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AUSTRALIA'S RELATIONSHIP WITH THE WORLD TRADE ORGANISATION

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AUSTRALIA'S RELATIONSHIP WITH THE WTO

> *We are here to consult the interests and not to obey the will of the people, if we honestly believe that that will conflicts with those interests.*
>
> Robert Peel, House of Commons, 1831

When the relationships between national governments, community interest groups and the World Trade Organization (WTO) come under scrutiny it is usually because the complaining groups do not understand the organisation, the role or the functioning of the institution. The violence of anti-globalisation demonstrations in the past year or so seems to have increased the credibility of a coalition of lobby groups promoting many conflicting interests. That these populist groups capture so much attention probably reflects the reluctance of governments to confront them with information and counter-arguments.

The first requirement is to explain the WTO and its evolving structure, and to understand the constraints on its powers.

The WTO : An evolving institution

The WTO is a descendant from GATT (1947), but is a much broader and deeper organisation which is undergoing many changes. It is a mistake to regard the WTO as simply an extension of the GATT.

- The WTO is an inter-governmental organisation. Governments are accountable for all agreements and decisions of the institution.

- All WTO decisions and rules are collective decisions based on consensus in the WTO Council (or in its various committees).

- The WTO Secretariat has no power of its own, though it does advise on interpretations of agreements and provide information for committees, if requested. (To quote one former ambassador, "The Secretariat's role is to put out pads and pencils, and to switch off the lights at the end of the meeting.")

- In recent years the Secretariat has opened a dialogue with environmental NGOs to deflect complaints of 'non-transparency'. Many developing countries' governments allege this amounts to more favourable treatment than they receive from the Secretariat, so it is not an all round success.

Participation by community groups, non-government organisations (NGOs) and other lobbyists is a matter for governments. Non-government participation is not covered in WTO articles. (The High-level symposia on trade and development, and on trade and environment in 1997 and 1999 were established by Council decisions.) The WTO is not an international parliament. If governments want to inform the public or to include non-government advisers in a delegation, that is their business.

Similarly, governments are responsible for 'transparency'. Providing access to WTO committee documents and reports is a matter for the General Council to decide. Few governments want all their statements released without review. That could cause embarrassment. Moreover, experience shows that opening meetings to the public could result in the 'real' negotiations/discussions taking place outside formal meetings.

The WTO is a trade agreement. It deals with international trade matters. The goal of the WTO, like its predecessor the GATT (now part of the WTO), is to liberalise international trade flows by reducing border barriers to movements of goods and services. The WTO agreements are based on three fundamental principles:

- *non-discrimination* comprising equal treatment of all member countries in trade is defined by most favoured nation (mfn) treatment (GATT article I) and 'national treatment' for all imports once they enter a member country (GATT article III);

- *reciprocity* in negotiating reductions in tariffs among members (balancing concessions which although negotiated bilaterally have to be applied on an mfn basis);

- *transparency*, which requires tariffs to be published (with any other trade measures) and 'bound' to provide stability in trade transactions.

Reciprocity and transparency have mutated with time.

- *Reciprocity* has come to mean 'equal treatment'; *either* that countries should have the same *actual* tariff on an identified product (or equal concessions on services); or that market access is balanced by industry sector. Both are different from 'first difference' reciprocity as used in GATT negotiations, where roughly equal value *reductions* in tariffs were sought. Interest in reciprocity has promoted regional trade agreements and has increased trade discrimination.

- *Transparency* as used by lobby groups means 'openness' to public scrutiny. Since trade negotiations are about bargaining which depends on confidentiality, there is a philosophical conflict between the craft of trade negotiators and the art of propaganda used by lobby groups.

The Uruguay Round negotiations (1986-94) widened the scope of trade liberalisation (to include agricultural trade, textiles and clothing, and trade in services), and took steps to strengthen the multilateral trade rules (covering dispute settlement procedures, subsidies, safeguards, antidumping and technical barriers to trade). One notable addition was the Agreement on Trade Relating to Intellectual Property Rights (TRIPs) which introduced a 'harmonised' international system for patents and copyright.

