

Pierre Sauvé (2003):

**Trade Rules Behind Borders: Essays on Services, Investments
and the New Trade Agenda**

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(hardcover)

Over the last few years, PIERRE SAUVÉ has developed into one of the most influential analysts of international trade policy. In the course of his distinguished career as trade policy practitioner, both at the regional and multilateral level, and academic, he was able to witness at first-hand many tectonic shifts in the international trading system. This experience is reflected in SAUVÉ's writings. In his work, he places a particular emphasis on the so-called 'new' trade issues. These are the result of the ongoing process of shifting trade rules behind borders – a trend that gained considerable momentum during the Uruguay Round through the development of new disciplines governing domestic regulation in areas such as services, standards, trade-related intellectual property rights, and trade-related investment measures. Embedding more comprehensive investment and competition principles into the multilateral trading system – as proposed by the Doha Agenda – would move the system further inland. New trade issues are also at the core of the book reviewed. It contains a selection of SAUVÉ's most recent writings, some of them co-authored, which examine the implications of deepening economic integration, and explain where we are – and should be – heading on the New Trade Agenda. The book consists of a foreword by ALAN O. SYKES, an introduction, and three main sections that deal with the following broad themes: the emergence of a rules-based regime for trade in services, the quest for including investment disciplines within the multilateral trading system, the effects of regionalism, and the need to address effectively the public policy controversies surrounding liberalisation efforts.

The first section, the largest of the book, comprises eleven essays on a wide range of topics related to services trade. *Chapters one to five* provide an introductory overview of some of the most important horizontal issues in services trade liberalisation. SAUVÉ starts by reviewing and assessing the results of the Uruguay Round negotiations in the services area and outlines the structure, key provisions, and implications, as well as the most important rule-making difficulties and the "life prospects" of the GATS. The challenge of promoting the international contestability of markets in a world characterised by deep integration, and the question of how this task relates to services trade and the GATS are discussed in *chapter two*. *Chapter three* deals with the interests and collective behaviour of developing countries in the GATS 2000 Round and considers how these countries might maximise their future influence on the design and the rules of the multilateral trading system. *Chapter four* is concerned with the unfinished rule-making agenda of the GATS on emergency safeguards, subsidies and government procurement. The following chapter examines the relationship between services trade/investment liberalisation and domestic regulatory autonomy, and highlights some of the most important policy questions in this area. *Chapters six to nine* adopt a sectoral perspective. This approach helps to understand the uniqueness of the different service sectors and of the problems associated with their liberalisation, thereby stressing the complexity of services trade liberalisation. *Chapter six* centres on financial services and looks at the achievements, as well as the future liberalisation and rule-making challenges in this sector that has traditionally played a leading role in shaping trade rules for services. *Chapter seven* explores a sector that has been excluded almost completely from multilateral liberalisation to date – air transport. The chapter lists some of the reasons for this exclusion and

discusses possible scenarios that may be envisaged with a view to promoting the liberalisation of international air transport markets. *Chapters eight and nine* focus on two politically very sensitive sectors whose treatment in the WTO has triggered particularly vehement public controversies – culture and education. SAUVÉ explains the tensions that may develop by combining trade and culture, how this tension could possibly be addressed in a WTO setting, and argues the case for restricting trade in cultural goods and services. The essay on education, on the other hand, primarily aims at exposing a number of popular fallacies and misunderstandings concerning the role of the GATS in education. At the core of *chapter ten* is another question that is highly relevant to the current situation, i.e. whether regional solutions may provide better and speedier policy responses to services and investment problems than multilateral strategies. The final chapter of the first section emphasises the benefits of open services markets and addresses a few of the most frequent GATS critiques, such as the allegedly negative effect of the Agreement on the provision of public services and regulatory autonomy. The chapter concludes by outlining the key challenges in the current GATS round.

