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# "How Can the WTO (World Trade Organization) Survive Seattle?"

Max S. Baucus

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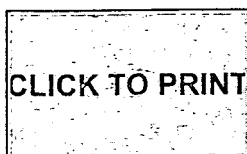
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BAUCUS

Senator Max Baucus  
"How Can the WTO Survive Seattle?"  
Washington, D.C.  
January 31, 2000

Good morning! It is always a pleasure to participate in meetings with all of you who do such a fine job representing the Farm Service Agency State Technical Committees. Of course a hearty hello to my Montanans - Shirley, Ramona, Nancy, Melvin and Ron!

I know that you will be speaking with Senator Daschle shortly, so I just wanted to give you a little insight on what I see as the upcoming trade agenda which will directly affect agriculture this next year. Both Melvin and Ron joined me in a "Montana Day" at Seattle and I'm sure you've heard stories first hand from them what it was like to be there.

I would like to share with you what I think we've learned and should consider post-Seattle.

This year's trade agenda has two central components. One is whether China will join the WTO and whether the United States will approve permanent Normal Trade Relations, PNTR, for China. The second issue for this year is how the global trading system moves to the next stage of liberalization and expansion of trade opportunities.

On the first, China and the WTO, I remain relatively optimistic that the Congress will pass PNTR this year.

This deal is simply so good for so many American business sectors -- manufacturing, agriculture, services -- and of such benefit to American farmers and workers.

The second issue is what we do with the WTO? Let me provide a few of my thoughts and then raise some questions. I wish I had the answers, but I don't think anyone does at this point.

With the benefit of hindsight, I conclude that the failure of the talks in Seattle was almost inevitable. One could argue that they collapsed in part from their own weight, in part because of a lack of sufficient domestic support going into Seattle, and in part because of the actions of our trading partners. Let me run through my list of the causes of this failure.

First, membership. The WTO has grown to exceed 130 members, with perhaps a third or more expecting to play a very significant role in any negotiation. This contrasts with previous Rounds where the Quad members, that is, the US, the EU, Canada, and Japan, served, at a minimum, as agenda setters and traffic directors and, at a maximum, controlled the negotiations, including the outcome.

The diversity of membership ranges from the richest country in the world, the United States, to the least of the least developed countries. The capability of many developing nations to participate in the sophisticated trade world of the WTO is pretty low.

Second, the agenda. It was massive and complex. Although the United States wanted a limited set of issues to be considered in the round, that was strongly opposed by many others. At the same time, the US agenda, as set out by the Administration in the months preceding Seattle, included virtually every conceivable trade issue. It was simply too much.

Third, transparency. The WTO system is strikingly opaque. The United States government has tried, to some extent, to inject transparency into the WTO process, but we are constrained by the WTO's rules and procedures. That must change. We are in the midst of a profound information revolution, and the public, not only in the United States, demands information and participation.

Fourth, the third sector in domestic and global politics. The rest of the world was totally unprepared to deal with the American concern, a very legitimate concern, that environment, labor, and consumer issues must be addressed at the WTO. Even in the United States, of course, we do not yet have a domestic consensus on this, and the Administration turned to these issues very late in the game.

The activists on the streets of Seattle did not cause the failure to launch a new round. But what they stood for, the emergence of this third sector in global trade politics, was certainly an element in the failure at Seattle.

Fifth, American hubris. Many countries are unhappy with what they see as an overbearing America, lecturing the world because of our victory in the Cold War where we are now the overwhelmingly most powerful military force in the world and our victory on the economic front where our companies and technology are so dominant and our growth so vibrant.

I happen to believe that the current American economic model is a good one. With four percent of the world's population, we represent over 27 percent of global output and more than 53 percent of the world's stock market capitalization. It has brought unprecedented prosperity to our society, although it has not solved the problems of mal-distribution of income and benefits.

Many other countries, whether in Europe, China, Japan, and elsewhere, can learn from our recent experience about the advantages of deregulation, transparency, and letting the markets operate without onerous government control. They should adopt these features, although it will have to be in a way that is compatible with their own culture, history, and social mores. For our part, perhaps we could be a bit more modest in the way we flaunt our success.

Where do we go from here? A lot of people talk about the backlash from Seattle, a backlash from globalization.

Let me say a kind word about the GATT system. I don't think it is the "Gattzilla" monster as some

have called it. The GATT has served America and served the world well for the last half century. It has contributed to opening markets throughout the world, to increasing trade, to raising incomes and the standards of living in advanced and developing countries, to moving technology more quickly among the developed countries and from the industrialized world to the developing world.

GATT established the legal and procedural infrastructure that allowed much of the development of the past 50 years.

But, there is nothing sacrosanct about the WTO and GATT structure. No one brought it down from the mountaintop on tablets. Isn't it possible that this GATT and WTO structure, while still critical to keeping the world's markets open, maintaining the global rules of trade, and facilitating trade flows, has outlived its usefulness in taking us to the next level of trade liberalization?

As we all know, most of the major tariff and traditional non-tariff barriers such as quotas, that is, border measures, have been dealt with. Now we are entering a new era where we are considering broader issues -- Food safety, GMOs, Anti-trust and competition policies, Agricultural subsidies.

Is the WTO the right place to deal with these issues?

I confess that I don't know the answer to this questions. But I do know that we should be putting a lot of energy into thinking outside the box and trying to develop the answers.

We don't trade just for the sake of trade. Trade must lead to improvements in the quality of life, for Americans and for others around the world.

I hope that your session on trade, and others like it in Washington help us find the route to global prosperity, including a strong future for agriculture.

Thank you again for all the great you do back home in representing our farmers and ranchers!