuna.
- Undoing environmental legislation sets a dangerous precedent.

The arguments made by the Mexican government:

- The United States has no business regulating the high seas.
- The ban on imported tuna caught using purse seines is an unfair trade barrier.
- Mexico has taken steps (e.g., education in safer use of nets) to reduce dolphin mortality.
- The United States is illegally restricting a process used in production of a good, rather than the good itself.

And the central issues:

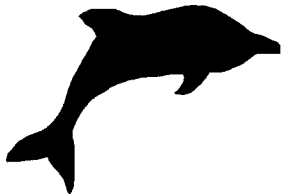
- Can a government enact a trade measure based on a *process* used to produce a good, rather than the good itself?
- Was the United States acting beyond its authority under GATT (unilaterally, when GATT is designed to promote multilateral trade)?
- Do the Article XX exceptions apply in this dispute? Article XX exceptions refer to:
 1. Action must be taken to further policies to protect human, animal, or plant life.
 2. The measure in question must be “necessary” to protect human, animal, or plant life or health. In this case, necessary means NO alternative exists.
 3. The measure may not discriminate between countries where the same conditions exist.

When assigning roles, place three to four students in each role, depending on your class size (except that three judges are required for an authentic panel).



Background for Teachers:

Legal Actions Taken to Save Dolphins



The U.S. Marine Mammal Protection Act (MMPA), enacted in 1972, was written after 304,000 dolphins were killed in encircling nets. The act specified that dolphin kills by commercial fishermen were to be reduced to “insignificant levels approaching a zero mortality.” The act was revised in later years to forbid imports of tuna from countries (such as Mexico) whose tuna fleets kill large numbers of dolphins. The most recent version of the act prevents American fleets from using the purse seine method of tuna fishing. Americans wished to extend the ban to foreign fishing fleets in the eastern tropical Pacific (ETP).

At congressional reauthorization hearings for the MMPA, the environmental community asked for a worldwide phase-out, over four years, of tuna seining by dolphin encirclement. What they won was:

- A prohibition on “sun-down” sets (due to low visibility when setting nets at night);
- 100% observer coverage (having an National Marine Fisheries Service [NMFS] observer on board all U.S. boats);
- A requirement that by the end of 1989, foreign countries must reduce their dolphin kill rate to double the U.S. rate, and by 1990 to 1.25 times the U.S. rate, or face embargo.

Thus, the killing was not ended, but reduced. Since 1990 the law insisted that imported tuna must not be fished by methods that involve killing more than one-quarter more dolphins than are killed by the American fleet. Mexico, Venezuela, and Vanuatu exceeded that number; Mexican fishers were suspected of killing between 50,000 and 100,000 dolphins a year.

Throughout the 1990s, countries became increasingly concerned about dolphin protection. Tuna companies were likewise concerned about preserving tuna fisheries in the ETP. In 1992 countries involved in tuna fishing in the ETP signed the La Jolla Agreement, which established the International Dolphin Conservation Program. The agreement called for a major effort to reduce dolphin mortality. It required on-board observers for every tuna fishing vessel and an increase in scientific research focusing on less harmful fishing methods. The Inter-American Tropical Tuna Commission (IATTC) was given the job of coordinating the new conservation program. The IATTC collects data to make countries accountable.

✓ Days 2–4 Lesson Plan

The Role Play

The following roles may be assigned after students have acquired a basic understanding of the WTO and the tuna fishing controversy in the ETP. (More roles may be identified through student research.) First have fishers, executives, and activists testify to government representatives. Then have the government representatives argue the case before the WTO judges.

WTO judges
Latin American fishers
United States fishers
Tuna company executives
Trade representatives from the United States and Mexico
Environmental activists
Members of Congress

Instead of having the unit culminate in a decision by WTO judges, an alternative is to guide students in a summit, where the ultimate outcome is not a win or loss, but a compromise solution negotiated by the parties. If you choose to conduct a summit, the students' preparation will not be geared toward persuasive testimony, but toward a policy proposal that is consistent with their position. The summit approach, while not common to WTO disputes, is a beneficial classroom exercise in communication, consensus building, problem solving, and persuasion.

The following pages describe roles and positions the students may simulate at a WTO Dispute Resolution Hearing. Students should use the role sheets to get ideas for research and gain understanding of the belief system of the person they represent.

When two roles are presented on one page, photocopy, cut apart, and tape each role to a separate piece of paper and recopy for students.

Role of Judges

(Dispute Resolution Panel of GATT, judges from Hungary, Switzerland, and Uruguay)

Your job is to come to the hearing with a good understanding of the dispute and the positions of each of the arguing parties. To prepare, you must read the role sheets for each group and make a list of questions for each, which you will ask following their prepared testimony. If you are unclear about any aspects of the controversy, use the research days to do some background investigation on your own.

We need to consider both the *rights* and *obligations* of the countries involved in any dispute. We must keep in mind that one country cannot use trade measures to force other countries to change their policies. (But they may use trade measures as an inducement to change behaviors of individual companies.)

The key questions in this dispute are:

- Can one country tell another what its environmental regulations should be? GATT rules do not allow this, even to protect animal health or exhaustible natural resources. The term is called “extra-territoriality.” Extra-territoriality is unilateral (in one direction), while the purpose of GATT and the WTO is multilateral trading.
- Do trade rules permit action to be taken against the *method* used to produce goods, rather than against the goods themselves? (This is a “product” versus “process” issue.)

For this tribunal (hearing), we need to apply a three-part test under Article XX of GATT rules of conduct, to see whether the U.S. boycott (the Dolphin Protection Act of 1992) was justified. It would be permissible if:

1. Action must be taken to further policies to protect human, animal, or plant life.
2. The measure in question must be “necessary” to protect human, animal, or plant life or health. In this case, necessary means NO alternative exists.
3. The measure may not discriminate between countries where the same conditions exist.

We are not environmental experts; we were nominated and approved by GATT signatory nations. We must uphold the primary goal of GATT to nurture international trade and reduce barriers. We were selected because we are fair minded and not biased toward more powerful countries.

Position of U.S. Tuna Company Executives

The following statement conveys your position on the tuna-dolphin dispute. Use this to guide your research and to help prepare a three- to five-minute testimony to the U.S. trade representative. Think about your character's value orientation. Do not quote directly from this statement; internalize the main ideas and make them your own.

In April 1990 we responded to growing public concern about dolphin mortality. Certain consumer groups were suggesting a boycott of tuna caught using purse seines to encircle dolphins (which indicate the presence of tuna schools below). All but 11 of our 35 tuna boats operating in the ETP (eastern tropical Pacific) moved to the western Pacific where the purse seine method was not reported to be in use.

We support the Dolphin Protection Consumer Information Act and we voluntarily set industry standards for labeling tuna as "dolphin-safe." We were thus in compliance with the International Dolphin Conservation Act of 1992, which banned the sale, purchase, transport, or shipment in the United States of any tuna that wasn't dolphin-safe after June 1, 1994.

However, the labeling we instituted did little to protect dolphins because many foreign tuna boats were still using the dolphin encircling method in the ETP. We have acted in good faith, despite the fact that our sales have declined between 20% and 25% since the dolphin-safe policy was implemented in 1990. One reason may be that, without the use of purse seine nets, we catch smaller tuna (skipjack rather than yellowfin), so the product itself has changed. Cans may now contain 80% skipjack and 20% yellowfin as opposed to 80% yellowfin and 20% skipjack.

We want fairness, and if Mexican fishers are allowed to continue using purse seines and exporting their yellowfin tuna to the United States, then U.S. companies will lose money. U.S. consumers will not be afforded a "dolphin-safe" product and dolphins will continue to die each year.

Position of Members of Congress

The following statement conveys your position on the tuna-dolphin dispute. Use this to guide your research and to help prepare a three- to five-minute testimony to the U.S. trade representative. Think about your character's value orientation. Do not quote directly from this statement; internalize the main ideas and make them your own.

We truly want to demonstrate that our North American Free Trade Agreement (NAFTA), which opens up increased trade with Mexico, will not undermine American environmental standards. Our hope is that this panel will agree that the necessity of the Marine Mammal Protection Act outweighs concerns about trade barriers. There is no trade barrier between the United States and Mexico. We want nothing more than to expand our markets. But we don't want to expand by undoing important legislation that the U.S. Congress and the American people fought hard to pass.

If the Marine Mammal Protection Act cannot be enforced, then all kinds of environmental laws will be thrown into question. Should we let people poach elephant tusks? Destroy the ozone? Dump oil in the ocean? The most sensible approach is to balance the free trade we all want with the sound environmental policies in place.

Position of Mexican Tuna Fishers

The following statement conveys your position on the tuna-dolphin dispute. Use this to guide your research and to help prepare a three- to five-minute testimony to the Mexican trade representative. Think about your character's value orientation. Do not quote directly from this statement; internalize the main ideas and make them your own.

Although we continued to use the purse seine method, dolphin mortality has significantly decreased, as is supported by IATTC (Inter-American Tropical Tuna Commission) data. For example, the “backdown” method involves backing up a fishing boat to lower the edge of the net and allow dolphins to escape. Through increased education about how to avoid dolphin injury and mortality, we’ve achieved the desired result without having to ban the practice altogether.

We believe that in trade disputes such as this, education is a much better incentive to countries than a ban that penalizes foreign producers.

We did, some of us, try using methods other than purse seines, but vessels would lose up to \$100,000 per trip due to the fact that we were catching smaller, less valuable tuna (skipjack, juvenile yellowfin as opposed to large yellowfin tuna). This represents a significant financial setback for our economically disadvantaged fishermen.

If the arguments of the United States are accepted, then any country that has different environmental, health, and safety standards can ban trade with others. This would allow them to impose rules not just on their own citizens, but on other countries. Such a tool of power could lead to a flood of protectionist trade abuses (favoring only domestic products and denying other countries access).

The United States is not banning our *product*; they are banning the way the tuna is produced. We do not feel GATT trade rules allow action to be taken against the *method* used to produce goods instead of the goods themselves.

Finally, there is a “fishy” side to this. American fishers take special care to kill as few dolphins as possible in the eastern Pacific, but fish recklessly in the western Pacific waters where the law does not apply. We don’t have access to ports in western waters. Mexican fishermen killed 70% fewer dolphins in 1990 than in 1986. America’s own dolphin-kill quota has remained the same for 10 years.

Position of United States Fishers

The following statement conveys your position on the tuna-dolphin dispute. Use this to guide your research and to help prepare a three- to five-minute testimony to the U.S. trade representative. Think about your character's value orientation. Do not quote directly from this statement; internalize the main ideas and make them your own.

To be honest, our priority is getting work and supporting our families. When the tuna boycott was kicked off, we needed a way to keep our livelihood. Some of us left the eastern tropical Pacific (ETP) and went fishing in the western Pacific, while two-thirds of us “re-flagged” with foreign fleets.

See, the first three big U.S. corporations — H.J. Heinz (which owns Star-Kist), Pillsbury (Bumblebee), and Ralston-Purina (Chicken of the Sea) — sell most of the fish to American consumers. They want to buy tuna where they can get it the cheapest. That means from foreign fleets, like those in Latin America.