Another difference in the Uruguay Round Final Act was that governments incorporated various 'decisions' in the Marrakesh Declaration (1994) which established the WTO. In effect, where agreement could not be reached in the negotiations, vexatious issues were incorporated in decisions for the WTO General Council to consider. Separate committees were set up to consider 'trade and environment' and 'trade and development'. At the first WTO Ministerial meeting in Singapore in December 1996, working groups on 'trade and investment' and 'trade and competition policy' were added. That meeting also decided that labour standards would not be used for protectionist purposes and that the comparative advantage of developing countries in labour-intensive production should be safeguarded.

These 'trade-linked' issues have proved to be a serious burden for an under-resourced agency and they have resulted in ill-informed yet damaging attacks

on the WTO that are impeding its traditional function of maintaining a liberal multilateral trading system. They are being employed by environmental and social lobbies in attempts to gain access to the WTO system. They are also being used by major WTO members to pursue their political objectives while impeding other groups' interests. This has raised tensions among WTO member governments, which became apparent in preparations for the Seattle Ministerial meeting.

GATT / WTO: The record

The record of the GATT/WTO speaks for itself. Late in the 1940s, world trade was heavily regulated after the competitive devaluations and protectionism of the 1930s and the tightening of trade and capital controls during World War II. When the GATT commenced operations in 1948, the average industrial tariff of the now OECD countries was over 40 per cent (*ad valorem*), and that did not include quantitative restrictions and licensing. Now the average industrial tariff for the OECD in less than 4 per cent, with most of this trade being free of all restrictions while significant tariffs exist in a few sensitive areas.

In the past 50 years, world output has increased six-fold (in volume terms) and world exports have increased 2½ times faster. The significance of trade growth for economic growth is evident in Chart I. Trade liberalisation promotes specialisation and raises productivity. Reduced uncertainty and stable, multilateral trade rules under the GATT and the WTO have contributed to the growth in trade.

Of course, there are some gaps in this record. Agricultural trade has been a persistent problem in eight rounds of trade negotiations, and it is difficult to see that any substantial liberalisation is likely in the future. Labour-intensive manufactures (eg. textiles and clothing) are still heavily protected. Trade preferences, which almost prevented the GATT being signed, have become widespread with regional trade arrangements and preferences for and among developing countries. Temporary protection measures against market disruptions are increasing and new forms of non-economic regulation for environmental or social objectives are beginning to restrict trade flows.

For most of the GATT era, Australia was a spectator at trade negotiations because agriculture was excluded. But when Australia became active in the Kennedy and Tokyo Rounds the benefits of unilateral trade liberalisation were recognised. The Australian experience shows that trade liberalisation does not depend on reciprocal tariff concessions under the GATT (or the WTO). However, the multilateral trade rules are important for middle-size economies, like Australia, which do not have much bargaining power in trade negotiations. By collaborating with WTO members with similar interests (the Cairns Group) Australia has managed to influence trade negotiations in ways that would not be possible without a system of multilateral trading rules.

WTO Dispute Settlement

In the GATT system (1947-1994), disputes between contracting parties over interpretations of provisions or impairment of anticipated benefits were reconciled by consultations, or failing that a panel of experts was asked to

report on a dispute. In effect, most disputes were resolved by negotiation. Only a few disputes went unresolved in the GATT (eg. against agricultural subsidies). However, a non-conforming party could veto any Council decision on a panel report. Retaliation was possible but rarely used. Some contentious disputes (US-EU bananas regime, US-Mexico tuna-dolphin) caused frictions while the Uruguay Round negotiations were in progress. So a new agreement on dispute settlement became a key matter in the negotiations.

The Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) (annexed to the Marrakesh Declaration) attracted immediate attention because it provides for enforcement of decisions. The DSU process is compulsory, automatic and decisions are binding. The final authority is the Dispute Settlement Body (DSB) (the WTO General Council wearing a different hat).

