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THE DOHA ROUND: COMIN' ALIVE?¹

By Clayton Yeutter²

Introduction.

May I first pay compliments to the leadership of the Asian Development Bank for hosting this seminar. Asia has a huge stake in the success of the WTO generally, and the Doha Round specifically, but not everyone realizes that. So seminars of this nature are terribly important in providing focus to the Doha Round, encouragement to the negotiators, and in building public support for this endeavor. Let's hope we can accomplish those objectives here in Osaka.

In exercises such as the Doha Round it is always essential to be optimistic, enthusiastic, committed and, above all, patient. There are plenty of critics involved with, or on the sidelines of, any negotiation. And plenty of people who would prefer that a negotiation fail. We observed some of that last year in Cancun. But we simply cannot permit negative thinking to rule the day as the Doha Round proceeds. Bob Zoellick, the U.S. Trade Representative, recognized that earlier this year when he wrote his fellow trade ministers to say, "Let's go to work. The world cannot afford to have us wring our hands after Cancun and waste 2004." Ambassador Zoellick knows that defeatism is self-fulfilling. The antidote is optimism, tempered by realism, and a lot of hard work. That's what lies ahead, but it is also what makes trade policy so rewarding.

What Now? Do we have an Agenda?

So what does the WTO do now? First things first, so let's get the negotiating agenda solidified. Here we are, at a time when the Doha Round should be drawing to a close, and we don't even know yet what is to be on its agenda! That means, of course, that no one knows what the potential trade-offs might be — for any of the nearly 150 participating countries. The agenda needs to be finalized, hopefully this summer. Whatever is not encompassed in the final Doha Round agenda will simply need to wait for attention another day, or in another way.

What is likely to be on the final agenda? We have two so-called "holdover" issues from the Uruguay Round, services and agriculture. Some progress has already been made on both, though not much. Then one must add non-agricultural market access ("NAMA"), which is a somewhat broadened description of what the GATT formerly

¹ Keynote address at a Doha Round seminar sponsored by the Asian Development Bank, Osaka, Japan (June 16, 2004).

² Mr. Yeutter served as U.S. Trade Representative from 1985-89, and was instrumental in launching the Uruguay Round. He also served as U.S. Secretary of Agriculture from 1989-91.

defined as industrial tariffs. Finally, one of the “Singapore issues,” trade facilitation, is a probable addition.

Those four topics will almost assuredly compose the heart of the Doha Round agenda. But one should add to them a peripheral effort to improve the operations of the GATT, which may well necessitate a number of changes in existing GATT codes or rules. It is impossible to be precise about what might be encompassed in this effort, but one can envision changes in areas such as dispute settlement, antidumping/countervailing duty provisions, and WTO governance. Negotiators might even test the waters of a few highly contentious issues, with candidates being topics such as intellectual property protection and standards (*e.g.*, food safety). Time is likely to be the major constraint on what might be achieved in these topics, outside “the Big Four.”

The Singapore Issues.

So what happened to the rest of the Singapore issues — transparency in government procurement, competition policy, and investment? One can make a persuasive case for at some point dealing with all three within the WTO, but not now. There just is not yet enough political support within the member nations to do so. Among the three, transparency in government procurement ought to be easiest. All countries should be prepared to expose their procurement policies to public scrutiny. There is no justification for keeping them secret. Unfortunately, transparency often flies in the face of a longstanding tradition of secrecy, supported often by dubious motivations. That will change, as people everywhere demand more openness from their governments, but not quickly enough to affect the Doha Round agenda.

Competition policy is just too complicated for a WTO negotiation at this point. One cannot deal with that subject without bringing ministers of justice into the picture, and those officials have little familiarity with the WTO. They are, in fact, wary of the WTO and concerned that this is simply an invasion of their jurisdictional turf by trade ministers. So a lot more groundwork will have to be laid within member nations before this topic can move from a “study item” to a negotiation. Nevertheless, we should not disparage the effort, for bringing competition policy to the WTO in a measured way might well make it possible to erase some of the abominable features of present day antitrust laws.

In my view, investment ought to be on the Doha Round agenda, though it is not going to be there. To me it makes no sense for the world to have a comprehensive set of multilateral trade rules and nothing comparable on the investment side. What we have today are literally thousands of bilateral investment agreements, accompanied now by some in the plurilateral category. In combination, these have to be an indecipherable maze for business firms everywhere. For those who participate in international commerce, this has to be discouraging, costly, and totally frustrating. The business firms of the world deserve better!

We already have some investment rules at the WTO, so we can build on those. And the OECD countries have considerable negotiating experience, emanating from their own effort to develop a multilateral investment code. That effort aborted, partially because of the opposition of anti-globalization groups and partially because the OECD was simply the wrong forum. What we need to do is put the past behind us and figure out a way to get this job done. My own preference would be to wait until the Doha Round is essentially concluded, so as not to detract from that effort. At that point the WTO might consider initiating a separate negotiation on investment, much as was done on telecommunications and financial services in the post-Uruguay Round period.

The Timetable.