These companies lobbied against strengthening the Marine Mammal Protection Act. They knew American fleets were the ones who invented the purse seine technique and practiced it for 15 years. So when Congress initially barred U.S. fishers from using purse seines, the tuna companies were buying from foreign fleets. They did this to avoid paying higher labor costs to American fishers, and to avoid having observers on board from the National Marine Fisheries Service (and having to deal with U.S. regulations).

We don't want to kill dolphins. We just want to fish for tuna, and to catch the biggest fish (yellowfin tuna) we can. Whether this is done through safer use of nets (and releasing dolphins) or finding other techniques or other waters is fine, so long as the Mexican and other Latin American fishers are required to fish the same way the U.S. fishers are. We should all be trying to preserve tuna fisheries, and that's not going to happen if we make the public mad, or if governments try to shut each other's fishing operations down.

Position of Environmentalists

The following statement conveys your position on the tuna-dolphin dispute. Use this to guide your research and to help prepare a three- to five-minute testimony to the U.S. trade representative. Think about your character's value orientation. Do not quote directly from this statement; internalize the main ideas and make them your own.

Up to 1991, Mexico's fishermen were allowed to kill 10,000 to 50,000 dolphins yearly due to its fishing method. That's why we must protect dolphins and punish the harmful method used to obtain some tuna.

Since 1990, U.S. law (the revised Marine Mammal Protection Act) has insisted that imported tuna not be fished using a method that kills more than 25% more dolphins than does the American fleet. We think that standard is too weak. Even though they can legally kill a quarter more dolphins than does the American fleet each year, Mexico, Venezuela, and the island of Vanuatu have flunked the grade. Mexico may have killed as many as 100,000 dolphins in a single year.

The WTO demands that all food safety, environmental, workplace, and consumer standards be the "least trade restrictive." Doesn't this risk forbidding any ban on harmful substances or production methods, because any ban could be viewed as "trade restrictive?" We say: Green Trade or NO trade!

The "dolphin-safe" labels, mandated by the Dolphin Protection Consumer Information Act, *are* working to lower dolphin kills in the eastern tropical Pacific (ETP). The number of "sets" (purse seines used) decreased by 27%. In addition, foreign fishers reacted to public pressure from American consumers, and increased education about safer fishing methods.

How can this tribunal be allowed to overrule sound environmental policy? If the judges decide in favor of Mexico, any country could then challenge United States environmental, health, and safety laws simply because the laws are perceived as obstacles to trade.

Should all of our laws — even those necessary to protect endangered species — have to comply with trade rules set by the WTO? Then what will be the future of our Environmental Protection Agency?

If this panel decides the Dolphin Conservation Act is an illegal trade barrier, the United States must get rid of it or face trade sanctions and pay a substantial fine. We can't have the WTO determine what we eat and how we protect the environment.

A ruling for Mexico will lead other nations to challenge U.S. and European environmental protection laws, and could weaken environmental protection treaties.

Position of Trade Representative from Mexico

The following statement conveys your position on the tuna-dolphin dispute. Use this to guide your research and to help prepare a three- to five-minute testimony for the Dispute Resolution Panel. Think about your character's value orientation. Do not quote directly from this statement; internalize the main ideas and make them your own.

Trade sanctions are not the answer. The United States is abusing its power and acting unilaterally (instead of multilaterally, which is the norm in international trade). If the United States wins, this will set a precedent whereby weaker countries are subject to the rules of the powerful.

The United States cannot ban a *process*. It can only ban, with just cause, a product. Prohibiting the sale, purchase, transport, or shipment of tuna because of the *method* used is illegal under the WTO. This supposed concern for dolphin is a trade barrier in disguise! The United States has no business legislating what happens on the high seas.

The Marine Mammal Protection Act has a clause extending trade sanctions against any nation that is a middleman in the sale, purchase, transport, or shipment of tuna. Therefore, the entire international community is on our side. On this dolphin issue, the United States stands alone.

The answer is a multilateral solution that supports the WTO's goal of a multilateral trading system. The most fruitful solution to this problem is a cooperative one.

America's real intent is not to protect dolphins, but to protect its own fishermen!

Position of Trade Representative from the United States

The following statement conveys your position on the tuna-dolphin dispute. Use this to guide your research and to help prepare a three- to five-minute testimony for the Dispute Resolution Panel. Think about your character's value orientation. Do not quote directly from this statement; internalize the main ideas and make them your own.

The enforcement of the United States Marine Mammal Protection Act is not aimed to be a trade barrier with any Latin American nation. It is intended to save an important species — the dolphin. If this resolution panel decides to overturn the act to protect dolphins, that would be unjust. The United States could be punished by having to pay higher duties on products we export to Mexico — for trying to save a species for all countries to enjoy.

The WTO could undermine food safety laws next, forcing the United States and other nations to either accept foods with dangerous pesticides (which we have outlawed) or pay a hefty fine.

If the panel sides with Mexico, any WTO member country that wants to finish off endangered species or use toxic chemicals or employ children as slave laborers could do so, because it's within its own jurisdiction. Don't we need to demonstrate that some priorities are more important than trade dollars? We cannot be forced to repeal environmental laws to preserve trade agreements.

✓ Day 5 Lesson Plan

Presentations to Trade Representatives Followed by the Hearing

Time: 2 class periods, with deliberation; *Materials:* Video camera (optional)

Students should come prepared to give a *three- to five-minute presentation* to their trade representative (either U.S. or Mexico). Representatives should come with a list of questions for each of the roles. (They may decide to divide this responsibility among themselves.) Ask the trade representatives to sit at a table in front. (You may want to ask them to appoint a chief representative to run the proceedings.) Ask a student to monitor the time to make sure each group stays within the five-minute limit.

Trade reps will use this information to fine-tune their presentations for the hearing before WTO judges during the next class period, so remind them to take thorough notes so they can represent their groups effectively. After each presentation, the *trade representatives will ask questions* to challenge or clarify a group's position. Encourage all interest groups to support their arguments with facts from their research.

The Hearing

Only the trade reps will be permitted to present their case to the three-judge panel. All interest groups will remain in the classroom while the *hearing is held in secret* in another location. (It might be most effective — and educational — to videotape the hearing for playback later, to assess whether the trade reps fully communicate each group's views.) The interest groups remaining in the classroom could be asked to write their views about the process that excludes so many voices. Through this editorial or position paper, students would discuss whether the WTO resolution panel is the best process to use or they could suggest a better alternative.

After each rep's presentation, the *judges will ask questions* to challenge or clarify each side's position. You might ask the judges to deliberate in front of the class — in a “fishbowl” format — so the whole class can hear the strengths and weaknesses of the arguments. The judges must then render a decision.

Finally, discuss the judgment made, and briefly review how the process worked. Does it seem like a fair way to resolve trade disputes? Talk about how this process differed from the “real thing.” How did it feel to be excluded from the proceedings? What impacts will the decision have on the various interest groups? On consumers? On the economies of the two countries?

✓ Day 6 Lesson Plan

Materials: An overhead (optional) to review the following information with students:

Outcome of the WTO Resolution Panel

The confidential (but quickly released) committee decision stated “a contracting party may *not* restrict imports of a product merely because it originates in a country with different kinds of environmental laws than its own.” *Translation:* The “contracting party” — the United States — lost.

In its conclusion, the panel found that the United States imposed the embargo to alter other countries' policies not within its jurisdiction, but within the global commons (i.e., the ETP). In other words, the fact that the United States was imposing a trade policy beyond its borders to protect an environmental resource (dolphins) was not permissible. Sanctions would only be permissible if designed to ensure countries' compliance with a *multilateral* agreement (which didn't exist here). A major concern of the WTO is that trade restrictions for legitimate environmental or other social goals might be used by others as disguised barriers to trade.

The Aftermath

Mexico brought a second complaint to the GATT in 1993. At this time, the Clinton administration didn't want a fight. It hammered out an agreement with leaders from environmental groups (which had been on good terms with the Clinton White House) and the Mexican government. In 1995, the Declaration of Panama, an international accord, lifted the U.S. trade embargo against Latin American tuna caught by encircling nets. The Latin American fishers would be allowed to sell their tuna in U.S. markets. In exchange, Mexico and 10 other countries agreed to cap their annual dolphin kill at 5,000 animals.

The bill also relaxed standards for the "dolphin-safe" label. Opponents of the Panama Declaration felt it sacrificed good U.S. environmental law to appease Latin American trading partners and aid businesses.

Congress passed this bill on August 16, 1997, after a two-year battle among differing environmental groups and coalitions in favor of free trade. The bill implements the Panama Declaration by: (1) lifting the U.S. embargo and (2) relaxing standards for "dolphin-safe" labels. Encircling was now permitted as long as on-board observers certified that no dolphin drowned during the netting operation. (*Note:* There is some speculation that these observers could be pressured by boat captains or by their own governments to "fudge" the numbers of dolphins drowned.)

In the end, many felt it was more pro-trade than pro-environment. But groups such as Greenpeace and the World Wildlife Fund said that opening U.S. markets was, in the long run, the best way to get other countries to be more "dolphin friendly." By working *with* Latin American nations, they believe they can save entire ecosystems, even though single species may suffer. Unless given credit for their efforts, the Latin nations might resume their "bad old ways," say the Environmental Defense Fund, the World Wildlife Federation and the Center for Marine Conservation. Meanwhile, the Earth Island Institute (with which filmmaker Samuel LaBudde works), Sierra Club, Humane Society, and Friends of the Earth felt the delegation in Panama "sold out" the dolphins to free trade.

As a final chapter to this ongoing saga, President Clinton signed a 1998 Agreement on the International Dolphin Conservation Program (IDCPA), which finally clarified standards for the "dolphin-safe" label on tuna products. (Previously, U.S. policy allowed cans to be labeled "dolphin-safe" even though no one was observing whether dolphins were being killed. It simply meant purse seines weren't used in the ETP to catch tuna; they could be used in waters anywhere outside the ETP, and the consumer wouldn't know.) The rules were clarified as follows.

- First, *no* tuna caught on the high seas using the driftnet fishing technique are eligible for the label.
- Second, outside the ETP, *no* tuna caught using purse seine fishing techniques where dolphins were intentionally encircled to catch tuna — and no dolphins were intentionally or unintentionally killed in *any* of the sets — are eligible for the label.
- Third, tuna caught *in* the ETP, including those caught by the purse seine technique, *are* eligible for the "dolphin safe" label as long as an on-board observer certifies that no dolphins were killed during the harvest.

These three conditions suggest that — at long last — there will be some coherence in tuna policy industry-wide. So can we now buy tuna with a clean conscience?

The U.S. House of Representatives (Committee on Resources) needs to fund further dolphin research to determine the health of current dolphin populations and the effect of purse seining on their reproduction and survival rates. Second, the newly created IDCPA (1998 act) requires that countries involved in fishing in the ETP negotiate and implement a legally binding international agreement that will regulate the industry (thus enforcing compliance with the act). At that point, dolphins, consumers, fishers, and the state of international relations will be better off. But what about the tuna?

Final Assignment

Now that students have a full picture of the events and policy arguments and changes before and after the Dispute Resolution Panel, ask them to communicate their feelings on the issue in either an editorial essay or political cartoon. (Ideally, share with students essays and cartoons about this or other WTO disputes.)