If a notified complaint cannot be resolved by consultations within 60 days, a dispute panel is convened. The dispute panels comprise trade experts with WTO/GATT experience, and when appropriate scientific experts. These panels consider all the economic and scientific evidence relating to a dispute in the context of WTO agreements. They are not 'courts' and do not need to be confused with legal sophistries.

The Appellate Body, on the other hand, has become heavily weighted towards legal experts. According to DSU article 17, the Appellate Body should consider points of law. In practice, however, it has found ways to reconsider all the evidence presented to panels and on occasion has reversed panel decisions and criticised their processes. It is not supposed to make law or go beyond

WTO agreements. In the shrimp-turtle case (1998), the Appellate Body declared that NGOs had the right to submit '*amicus briefs'* to panels *and* that panels and the Appeal Tribunal could take account of them. This was highly controversial. In effect, it usurped the role of the DSB, because that Body can only reject the appeal verdict if there is a consensus against the verdict - and that requires a successful complainant to vote against its own interests.

The WTO Council has to decide whether to attempt to re-establish its authority over the DSU process, or whether to accept a legalistic approach to dispute settlement. The only way to reverse the claim of the Appellate Body to be the final arbiter would require renegotiation of the DSU in a new trade Round. Since several member governments favour a more judicial approach (eg. United States), re-opening the DSU could lead to an unravelling of a mechanism which has worked effectively.

The DSU is regarded as a major success of the WTO. Consultations have been initiated in over 200 cases since January 1995; one quarter went to panels, half of which were appealed. Only a handful have required enforcement measures. This information suggests that government access to the DSU is easy. One criticism is that many developing countries' governments lack the technical/legal knowledge or the financial resources to be able to pursue disputes. Proposals to provide technical and financial assistance are under review.

If DSU recommendations and rulings are not implemented in a reasonable period of time, compensation or suspension of concessions may be imposed as temporary measures 'to enforce' compliance (DSU article 22). Compensation,

meaning voluntary reductions in tariffs or other impediments, has to be agreed between the parties, and has only been used as a stopgap. Trade sanctions have been used in only two dispute cases - both US complaints against the EU; first, for an embargo on imports of Latin American bananas; second, for bans on imports of hormone-treated beef. Only large economies, such as the United States, are likely to force another country into compliance; smaller countries lack leverage. That is a good reason for WTO members to forswear trade sanctions. Instead, the DSU procedures could promote the liberalising alternative and require a non-conforming offender to compensate the complainant by liberalising tariffs to the same value as any trade sanctions. In both cases (trade sanctions or non-reciprocal tariff concessions of equal value), the aim is to establish lobbies in the offending country which could persuade the government to amend its policy. With tariff concessions, import-competing producers would not want to lose protection against foreign competition. With trade sanctions, the potential exporters will act to avoid losing overseas sales. But if that fails, levels of trade protection would rise, which is contrary to the objective of trade liberalisation and could easily spread.

Detailed studies show that trade sanctions are seldom effective in terms of achieving an objective, and require long and sustained application to be successful. Water-tight sanctions are seldom possible, because 'rogue' states will allow illicit trade because it offers large profits, while policing shipments is difficult and expensive. Trade sanctions are only an effective instrument for very large economies, where denying access can cause pain. Trade sanctions have been mostly used by the United States, which has strong bargaining power and is large enough to absorb any costs of protection from reduced

imports. One reason for the adoption of the DSU was to curtail the US right of recourse to unilateral retaliation under Section 301 of the US Trade Act 1988. Most WTO member countries are not tempted to employ trade sanctions because of the self-damage that results.

The facility to enforce decisions on governments is very attractive to single-issue lobby groups, because other treaties lack such powers. As noted above, trade sanctions are really only successful as a threat. If the non-conforming government accepts the sanction, the bluff is over. However, many environmental lobby groups want to participate in panel hearings because they believe their arguments are convincing - and any contravention of their environmental standards should be punished anyway, so sanctions seem a good idea!

