



Cordell Hull Institute

Trade Policy Analyses

Vol. 5, No. 3

May 2003



On May 8, 2003, The Cordell Hull Institute hosted a Trade Policy Roundtable discussion on "Creating Momentum in the WTO System". John Weekes presented a paper about the "State of Affairs in the Doha Round Negotiations" at the symposium.

The meeting was held at the Decatur House (pictured above), which borders Lafayette Square in Washington, DC.



Opposite is the reproduced paper by **John M. Weekes** (above).

About the Author

John Weekes is Chairman of the Global Trade Practice at APCO Worldwide, Geneva, Switzerland. He was previously the Canadian Ambassador to the World Trade Organiza-

2003 Round Table Discussions...

State of Affairs in the Doha Round Negotiations

John M. Weekes

FOUR months away from the WTO Ministerial Conference in Cancún in September is an excellent time to consider progress in what is formally known as the Doha Development Agenda – the current round of multilateral trade negotiations in the World Trade Organization. At the moment the prospects for the success of the meeting appear uncertain. Bold political leadership is necessary to chart a course towards the ultimate success of the Doha Round negotiations.

Time Frames and Missed Deadlines

When ministers met in Doha, capital of the Gulf State of Qatar, in November 2001 they agreed the negotiations should be concluded not later than January 1, 2005. They planned the basic agenda for the next WTO Ministerial Conference. In addition they established a work program with a series of deadlines to ensure steady progress. While a lot of good work has been done, the key deadlines have all been missed. The result is that ministers are looking at quite a different agenda from the one originally envisaged.

Barring a miracle between now and Cancún the agenda could be overwhelming in terms of the issues that ministers would be expected to address. The key issue before the conference should therefore be determining the real level of ambition and the real scope of negotiations. It is the level of ambition that in the end will drive the detailed negotiating effort.

More particularly, the following issues not originally expected to be before ministers could well be on their agenda:

- Determine the modalities¹ for the negotiations in liberalizing agricultural trade.

tion (1995-1999) and he was Chairman of the WTO General Council (1998).

Before that, Ambassador Weekes was Canada's chief NAFTA negotiator, after being heavily involved in the Uruguay negotiations.

About the Meeting

Given the political circumstances in which the Doha Round negotiations were launched, notably the anti-globalization climate prior to September 11, it is not altogether surprising that they are struggling to get traction and are falling behind schedule.

Progress on agricultural trade in the Doha Round negotiations is critical to making progress on services, manufactures and systemic reforms.

Representatives of the Cairns Group of agricultural-exporting countries have repeatedly said that without the substantial liberalization of agricultural trade the negotiations "will not be completed".

The Trade Policy Roundtable addressed a number of questions including: a diplomatic failure over agriculture and whether expectations in Geneva should be lowered, perhaps by reducing the Doha Round agenda, or whether, on the contrary, sights should be lifted.

Other Speakers

Herminio Banco, Mexico's former Minister of Trade and Industry and **Kenneth Rogoff**, Economic Counselor at the International Monetary Fund.

- Determine the modalities for the negotiations on non-agricultural market access, but agreement is extremely unlikely without agreement in agriculture.
- Decide the fate of negotiations on dispute-settlement procedures, also almost certain to miss their end of May deadline.
- The problem identified in Paragraph 6 of the Doha Ministerial Declaration on TRIPS and Public Health, namely how to make effective use of compulsory licensing for pharmaceutical products in countries with insufficient or no manufacturing capacity.
- Completion of a multilateral system of notification and registration of geographic indications of origin for wines and spirits that was to be concluded before the Conference.
- Special-and-differential (S&D) treatment and "implementation" problems where deadlines slipped from July to December, but agreement has still not been reached.

Then there are all the other items that were originally slated for the agenda, notably:

- Decisions on the modalities of negotiations on the four Singapore issues.
- Possible recommendations on trade and the environment (Paragraph 32 of Doha Ministerial Declaration).
- Whether to extend the protection of geographic indications beyond the area of wine and spirits.