Materials: Editorials, political cartoons you've collected on this or other WTO disputes. An assignment sheet and scoring guide for the persuasive essay or cartoon.

Optional Follow-up: The Shrimp/Sea Turtle Dispute

This dispute shares much in common with the tuna/dolphin dispute, and might be an interesting follow-up study or discussion for your students.

Teacher Background

Section 609 of the U.S. Endangered Species Act forbids the importation of shrimp from countries that permit harvesting of shrimp without appropriate technology to protect against the indiscriminate slaughter of endangered sea turtles. In 1987 the National Marine Fisheries Service created rules that required U.S. shrimp fishers to use turtle excluder devices (TEDs) on their vessels.

The excluder devices provide an escape route for endangered species of sea turtles that are otherwise caught up in the shrimp fleet nets and drowned. It is estimated that up to 150,000 sea turtles drowned in shrimp nets annually before U.S. law mandated TED devices. The devices have reduced the capture rate by 97% and cost a relatively modest \$50 to \$300 per unit. Section 609 extended that rule to any country wishing to export shrimp to the United States. The law was passed in 1989 and did not go into effect until 1996, a full seven years after passage. The legislation required the secretary of state to initiate negotiations with all foreign countries to develop treaties to protect sea turtles. Countries could adopt regulations requiring TED use by their mechanized fleet or devise their own unique plan that provided adequate turtle protection, i.e., a 97% reduction in the capture rate.

In 1996 four countries — Malaysia, Thailand, Pakistan and India — initiated a challenge through the WTO to protest the discriminatory nature of the U.S. law that effectively prohibited them from selling shrimp in the United States. Under the exceptions clause of Article XX of the GATT/WTO, countries may justify certain violations of GATT principles to advance the goals of protecting health, safety, and the environment as long as such violations are undertaken in a nondiscriminatory fashion and do not constitute a disguised barrier to trade. The U.S. law was challenged on the grounds that it constituted a barrier to trade because it sought to influence the regulatory regimes of other countries by insisting on the use of TEDs or other equivalent methods that would have the desired result of preserving sea turtles.

The WTO appellate body (judges for the appeal) ruled that the U.S. shrimp law was GATT legal, but, because it did not apply the law equally to all nations it did not meet the conditions for a legitimate exception under Article XX. Countries of the Western Hemisphere were granted technical and financial assistance and a longer transition time for implementing the TEDs than were the Asian nations that brought the challenge to the WTO's Dispute Settlement Body (DSB). The DSB ruled that the shrimp law was an unjustified discrimination against free trade, even while acknowledging the international environmental interest in preserving endangered sea turtles and the appropriateness of the TED policy in accomplishing that objective. In anticipation of a negative WTO ruling, the United States changed the shrimp importation standards from a nation-by-nation basis to a shipment-by-shipment basis. Charlene Barshefsky, U.S. trade representative, argued that this did not represent a weakening of U.S. law: "The Appellate Body report does not suggest that we weaken our environmental laws in any respect, and we do not intend to do so." Critics of the appellate decision argued that the change in classification from nation-by-nation to shipment-

by-shipment would have the effect of encouraging shrimp laundering because foreign shrimpers would have only to transfer their catch to a TED-certified vessel before sale to the United States.

The basic question, it seems, is whether in this case the United States was acting in the interest of preserving the resources of the global commons (oceans, wildlife) or discriminating against foreign shrimp harvesters. Another question is whether DSB rulings ignore the existing multilateral environmental agreements that are pertinent to trade-related environmental measures under dispute. According to Global Trade Watch, “In the shrimp/turtle case, the fact that the United States had signed agreements with 17 nations did not prevent the appellate body from ruling that the United States was still implementing the shrimp import ban in a unilateral, extraterritorial and thus discriminatory manner.”

Impacts of Shrimp and Tuna Bans: Differing Viewpoints

The tuna/dolphin dispute and the shrimp/turtle dispute highlight a fundamental conflict inherent in the key principles of the WTO. On the one hand, the WTO professes a basic commitment to trade liberalization and freer trade. Economists generally oppose import restrictions to enforce PPMs (process/production methods) because such methods are one of the main differences among economies in the global market and as such provide the basis for the law of comparative advantage and the principle of specialization to operate. Eliminating PPM differences would remove many of the gains to be realized from specialization. In addition, some economists believe that it is inappropriate for one nation to unilaterally attempt to force other countries to adopt certain PPMs or to refrain from certain production methods. Environmental policies appropriate for one country may not be appropriate or economically feasible or desirable for another. Unilateral trade restrictions (e.g., shrimp and tuna bans) are “inherently asymmetric towards poor nations with less economic clout, implying that the economically strong nations are also morally superior and their governments must not be constrained by multilateral rules from coercing others into conversion.”

Congressional Research Service

On the other hand, the WTO also professes a commitment to sustainable development, that is, development that allows for the efficient allocation of resources, the fair allocation of resources, and the maintenance of a sustainable scale of resource use. Keith Rockwell, director of WTO’s Information and Media Relations Division, argues that the WTO’s role in assisting economic growth in the less developed nations is to promote the main recommendations of the 1992 Rio Earth Summit. Those were the “... notions that (1) trade liberalization leads to more efficient allocation of resources, including environmental resources, and (2) that liberalization has the capacity to generate the income that developing countries require to protect their environment.”

And yet, all economists do not accept Mr. Rockwell’s conclusion. In particular, the ability to distinguish among production methods and processes is essential to environmental protection and sustainable development policies. One of the key components in setting the world on a sustainable and equitable development path involves changing the conditions and processes under which goods are produced, commodities grown, harvested, and extracted. Trade rules that forbid the differentiation between production methods make it impossible for governments to adopt an aggressive approach to environmental protection or an enlightened and effective response to oppressive social practices like child labor.

Global Trade Watch

✓ Day 7 Lesson Plan

Share essays/cartoons and evaluate the WTO role today. Discuss the following unsettled questions and ask the class what other issues the simulation raised:

- Why might the United States have the most complaints awaiting WTO rulings?
- Can you make some generalizations about the countries that use the WTO and those who don't? (Use Almanacs, World Population Data Sheets, and other resources to support theories.)
- Is it a good idea that a powerful country cannot use trade measures to force other countries to change their policies? (Discuss pros and cons using this and other WTO disputes as examples.)
- Do multinational corporations have more or less power with the existence of the WTO?
- What are the benefits and drawbacks to the current structure of WTO Dispute Resolution Panels?
- Can one country tell another what its environmental, public health, or safety regulations should be?
- Should trade rules permit action to be taken against the *process* used to create a product, or only the product itself?
- In March of 1994, then-director of GATT, Ireland's Peter Sutherland, stated that "Governments should interfere in the conduct of trade as little as possible." What are the pros and cons to this idea?
- Should most-favored nation status be linked to progress in human rights (for countries like China)?
- Should some kind of environmental responsibility be tied to most-favored nation status?

Options for Extending the Lesson

- With the class, make up a chart of the pros and cons of the purse seine technique for catching tuna. Split the class into three groups: lobbyists for, lobbyists against, and one of the following:
 - tuna company (Star-Kist, Bumblebee) executives at a board meeting;
 - a Senate subcommittee evaluating the Marine Mammal Protection Act;
 - a board meeting of the World Wildlife Fund or Greenpeace;
 - a meeting of the United Nations Environmental Project;
- Assign students to act as a Truth Commission to determine the real truth behind "dolphin safe" labels used today on tuna cans.
- A Truth Commission could also seek to examine statements made about the WTO. Here is a list of "Ten Misunderstandings" about the WTO from the organization's website:
 1. The WTO dictates policy.
 2. The WTO is for free trade at any cost.
 3. Commercial interests take priority over development.
 4. Commercial interests take priority over the environment.
 5. Commercial interests take priority over health and safety.
 6. The WTO destroys jobs, worsens poverty.
 7. Small countries are powerless in the WTO.
 8. The WTO is the tool of powerful lobbies.
 9. Weaker countries are forced to join the WTO.
 10. The WTO is undemocratic.
- Research another WTO dispute involving an environmental issue. Do you agree with the environmentalist position that the WTO reduces environmental regulation to the "lowest common denominator?"
- Ask students to write up scientific questions on the tuna-dolphin dispute. For example, do other fishing techniques (alternatives to the purse seine) disrupt different species? What is best for entire marine ecosystems?

Suggested References and Resources for Further Research

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Tuna and Trade: Whose Rules? *The New York Times*, Feb. 19, 1992, 141:C2(N), D2(L) col 1.

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Trading the Environment. *Sierra*, Jan.-Feb. 1992, 77(1):24(3).

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Mexico Wins Battle Over US Tuna Ban, But Backs Off to Save Image, Trade Talks. *The Christian Science Monitor*, Sept. 27, 1991, 83(213):8 col 1.

U.S. Ban on Mexico Tuna Is Overruled (GATT decision). *The New York Times*, Aug. 23, 1991, 140:C1(N), D1(L) col 6.

A Deadly Roundup at Sea; Pressure Mounts to Save the Dolphin by Restricting Tuna Fishing. *Time*, Aug. 4, 1986, 128:46.

Web Sites

An Introduction: The Shrimp-Turtle Dispute and CIEL's Amicus Brief; www.igc.apc.org/ciel/shmptur.html

Center for International Environmental Law
HREF=<http://www.econet.apc.org/ciel/issue2b.html>

Charnovitz, Steve. GATT and the Environment: Examining the Issues. *International Environmental Affairs*, 4(3):203-33; HREF=<http://www.ciesin.org>

Committee for the National Institute for the Environment, Congressional Research Service, Report to Congress. *GATT, Trade Liberalization, and the Environment: An Economic Analysis*, by Arlene Wilson; HREF=<http://www.cnie.org/nle/econ-3.html>

Congressional Research Service Issue Brief on Dolphin Protection and Tuna Seining;
http://www.netpets.org/fish/fishnews/96011_2.html

Earth Island Journal
HREF=<http://www.earthisland.org/journal/gatthre.html>

Excerpts from GATT including Article I, Most Favored Nation; Article III, National Treatment; Article XIII, Non-Discriminatory Administration; Article XX, Summary and General Exceptions as amended Through 1996, may be found at www.ciesin.org/tg/pl/trade/gattxt.html#art20

World Trade Organization
<http://www.wto.org>

Other

For an extensive analysis of the tuna-dolphin case, see Housman and Zaelke, *The Collision of the Environment and Trade: The GATT Tuna/Dolphin Decision*, 22 *Environmental Law Reporter* 10268, 1992.

SECTION 5

There's the Beef . . . and Much Ado about Groceries



Paulette Thompson
Garfield High School, Seattle

The Dispute with the European Union Over Cattle Treated with Growth Hormones

Globalization, although not a new phenomenon, is spreading rapidly. International trade affects us all culturally, scientifically, economically, and politically. Through this unit, students can gain an understanding of how global trade agreements and disagreements are an integral part of an increasingly interdependent society. This unit demonstrates that attempts to resolve trade disputes between agricultural sectors in a manner that is economically fair may not be seen as culturally fair or politically possible. The E.U. has continued to uphold an 11-year ban on all imports of hormone-treated beef. In the wake of food-related scandals in the United States and Europe, European consumers are not interested in taking what they consider to be risks with their food.