This approach fails because the WTO is concerned only with trade matters. Moreover, all presentations at WTO committees (including dispute panels) are made by governments. Participating governments can use any advisers they choose in their delegations and draw on whatever information they please from business, churches, opposition parties, labour unions, environmental groups, or anything else. It is natural that governments wish to keep control of the presentation of their evidence to avoid contradictions or inaccuracies. Community groups can present their arguments and evidence to their governments for consideration. (The Appellate Body's decision on shrimp-turtle (above) has opened new opportunities for non-government briefs to be submitted. It remains to be seen whether this will help or hinder the DSU processes.)

The WTO (like the GATT) is not a legal institution. Its provisions were negotiated and drafted to support the multilateral trading system; many agreements are acknowledged to contain 'constructive ambiguities' which were necessary to achieve agreement to the WTO as 'a single undertaking'. Any subtle legal interpretation of such language is certain to upset at least one government, raise doubts about future negotiations and reduce agreements to the lowest common denominator. The DSU is about resolving disputes, not the subtleties of international law. To allow it to be used as such will create uncertainty and confusion in international commerce. Since many lawyers seeking to muscle-in on the DSU are already linked to environmental, labour, human rights and development NGOs (eg. FIELD), the dangers for the WTO should be apparent.

Australia has been an active participant in the dispute settlement processes. Since 1995, Australia has been involved or had interests in 28 disputes. The two complaints against Australia were for quarantine restrictions on fresh, chilled and frozen salmon and subsidies to Howe leather exports. Serious technical flaws in these policies made the results foregone conclusions. Both infringed commitments made in WTO agreements.

Australia was a third party in 11 other cases and a complainant in three cases, against India (quantitative restrictions on imports), Hungary (agricultural export subsidies) and Korea (beef imports).

Regionalism and the WTO

The GATT article XXIV allows customs unions and free trade areas on specific conditions; an exception to the principle of non-discrimination. (Originally, the only other exception was for antidumping duties (GATT article VI; in the Tokyo Round 'differential and more favourable' treatment for developing countries was added in an enabling clause to GATT Part IV (1965).)

When GATT was established, such preferential trade arrangements were expected to be few. In the period 1948-94, however, over 100 regional trade agreements were notified to the GATT. By the end of 1999, another 72 regional trade agreements were being examined by the WTO Committee on Regional Trade Agreements. Many of these arrangements concern small countries (eg. East European countries) adopting bilateral arrangements with the EU or other large neighbours. (These numbers do not include regional agreements among developing countries, which are covered by GATT Part IV.)

A WTO study in 1995 concluded that "regional and multilateral integration are complements rather than alternatives in the pursuit of open trade." The EU has - or is negotiating - trade agreements with most WTO members and already had reciprocal preferences with many non-OECD countries before the Uruguay Round began. This swing towards regionalisation was given another push in the 1980s, when the US Administration announced it would adopt bilateral free trade agreements with other countries. The United States now has a number of free trade areas with western hemisphere countries; NAFTA is the best known. Among WTO members, only Japan and South Korea are not members of a regional trade agreement, and they are in negotiation now.

Australia has the CER with New Zealand, probably the purest regional free trade agreement yet, according to the WTO. Australia does not have any other obvious partners in a larger group. Evidently, the AFTA-CER proposal has political problems, for the time being at least. It is doubtful whether an arrangement with Japan-Korea would go beyond trade facilitation (eg. international standards, competition policy, etc.) A free trade area with the United States has been analysed several times, but for Australia to benefit would require major changes in US agricultural protection, which seems unlikely even if a US Administration showed interest in a free trade agreement.

Of course, the major gains from trade arise from unilateral liberalisation and Australia has obtained most of those since 1988. However, being alone in a world of trade blocks can be lonely. Many small economies have established or are considering bilateral free trade with major players in 'hub and spoke' arrangements, where the hub has all the bargaining power and terms can be stringent. An arrangement for Australia with the United States would fit this pattern.