Direct investment remains the predominant means of securing access to services markets. As a consequence, the liberalisation of trade in services and investment rules are two highly intertwined issues. The five chapters in the second section therefore concentrate on investment. *Chapter twelve* provides an initial stocktaking and assessment of the most important Uruguay Round outcomes with regard to investment liberalisation and protection. *Chapter thirteen* reviews the scope and possible implications of existing WTO investment provisions from a rule-making perspective, as well as the case for integrating a set of comprehensive investment disciplines into the multilateral trading framework. *Chapter fourteen* seeks to draw lessons for such an endeavour from the experience of the unsuccessful plan to establish a Multilateral Agreement on Investment between OECD countries in the mid-1990s. The following chapter also discusses the possibility of creating WTO-anchored rules on investment. However, written under the impression of the Seattle debacle, the conclusions reached are different from those in the preceding chapter. *Chapter sixteen* examines the linkages between investment policy and economic development and asks what multilateral policy initiatives may assist developing countries in creating positive investment climates, thus attracting greater, and more productive, investments, and allowing faster economic development. In addition, the chapter, written prior to the Cancún Ministerial, considers possible elements of a WTO Multilateral Framework on Investment and identifies a number of important issues which member country representatives should be emphasising in their discussions of the trade and investment interface.

The six chapters in the third section muse on the future of the multilateral trading system and investigate some of the forces and developments that will continue to affect the New Trade Agenda. *Chapter seventeen* advocates the need for further trade and investment liberalisation and discusses the challenge of addressing the growing public anxiety caused by liberalisation, which is necessary to guarantee continued public support for open markets. *Chapter eighteen* stresses the complementarity of trade and investment as means of contesting markets for globally active firms and analyses the consequences of this new dimension of market access for the international trading system. *Chapter nineteen* examines the interaction between trade/investment policy and a development that will continue to transform the nature of global economic activities: the growth and economy-wide diffusion of the information and communication technology sector. *Chapter twenty* turns again to the regionalism-multilateralism debate and assesses the recent pro-

lification, the advantages, and the future prospects of regional trade agreements in North America. The following chapter further explores this question and analyses the New Trade Agenda from a subsidiarity perspective, i.e. seeks to determine the level of governance most effective in addressing new policy challenges in services, investment, competition and domestic regulation. *Chapter twenty-two* attempts to draw some fundamental lessons for the future of the multilateral trading system from the disappointing outcome of the Seattle Ministerial.

This final chapter of the book concludes with the appeal to rescue the bargaining dynamics of the multilateral trading system not only from the fears of civil society, but also from the apathy of the developed, and the distrust of the developing world. The fact that the future of the multilateral trading system is still, more than half a year after the abrupt end of the Cancún Ministerial, in doubt underlines the urgency of this appeal. In the light of the present situation, many of SAUVÉ's writings contained in the book assume a particular relevance. In fact, the conflict over investment- and competition rules played an important role in causing the collapse of the trade talks. At Cancún the efforts to include such rules into the WTO suffered a serious setback. In addition, the tensions created by the issue clearly increased the division between developed and developing countries. Finally, the joy with which great parts of the NGO community celebrated the outcome of the Ministerial demonstrates that overcoming the "globophobic" public anxiety caused by the ongoing liberalisation efforts is still a crucial challenge. What conclusion SAUVÉ himself will ultimately draw from the outcome of Cancún remains to be seen. Throughout the book, he is – for a number of reasons – rather sceptical as far as the possibility of embedding more comprehensive rules on investment and competition into the WTO is concerned. Therefore, one might expect SAUVÉ to share USTR ROBERT ZOELICK's evaluation of Cancún as "a bucket of water to get us focused on what is negotiable and what isn't".

The practical relevance of SAUVÉ's writings – combined with their analytical and methodological stringency – render the book a valuable addition to the bookshelf of any trade-policy practitioner or academic, particularly if he or she is interested in the new trade issues. Moreover, the book is clearly more than a loose assembly of essays. Although depth and breadth of the analyses differ from chapter to chapter – due to their different target audiences – the book forms a consistent whole. Very helpful in this context is the short introduction that provides the reader with a kind of "story line": outlining important recent developments in the global trade arena, it clarifies how the various specific questions discussed in the book relate to each other and to the overall picture. Importantly, the book is also an account of PIERRE SAUVÉ's evolution as an expert analyst of these issues. Following how perspectives, emphases, evaluations and expectations change in his writings over time and in response to developments inside and outside the trading system is a very stimulating experience.

In brief, a highly recommendable *tour de force* through the changing landscape of international trade policy, covering the period from the early 1990s until the present day. The only drop of bitterness is the relatively elevated price of the book that might prevent many potential buyers from acquiring it.

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