

## **CHAPTER IV**

### **THE IMPACT OF ANTI-GLOBALIZATION MOVEMENT TOWARD THE WTO POLICIES**

The tragedy of Seattle has given a significant impact on the WTO, especially for their political system and also the decision-making process. After the big demonstration held by the anti-globalization movement has created the chaos inside the WTO itself. The WTO's new agenda is also of considerable interest, with the rule-based trading system enforced, the transfer of attention beyond traditional protectionist devices such as quotas and tariffs to a far more full and increasingly controversial set of state laws and regulations that could potentially be interpreted as restrictions on trade carried out by the institution. Finally, with the expanding WTO new mandate, attention is focused on the lack of international protection for human rights, labor, women and children, environmental protection, and other social problems. Therefore, in the November 1999 protest held at night against the WTO millennial round in Seattle, the action framework had more transnational collective diagnostic parameters that would help guide for almost two years a series of geographically massive and diverse anti-globalization protests ranging from focus.

The protests that took place in Seattle did not oppose economic, cultural and technological globalization, but opposed a rule-based system where the WTO currently dominates mainly focusing on promoting investment and trade liberalization, while remaining silent on issues of human rights, labor, consumers, environment. Klein argues, "The protesters want rules for a global economic system that will consider such concerns and new global institutions that match the focus for economic growth taking into account the social and environmental consequences of trade and investment promotion." Deeper, Klein redefined the contour of the

diagnostic framework against neoliberalism, while looking for parameters that allow for the prognostic framework.<sup>1</sup>

### **A. The Negotiation Process in WTO**

Two years later, when trade ministers met again in the more secluded environment of Doha, Qatar, they were able to walk out with an agreed framework in hand. The Doha meeting launched a "Development Round" of trade negotiations and inaugurated China as a member of the WTO. WTO members have a joint commitment to make the Doha Trade Round a round of development. Thus, The WTO must discuss changes in the direction and placement of what they need and small producers who are interested and marginalized in the negotiation process. Possible changes can occur if the WTO agenda gives a lot of policy space to provide accurate analysis of the weakest parties concerns, in this way developing countries can protect the vital economic sector because they have that right, as long as they think it is right. Agreement and trade conditions must be directed to agreeing on cultural, social, political, and environmental rights internationally if trade wants to give a real contribution to achieving sustainable development and take into account the social conditions and the production environment.

Developed countries always protect and provide enormous subsidies to their agricultural sector and then throw their production surplus to the world market. These policies contribute significantly to excess production and low product prices, leaving millions of small farmers and their families in poverty and destroying the food security of developing countries. The WTO moves based on the consensus principle; perhaps, such expansion can be blocked by developing countries. Developed countries expressed their willingness to implement a strict prohibition against the usage of these rights

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<sup>1</sup> Klein, Naomi. 2000. No Logo: Taking Aim at the Brand Bullies. Picador.

as protectionism and to negotiate details about the application and enforcement of the law. Developing countries expressly reject the discussion of this issue. The anti-globalization movement demands about agriculture in the WTO provisions can be related to the right of each country to sovereignty over food security through effective local, national, and regional policies that must be recognized.

The concerns of developing countries are real, and not entirely without reason. They feared economically stable countries, especially the United States and the European Union, despite protesting their goodwill, under political pressure from trade unions and industry, find a surefire way to use labor rights. At the time of the Battle in Seattle, the United States had 300 dumping duties, quotas for textiles and other products, plus "voluntary" export restrictions by exporting countries.<sup>2</sup> European Union countries have significant trade-distortion subsidies on agricultural products, and they insist on maintaining.<sup>3</sup> Doubt also raises the question of whether these economically stable countries, in fact, entirely subject to the principles of WTO.<sup>4</sup> Consensus rules do not provide certainty that developed countries will refrain from putting pressure on additional labor, the environment, and human rights. Developing countries will have no choice but to approve pressure. Consensus will be more shaped than reality.