► Objectives

- To develop an understanding of the dispute between the United States and the European Union, and to explore the cultural and political consequences of economic decision making.
- To understand the specialized vocabulary associated with trade, the beef hormone dispute, and the WTO.
- To identify multiple perspectives on this issue and examine the reasons behind each.
- To examine the role of the media and how journalists portray the issues.
- To evaluate the issue by taking a position on the debate in a written or spoken essay.

Curricular Themes

Trade and Environmental Issues
Trade and Labor Issues
European Studies
Globalization
Media Literacy
Conflict Resolution
International Trade Organizations

Applied Skills

Reading for Information
Summarizing
Synthesizing
Research
Debate
Critical Thinking

Suggested Grades: 9–12

Suggested Time Frame: 1–2 weeks

Related Washington State Essential Academic Learning Requirements (EALRs):

Geography #3: *The student observes and analyzes the interaction between people, the environment, and culture.*

- 1.4 Point of view affects how we understand the past and present.
- 3.4 There are decisions to be made regarding the present and future uses of land and resources.

Civics #3: *The student understands the purposes and organization of international relationships and how U.S. foreign policy is made.*

- 4.1 Governments have definable powers.
- 4.2 Governments are organized to meet a variety of needs.
- 4.6 Ideologies and processes differ across political systems.

Economics #1: *The student understands basic economic concepts and analyzes the effect of economic systems on individuals, groups, and society.*

- 5.1 Basic economic problems confront all societies.
- 5.2 There are different economic systems.
- 5.3 The way people produce goods and wealth is affected by time and location.

Note to Teachers: The simulations are designed for a class of 28–32 students. Students should know about the concepts of social democracy and liberal/capitalist democracy. Knowledge of the European Union also is essential. Students will need a general background on the debate concerning “fair” and “free” trade, GATT, and WTO.

The May 1999 issue of *Europe* magazine is a wonderful resource to have in class. The issue includes four articles, including interviews with Charlene Barshefsky (U.S. trade representative) and Hugo Paeman (current E.U. ambassador to the United States), which are clear enough to use with students. There is also an article on the European Parliament. The magazine can be found in libraries or on Infotrac.

Introduction

(This section can be used in Simulation Part II as a handout for students if desired.)

Any vegetarians or vegans in the house? Any meat eaters? Those growing up in the early 1970s may remember the successful beef boycott in the United States. As a result of the high price of red meat and the health consciousness of the day, many consumers started preparing more meatless meals or bypassed beef altogether in favor of chicken. Although beef prices eventually declined and people began buying it again, chicken remained extremely popular. Consequently, the beef industry looks to exports as a way to offset what it perceives as stagnant domestic sales.

The success of that 1970s grassroots action reminds us that the public has clout. Industries spend a lot of money marketing products to the consumer. What happens when an industry wants to sell its products abroad and finds out that the consumers overseas do not want the product?

The trade dispute involving the United States, Canada, and the European Union is an example. Given that the E.U. is second largest trading partner of the United States, to be able to sell beef there would be a boon to the beef industry. However, because most Europeans are opposed to eating beef from cattle fed hormone growth supplements, the E.U. has continued to uphold an 11-year ban on all *imports* of hormone-treated beef. Even European food writers have taken a stand against this beef (as well as genetically modified foods). In general, in the wake of food-related scandals in the United States and Europe, European consumers are not interested in taking what they consider to be risks with their food. This unit explores the different sides in this economic food fight and then looks at how nations solve trade disputes through the WTO.

Some History

The beef hormone dispute has a legacy in that it is not the first controversy concerning additives in the production of beef. DES, or diethylstilbestrol, is a now-illegal artificial estrogen that was created in 1938 and used worldwide to fatten fowl and other meat animals to cheaply speed production and decrease the amount of feed required. The U.S. Food and Drug Administration banned the use of DES in poultry production in 1959 after the discovery that both canine and human males exposed to DES were developing female characteristics. Use in beef cattle continued. At that time doctors prescribed DES for pregnant women in an attempt to prevent miscarriages and premature births and ironically as a morning-after pill to terminate pregnancies. In 1971 doctors determined that DES caused mutations and cancer in the reproductive organs of young women whose mothers used the drug while pregnant. It also caused other ailments affecting the reproductive organs, such as premature development of breasts in young girls. Young men whose mothers used DES suffered problems with the male reproductive system. Pharmaceutical companies and beef producers fought against banning DES. The United States banned it in 1979 after a serious political struggle. The scandal hit Europe in 1980.

How Nations Solve Disputes with the WTO

When is scientific fact open for debate? When is it permissible for a country to protect its citizens from risk? The E.U.'s "zero risk" standard regarding the ban on beef treated with growth hormones is based on the "precautionary principle," which is widely recognized in international law. This principle asserts that science does not always provide the information or insights necessary to take protective action effectively or in a timely manner. As a result, undesirable and potentially irreversible effects may result if action is delayed until the scientific community provides irrefutable information.

The United States argued that the E.U.'s health concerns regarding the prohibition of beef hormones in beef cattle were not based on sound science and as such were a barrier to trade. They posited that the E.U.'s "precautionary principle" was an attempt to protect European cattle ranchers by keeping out all imported beef. Canada joined the dispute in support of the United States.

When the United States and Canada brought the case to the WTO, it was the first under new regulations. Unlike GATT, a binding dispute resolution process makes rulings or recommendations that members automatically accept unless a consensus rejects a ruling. There are definite timetables because the objective is to make decisions as quickly as possible. The process includes the following steps:

1. *Consultation* (up to 60 days): The different sides discuss their concerns. If disagreements can't be resolved, they then go to the panel.
2. *Establishment of a panel (3 judges)*: Panels are tribunals on which three experts make rulings or recommendations. The experts must not be from the disputing countries, but the disputants are consulted on their selection.
3. *Hearings*: The various sides present their cases in writing. Then, over about a month, the panel hears testimony from experts, asks for clarifications and comments, and reviews the case. If necessary, further meetings are held. Three weeks after the panel makes a decision, it is submitted to WTO members. After 60 days the report becomes a ruling. At this point the disputing parties may appeal.
4. *Appeals*: Three members of the seven-member Appellate Body set up by the Dispute Settlement Board (DSB) preside over the appeal. The DSB may reject or accept the decision. The losing side is told to make changes or find and present new evidence within a certain period of time.
5. *Decisions*: The panel and the parties have three options: compensation, retaliation (sanction), or negotiated settlement.

The hearings are held behind closed doors. Some argue that this is necessary to ensure efficient proceedings, while others argue that it is an undemocratic process. All final rulings are made public.

In disputes concerning food, the DBS uses strict binding measures as a yardstick upon which to make decisions. The creation of the WTO's Sanitary and Phytosanitary Standards Agreement (SPS), which deals with health and safety regulations, brought a new twist on how to examine trade disagreements dealing with health and food safety. Sound scientific proof is required by the nation whose practices are being questioned.

SPS requirements under WTO raise these important questions: What is the international standard and what happens if domestic standards are higher or lower than the international? Exactly who sets these standards? How exactly are they set?

The E.U. appealed the decision of the WTO — and lost. The WTO declared that health regulations made in advance of scientific certainty are not allowed under WTO provisions of the SPS Agreement. Critics of this decision say that if the SPS Agreement had been in effect in the 1950s, it is likely that the U.S. decision to delay the sale and use of thalidomide, another hormone, would have been in violation of SPS rules. (Scientific tests in Canada and Europe showed no negative effects.) With regard to another health issue, the U.S. has adopted a zero tolerance for the presence of a bacterium (listeria) in cold-smoked fish, canned lobster, and ready-to-eat seafood. This testing is more rigorous than adopted by the Canadian health officials, so they have complained that the U.S. listeria policy is a barrier to trade.

Where does this leave people? When do sovereignty and health issues relate to trade?

Student Activities

Activity #1: Media Literacy

In a July 30, 1999 *Wall Street Journal* article concerning food, hormones, agribusiness, and politics, reporter Lucette Lagnado states that “consumers, however, have so far greeted the hubbub roiling Europe with a big yawn.” This statement prompts this question: Do Americans not care about food hormones or are they simply unaware? It could be argued that most Americans haven't a clue about the beef hormone dispute or the World Trade Organization. While the simulations in this unit include news interviews and reports, in reality reportage on this topic in U.S. mainstream media is hard to find, if not impossible.

Students will explore this hypothesis by doing two activities. The first part of this assignment is to search for U.S. mainstream media articles on the beef hormone dispute. Students should limit their search to general or nonbusiness newspapers or magazines. Students choosing to search the Internet need to keep in mind that most Americans do not have online access. This means that not all information is available to the general public. Students are to bring at least one article to analyze in class. Depending on the number or quality of the articles found, teachers may decide to use only one article for analysis in class and then have students choose from among several articles to analyze for homework.

Where's the Beef?

1. In what section of the newspaper or magazine did you find the article?
2. Who is quoted?
3. What perspectives does the article present?
4. Does the author assume you have enough background knowledge? Did you?
5. Are regular citizens represented in the article? If so, how?
6. Describe the tone of the article. What word choices does the author use to report on the conflict? Is there evidence of bias? How do you know?
8. Was this a useful article for understanding the beef hormone dispute or the WTO? Explain.

Survey

The second part of this assignment is to conduct a survey on the question: “What do Americans know about this issue?” Students are to survey five to 10 adults aged 18 and over. The participants may be family members, neighbors, friends, and the folks at the grocery store or the library. Students to keep track of the responses and bring the results to class to share.

1. Have you heard of the General Agreement on Trade and Tariffs? yes no not sure
Have you heard of the World Trade Organization? yes no not sure
2. Do you know what WTO does? yes no not sure
If yes, explain: _____
3. Do you buy meat or milk that comes from beef or dairy cattle treated with growth hormones or antibiotics? yes no not sure
4. Do you believe that beef or dairy cattle should be treated with growth hormones or antibiotics?
yes no not sure
5. Were you aware that this is a controversial issue in Europe (the European Union)?
yes no not sure
6. Have you heard anything recently about the debate in this country over dairy products with growth hormones? yes no not sure
7. (a) Have you heard any debates in this country over the use of growth hormones in beef cattle?
 yes no not sure
(b) Do you think most (North) Americans care about this issue? yes no not sure
8. Do you know who participates in creating international standards for food consumption?
 yes no not sure
9. Do you know how disputes are resolved through WTO? yes no not sure
10. Did you know that the United States and Canada have a trade dispute with the E.U. over banned hormone-treated beef? yes no not sure
11. Would you be willing to spend twice as much for organic beef? yes no not sure
12. Would you spend twice as much for a hamburger? yes no not sure

The Next Day:

Put students in groups of four to five. Ask them to discuss the results of their surveys. After about five minutes have them report their findings back to the class. Tally the combined results from all the classes that are studying this topic.

Activity #2: Dispute Simulation, Part 1

Note to Teachers: Each group of three to five students will get together for five to 10 minutes to discuss what they perceive to be the factual, ethical, and interpretive issues from their side's viewpoint. Each group has an informational sheet explaining the group viewpoint.