If the Doha Round agenda emerges as outlined above, the next question is “How much time do we have?” The trade world no longer revolves only around the United States, but the U.S. does have timing challenges that exist nowhere else. So we must take those into account. As a practical matter, they are likely to determine the length of this negotiation.

The first occurs in mid-2005 when U.S. negotiating authority will expire unless the Administration requests a two-year extension, justifies the extension, and avoids a “Resolution of Disapproval” by either House of Congress. That, of course, is one reason why Ambassador Zoellick has sought to breathe life into the Doha Round in 2004. Were he not to do that, and do it successfully, it will be mighty difficult for the Administration next year to persuade Congress to extend “fast track” negotiating authority. Were a Resolution of Disapproval to pass, the Doha Round would collapse.

That’s the first timing hurdle here in the U.S. The second is in mid-2007, when the two-year extension will expire. In my judgment, it would be most unwise for the world to count on a further extension of U.S. negotiating authority. If the Doha Round is not then concluded, Congress may well be so frustrated that an additional extension would be rejected.

The WTO presumably will have another ministerial meeting in mid-2005, hopefully in the aftermath of a successful extension of American negotiating authority. One might look at that as essentially a “re-launch” of the Doha Round. That meeting will likely be held here in Asia, in Hong Kong, and it could be one of the most critical sessions ever for global trade policy. The challenge for that ministerial is to provide the emphasis, the vigor, and the stimulus for moving the Doha Round forward rapidly and decisively. The time for “wheel spinning” will then be over! Negotiators will then be going into the last lap of this “race,” not the first. Since one must allow time for necessary government approvals at the end of such a major negotiation, a Doha Round agreement ought to be signed no later than the end of 2006. If the Hong Kong ministerial is held in mid-2005, that means negotiators from WTO member nations have no more than 18 months to reach final agreement. That will be a formidable task indeed — but it is not an impossible one.

Tasks for 2004-2005.

What can the negotiating delegations in Geneva do between now and next year's ministerial meeting? They certainly need not sit around, awaiting guidance from the Hong Kong session. There is much they can do to make life easier for their ministers at Hong Kong, and to ease at least some of the political/substantive pressures that will be immense during the final 18 months of negotiations.

I will not dwell long on the individual subjects of the Doha Round agenda, for others will do that in detail later in this seminar. But I'd like to comment on a few elements of each subject matter challenge.

First, negotiators ought to be able soon to establish a "framework" for non-agricultural market access ("NAMA") negotiations. This segment of the Doha Round ought to move forward more rapidly than any other. After all, we've had NAMA negotiations in the GATT/WTO for more than half a century; we ought to know how to do them by now. One thing I'd like to see in the NAMA exercise is greater emphasis this time on "zero for zero" negotiations. As a result of the successes of past negotiating rounds, the world now has lots of non-agricultural market impediments (mostly tariffs) that are simply a nuisance. We ought to get rid of them, for they constitute a cost to exporters, importers, and their customers that is utterly indefensible. With the MFA about to expire, one NAMA issue of particular interest here in Asia will be the handling of textile and apparel tariffs in the Doha Round.

As to services, the member nations just need to be much more ambitious than has been evident thus far. This is only the second Round of negotiations on services, so a whole lot of liberalization remains to be achieved. If we're coming around the final turn in our race to the finish line on non-agricultural market access, we've probably not even reached the first turn on services. So we need to accelerate the pace of reform, committing new areas to liberalization in all countries, and deepening reforms in areas where WTO commitments have already been made or offered.

Trade facilitation will be a new endeavor for us all, though we've had customs rules in the GATT for many years. The parameters of this negotiation are yet to be defined, but a security dimension is obviously in the offing. Our basic objective here should be to facilitate the efficient and safe movement of goods, services, and people across national borders. Much can still be done to make those processes more efficient, and we've scarcely begun to confront the safety challenge multilaterally. In the limited time available, the Doha Round cannot possibly provide all the answers, but it can provide some of them. And it should be able to establish a foundation for future advances, either in another WTO round or (perhaps more likely) in a separate negotiation devoted to this issue.

And then there is agriculture, almost always the most difficult issue of all. This subject went "off the tracks" in the well-intentioned but poorly designed pre-Cancun accord between the U.S. and the European Union. It almost came back on the tracks at

Cancun, but that effort aborted when trade ministers found it impossible to achieve anything approaching consensus on the Singapore issues. The outcome in Cancun was celebrated, for a time at least, by the G-20 countries who objected vehemently to what the U.S. and the EU had done on agriculture, and by the African countries who at Cancun challenged the WTO compatibility of cotton subsidies (particularly those in the U.S.). A number of developing countries also celebrated the Cancun rejection of the Singapore issues, which had been vigorously supported by Japan, the EU, and others.

A Post-Cancun Reflection.

Cancun was a learning experience for all WTO member nations. The “big players” learned that they can no longer push around the rest of the WTO membership. When they go astray — as they did with the U.S.-EU accord on agriculture and the premature attempt to negotiate the Singapore issues — someone is likely to push back. That happened at Cancun, and the G-20 joined the Cairns Group as a force for trade reform in agriculture. In addition, many developing countries pushed back on one or more of the Singapore issues. The upshot of this is that the “smaller players” in the WTO demonstrated conclusively that they can organize consortia of sufficient strength to stop what the bigger players might wish to do — on any subject.