About the only heading not yet on the agenda as a problem is the negotiations on certain WTO rules (most notably anti-dumping and subsidy-countervailing actions) with some suggestion that ministers should extend the mandate to include safeguards.²

Confusion over Tactics and Strategy

With so many participants in the negotiations there are different approaches to policy making that determine the positions adopted by delegations. Some see the WTO as a way towards further domestic economic reform, while others see the WTO as interfering in the domestic management of their economies. There are important differences among delegations on the extent to which they work closely with their trade ministries back in capitals when deciding their positions on various issues. Moreover, there are differences in the degree to which some trade ministries work closely with the other centers of economic policy-making in their governments.

Trade Policy Roundtable

The Cordell Hull Institute's Trade Policy Roundtable is sponsored by seven international law firms in Washington, DC: Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, O'Melveny & Myers, Sidley Austin Brown & Wood, Steptoe & Johnson and Wilmer Cutler Pickering Hale & Dorr.

Some delegations clearly consist of officials interested in trade primarily as an agent of economic reform. Others are made up of old school diplomats who dwell on how their countries have been exploited by the major industrialized countries over the years and argue that the situation now needs to be redressed in their favor.

Not surprisingly these differences complicate matters at the negotiating table. I do not propose to give examples or analyze this phenomenon in more detail, but it is important to be aware of it in order to understand what is happening and why, as a result, things take much longer than seems reasonable. But these distinctions in motivation are by no means confined to developing countries.

Central Agenda

There are many elements in the Doha Round negotiations. The central focus is improving market access for agriculture, services and industrial products. In agriculture, the objectives include further reductions in trade-distorting farm-support programs and the elimination of export subsidies. For industrial products, the United States, with support from others, has proposed the elimination of all duties.

Others lead by India are arguing, partly for tactical reasons, for a minimalist approach. In addition, the negotiations will address the trade-distorting aspects of non-tariff measures, which are often more significant instruments of protection than tariffs. In the area of anti-dumping and subsidy-countervailing duties, real negotiations are beginning and a lot of ideas have been put forward by participants.

In Cancún, ministers will be called on to address the modalities for negotiations in the areas of investment, competition policy, trade facilitation and transparency in government procurement. Trade and the environment will be on the agenda as well. Importantly, ministers will also need to consider how to ensure that the results live up to its billing, that this is the Doha Development Agenda.

Agriculture – Key to Success

The agriculture negotiations are the key to success overall. Progress here is more important for developing countries than moving forward on the frequently cited implementation problems and special-and-differential treatment. New forces are increasing the pressure on those resisting major change, but there remain strong interests against reform in all the major industrialized countries. Non-governmental organizations (NGOs) are arguing that agricultural protection in developed countries is a "major injustice to developing countries".

Estimates by the Organization for Economic Cooperation and Development (OECD) of agricultural support in developed

countries show the level of support to be consistently in excess of \$300 billion a year and over \$350 billion in 1999.³ Imagine what such resources could do if used to promote international development! There is virtually unanimous agreement among developing countries that this situation should come to an end, although there are serious differences over how far developing countries should go in reducing their own protection of agriculture.

In the near term, movement on this file is essential to allow progress to be registered in the run up to Cancún, with the focus clearly on the European Union, which will again be deliberating on the reform of its common agricultural policy (CAP) during the course of June.

Development Conundrum

The current emphasis on special-and-differential treatment is not new. In these discussions, the developed countries are also paying attention to the need for some form of graduation, to developed-country status, for the more advanced developing countries. Some developing countries accept the need for graduation in practical terms, but are not prepared (yet) to accept that they will renounce recourse to such benefits for all time as part of an agreement. A lot of energy will be expended on these issues over the next few months. Suggestions by the chairman of the WTO General Council, Carlos Perez del Castillo of Uruguay, on how to categorize the some 85 proposals for special-and-differential treatment may help to find a way forward – at least for those delegations that want a solution.⁴

The real “development” element of the Doha Round negotiations, however, is about making fundamental changes in improving access to markets, and in improving trade rules, so that developing countries can export the products they can produce efficiently. To make the WTO system more conducive to development, it is not just the developed countries that need to act, for the rapid growth of trade among developing countries shows that liberalization by each of them would benefit other developing countries. This fact represents an important shift in the global economy. The World Bank has documented that, as of 1995, nearly 40 percent of developing-country exports went to other developing countries, a figure expected to reach 50 percent by 2005. By contrast, in 1965 the percentage was only 21 percent.⁵ Already developing-country exports are taxed more by other developing countries than by developed countries.