The following perspectives are outlined in this exercise: the North American beef industries, their European Union counterparts, the European media, and the citizens of the European Union. Copy perspectives on separate sheets of paper for student groups.

Each group will present their concerns to the others. Are they willing to compromise? Can they change anyone's mind?

◆ National Cattleman's Beef Association (NCBA) (U.S.)

First, talk within your group for five to 10 minutes to discuss your perspective. Choose a spokesperson, a recorder, a timekeeper. Do not talk to the Canadians. As representatives of the NCBA, you should take the lead here.

- You are the main beef-producing interest group among the U.S. meat producers.
- Your members are mostly large-scale beef ranchers.
- You need Europeans to consume your beef to help you recover losses from what you consider a stagnant beef market in the United States.
- Meat (food in general) is expensive in Europe; you will supply beef at lower prices while selling more meat.
- You feel that you are being unfairly penalized by the Europeans, that they are only protecting their own industry.
- Ninety-five percent of beef cattle in the United States are treated with growth-enhancing hormones.
- The FDA says the six hormones used are safe; farmers began using hormones in the 1950s.
- You eat your beef! It is good, clean, and safe. It is superior to European beef.
- As far as you know, most Americans are not concerned about the presence of hormones in meat.

Note: Avoid discussion of genetically modified foods; Europeans also strongly object to those.

◆ Canadian Beef Cattle Industry

First, talk within your group for five 10 minutes to discuss your perspective. Choose a spokesperson, a recorder, a timekeeper. Do not talk to the U.S. group.

- Most Canadian cattlemen, almost as many as in the United States, use growth hormones in their cattle.
- You feel that your beef is superior to European beef. You eat your beef! It's good, clean, and safe. It is superior to European beef.
- You believe that consumers should have a choice.
- Meat (food in general) is expensive in Europe; you'll help them out with cheaper beef while you are helping yourself.
- You feel that you are being unfairly penalized by the Europeans, that they are only protecting their own industry.
- You need Europeans to consume your beef to help you recover from what you consider a stagnant beef market in Canada. While some Canadians prefer organic beef, Canadian concern over hormone-treated beef has not reached the level of that in the E.U.
- If you can get the Europeans to change their minds, the United States will benefit and will remember this the next time there is a dispute between the United States and Canada.

◆ COPA

(French acronym for Committee of Agricultural Organizations in the E.U., an umbrella group of farm organizations)

First, talk within your group for five to 10 minutes to discuss your perspective. Choose a spokesperson, a recorder, a timekeeper. Do not talk to the Americans. If you wish you may ally with the Canadians. As representatives of mostly family-owned European farms — and organic farming — you believe you are fighting for a dying way of life.

- You argue that the E.U. is not concerned with simple protectionism. The government is right to ban all hormone-treated beef.
- Due to the food scandals, you are worried that overturning the ban will decrease the demand for ALL beef. You see the E.U.'s decision as a way to reassure the public. Beef is not as popular as it once was due to DES, mad cow disease, and other public health scandals concerning food.
- The E.U. does not have an FDA-type organization to oversee safety.
- Europeans do not want to buy hormone-treated beef. North Americans just don't get it. Their produce tastes terrible; if science makes food taste horrible, who cares what their scientists say?!
- You don't trust the United States.

◆ Euromedia

First, talk within your group for five to 10 minutes to discuss your perspective. Choose a spokesperson, a recorder, a timekeeper. Interview the various sides; develop questions as to what you will ask them.

- You continue reporting those scandals: DES, dioxin, mad cow disease, beef hormones as carcinogens in humans.
- Remember, you are citizens of the various nations of the European Union. After interviewing the different sides, decide as a group how to report the beef hormone story.

◆ European Consumers

First, talk within your group for five to 10 minutes to discuss your perspective. Choose a spokesperson, a recorder, a timekeeper. Do not talk to the Americans; you may talk to the Canadians if you like. You are an extremely diverse group, especially because you come from 15 different nations!

- DES (a synthetic hormone) was approved by the scientific community. In 1980 in Italy and other places DES was linked to premature breast development and menstruation in young girls. So don't you North Americans start quoting "science" to us! Faith in science brought us four-year-olds with breasts!
- How concerned is the United States about health and consumer safety? (Think about reactions to *E. coli* outbreaks.)
- Didn't Monsanto silence debate over labeling dairy products in the United States with those law suits? (See *Ecologist* article.)
- Why should we sacrifice our children's health simply because you want to sell your product?
- You don't want to buy North American beef because you don't like the taste.

Next Steps . . .

After hearing all the reports from the consumer and industry groups, ask the Euromedia to give a quick summary of how they will report on the issue.

Then have the class vote as to whether the Europeans will choose to embrace hormone-treated beef. What about allowing the selling of North American beef again? Ask students why they voted as they did.

Ask the class whether they have any solutions to the problem. List them on the overhead projector or the board. For example, what about labeling beef as to whether it has hormones?

Then move on to the real deal: The E.U. continues to ban domestic and foreign hormone-treated beef.

Dispute Simulation, Part II: “The Appeal”

In this part of the simulation, you’ll see how the dispute mechanism process works, or doesn’t. The groups will have varying numbers of students: The E.U. group has 15, while the others have three to five.

How can these issues be resolved? The five groups in this simulation include the U.S. government, the Canadian government, the European Union governments, the WTO panel, and TV reporters. The WTO panel will listen to the arguments presented by the various sides and then make a decision.

◆ U.S. Government Arguments

- Some members of the U.S. Congress do not trust the WTO for various reasons but are under pressure from the cattle industry to resolve this dispute, so the rules for making trade freer have to be upheld. You want WTO to be successful because that will help the U.S. economy.
- You maintain that your studies since the 1950s have always found beef treated with growth-promoting hormones to be safe.
- As far as you are concerned, the hormones do not cause cancer.
- The industry is putting a lot of pressure on you to follow this through.
- You feel that the E.U. is being protectionist.
- You don’t really believe that the E.U. is motivated by preventing a potential health concern for Europeans.
- How about labeling? Some consumer groups and some members of the NCBA argue that meat treated with hormones should be labeled as such. Others oppose it due to expense or the fact that there might be hormonal residue in beef sold.

Outline the three arguments you will make before the WTO panel and clearly label the factual, ethical, and interpretive issues.

◆ Canadian Government Arguments

- You believe you understand the European concerns more than do the U.S. ranchers. Similar to European nations, Canada is more of a social democratic nation than is the United States. In January 1999 Canada banned the use of growth hormones in *dairy* cattle while the United States has not.
- If you can persuade the Europeans to buy hormone-treated beef, you will be helping the Canadian meat industry and gaining political points with the United States.
- How about labeling?

Outline the three arguments you will make before the WTO panel and clearly label the factual, ethical, and interpretive issues.

◆ European Union Government Arguments

The E.U. has 15 member nations: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

- While the U.K. alone of all of the 15 countries wants to end the ban, the E.U. has invoked “the precautionary principle,” which asserts that science does not always provide the information or insights necessary to take protective action effectively or in a timely manner; undesirable and potentially irreversible effects may result if action is delayed until the scientific community provides irrefutable information. The principle is a part of international law.
- In 1996 the European Parliament voted 366 to zero to reauthorize the ban on imports and trade of hormone-treated beef. E.U. scientists and citizens are concerned about the long-range effects of these hormones.
- The citizens of the E.U. are opposed to hormone-treated beef.
- The E.U. is most concerned about the hormone oestradiol 17 beta. It was not originally approved by the Codex Alimentarius.
- There’s a credibility issue here. The last time you allowed North Americans to bring in beef labeled hormone-free, hormone residues were found in test samples.

Outline the three arguments you will make before the WTO panel and clearly label the factual, ethical, and interpretive issues.

◆ WTO Panel of Judges

- Your main concern is to look at the rules rather than culture or politics. You look at the dispute through narrow lenses. Here the rules are concerned with sound scientific proof. You are not concerned with consequences.
- None of you are citizens of the European Union, the United States, or Canada.
- You want to resolve this as quickly as possible.
- You will not allow questions from reporters nor will you give them your names.

◆ TV Reporters

As the groups are planning their presentations, ask if they will submit to an interview. What questions will you ask them? Reporters are to decide how they are to interview the other groups in as fair a manner as possible, first before the other groups present and after the decision has been handed down.

✓ Debriefing

Have each student write answers to the following questions:

- What position did you play?
- Did you like your role?
- Were you happy with what transpired? Why or why not?
- If you had to change anything, what would you change? Why?
- Who do you think the real decision will favor?
- How could this simulation be made better?

What Really Happened

(Put on overhead or on chalkboard.)

- Things finally came to a head last July (1999), when the WTO ruled that the E.U.'s ban on importing beef raised with hormones was unfair.
- The E.U. could keep its ban, but it would have to compensate the U.S and Canada cattle industries for about \$130 million in lost sales.
- Tariffs as high as 100 percent were imposed on mustard products, Roquefort cheese, and other products mainly from France, Germany, Denmark, and Italy.
- French cafe owners have already retaliated. In Dijon, where the local mustard is affected by tariffs, some cafe owners have increased prices on Coca-Cola to more than \$100 a bottle. Near Toulouse, in the heart of the Roquefort cheese region, farmers attacked a McDonald's outlet under construction.

(Excerpted from *The Seattle Times*, 9/19/99, p. 18)

- While many Europeans, especially in France and the United Kingdom, continue to protest against the decision, most North Americans continue to remain unaware of the dispute. There is not the same awareness or discussion of the issue in the North American mainstream media.
- The E.U. is continuing its ban on all hormone-treated beef and has now extended it to meat from cattle raised on antibiotics. (See Olson E, 1999 in *Suggested Source Materials*, p. 78)

Questions for Writing and Discussion

Was enough time given for the dispute process in real life?

Is retaliation appropriate? If so, how much is appropriate? Does it hurt Europeans?

Ask a reporter to read the following paragraph:

Two articles from a magazine geared to agricultural/economic concerns (*Feedstuffs*, May 15, 1999 and June 14, 1999) state that even though the U.S. and Canadian governments and their trade representatives have dismissed the E.U.'s precautionary principle and the scientific studies, North American scientists (from the U.S. Centers for Disease Control and Prevention, the National Institutes of Health, and Health Canada) are concerned about the results of the use of hormone-treated beef — especially oestradiol beta 17 — and will meet to discuss further study and examine the European risk assessment. If the scientists in one government agency (U.S. Food & Drug Administration and Food in Canada) have already determined that all six hormones are safe, what does this new development mean?

Discussion Questions

- Who is involved in making decisions in this trade dispute?
- What role does the consumer play in the decision-making process of the WTO?
- In real life the proceedings occur behind closed doors. Does this make the process work more efficiently? Why or why not?
- Our simulations had TV reporters covering the decision. This doesn't happen in real life? Why?
- All sides declared victory in the dispute. Why might they all feel that way? In your opinion, who lost and who won?
- Is the process fair? How do you know? Should it stay the same? If so, why? If not, what changes should be made? Why?
- What is scientific proof? Does stating that something is scientifically sound mean that it is? How do you know?
- How long does it really take to determine scientifically whether something is harmful for humans?
- Who benefits from this decision, people as citizens, people as consumers, countries, or companies?
- Who benefits more from this decision in the United States and Canada —agribusiness or family farms/cooperatives? How do you know?
- How will this decision affect small family farms?
- What about working conditions for people on ranches and in the processing plants?
- What is the role of government in dealing with these issues? How do governments differ in this instance?
- Should there be a conflict between trade and profit vs. people, how do we resolve it?
- The European public is opposed to the decision; they feel it is undemocratic. Why do they feel that way?
- How should we respond to economic decisions that we as citizens do not like?