To ensure that the spread of preferential trade agreements does not undermine the multilateral trading system, it is important to strengthen the cohesion of the WTO by tightening the rules and continuing the multilateral liberalisation of trade. Now the process of regionalisation has gone so far, there will be no going back. Even though Australia has gained economic benefits from its own liberalisation, we still need to improve our access to others' markets, which the multilateral system of rules established by the WTO can guarantee. The continuing strength of the WTO system is important for Australia, especially in a world of regional trade agreements.

WTO relationships with other multilateral agreements

The WTO agreements are concerned with international trade relations. Only if another multilateral agreement allows trade measures to be used to enforce its provisions would the WTO become involved. If such trade restraints were used against a non-signatory which happened to be a WTO member, the latter might claim discrimination under GATT article I. This has not happened so far.

The potential problem is that some WTO members want to use trade sanctions to force other countries to adopt specific environmental or social standards, including those contained in other multilateral agreements. This contradicts the WTO/GATT principle of non-discrimination, and may not be compatible with exceptions allowed under GATT article XX. The United States has twice lost disputes caused by its use of discriminatory import restrictions to support its domestic environmental legislation (tuna-dolphin and shrimp-turtle). GATT article III requires equal treatment for imports of 'like products' and does not allow discrimination based on production methods or processes, in these cases causing collateral damage to dolphin and turtles. GATT article XI disallows prohibitions and non-tariff restrictions on imports, which was also used in the shrimp-turtle case.

If the US authorities had sought to establish international environmental standards or had sought bilateral understandings with suppliers, the complaints would not have been made. Adopting unilateral measures contravened GATT rules. GATT article XX allows trade restrictions on specified conditions, including protection of animal, plant and human health and safety, and to

protect natural resources, as long as they are non-discriminatory and represent the least trade-distorting policy option.

The WTO is about trade. Economic analysis regards trade restrictions as 'second best' policy instruments, because the benefits of first round effects are offset by losses from secondary effects. This is obvious in the case of an import embargo applied to force adoption of international labour standards. By reducing exports from a developing country, output and employment in the contracting industry are reduced. Even low wages are better than no job. Economic development in that poor country is slowed. At the same time the import embargo encourages domestic production of labour-intensive, import-competing firms in the country applying sanctions. This draws resources away from more productive activities and reduces growth and incomes there too. The biggest losers are the workers in poor countries that, ostensibly, the measures are intended to help.

Similar objections arise in the case of environmental standards. It is naive to believe that 'one-size fits all'. Establishing national environmental standards depend on income levels, climate, geography and social and cultural values. If national standards differ, establishing global standards will require more than bullying tactics on trade.

The many multilateral agreements now in place can come into conflict. Each has its own jurisdiction and regarding one as subject to the decisions of another ignores their different responsibilities and objectives. The WTO is about trade policy and its rules prevent abuse of economic measures that some would

regard as convenient instruments, largely because they do not recognise economic interdependence.

Several multilateral environmental agreements (MEAs) have been concluded in recent years which could bring either embarrassment or economic damage to Australia;

- The Kyoto Panel on GHG emissions provides no dispensation for Australian industry's dependence on fossil-fuel power (or the power-content of exports), because the agreement is based on a pro-rata, per capita reduction of 1990 emission levels.
- The Cartagena Protocol (biosafety) provides several excuses for increasing agricultural protection, to resist socio-economic adjustments and to block GM crops.
- The Basel Convention on hazardous chemicals and various European agreements on chemicals threaten to impose chemical standards that are inappropriate for Australia or regional neighbours.

In these circumstances, the WTO provides some legal protection against any trade sanctions or discrimination that might be introduced under these MEAs, and it should be respected for that. In all these MEAs, Australia went along with the majority but was under pressure principally from EU to conform, without appreciation of important economic and climatic differences.

Community participation in Australia's trade policy

In the preparations for Seattle, Australian government officials provided extensive briefings to lobby groups on trade and the environment, and trade and development. More general public consultations with officials were held in many towns and cities. The quotation by Robert Peel at the head of this submission points out that consulting cannot bring everyone satisfaction, although interests are heard. Educating the public about conflicting interests, distribution of social and economic gains and thinking in global terms is also necessary.