Such fear is a barrier for developing countries to reach a bilateral agreement on the rights of labor. However, WTO can make the standard apply the same for all by requiring developed countries to make import requirements based on adherence to

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<sup>2</sup> Robert E. Scott & Thea M. Lee, The Costs of Trade Protection Reconsidered: U.S. Steel, Textiles, and Apparel, in U.S. TRADE POLICY AND GLOBAL GROWTH 108, *supra*; JAMES BOVARD, THE FAIR TRADE FRAUD (1991).

<sup>3</sup> The Real Losers, *ECONOMIST*, 11th December 1999, at 15.

<sup>4</sup> Joseph Kahn, Clinton Imposes Tariffs on Steel Imports That Exceed Quota, *N.Y. TIMES*, 12th February 2000, at C2.

the rights of core workers to apply these requirements the imports should be equal to all countries no matter whether they are members of the WTO or not. Thus, each country will be protected from the race to the bottom. However, developing countries still doubt that developed countries will apply standards fairly.<sup>5</sup>

The WTO requires its current members to observe the appropriate protection of intellectual property rights established from foreign and domestic work and to provide adequate law enforcement procedures to enable effective action against all acts that violate the provisions. It will require the role of member countries, especially developing countries, to make national standards and law enforcement practices more significant. Thus The WTO has established international intellectual rights that must be obeyed and enforced by its members; trade sanctions will be imposed on members who are considered to be failing to comply with and enforce these rights.

Regulations on developing country capital investment are limited by the WTO and subsidy payments to reach trade promotions and investments. To describe sovereignty in a country has been reached, the WTO will take action on complaints by the European Union. Also, it orders the United States to change its tax code to close loopholes of exploitation by U.S. transnational corporations. Then, tax breaks, according to the WTO panel, amount to subsidies that violate the World Trade Agreement, when anti-globalization protested that developing countries should not be obliged to pay attention to the core rights of workers to enjoy the benefits of free access to the world market and that such conditions would violate their sovereignty.

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<sup>5</sup> Lance Compa, Labor Rights and Labor Standards in International Trade, 25 LAW & POL'Y INT'L Bus. 165,167 (1993).

## **B. Trade Policy Review**

One of the least positive experiences, the experience of vulnerable countries in the WTO is the trade policy review process (TPR). The WTO review of the trading system is intended as a transparency training. The mechanism of the TPR is intended to be more similar to the consultation of Article VIII of the IMF. However, during the Uruguay Round members did not want to give the level of authority to the WTO.<sup>6</sup>

So far, the three WTO Forum Island (FIC) member countries have carried out at least one TPR. All gave favorable responses about TPR as a transparency exercise. Information presented by the WTO allows local officials to understand the reality of the domestic trade environment better. Ironically, local trade officials who have difficulties often do not know the details of the domestic trade environment. The Trade Policy Review Document is thus an essential contribution to a deeper understanding of the business environment in small, vulnerable countries (SVS).

However, there is another side of the TPR that is slightly more problematic because it has a normative message that there is an ideal 'best practice' trade policy model in which WTO members are assessed. This model of best practice is implicit and has never been stated because for political reasons, fully WTO members cannot accept it. However, there is no doubt that it exists and is not surprising a free market. Although the WTO Secretariat stated that it exists to support gradual and negotiated liberalization and not free trade at any cost. When WTO members had faced the WTO Secretariat, who are looking for explicit statements about what this best practice model is, like the case last year when PNG through TPR, there was only a refusal that it existed. However, the text of the TPR document, both in the case of PNG and the Solomon Islands shows a policy response based on free trade. That some

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<sup>6</sup> Dr. Roman Grynberg. Towards a post-Seattle Agenda for the Small Vulnerable States. Forum Secretariat. Fiji Islands

countries, for example, Taiwan and Korea, have dramatically deviated from the agreed free trade approach and experienced rapid and prolonged economic growth while others such as Hong Kong, not deviating from such models while also experiencing rapid growth do not seem to cause any measure of circumspection.

The policy objective of switching from exporting a small amount of unprocessed raw material is very much held, and not a few goals of bipartisan policy in both countries. The WTO argues that “downstream processing is an undesirable economic goal” because it means the departure from the production of non-processed products where Melanesian countries are seen as having comparative advantages. The WTO's view is that resource-rich islands must remain the search for optimal resources and unprocessed export forest products and marine products, leave production and processing to these countries with comparative advantage. It is hard to imagine a policy recipe that is more concerning for Pacific island policymakers. Instead of advising the need to limit the costs imposed on people with downstream processing, the WTO's position is more doctrinal and is widely seen as preserving the comparative advantage of the area inherited from the colonial period.