Nevertheless, significant barriers remain in developed countries. Edward Gresser, of the Progressive Policy Institute in Washington, DC, offers in a recent paper some dramatic examples of how U.S. tariff policy is often skewed against the products that many of the poorer countries produce.⁶ Consider two of the examples he describes:

1. In 2001, Mongolia exported \$0.143 billion worth of goods to the United States and paid duties of \$23 million, whereas in the same year Norway exported \$5.173 billion worth of goods, but paid only \$24 million in duties.

2. In the same year, Bangladesh exported \$2.353 billion worth of goods to the United States and paid \$331 million in duties, while France exported \$30.023 billion worth of goods and paid only \$330 million in duties.

It is obvious that more trade liberalization by developed countries would benefit some of the poorest countries. There is a lot of work to do to make the world trading system more responsive to the interests of developing countries. That work should be a key part of the Doha Round negotiations. There is a risk of becoming mesmerized by the attention being given to special-and-differential treatment and forgetting the need to address real developing-country interests in the main substantive work of the WTO system.

There are important differences of opinion on how to interpret the situation on special-and-differential treatment. Some developing countries believe these issues are critical for them and are being given short shrift. Other participants and interested bystanders believe the main business of the negotiations has been hijacked by what they regard as a peripheral issue.

Core US-EU Issues

The European Union and the United States must provide the leadership necessary for the negotiations to succeed. Together they account for over 40 percent of global merchandise imports – a major part of what the negotiations are about. Furthermore, they need the WTO system to manage their own relationship and, perhaps even more importantly, to promote international cooperation and the rule of law more broadly.

It is easy to over-estimate the significance of the trade disputes between the United States and the European Union, for disputes always get attention in the news media, but they constitute a relatively small portion of the overall economic relationship. It is interesting to note that these differences seem to loom larger than they did during the Cold War when major strategic and ideological differences divided the world. It is time for the European Union and the United States to begin projecting a sense of common purpose to address the economic challenges of the new century.

The U.S. Trade Representative, Robert Zoellick, and the European Union's Trade Commissioner, Pascal Lamy, have been working to try to narrow their differences and to give renewed impetus to the negotiations. They met several times on the margins of the OECD Ministerial Council meeting in early May and have reached some agreement on six core issues that need to be addressed before

Cancún: trade in goods, trade in services, agriculture, development issues, the Singapore issues (investment, competition policy, trade facilitation, and transparency in government procurement), and trade rules (chiefly anti-dumping and subsidy-countervailing actions). They are also making an effort to narrow their differences on the approach to the negotiations on industrial tariffs. Their agreement on the headings for the negotiation masks important differences on substance.

The discussions before, during and after the OECD meeting between Ambassador Zoellick and Commissioner Lamy may have gone some distance towards building a sense of common purpose between the European Union and the United States. Some observers are privately suggesting that the Cancún meeting could turn out to be like Seattle. But the United States and the European Union arrived in Seattle with differences of approach too large to reconcile, whereas Messrs Zoellick and Lamy appear determined to avoid that mistake this time around.

Some fear the result may be to put pressure on other partners in the negotiation to go along with what the two big powers work out. That does not seem to be an immediate threat as there are still significant differences of view between the United States and the European Union and, furthermore, they probably cannot be significantly narrowed outside the context of bargaining with other participants. It does suggest that the time has come for other partners to become more active at political level in the effort to narrow differences.

Critical Months Ahead

Ambassador Zoellick has continued to project a sense of optimism about the outcome of the Doha Round negotiations and keeping to the deadlines. But he told a meeting in Munich on May 3-4 that the next two months would be critical in determining whether this would be possible.⁷ Agriculture is central and without progress in June by the European Union on CAP reform all bets on timing will be off.