Follow-up



Have students practice conflict resolution in this case. Under the dispute settlement mechanism, the panel and the parties have three options: compensation, retaliation (sanction), or negotiated settlement. In the beef hormone decision, retaliation was the enforceable decision chosen. If “freer” trade is the intended goal, it may be useful to consider the other two options. Students may work in groups of four (each plays one of the sides shown in the second simulation) to determine how to get better results.

Suggestions for Expanding the Lesson: Dispute Simulation, Part III

This exercise examines the effects of the U.S. and Canadian retaliations against the E.U. beef ban. Tariffs as high as 100% were imposed on mustard products, Roquefort cheese, and other products, mainly from France, Germany, Denmark, and Italy.

Create seven groups (as listed below) and have students discuss how these groups will be affected by the trade dispute. What are their options? Explain.

1. import/export company
 2. a small specialty goods store
 3. supermarket (chain)
 4. restaurants serving European food, especially French
 5. an upper class family
 6. a middle class family
 7. a working poor family
- Have students examine the European reaction to the beef hormone decision and write letters to European publications expressing their views as young people living in the United States. If the class has European pen pals, U.S. students could share their understanding of the dispute with their European counterparts.
 - *Assessment:* Assign additional research on the topic and then ask students to write an essay of at least five paragraphs that states the following position on this issue: The WTO panel was right to allow the United States and Canada to penalize the European Union for its ban on all beef from hormone-treated cattle. (This does not have to be a student's real position.)
 - What is "sound scientific evidence"? Science classes can examine, brainstorm, and research what that means and then create standards as to what constitutes "sound science." Then science classes can examine the SPS agreement to see if it meets that definition and then apply that information to the lives of young people and the health and safety of their communities. What are the pros and cons? Is it written in a form that regular people can understand? Students could create informational posters on the topic.
 - 1. The meat processing industry is facing legal challenges related to worker rights and safety. Have students research and discuss the implications posed.
 2. r-bGH (recombinant bovine growth hormone for dairy cattle) has recently been determined to cause cancer. How does this situation relate to the beef issue? The same companies that produce the beef cattle bovine growth hormones produce rbGH.
 - Recent reports on the BBC and on National Public Radio's news programs "All Things Considered" and "Living On Earth" have talked about European governments, such as Denmark, providing assistance to farmers who choose to use organic methods. What is organic? How does the dispute concerning beef and dairy cattle and hormone and antibiotics as supplements fit into the overall issue?
 - Ask students to research other trade disputes to see how countries are using the WTO. Example: Have students look at the banana case regarding the E.U. and the United States, the concern in the E.U. and Canada with U.S.-Cuba policy (Helms-Burton Law), the Massachusetts Burma Law, and others.
 - Finally, have students work as an entire class or in pairs to create a "Young People's Guide to the WTO: Why We Should Care." Then students can do outreach in the community.

Suggested References and Resources for Further Research

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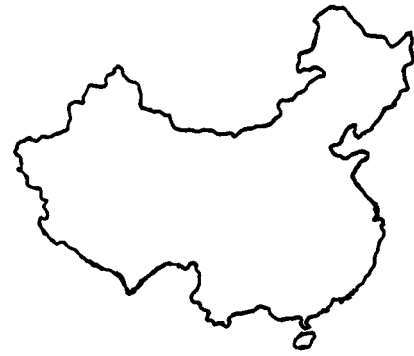
Web Sites

A Citizen's Guide to the World Trade Organization: Everything You Need to Know to Fight for Fair Trade; www.citizen.org

Sanitary and PhytoSanitary (SPS) Agreement: www.wto.org/wto/goods/spagr.htm

SECTION 6

China and the WTO: Accession or Exclusion?



Larry Dohrs, Global Source
Jon Garfunkel, Global Source

The People's Republic of China (China), the world's most populous country and fourth largest economy, has been trying to win entry into the World Trade Organization (WTO) for years. For China, WTO membership would bring greater access to the international marketplace and give it greater credibility as a trading partner. The United States has been blocking China's WTO entry, demanding substantial economic reforms in China before it can be admitted.

China's potential WTO membership has been further complicated by the rocky political relationship it shares with the United States. American and other Western concerns over a rising trade deficit, national security, transfer of sensitive technology, the question of Taiwan, the occupation of Tibet, other human rights issues, and suppression of labor rights have led some to oppose China's WTO membership. All discussions around China's WTO entry were suspended after NATO bombs hit the Chinese Embassy in Belgrade during the war with Yugoslavia in spring 1999.

The aim of this lesson is to introduce students to the various voices, both for and against China's admission into the WTO, and to engage them in a discussion of the larger issues surrounding national, political, and economic interests, and human rights and labor rights in the context of free trade between nations.

Note to Teachers: It is possible that China will have been accepted into the WTO before the Seattle WTO meeting in November. The debate surrounding its entry is educationally useful nonetheless, though teachers may have to change some of the phrasing and tenses to update the lesson.

► Objectives

- To introduce students to the debate and discussion over China's membership in the WTO.
- To analyze the benefits of membership in the WTO.
- To have students explore the balance between national and international interests in policy making.
- To engage students in an examination and critique of how economic and "non-economic" factors play roles in the global economy.

Curricular Themes

International Trade Organizations
International Trade Relationships
Globalization and Social Responsibility
Foreign Policy
Conflict Resolution

Applied Skills

Reading for Information
Summarizing
Synthesizing
Research
Critical Thinking
Debate

Suggested Grades: 7–12

Suggested Time Frame: 3–5 Days

Related WA State Essential Academic Learning Requirements (EALRs)

Geography #3: *The student observes and analyzes the interaction between people, the environment, and culture.*

3.3 The student examine scultural characteristics, transmission, diffusion, and interaction.

Civics #3: *The student understands the purposes and organization of international relationships and how U.S. foreign policy is made.*

3.1 The student understands how the world is organized politically and how nations interact.

3.2 The student recognizes factors and roles that affect the development of foreign policy by the United States, other nations, and multinational organizations.

Economics #1: *The student understands basic economic concepts and analyzes the effect of economic systems on individuals, groups, and society.*

1.1 The student comprehends key economic concepts and economic systems.

1.4 The student examines how government policies influence the economy and understand the theoretical background of taxes.

1.5 The student examines the importance of international trade.

The Lesson

Previous student introduction to the WTO is suggested. Engaging students in previous lessons from this WTO curriculum unit is encouraged. Students will investigate the three following thematic topics of interest surrounding China's accession into the WTO:

- China and The International Marketplace
- National Security Interests and The United States
- China's Track Record on Human Rights and Labor Rights

The three readings that accompany this lesson address each of these topics of interest from both supporting and opposing points of view. Students will be engaged in a Think, Pair, Share activity. They will read and study one of the three topics of interest and then share and teach what they have learned from their reading with students from the other groups. After studying all of the points of view expressed in the three topics of interest, students will discuss and debate the essential question of the lesson:

Should China be admitted to the WTO?

Day One:

You may want to start this lesson by reviewing with students the basic function and purpose of the WTO.

Ask students:

- Why would it be worthwhile to be a member of the WTO?
- How might countries benefit from WTO membership?

Introduce the essential question of this lesson: *Should China be admitted to the WTO?*

Divide the class into three groups. Copy and separately distribute the three topic of interest readings among the groups.

Ask students to study their topic of interest handout and answer the questions at the end of each reading. Explain to students that they will be responsible for teaching students from the others groups about the information and points of view which they have studied. (Expanding the Lesson: You may wish to have the students further research the issue and points of view expressed in their reading through current event articles or other source material.)

Day Two:

Review the essential question of the lesson with the class: *Should China be admitted to the WTO?*

Team students in groups of three, one from each of the three groups, and ask each student to report the issues and points of view expressed in their reading to the group.

Then, ask the students to discuss the similarities and differences in the points of view they have collectively studied.

Have students make a chart outlining the three main topics of interest, along with the supporting and opposing points of view, regarding China's membership in the WTO.

Gather the entire class and have a group discussion summarizing the topics of interest, along with the supporting and opposing points of view. Ask students to explore other topics of interest and points of view not expressed in the readings.

Day Three:

Stage a class debate over the question: *Should China be admitted to the WTO?*

Highlight the major arguments that arise during the debate.

Have students write a short essay expressing their own point of view about China's membership in the WTO, supporting their positions with evidence from their research and study of this topic.

Compare the conclusions of the debate by following the outcome of China's attempt to enter the WTO.

Debrief the debate by following events and related issues that arise during the November WTO Ministerial meeting in Seattle.

Suggestions for Expanding the Lesson:

1. If China does gain membership to the WTO, have students debate the following questions:
 - Will China change to meet the standards of the WTO?
 - Will the WTO change its rules to accommodate China?
2. In closing this curricular unit on the WTO, it would be worth using the China debate to explore the following with students. Discuss who benefits from the WTO: Member Countries? Industrialized or Developing Countries? Businesses and Corporations? Consumers? Workers? The Rich or the Poor? The Environment?

(Question #3 contributed by Tese Wintz Neighbor, World Affairs Council)

3. If China does gain membership to the WTO, how will it affect the Chinese people? In what ways will it be painful? In what ways beneficial?
 - Divide students into two groups. Have one group brainstorm on the black/white board (or on paper): *WTO membership would be painful for the Chinese people*. Meanwhile the other group would come up with arguments to support: *The Chinese people would benefit from WTO membership*.
 - Encourage students to put themselves into the shoes of rice growers, textile makers, cottage-industry toy makers, “iron rice bowl holders” (state factory workers who consider their jobs and pension guaranteed even if their factory is overemployed and operating in the red), young entrepreneurs willing to take risks, etc.
 - Students could go on-line and check out the Chinese press (*China Daily*: www.chinadaily.net; *Online Inside China Today*: www.insidechina.net). Two other websites that have links to Chinese publications include: www.chinainformed.com and www.thechinacafe.com. They could also go to the library and look through Asia-based publications, such as the Beijing-based *China Daily* or the Hong Kong-based *Far Eastern Economic Review*.

Below are just a few ideas to get the “brainstorming list” going.

WTO membership would be painful for the Chinese:

- The liberalization of agricultural markets would hurt small-scale farmers. Students may want to ponder a recent editorial by Walden Bello, professor of sociology and public administration at the University of the Philippines: “. . . small-farm agriculture in Asia, though it may seem inefficient in terms of unit cost, actually produces net gains because agriculture is ‘multifunctional’: It protects biodiversity, guarantees food security, promotes rural social development, is part of a nation’s cultural heritage and enhances the regional landscape.” (*Far Eastern Economic Review*, June 24, 1999, p. 54)
- WTO membership and consequently increased competition in the global market, and hence the dismantling of inefficient — and often overemployed — state industries, would greatly increase China’s already high unemployment rate. According to the *Far Eastern Economic Review*: “Economic opening on this scale would destroy money-losing state-owned enterprises and shatter banks at a time of high unemployment.” (*Far Eastern Economic Review*, May 20, 1999, p. 51)
- The gap between rich and poor in China would continue to grow. Chinese villagers (such as those in the far northwest) who live thousands of miles from the coast and even hundreds of miles from transportation hubs would continue to lose out.
- Continuing high-speed industrialization in China with the goal to compete in the global economy would contribute to its ever-growing environmental degradation.