The Trade Policy Review Mechanism (TPRM) is a mechanism that permanently applies to all Members in rotation and involves peer group assessments of each Member's trade policies and practices and impacts on the functioning of the multilateral trading system (MTS). It is not the same as the dispute resolution mechanism; TPRM is not intended to evaluate the compliance of Members individually with specific rules. The reviews that have been carried out have given the possibility of other countries to understand the trading policies and practices of the Members with one another, have provided feedback at the same time to the Members who are being reviewed. On the other hand, they have encouraged the creation of internal evaluations of trade policies at Members, especially

in developing countries and less developed countries (LDCs). The reviews frequencies depend heavily on the Member's part of world trade in goods and services and are based on two documents. The Secretariat independently prepares written reports and policy statements to the Members reviewed.

The supervision of national trade policies is a fundamentally significant activity to carry out and has taken place during the working period of the WTO. Amid this work, TPRM was created. The TPRM main objectives as set out in Appendix 3 of the WTO Establishment Agreement that have several purpose such as:<sup>7</sup> functioning of other multilateral trading systems by achieving greater transparency and understanding of Member trading policies and practices, contributing to increasing compliance by all Members concerning regulations, disciplines, and commitments made under the Multilateral Trade Agreement and, if applicable, Plurilateral Trade Agreements, and enabling mutual appreciation and evaluation of a full range of Member trade policies and practices individually and their impact on the functioning of the multilateral trading system.

The review focuses on trade policies and practices carried out by Members. On the other hand, members' economic and developmental needs are more comprehensive; their policies and goals must be well considered by them and prepared to face the external environment. Extensive reviews of structural policies and macroeconomic have efforts to regulate trade and trade-related policies in broader policy arrangements, thus contributing to a better assessment of the impact on the functioning of the multilateral trading system.

The TPRM review highlights how individual trading entities comply with the relevant principles of WTO which are about transparency of trade policies, non-discrimination in the

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<sup>7</sup> Introduction to Trade Policy Review in the WTO. WTO E-Learning Copyright.

treatment of trading partners, the level of stability and predictability of trade policies, protection patterns and the extent to which tariffs are only used as a measure of protection in the trade of goods, restrictions used in trade in services, records of compliance with the multilateral trading system, and participation in dispute resolution.<sup>8</sup>

A review of the Trade Policy is carried out where periodic reviews will be carried out on the Member States. The level of Member review is related to its weight in the multilateral trading system, as defined by the Member's trade in goods and services. On this basis, the review is carried out in one of three different cycles of the Member such as the four biggest traders — the European Union, the United States, Japan and China (the "Quad") — are examined once every two years, the next 16 countries with a lesser share in world trade are reviewed every four years, and the rest of the Membership (most developing country Members and economies in transition) are reviewed every six years, with the possibility of a more extended interim period for the least-developed country (LDC) Members.<sup>9</sup>

### **C. The Result of TPRM**

TPRM is a tool that serves to develop trade policies in developing WTO Members and LDC Members. Members can face specific difficulties in adapting domestic policies under the rules of multilateral trade. Trade policy reviews will significantly help them to carry out their assessment processes, including checking their multilateral trade system participation and their involvement with the WTO. Members who are in the active process of trade policy reform also have valuable opportunities to present the process and results. Besides, the preparation of reviews and discussions during the review can help them to encourage the formation of more substantial trade

