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On the eve of the fourth WTO Ministerial Conference in Cancún, Mexico, on September 10-15, 2003, the Cordell Hull Institute's Trade Policy Roundtable reviewed the "big picture" issues to be addressed by ministers and officials.

The meeting on September 8, 2003, was held in the Washington, DC, offices of the international law firm Hogan & Hartson, located in the Columbia Square Building designed by I.M. Pei (pictured above).



Opposite is the text of remarks by **Hugh Corbet** (above) from the September 8 meeting.

About the Author

Hugh Corbet, president of the Cordell Hull Institute in Washington, DC, was previously Director of the

EVE OF THE WTO MINISTERIAL...

Breaking the WTO *Impasse* over Agriculture

Hugh Corbet

THE GATHERING in Cancún this week of trade ministers from 146 countries for the World Trade Organization's fifth Ministerial Conference, its highest decision-making body, will have an important bearing on the development of national economies and the world economy as a whole for years to come.

Grasping the importance of the multilateral trading system is not easy – not for the public at large, nor for close observers. And it is not easy either for those closely engaged in the joint administration of the system. The technicalities of the wide array of issues involved are formidably complex.

Ministers have to review the progress being made in the Doha Round of multilateral trade negotiations that were launched in November 2001. But they have to do much more than that. Everyone knows the negotiations are in trouble. Governments have missed one deadline after another in a negotiating schedule they must have thought at one time was realistic.

It is well understood in Geneva that progress in the negotiations depends on substantial progress in setting about, finally, the liberalization of agricultural trade, which has already been postponed for half a century. Low-cost producers in Latin America, Australasia and other parts of the world, including the United States, have had a guts full of the temporizing of the European Union, as well as Japan, Switzerland, Norway, Korea and others, over bringing agriculture into the multilateral trade-liberalizing process.

In the Uruguay Round negotiations of 1986-94 an agreement was reached on a framework for pursuing that objective. It provides for substantial progressive reductions of farm support, border protection and export subsidies and came about as a result of the Cairns Group of smaller agricultural exporting countries holding the

Trade Policy Program at the Sigur Center for Asian Studies, George Washington University (1992-97), and earlier was a guest scholar at the Woodrow Wilson International Center for Scholars and the Brookings Institution (1990-92), all also in Washington.

For nearly twenty years, Mr Corbet was the Director of the Trade Policy Research Centre in London (1968-89), where he also founded and edited *The World Economy* (1977-89).

About the Meeting

Much depends on the WTO Ministerial Conference in Cancún achieving some traction in the troubled Doha Round negotiations. In November 2001, ministers agreed a schedule of deadlines for settling modalities for negotiations aimed at completing the round by the end of 2004, which they must have thought was realistic.

But governments have failed to meet one deadline after another. Thus settling the modalities for negotiations on agriculture and market access for non-agricultural products, as well as on extending the WTO to investment and competition, will be a formidable task for ministers from 146 countries to settle in just five days.

There will have to be some kind of compromise and, failing that, an exit strategy that avoids a breakdown, which would add another dimension of uncertainty to the world economy.

Other Speakers

Besides Hugh Corbet, the

feet of the European Union and the United States to the fire. Spokesmen for the Cairns Group, led by Australia, have repeatedly said that without the substantial liberalization of agricultural trade the Doha Round negotiations "will not be completed". Recently the developing countries in the Cairns Group, along with India, China and others, have gone further in opposing the position in the negotiations of the European Union and, for the time being, the United States.

So unless the European Union's negotiators, Pascal Lamy and Franz Fischler, arrive in Cancún with more constructive proposals on agriculture (and the Singapore issues) there does not appear to be a snowball's chance in hell of making worthwhile progress in just five days. Leaving concessions to the eleventh hour, as EU negotiators are prone to do in their brinkmanship games, will be too late and fail as they nearly always do.

In those circumstances, ministers have to consider rolling over the Doha Round agenda and re-convening either next year or in 2005 to review the situation, in the meantime requiring their officials to continue clarifying technical issues – of which there are plenty.

If Messrs Lamy and Fischler undertake in Cancún to impress on EU heads of government the need to re-think their positions, it would be well worth the Ministerial Conference reconvening as early as possible next year, in January or February. That would preserve some chance of completing the negotiations on schedule by the beginning of 2005. Without such an EU undertaking, however, there is no reason to believe anything much would change in four or five months.

Another ministerial failure early next year would not do governments or the WTO system any good. It would simply convey a message to the media, professional advisers, business communities and bond markets that governments have again lost control of their trade policies – an indication of protectionist things to come.

On the other hand, if Messrs Lamy and Fischler do not consider it feasible to put the matter to EU heads of government, it would be better for ministers to re-convene after the U.S. presidential elections next year to "re-launch" the Doha Round agenda in the light of what is happening in the world economy.

A year ago Clayton Yeutter recalled, following the Cordell Hull Institute's international roundtable meeting at Airlie House, Virginia, on agricultural trade:

"The most successful of previous rounds of multilateral trade negotiations were those inspired by ambitious objectives. Somehow governments must come together on a range of objectives that are lofty and imaginative enough to generate the political interest, momentum and commitment needed to

other speakers were:
David Woods, Managing Director of World Trade Agenda Consultants, Geneva and **Clayton Yeutter**, Of Counsel at Hogan & Hartson, attorneys-at-law, Washington, DC.

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.



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)

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achieve a worthwhile and durable outcome commensurate with the times."

Whatever happens in Cancún, given the extent to which expectations have been lowered, an effort must be made soon afterwards to lift sights not only to sustain interest in the Doha Round negotiations but also to maintain the credibility of the WTO system.

Liberalizing international trade is one of the purposes of the WTO system. But just as important is another purpose, the provision of a stable institutional environment, enabling private enterprises to know where they stand *vis-à-vis* their governments, and the governments of other countries, so that they can plan their activities, to expand those that are flourishing and adjust where they are not.

For agreements to liberalize trade to be durable, they must be underpinned by a multilateral framework of internationally agreed rules that is respected by governments, most of all by those of the major trading countries, accounting for the bulk of the world economy.

Negotiating bilateral and plurilateral (regional) free trade agreements have their place. But multinational enterprises understand the importance of the multilateral framework of rules, which helps them in making decisions of long-term importance to do with building their businesses, creating jobs and, in the process, contributing to economic growth, development and prosperity.

Generating a political commitment to the success of the Doha Round negotiations has been difficult with media and high-level attention dominated by the Iraq crisis. But with the end of "major combat" in Iraq, and the need to carry on the struggle against global terrorism, it is important to focus on promoting recovery in the world economy, restoring multilateral cooperation and alleviating poverty in developing countries by liberalizing trade in agricultural products and labor-intensive manufactures.

For real progress on these fronts, however, it is necessary for trade liberalization and systemic reforms to be pursued on a comprehensive basis, addressing issues of critical interest to industrialized countries as well as developing ones.

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