A remarkable amount of work has been done by WTO delegations in Geneva over the eighteen months since negotiations were launched. There have been many proposals from a wide range of delegations on various issues. The negotiations, however, have reached the point where, in order to progress to the next stage when actual bargaining can begin, decisions are needed on the level of ambition to be sought and the scope of the negotiations in certain key areas, particularly agriculture and the industrial tariff negotiations.

I was recently asked by a businessman what would happen if the Doha Round negotiations were to fail. This is a good question. While I am an optimist about the eventual outcome of the

negotiations, the possibility of failure cannot be excluded, but it is worth considering the question.

In the first instance, nothing much would happen. All existing WTO rules and the procedures for resolving trade disputes would remain in place. Many WTO member countries, however, regard the results of the Uruguay Round negotiations as unfinished business. That is where a lot of the energy for the push for change in the "implementation" agenda has come from in the last few years. And even more so in agriculture. Many agricultural-exporting countries view the Uruguay Round commitment to resume negotiations as a clear recognition that a balance of benefits was not achieved for them.

Failure in the Doha Round negotiations would test the credibility of the WTO system. Its relevance for carrying forward the program of trade liberalization would be seriously eroded. Loss of credibility would quickly translate into loss of support at political level in member governments. That would make it less likely that governments would resist calls for protectionist actions from domestic interests. It would also make compliance with the findings of dispute-settlement panels less likely. Even now there are clear signs that governments are finding compliance more difficult.

It does not take a lot of imagination to appreciate that such a scenario could be very damaging and the consequences would probably not stop in the area of multilateral cooperation over trade and trade-related issues. Indeed, history has taught that protectionism can contribute to heightened international tension, even war. It can be expected that far-sighted leaders would not allow matters to deteriorate too far before mounting a new effort to support international trade cooperation.

Time for Decisions

Barely four months before the fifth WTO Ministerial Conference, the Doha Round negotiations are focusing on how to manage that meeting. Indeed, the negotiations are now beginning to get the political attention they need if negotiators are to get the kind of instructions that will allow progress to be made. The good news is that political attention seems to be there. The bad news is that it is not yet clear that governments will get beyond rhetoric to address the difficult issues on the agenda and take the necessary decisions on how to proceed.

The OECD Ministerial Council in May was a case in point.⁸ The WTO negotiations featured prominently on the agenda and about one third of the chair's summary of the meeting was devoted to international trade issues. The language was strong, referring to an "unambiguous sense of commitment" and "will to tackle" divergences", but the summary then cited *three* points on which Ministers were clear.

- The first point is “a full commitment to the level of ambition for these negotiations set for ourselves in Doha”. This illustrates the problem that governments and their negotiators are having in making progress. It is essential to get beyond the Doha Ministerial Declaration in defining the level of ambition. That is the only way to make progress on the individual elements of the agenda.
- The second point on which ministers were clear was on “a full commitment to building momentum to get the job done by January 2005”. That can only be done, though, if real progress is made in the immediate future.
- The third point was “a balanced outcome for all, with development being central to the negotiations and a commitment to making the decisions needed”. Once again this language didn’t really get beyond what had been agreed in Doha and how much remains to be done.

The Group of Eight Summit in Evian, France, on June 1 offers an opportunity for the heads of government of the world’s most economically powerful countries to show leadership. The issues blocking the Doha Round negotiations are not ones that can be resolved at a technical level in Geneva. They require decisions at a political level – decisions that will need to be made in the changed environment I described at the outset.

The key stumbling block is agriculture. Why not start there? Progress in Evian would send a positive signal not only to negotiators in Geneva but also to markets – a signal that the G-8 is providing leadership to move the global economy forward. It would also signal that multilateral cooperation to address global problems is back in vogue.

In late June the Egyptian trade minister will host what has come to be known as “a mini-ministerial meeting” to try to bridge differences. The timing will be important because there will be a better sense by then of what is happening in the European debate on CAP reform. There are reports that the Canadian trade minister might host another mini-ministerial in late July. By the time ministers meet in Cancún they should have a good sense of what they need to accomplish.

