

Second, by 1999, as a result of the growth of foreign direct investment, sales of foreign affiliates surpassed the volume of cross-border trade, making the latter mode, for the first time, the junior partner in international commerce. In this context, distinctions between trade policy and broader economic policy (i.e. investment rules, subsidies, competition policy, etc.) become murky, if not totally collapsed (as they are in the case of trade in services); moreover, the institutional contest over trade rules takes on new life. And then along comes electronic commerce...

Third, the sheer growth in trade in relation to overall economic activity had qualitatively changed matters. At one time, trade accounted for about 7 percent of global production; in effect this represented the exchange between essentially *independent* economies of relatively small (percentage-wise) quantities of excess national production. Now, when trade accounts for about 25 percent of global production, it occurs between *interdependent* economies. Trade issues accordingly move from the periphery to the centre of overall economic policy and thus to the domain of institutions such as the International Monetary Fund (IMF) when problems arise, and more generally to domestic economic policy agencies, where trade disciplines are liable to be viewed as infringing on sovereignty.

### **The Issues: Institutional Aspects of the Trade and Coherence Agenda**

*What governing structure does the global market require?*

The present systemic requirements clearly go beyond adding a few "bells and whistles" to the GATT/WTO system. However, the answer from Seattle to the question of what changes should be made to the global governance structure was essentially "we don't know yet." Absent a consensus on a grand plan, and attention then returns to practical problems.