What these various consortia have not yet demonstrated is whether they can accomplish anything. Cancun was a setback for the WTO as an institution, and it is the only institution in this world that can tackle trade reform globally. So what occurred in Cancun should not have led to celebrations by anyone anywhere. That ministerial meeting was a retrogression, not a progression, on the road to trade liberalization. What is needed now is emphasis on moving forward, not backward, and that demands a constructive attitude on the part of all WTO member nations. Otherwise there will be no development emerging from the Doha Round, for any nation.

Fortunately, the G-20 and other developing countries appear to recognize that they now have a responsibility to make commitments in the Doha Round, as well as ask for concessions, and their statements have reflected a more positive tone than was evident in Cancun. Hopefully they’ve begun to realize that it is in their own self-interest to liberalize, though perhaps within a different timeframe. As I’ve been saying for years, developing countries can dramatically increase trade among themselves if they liberalize. And as I’ve also said, “The only way to learn how to compete internationally is to compete.” If developing countries persist in protecting their own industries, few of those industries will ever become globally competitive.

Where Now, in Agriculture?

Now to be a bit more specific about agriculture. To its credit, the European Union, by far the world’s largest user of agricultural export subsidies, has recently indicated a readiness to completely phase out those subsidies over time. That is indeed important! It is a reform commitment that many of us have urged and supported for a quarter of a century! It is not yet reality, of course, but there is now far more than just

a glimmer of hope. There is no way for developing countries ever to compete against the treasuries of the developed world, so taking agricultural export subsidies to extinction in the Doha Round would be a great achievement.

The debate over market access is already intense, with much of the present focus being on a tariff formula for agriculture. Regrettably, developed and developing nations alike are supporting formulae that will protect their most import sensitive industries. These are the same industries that have vigorously, and successfully, resisted past reforms — for decades! Those particular industries vary from country to country, but in each case they are politically powerful. That is how they have essentially avoided competition from their peers in other countries. The WTO needs to challenge these “sacred cows” in the Doha Round, by agreeing on a tariff cutting formula that will reach them. That will require political courage, and the support of other industries (agricultural and non-agricultural entities which will benefit, directly or indirectly, from such reforms). I would find it hard to declare the Doha Round negotiations a success were these agricultural groups to escape once again.

Finally, domestic subsidies, an issue brought to the fore recently by the successful WTO challenge of U.S. cotton subsidies by Brazil. This is an issue that has long been of deep concern to developing countries because of the huge trade distortions attributable to these subsidies, import constraints, or a combination of the two (especially in countries such as the EU, the U.S., Norway, Switzerland, Japan, and Korea). The U.S. has already indicated a willingness to reduce its domestic subsidies, but there is no way politically for it to do this and get nothing in return. (That, incidentally, is why the cotton “negotiations” in Cancun were doomed from the start.) The same applies to the need for similar reforms in the other major “distorters” I have just enumerated. This is a delicate subject in all countries; otherwise reform would have occurred ages ago. So reforms will occur only in a reciprocal setting, though full reciprocity by developing countries obviously will not be demanded. This is where it becomes advantageous to have a reasonably broad Doha Round agenda. That breadth, hopefully, will facilitate the necessary tradeoffs — between and among the various agricultural “pillars,” and between agriculture and other segments of the negotiations.

Without consensus on agriculture, the Doha Round will fail. But I firmly believe that such a consensus is achievable. The foundation for this was laid, for the first time, in the Uruguay Round. That negotiation accomplished less than what many of us had hoped for, but it stopped a “speeding train” of agricultural distortions, turned it around, and pushed it off in the right direction. That alone was important. It positions us now to “open the throttle” and increase the speed of our reform train as it heads down the tracks.

Conclusion.

What then should we have at the end of the Doha Round? If all goes well, it might include:

1. An overall reduction in non-agricultural tariffs, with many of them to be reduced to zero over time. If member nations decide to be bold, they might even create a “holdover agenda” calling for another negotiation to eliminate all non-agricultural tariffs by a date certain. That negotiation could, and probably would, take place outside the context of a new WTO round;
2. A significant improvement in services coverage by all WTO member nations, and an expanded set of rules which all member nations agree to implement and honor;
3. A whole new set of rules in trade facilitation, intended not only to foster the expansion of trade, but to minimize the security risks that now prevail in conducting it;
4. An agricultural accord that will significantly improve market access opportunities for all member nations, but especially developing nations; a timeframe for the final elimination of all export subsidies; effective disciplines and agreed reductions in domestic subsidies; and
5. Improvements in existing WTO rules and codes, including a more responsive dispute settlement mechanism, improved WTO governance procedures and, hopefully, alteration of the most egregious deficiencies in everyone’s antidumping codes.

If we can get all that accomplished over the next two plus years, the Doha Round will have been a resounding success. But that will take a concerted effort of all nations represented at this seminar, and all their fellow WTO member nations throughout the world. None of this comes easy, but all of it is worth doing. And it may be far more important to the world’s future than any of us now realize.