The Chinese would benefit from WTO membership:

- Entering the WTO would pressure the financial industry to liberalize and consequently reallocate capital from state-owned enterprises that are operating in the red to more efficient private or state factories and would benefit workers in those more efficient companies.
- Increased competition from foreign companies would encourage state factories and farmers to raise productivity.
- Textile-makers have much to gain. If China joins the WTO, it would eventually see an end to strict quotas on Chinese textile exports. Exports of textiles and clothing alone are likely to double to \$70 billion a year once quotas imposed (under the Multifibre Arrangement) are phased out. (Goldman Sachs, *Global Economic Research*)
- Exports of other products besides textiles and clothing — such as toys, footwear, and consumer electronics — where China has a competitive advantage, would increase.
- If China enters the WTO, falling trade barriers would also provide domestic companies with “better access to technology, efficient machines and markets” and put them in a “better position to export.” (Richard Newfarmer, World Bank economist, quoted in *Far Eastern Economic Review*, May 20, 1999, p. 51)
- Besides Chinese exporters, Chinese importers would also benefit from WTO membership. Cutting tariffs on imports to China would benefit Chinese companies that import components and raw materials. “Economists say most small and medium-sized enterprises would see large benefits from a wider, and cheaper, choice of imports.” (*Far Eastern Economic Review*, May 20, 1999, p. 52)
- Consumers would benefit from lower prices and a greater variety of goods.

Topic of Interest: China and The International Marketplace

Many voices in the international arena argue that China's opening to world trade will be enhanced by its entry into the WTO. Through WTO membership, they suggest, China will move more rapidly to allow foreign goods into its huge domestic market. The more China's economy is connected to the global economy, the lower the risk that it will arbitrarily act against foreign investors. The inclusion of China in the WTO strengthens the legitimacy of the WTO and helps its mission to promote free trade around the world. Two of these many voices are excerpted below:

The WTO will be incomplete without China's participation, and long-term exclusion of China from the organization will not help the improvement and implementation of the world multilateral trade system. China's early participation in the WTO will be beneficial to the country's reform and opening-up as well as its long-term economic development. It will also make it possible for China to contribute more to the world.

*Chinese State Councillor Wu Yi quoted in
"WTO Incomplete Without China,"
U.S. Chinese Embassy Press Statement, September 8, 1998*

Objectively speaking, it is in the interest of the world economy that China — which has the fourth largest economy in the world — joins WTO, which oversees a regime of free and fair trade. Even excluding Hong Kong, China's two-way trade is over (U.S. Dollar) 400 billion and it attracts the bulk of foreign direct investments in the developing countries (nearly 40 percent of (U.S. Dollar) 137 billion in 1998. Their systems and policies lack transparency, but there is very little that can be done about that. Countries find it difficult to compete against China in international markets, while the Chinese market seems to be very nearly inaccessible because of the opacity of its structures. If China is given access to WTO, it will be bound by the Uruguay round of agreements and subject to all multilateral rules. This by itself should open up the Chinese market very substantially and enable many countries to compete with China in the world market. As a member of WTO, its trade policy will be subject to periodic review to ensure transparency. It is desirable, therefore, that China is allowed to join WTO at the earliest. The real advantage of WTO membership for China is that it will change her bilateral trade relationship vis-à-vis the United States, E.U. and Japan in her favor. It gives her a status and recognition as a significant force in prevailing power equations. And this can be a big gain for China. The country has the double advantage of having a large domestic market on the one hand and high export and import growth on the other. Besides, by all calculations, China is the emerging economic power of Asia and a serious contender against Japan. With its membership in WTO, China will be able to exercise enormous influence over global economic policies. . . .

*From the Editors:
"Hard Bargain: China in WTO Will Benefit Global Economy,"
Statesman (Indian Newspaper), July 8, 1999*

However, some argue that China has a poor record of following the rules of international agreements. Until China shows a pattern of living within such rules, they argue, the rest of the world should be skeptical of any promises China makes about honoring the decisions of the WTO. The worry is that China will use the WTO rules when they benefit China and will ignore WTO rules when decisions go against Chinese interests. Therefore, the world should hold off on offering China membership in the WTO.

China is still a country without a clear rule of law; policy is often made at the whim of leaders and bureaucrats, not through public legislative processes. If the WTO was unable to address similar problems in Japan, why will it be better able to address Chinese trade barriers? Further, if China were a WTO member, the United States could no longer use the threat of imposing unilateral sanctions, which have sometimes proven effective in the past, to open Chinese markets. China may also attempt to build international coalitions to frustrate WTO actions against it. Consider how effective China has been in playing international politics and using bilateral threats to frustrate attempts to pass a United Nations resolution criticizing China's human rights policies. It is certainly possible to imagine similar actions to intimidate WTO panelists, draw out disputes — particularly in the implementation phase — and generally frustrate WTO action. As Chinese officials periodically make clear, they want to join the WTO in order to have a hand in writing the new rules of trade. If past experience is any guide, advocates of free trade and open markets are unlikely to like the rules China writes. On virtually all the issues likely to be the focus of future WTO negotiations, such as investment, services, agriculture, and labor and environmental issues, China's stated positions are diametrically opposed to those of the United States.

*From: "China: A Good Addition to the WTO?"
Editorial by Greg Mastel,
Journal of Commerce, July 16, 1999*

Reflection Questions

Summarize, in your own words, the supporting and opposing points of view expressed in these readings.

- How will China benefit from WTO membership?
- Who else will benefit from China's membership in the WTO?
- Who might be harmed by China's membership in the WTO? Explain why.

Topic of Interest: National Security Interests and The United States

Some argue that China's admission into the WTO is a good idea, because countries that have extensive trade with one another tend not to go to war against each other. The argument is not so much centered on trade itself, as on the strategic benefits of having China inside, rather than outside, an important global organization. From this point of view, the rest of the world will be safer when China, with one fifth of the world's population, is a member of the WTO, because trade with China will grow faster if it is in the WTO. And the world will be less safe if China remains a resentful outsider to the WTO.

Trade is not a panacea for the political, economic and social problems of the world. But it is a force for peace and cross-cultural contact. Countries are less likely to go to war against their trading partners than they are against strangers. The WTO furthers the process of protecting against commercial skirmishes and potential trade wars by forging agreement among nations on trade protocols. Without the WTO, trade would be too dangerous a proposition for countries to leave to their trade ministries, and eventually trade disputes could become national security issues. A non-WTO world would more closely resemble the international economy before World War II, where countries used trade as tools of foreign policy, and international commerce was a pawn of aggressor states. As Franklin D. Roosevelt's former secretary of state Cordell Hull said, "When goods do not cross borders, armies do." True, China's WTO membership would mean that the U.S. could no longer impose unilateral sanctions on China for violations of its trade laws. Instead, Washington would have to go to the WTO for adjudication. But to date this procedure has proven effective in safeguarding American interests.

*From: "Why the US Should Welcome China to the WTO,"
Editorial by Laura D'Andrea Tyson,
Business Week, May 31, 1999
(Laura D'Andrea Tyson is dean of the Haas School of Business
at the University of California at Berkeley and was President
Clinton's chief economic adviser.)*

China Bashing and protectionist thinking are not kids' play. For all of us, a better choice than trade wars, cold wars and real wars is peace and free trade. An America that understands this will portend a more prosperous future for everyone, especially for the many parts of Asia that are now seeking to expand exports as a quicker way out of their current financial crisis.

*From: "China and the War Party,"
Editorial by L.H. Rockwell, Jr.,
Far Eastern Economic Review, February 12, 1998
(L.H. Rockwell is president of the Ludwig von Mises Institute)*

Others suggest that bringing China into the WTO will harm the national security interests of the United States. They worry that, under WTO rules, the United States will lose certain tools that it can use to influence China's behavior. For example, China regards Taiwan as a renegade province and has threatened to invade it by force. The United States sees Taiwan as a democracy and important trading partner. Foes of China's WTO entry say that if China were to attack Taiwan, the United States would be barred from imposing economic sanctions on China. Without economic sanctions, they say, the only options would be words or war.

So what lever would the United States have against China if, for example, it truly menaced Taiwan? Without sanctions and other economic penalties, we might be forced to resort to more drastic approaches, like military intervention. The Clinton Administration may not see the link between China's actions in various areas, but you can be sure that the Chinese do. After all, China is neither a free market nor a democratic country. Its leaders view economics the same way they view defense, foreign policy or human rights. It is a means of expanding the power of the state and maintaining control of its population. If the Chinese must be admitted to the WTO, all of the organization's relevant agreements should be amended to make it clear that any action taken against imports from a particular country for national security reasons do not violate the WTO's obligations. Moreover, Congress should adopt a provision stating that, if the WTO ever finds that actions taken by the United States for national security reasons are inconsistent with our obligations to the trade organization, this so-called inconsistency shall be resolved by our prompt and automatic withdrawal from it.

*From: "A Deal We'd Be Likely to Regret,"
Editorial by Robert Lighthizer,
The New York Times, April 18, 1999
(Robert Lighthizer is a trade lawyer and former deputy trade
representative in the Reagan Administration.)*

Reflection Questions

Summarize, in your own words, the supporting and opposing points of view expressed in these readings.

- How would free trade promote peace between countries?
- Are countries that trade together more or less likely to avoid conflict?
- Would China's membership in the WTO help or harm U.S. National Security?
- Should rules governing free trade between countries override a nation's foreign policy priorities?

Topic of Interest:

China's Track Record on Human Rights and Labor Rights

Supporters of China's entry into the WTO argue that WTO membership will lead to more trade and investment, and that, as China has opened itself to international trade during the last two decades, labor and human rights conditions, and environmental consciousness have improved, moving toward "world standards." They feel that foreign investors bring ideas about democracy and workers rights to China, and that as Chinese people work for these investors, they will learn not just about international business practices, but also about global standards of human rights, labor rights, and social responsibility.

Joint ventures with Western partners are also important stimuli for change. By having U.S. citizens working in China and training some of the Chinese staff abroad, the Chinese gain an opportunity to witness directly and appreciate the typical U.S. egalitarian attitude, concerns for the environment, views on equal opportunity, sense of fair play, and respect for due process. With daily contact, the joint ventures provide a means to introduce Western values by example, rather than by rhetoric, and to exert a positive influence on people. China also looks at human rights at a more fundamental level, which includes such provisions as the right to life, freedom from starvation, the right to shelter and clothing, the right to an education, and the right to employment and a means of self-support. When individuals are deprived of these basic rights, they do not necessarily care about voting and having the freedom to express their opinions. With economic growth, the general population begins to enjoy a higher standard of living. Only after they have their basic human rights satisfied, then and only then do they start to look for more and demand more. They expect more alternatives and choices in lifestyle if not for themselves, then for their children. The progressive liberalization that follows may not be part of the plans of the political leaders, but it is inevitable.