When people talk about 'national interest' most really mean their best interest, not the nation. When their advice is not put into practice, this is often regarded as policy failure, and blamed on politicians or officials. The truth is that all sectors and regions of an economy are interdependent, and have links with the global economy. Any regulation or tariff introduced to protect one activity (ie. protection) damages other activities. Changes in relative prices change resource allocations, expenditures and incomes:

> "The mercantilist notion that gains by one country must mean losses to another is false,.... the economic conflict is between groups having different interests within each country."
>
> (Haberler, 1936)

The political economy of trade policy is a minefield because any policy to protect one sector or interest has repercussions elsewhere. Trade policy is a composite outcome of balancing economic and socio-political forces. It depends on institutions - rules and organisations - and whether lobbying

activities can influence opinion or decision-makers. Another important element in the globalised economy is the structure of international institutions and treaties, including the WTO. The 'power of ideas' influences attitudes less obviously, but the recent dismantling of most Australian tariffs and deregulation of financial and service markets shows how strongly ideas can influence policies. Unfortunately, as the 1930s showed, not all ideas that succeed are beneficial, but we know that ideas become the raw material of lobby groups.

If the anti-globalisation coalition has taught us anything, it is that the diverse groups it comprises have contradictory aims and conflicting methods. Only opposition to the WTO and similar agencies, and multinational enterprises unifies them. Some groups decry the WTO for undermining national sovereignty, yet many international NGOs declare the need for global governance to overcome 'the democracy deficit' (by which they mean neglected minorities). 'Green groups' want to harmonise environmental standards across the globe and major authorities support this; the US Administration prefers trade sanctions to bring countries into line; the EU wants multilateral agreements to allow exceptions from WTO agreements. Labour unions want also to use trade sanctions to raise national wage rates. All these instruments would be at the expense of workers in poor developing countries. Simultaneously, the development and human rights' groups complain that poor developing countries are being 'marginalised' by globalisation.

All these interests cannot be satisfied at the same time. The opportunities for community groups to contribute to public debates over trade policy in Australia seem adequate, especially while Parliamentary committees want to encourage expressions of opinion. However, for exchanges of opinion to be useful the

boundaries for debate need to be defined. The WTO is about trade and policy presentations and decisions should be based on balancing trade interests for an optimum result.

Recent opportunistic attacks on the WTO attempt to exploit trade policies for non-economic ends, and that raises difficulties. GATT article XX provides exceptions that allow governments to retain sovereignty over public policies for social, cultural, environmental or other reasons, but under strict conditions. If trade policy became the plaything of single-issue lobby groups and nationalists, losses to the community and to trading partners could become expensive. As mentioned earlier, differences within the community are best resolved there, where opportunity costs of alternative policy choices can be assessed.

Often proposals to interfere in trade for domestic reasons represent xenophobia. As Haberler noted, using trade measures for any reason has more effect on domestic income distribution (welfare) than it does on foreigners. The indirect effects of trade changes can be more significant than the first round effects.

The Outlook

After Seattle the WTO is in crisis. It is not beyond salvation and an energetic new Round of negotiations would revive it, as the Uruguay Round revived the GATT after the 1982 Ministerial meeting failed. However, there are some worrying features about the present circumstances.

The WTO agenda presented to Ministers in Seattle was overloaded. Many issues on the table did not belong in the WTO. They were misplaced and ill-considered, and were included because governments had not the courage to scrutinise and eliminate items in preparatory committees. Environmental issues and labour standards which were controversial are covered by several specific multilateral treaties and do not belong in the WTO. The MAI failure showed that investment rules could not be decided among 'like-minded' OECD governments, yet trade and investment was included on the WTO agenda. Elementary analysis demands that any negotiations on competition policy must include antidumping rules, yet the US refuses to re-open discussions on antidumping rules. On top of this, largely undefined issues such as biotechnology, food safety and animal rights were included, and major revisions to existing WTO agreements were proposed (TRIPs and SPS).