The WTO Ministerial Conference will only be successful in imparting impetus to the negotiations if those there take a farsighted view and focus on key issues. Even then they could run out of time or political will – as was the case at the mid-term review of the Uruguay Round negotiations in Montreal in 1988. It is significant that WTO delegations in Geneva are studying their files on what happened on that occasion. Basically it took four months to get the negotiations started again in earnest – but at a higher level of ambition.



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

“The mockingbird is known for fighting for the protection of his home – falling, if need be, in its defense. Mockingbirds are not intimidated by animals larger than themselves and have been known to attack eagles”

– Diana Wells, 100
Birds and How They Got Their Names (Chapel Hill,

NC: Algonquin, 2002)

Trade Policy Analyses

Papers in the online series, *Trade Policy Analyses*, are published by the Cordell Hull Institute, which is a non-profit organization incorporated in Washington, DC, and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The Institute's purpose is to promote independent analysis and public discussion of issues in international economic relations.

The interpretations and conclusions in its publications are those of their respective authors and do not purport to represent those of the Institute which, having general terms of reference, does not represent a consensus of opinion on any particular issue.

Copyright © 2003 by the Cordell Hull Institute

Permission is granted to quote from the paper, but it would be appreciated if the source could be acknowledged in the usual way.

It is not only political leaders who need to act. In a speech on April 15, Peter Sutherland, Chairman of BP plc and the first Director-General of the WTO, made an important point. After accepting that businesses had received some not undeserved criticism, he had this to say:

"Business is the number one stakeholder in the global trading system. For the most part, it is businesses that trade, not governments, not consumers and not NGOs. If companies do not support and, largely, drive the processes that open markets and generate rules, then those processes become no more than barren diplomatic maneuverings. That may not be a politically correct view of the WTO at present, but it is one we need to get back to if we are ever to reap a worthwhile harvest from the Doha Development Agenda."⁹

In today's environment, public policy – including trade policy – is made publicly and business cannot afford not to be there.

Conclusion

The WTO system faces major challenges. Success will only occur if governments give the enterprise the necessary support and leadership. It will require an all-out effort and, in the modern environment, it will require making the case publicly as to why success is in the interests of entire populations. Business has a large role to play in this effort just as it does in advising governments on the changes it would like to see negotiated.

Ministers and their advisers need to focus on what they must do to instill the momentum required to move the Doha Round negotiations towards achieving substantial, worthwhile and durable results. Cancún must clarify the real level of ambition for these negotiations and the real scope of what can be negotiated. If it can achieve that, history will judge it a success.

¹ The term "modalities" has become a term of art to describe a detailed plan for the conduct of the negotiations.

²The National Foreign Trade Council issued a position paper in March 2003 entitled "A Strategy to Bring Anti-dumping Issues into the WTO Mainstream and Achieve Consensus on Necessary Reforms". The paper suggested on page 11 that, "rather than further encourage the use of antidumping duties as a substitute for safeguard remedies, the Doha agenda might be expanded to include safeguard-agreement amendments that would restore the ability of properly-adopted safeguard measures under Section 201 and counterpart foreign mechanisms to survive a WTO panel review."

³ OECD Agriculture Databases: *Agriculture Policies in OECD: Estimates of Support to Agriculture*, 2002, Annex Table 1.

⁴ Not available as a public document, circulated to WTO delegations in late May.

⁵ Christopher A. Padilla, co-chairman of the National Foreign Trade Council's WTO Working Group, "Market Access: What's at Stake?", presentation to the WTO Symposium, Geneva, April 2002.

⁶ Edward Gresser, *America's Hidden Tax on the Poor: The Case for Reforming U.S. Tariff Policy* (Washington, DC: Progressive Policy Institute, 2002).

⁷ Oral presentation by Robert Zoellick, "Vision 2005: US Trade Policy Overview and the Doha Negotiations", Economic Summit, Munich, May 3, 2003.

⁸ It is important to note that a number of non-member economies also participated in the discussions including a number of developing countries playing a prominent role in the WTO negotiations.

⁹ Peter D. Sutherland, "Avoiding Stalemate in the Doha Round", Tacitus Lecture, Worshipful Company of World Traders, London, April 15, 2003.