*From: "The Real China," by George Koo,
Harvard International Review, Summer 1998
(George Koo is former president of the US-China
Business Council and an international business
consultant.)*

It's fashionable these days to disparage people's desire for consumer goods obtained through international trade. American consumers who don't want to pay higher prices or join the trade war are said to be greedy and materialistic, putting Sesame Street dolls ahead of human rights. In fact, economic liberty is by far the most important economic right, because it touches our lives in the fullest possible way. What is the right to vote compared with the right to start a business, draw wages according to our productivity, keep the fruits of our labor, feed our family, save for the future, create a civilization?

*From: "China and the War Party,"
Editorial by L.H. Rockwell, Jr.,
Far Eastern Economic Review, February 12, 1998
(L.H. Rockwell is president of the Ludwig von Mises Institute)*

Some opponents of China's admission into the WTO argue that international trade and investment has not brought any positive change to China in the fields of labor and human rights, and environmental responsibility. They suggest that foreign investors really don't care about the conditions in China, and that some actually like the fact that workers are not allowed to strike or to organize themselves into independent unions, or that environmental standards in China are low. They argue that accepting China into the WTO will send the wrong message to China's unelected leaders, and will allow them to continue to violate human rights without consequences.

"The primary way China is working to destroy human rights is by trying to gain access to the World Trade Organization," said (Chinese exile Wei Jingsheng) who spent 18 years in Chinese prisons and labor camps before his release in 1997 on medical grounds. Wei said China wanted to join the WTO because it felt "this will decrease the ability of the international community to put economic pressure on them on questions of human rights."

From: "Activists Urge Clinton Not to Sacrifice Rights For Trade," Reuters, April 10, 1999

"We've heard a lot about the benefits of getting this large economic power inside the WTO to be bound by its rules," John Sweeney [AFL-CIO President] said in a speech to about 60 Chicago business and labor leaders. . . . "Those who are rushing to put China in the WTO may end up destroying the organization they hope to save." Sweeney suggested that China, which controls access to its markets and has drawn widespread criticism for alleged human rights abuses, would "trample the rules it doesn't like" if it were a member of the WTO. Sweeney stressed that the future of the global economy will hinge upon whether the Chinese government, in addition to many other nations, can improve labor practices. "U.S. foreign trade policy should push other countries toward an end to sweat shops and higher standards for child labor, environmental safety and labor and consumer policies," he added Sweeney called concerns (toward protectionism in the United States) "glo-baloney." He thinks the global economic policy debate should not focus on free trade versus protectionism, but rather on who makes the rules and whether the interests of workers will be represented as trade agreements are worked out.

From: "AFL-CIO Leader Cautions Against China Entering WTO," by B.M. Currie, Associated Press, April 20, 1999

Reflection Questions

Summarize, in your own words, the supporting and opposing points of view expressed in these readings.

- Would WTO membership increase or decrease China's support of human rights and labor rights?
- Should human, labor, and environmental rights be considered in international trade agreements?
- Is economic freedom more or less important than political, social, cultural, or religious freedom?
- How can we protect human and labor rights and at the same time promote free trade?

Suggested References and Resources for Further Research

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The WTO rules on accession can be found at: www.wto.org/eol/e/wto08/wto8_53.htm

Glossary

Accession — Entering an organization. The rules of accession for the WTO require a new member to accept all existing GATT and WTO agreements without exceptions or reservations.

Article XX Exceptions — A trade boycott is normally not justified except in three situations: (1) the action must be taken to protect human, animal, or plant life; (2) there is no alternative way to protect human, animal, or plant life; (3) the action may not arbitrarily discriminate between countries where the same conditions exist.

Bovine Growth Hormones — Six hormones are used in 95% of beef cattle in the United States and Canada to promote growth in cattle. They are administered through the ear. These natural additives decrease the amount of feed required by the animals. The hormones include: oestradiol 17 beta, melangestrol acetate, progesterone, testosterone, trembolone acetate, and zeranol. Some authorities in Europe and North American think that oestradiol 17 is a carcinogen (a cancer-producing agent).

Boycott — To refuse to buy, sell, or use something.

Codex Alimentarius — An international food code that includes a set of standards for protection of public health and fair trade practices in food trade.

Comparative Advantage — The concept that each country will specialize in producing goods and services that it is most efficient (or least inefficient) in producing. Two countries can gain by trading even if one country is absolutely more efficient than the other in the production of *every* good, because each country will be relatively more efficient in producing *some* goods. The term “comparative advantage” was originally applied to describe trade patterns in the absence of trade barriers or government actions. It is now recognized that governments can alter the pattern of comparative advantage by introducing trade barriers or by applying stronger or more lax regulations than their trading partners.

Consensus — A decision-making process that requires all participants to agree (or no one to object) to a decision.

Deregulation — The process by which ownership or control of an industry is shifted from the government to private companies, or when government regulation of an industry is decreased. When deregulation occurs, industry developments, such as prices and quantities produced, are determined by free market forces.

DES (Diethylstilbestrol) — DES is an artificial estrogen that was created in 1938 and subsequently used to fatten fowl and other meat animals to speed up production cheaply. The United States banned the use of DES in poultry production in 1959, although its use in beef cattle continued. The United States banned all human pharmaceutical uses of DES in 1979.

Developed Countries — Those with a relatively high income per capita.

Discrimination — Showing partiality or prejudice; favoring one country over another without justification.

Dispute Resolution Process — A WTO procedure for resolving trade arguments. A panel of three judges hears arguments from the countries involved and renders a decision according to WTO rules.

Economy — The organization of markets and exchanges in a particular region or country. The term also refers to measures of performance in the region, such as output, productivity, level of trade, and overall socioeconomic condition.

Exports — Home-produced (domestic) goods that are sold in foreign countries.

Extraterritoriality — The application of a country’s laws outside its own territory.

“Fair” Trade — The idea that the free operation of market forces in international trade produces economic outcomes that ignore some interests of individuals, such as issues of labor and human rights, environmental protection, and economic sustainability.

“Free” Trade — A situation where goods and services are allowed to flow freely across the borders of nations. When there is free trade, there are no barriers to trade in any form and no government interference in trade, so that private supply and demand dictate how much of which products are traded between countries.

Fumigation — Application of chemicals to kill insects, pests, or diseases.

GATT — General Agreement on Tariffs and Trade; an agreement between countries to meet periodically to negotiate cuts in tariffs. The GATT was signed in 1948 and was intended to be part of the structure of the International Trade Organization (ITO). The ITO never materialized as an organization, and the GATT served as the governing agreement for international trade for almost 50 years. However, as an “interim” institution, the GATT addressed a limited scope of trade issues and had limited authority to enforce agreements.

Globalization — The idea that goods, services, capital (financial assets), and labor (people) are moving ever more freely across national borders and that national economies are affected by global forces. If globalization were complete, then the world would become a single global economy with unified, homogeneous markets.

Harmonization — The effort to create the same standards across countries.

Imports — Foreign-produced goods that are brought into the home market for sale.

International Labor Organization (ILO) — Founded in 1919, the ILO is now a specialized, independent agency of the United Nations. The ILO aims to advance economic and social stability around the world by promoting human rights in the workplace, environment and job creation, and fair trade among nations through adherence to basic labor standards. It has 174 member countries represented by workers, employers, and governments. It is the only international agency in which nongovernmental sectors of society participate fully with government.

Intellectual Property Rights (IPR) — The right of an individual to be the sole owner and beneficiary of his/her ideas and intellectual creations. Patents, trademarks, and copyrights are common

means of ensuring that intellectual property rights are protected.

Less Developed Countries (LDCs) — Those with a relatively low income per capita.

Liberalization — The opening up of markets, the relaxation or removal of barriers to trade.

Marine Mammal Protection Act (MMPA): A 1972 U.S. law that included provisions to protect dolphins in tuna-fishing areas.

Mortality — Death rate in a population.

Most-Favored Nation Principle (MFN): The basic principle of nondiscrimination applied in the GATT and the WTO. Under MFN, all member countries agree to apply the same trading rules to all their trading partners.

Multilateral Trade — Action agreed to jointly by a group of countries.

Multinational Corporation — A company whose production activities occur in two or more countries.

Nongovernmental Organizations (NGOs) — Any organized group or association that is not representing a government or government agency. There is a wide variety of NGOs, including: environmental organizations, labor unions, human rights organizations, trade associations, aid and relief organizations.

Non-Tariff Barrier (NTB) — Any trade policy that is not a tariff but that effectively reduces or prevents trade. Examples include: quotas, voluntary export restraints, regulations, and standards.

Precedent — An act, statement, etc., that may serve as an example or justification for a later one.

Precautionary Principle — A principle in international law asserting the right of a sovereign state to protect health and safety at a level that it feels is appropriate, even in the absence of scientific evidence that a risk exists.

Protectionism — Government policies or measures that protect or favor domestic products or industries against imports.

Purse Seine Technique (Encircling Method):

A fishing method involving a net that encircles fish. The top and bottom edges are drawn up, like a drawstring purse, trapping fish (and other creatures) inside.

Round — A periodic set of meetings under the auspices of the GATT or the WTO to negotiate reductions in trade barriers. The GATT held eight rounds during its existence. For example, the Uruguay Round of GATT negotiations lasted from 1986 to 1993.

Sanitary and Phytosanitary Standards Agreement (SPS) — A Uruguay Round agreement that is part of the WTO rules. The SPS establishes conditions for members' regulations on food safety, consumer health, and animal and plant health, so that regulations are based on science and are not a disguise for trade protection.

Services — Industries that do not turn out physical products but instead involve work done for others.

Standards — Something established as a rule or basis of comparison in measuring quantity, quality, value, etc.

Subsidy — Money paid by a government to the producers of a good or service. Subsidies allow producers to sell their goods more cheaply.

Tariff — A tax imposed on imports into a country.

Trade Protection — Government's policies, such as tariffs and non-trade barriers to trade that favor domestic products or industries over imports.

Transparency — The degree to which regulations, policies, decision making, and negotiations are fully seen and understood by the public.

Treaty — A formal written agreement between two or more governments that is subsequently ratified into law by their respective lawmaking bodies or authorities.

Trade-Related Intellectual Property Issues

(TRIPS) — WTO rules requiring member countries to have laws protecting intellectual property that do not favor the rights of citizens of one country over those of another country.

Unilateral Action — Action taken independently by one country, without the consent or participation of other countries.

USTR (United States Trade Representative) —

The USTR is an appointed position in the Presidential Cabinet, and is the Administration's chief international trade policy advisor and negotiator. The current USTR is Ambassador Charlene Barshefsky.

WTO (The World Trade Organization) —

It was created to replace GATT, and began operations in 1995. It was created as a formal institutional structure to negotiate, regulate, and enforce international trade policy. The WTO provides a forum for trade negotiations, much like the rounds that occurred under GATT. It also provides a system for dispute resolution and enforcement of trade rules and treaties. All previous GATT members are members of the WTO, and any country that accepts all existing multilateral agreements without exceptions or reservations may become a member.