The politics of the WTO have changed too. Developing countries are now three-quarters of the membership (total 136), and they are not satisfied with the Uruguay Round outcomes or the distribution of trade benefits. Justifiably they believe they have been short changed on liberalisation of agriculture and textiles and clothing, and they require time and technical assistance to meet their TRIPs commitments. Global sympathies for the least-developed countries require special treatment which has not been forthcoming from the major players, for technical assistance, preferential market access arrangements and trade development programs. All these issues have to be satisfied before developing countries show real movement to negotiate new issues is likely to begin.

Several major players are reneging on their commitments to liberalise trade in agriculture and 'old' industrial sectors (textiles and clothing). There is little that anyone can offer that will get them to honour their commitments. The EU and the US authorities have virtually free trade in sectors where they want it. And they have extensive preferential arrangements with their major trading partners (developed and developing countries).

Another change is that MNEs are showing less interest in the WTO, which has reduced pressures on governments to negotiate. The widespread adoption of market reforms has left fewer barriers to MNEs' trade and investment activities, and enables them to negotiate directly with host governments without involving other governments. At the same time, NGOs' policies of 'naming and shaming' while calling for 'corporate social accountability' have forced many MNEs into submission. They do not want to take a high profile on trade liberalisation which is unpopular in the anti-globalisation coalition. By backing down these MNEs weaken government resistance to community lobbying. Already some ruthless bureaucracies finance lobbying at international meetings that promote their policy preferences (see EU support for Greenpeace and WWF). MNEs' low-profile strategies could recoil to their disadvantage if the WTO is captured by the anti-globalisation lobbies.

Enthusiasm for a new Round is not evident, which is a worry for Australia. Forming alliances with some large developing countries to pursue a new Round will require delicate diplomacy. Yet this is the only route towards a new Round and the improved market access Australia needs.

Australia needs the multilateral, rules-based trading system provided by the WTO. As an economy with dispersed trade interests, stable and certain trading relations are important. Even more important, the commitment to WTO rules and disciplines provides a bulwark against any upsurge of domestic protectionism and 'fair traders'. International treaty commitments are not easily overturned by short-term populists and carpet-baggers.

The threat to the WTO from the anti-globalisation coalition is serious for Australia. The lobby groups making up this coalition show many inconsistencies, even contradictions. The predominant impression is of rising nationalism and protectionism to restore 'sovereignty' and to block globalisation. This applies to lobbyists for labour rights, protection of domestic environmental regulations and national cultures. On the other hand, supporters of 'global governance', and global environmental and labour standards, as well as human rights, and development activists, want global actions. (Of course, there are many smaller groups in the coalition, too.)

Unfortunately, both these outcomes spell disaster for the WTO. The first would bring increasing barriers to trade, probably not in the traditional tariff form but new kinds of regulations on food safety, GM crops or social programs (farm supports), or new forms of discrimination between regional trade blocks (rules of origin or revitalised safeguards measures). If the Appellate Body continues to democratise and expand litigation in the DSU, trade barriers might become increasingly acceptable to support international environmental standards (MEAs) - which might also allow more recourse to trade sanctions against non-conformers.

Similarly, the second outcome would see WTO disciplines used to promote/enforce global standards. The aim would be to prevent, 'eco-dumping'- which is as difficult to define as market dumping and, therefore, is a conveniently elastic form of protection. Of course, the environmental standards adopted would be based on the perceptions of major OECD governments. The WTO Committee on Trade and Environment has shown the EU and Japan are unwilling to amend agricultural or fisheries policies to protect the environment, despite strong lobbying by developing countries. Selectivity in environmental standards is unlikely to favour Australian interests.

The WTO is only valuable as long as it underpins multilateral rules to liberalise trade in goods and services. If its agreements are re-interpreted to interfere with trade as the anti-globalisation lobbies want, its value is reduced. The first half of this century showed the damage that can come from nationalism and protectionism. The stability and security of the past 50 years, based on international competition and openness, has brought prosperity, progress and peace. This should not be forgotten.