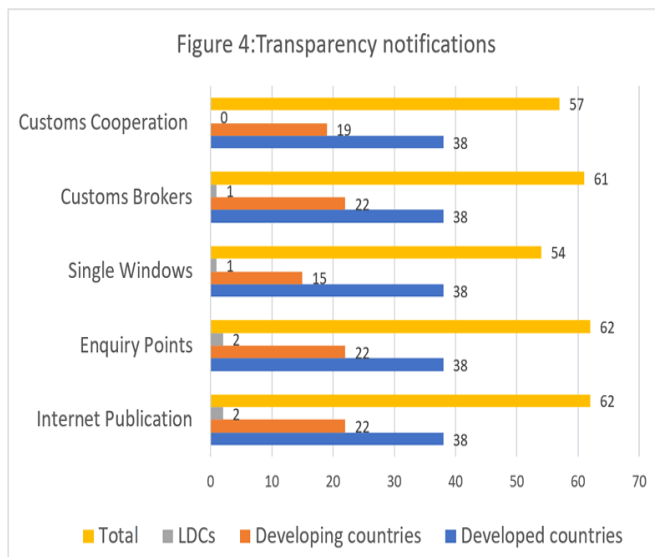
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<sup>8</sup> *Ibid*

<sup>9</sup> *Ibid*

policies in the direction expected in the WTO Agreement and contribute to the integration of more significant Members into MTS.

*Figure 4.1: Transparency Notification*



Source: Data obtained from the WTO Trade Facilitation Agreement Database

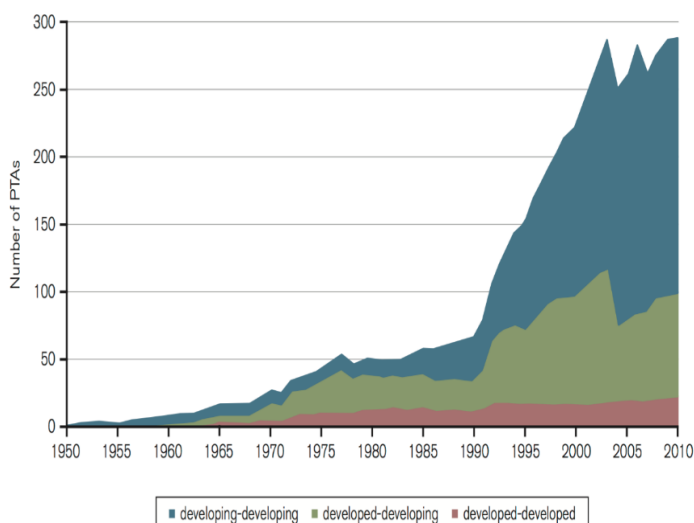
As a result, the Trade Policy Review Board has conducted 485 reviews over the past 30 years, which included 155 of 164 WTO members. The United States, Australia and Morocco are the first three members to submit to this peer review and transparency process, and they distributed the TPR report on November 16, 1989.<sup>10</sup>

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<sup>10</sup> WTO's Trade Policy Review Mechanism turns 30, [https://www.wto.org/english/news\\_e/news19\\_e/tpr\\_12apr19\\_e.htm](https://www.wto.org/english/news_e/news19_e/tpr_12apr19_e.htm) accessed on June 2019

The United States ranks first as a WTO member who has been the subject of most trade policy reviews with 14 times since the WTO was first established, the European Union and Japan were ranked second with the same 13 times. On the other hand new members such as Samoa, who joined the organization in 2012 and underwent a review of its first WTO trade policy on 10 and 12 April 2019, to coincide with the 30th anniversary of TPRM.<sup>11</sup>

*Figure 4.2: Preferential Trade Agreements between Countries Chart*



Source: WTO Secretariat.

The picture above shows the increasingly important role of trade between developing countries (South-South trade) after WTO, vis-a-vis trade between developed and developing countries (North-South trade). In the late 1970s, North-South agreements accounted for more than half of all agreements. They accounted for about a quarter in 2010. At present, the

<sup>11</sup>*Ibid*

majority of preferential trade agreements are between developing countries.<sup>12</sup>

TPRM creates a balance within the internal WTO because, with this, developing countries do not need to worry about getting pressure from developed countries related to the multilateral trade process and the trade policies they make. The WTO also carries out strict supervision of the implementation of this TPRM by periodically checking each of its members to minimize the occurrence of trade conflicts between members. With TPRM, this creates an international trade environment that is healthier, more stable, transparent, and mutually beneficial for those who carry out multilateral trade.

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<sup>12</sup> Trade and Globalization, <https://ourworldindata.org/trade-and-globalization> accessed on 22 June 2019