



Cordell Hull Institute

Review of Activities 1998-2005

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Crisis in the WTO System Finally Surfaces

IN THE months before the World Trade Organization's ministerial conference in Hong Kong, business groups around the world, including the Business Roundtable in the United States, were in despair over the troubled Doha Round negotiations, almost continuously verging on failure.

In November 2005 the heads of sixty odd major firms wrote in the *Financial Times* that Hong Kong would be the last chance to set the stage for a successful outcome before the current U.S. trade-negotiating authority expires in July 2007.

With just weeks to go, Pascal Lamy, the WTO director-general, started dampening expectations of what could be achieved in Hong Kong.

Launching the first WTO round was a big production. In the end, it was launched at the second attempt in Doha, Qatar, in November 2001. "But it was launched very much on the run, somewhat half-heartedly

and without an inter-governmental consensus on its purpose," said Hugh Corbet, the president of the Cordell Hull Institute, soon afterwards.

From the outset ministers accepted that priority had to be given to liberalizing farm trade as well as trade in labor-intensive industrial products of export interest to developing economies. For decades the leading industrialized countries have temporized over extending the multilateral trade-liberalizing process to agriculture and low-income countries.

Spokesmen for the *ad hoc* Cairns Group of agricultural-exporting countries have

since said repeatedly that the Doha Round negotiations "will not be completed" without substantial progress on agriculture.

Developing countries have also insisted on their interests being addressed. Calling the negotiations a "development round", however, has caused much confusion, for the WTO system is not a development agency — in no way.

Opening markets not only for farm products but also for industrial products and services is critical to achieving a worthwhile outcome to the Doha Round negotiations.

Failure to do that, and to strengthen WTO rules, could have dire consequences for the WTO system in maintaining a stable institutional environment for the conduct of international trade and trade-related investment. ■



Grassley: Fight to Open Markets

SENATOR Charles Grassley, chairman of the finance committee in the Senate of the United States, received the 2004 Cordell Hull Award for his strong support for trade liberalization through the multilateral trading system. In accepting the award, he said:

"We must constantly make the case for open markets, not just in Washington but in every city, town and community in the country. We must fight aggressively to open new markets. We need to send a signal to the world that we continue to believe in the power of trade to promote economic and political freedom." ■

Cordell Hull Award for 2005, Page 16

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Helping to Restore Momentum in the WTO System

■ Re-establish a bipartisan US approach ■ Establish a consensus on the WTO's purpose

THE Cordell Hull Institute was formed in 1998 by a private group in Washington alarmed by the loss of direction in trade policies following the hard fought and successful Uruguay Round negotiations of 1986-94. The group was led by Lawrence Eagleburger, former U.S. secretary of state, and Harald Malmgren, former deputy U.S. trade representative.

Observers in Geneva noted "policy drift" in the World Trade Organization soon after it came into being in 1995 to oversee the general agreements reached on trade in goods, services and ideas, together with 20-odd lesser agreements, understandings and decisions.

The Uruguay Round negotiations pulled the multilateral trading system back from the brink of collapse, where it was in the early 1980s, and put it on a sounder, broader and more equitable basis. It took five years of "talks about talks", however, to launch the negotiations and eight years, twice as long as intended, to finish them.

Uruguay Round Successes

Besides the further reduction of tariffs and a tightening of disciplines on non-tariff measures, what were the chief successes of the negotiations?

1. The low-cost agricultural-exporting countries got agreement — after trying for decades — on a framework in which to set about liberalizing agricultural trade, but little actual liberalization was achieved.

2. Developing countries saw an agreement to phase out by 2005 the protection given for more than a generation, via various quota schemes against them, to textiles and clothing manufacturers in industrialized countries. In addition, they saw an agreement on emergency protection, which also outlawed "voluntary" export restraints (VERs).

3. The industrialized countries secured agreement on a framework in which to liberalize trade and investment in the services sector, but again little actual liberalization was achieved. They also secured agreement on the trade-related aspects of protecting intellectual property rights, important to producers of branded goods, artistic recordings, computer software, pharmaceuticals and other "high-tech" items.

4. As in the above agreements, attention turned to the trade-distorting effects of domestic regulations, originally introduced for non-trade purposes. Examples were

the agreements on technical barriers to trade and on sanitary and phyto-sanitary measures (discussed below).

5. The industrialized countries secured agreement on the integration of the dispute-settlement provisions in the codes of conduct on non-tariff measures agreed in the Tokyo Round negotiations of 1973-79. Binding dispute settlement in the integrated process is strengthening adherence to internationally agreed rules in the WTO system.

6. Adherence to internationally agreed rules is also being strengthened through the adoption, during the negotiations, of the "trade-policy review mechanism".



Harald Malmgren (left) and Herwig Schlögl, deputy secretary-general of the OECD, sharing a point on liberalizing agricultural trade at the Institute's Warrenton meeting in May 2002.

See *Agricultural Progress Key to Overall Success* on Page 7.

Because the Uruguay Round was "a single undertaking", the developing countries stand to benefit in time from the agreements, but in the poorer of them there are administrative and infrastructure weaknesses to be remedied. Thus many were disappointed that only best-endeavor commitments were made by industrialized countries to provide developing countries with technical and financial assistance in implementing their new obligations and embarking on "trade-related capacity building" projects.

"Every time there is a big trade issue before the U.S. Congress, the business community appoints a cheerleader, who organizes a support effort. But afterwards the group disappears and so next time the business community is yet again caught unaware and unready. Some continuity is needed."

— WILLIAM FRENZEL, guest scholar at the Brookings Institution and a former U.S. congressman (R-MN)

While the Uruguay Round marathon was able to strengthen the multilateral trading system in many ways, there were other developments that undermined the system's foundations.

Anti-globalization Protesters

First, with the "information revolution", the rapid integration of the world economy generated fears that produced the anti-globalization movement. NGOs in affluent societies feared that the agreements on technical barriers to trade and on sanitary and phyto-sanitary measures would lead to a lowering of public health, safety and environmental standards. They spoke of "a race to the bottom".

Anti-globalization protesters were joined by labor unions that feared the entry of developing-country producers into world markets would lead to a lowering of labor standards — another race to the bottom — and growing pressures on wage levels.

With anti-globalization activities often playing on popular fears and prejudices, political and business leaders seemed to be intimidated into silence. It has been left to just a few academics and journalists to critique the positions of many NGOs.

Secondly, there has been a renewed resort to bilateralism, not through VERs as in the 1970s and 80s, but through "free trade agreements". Governments unhappy with the slow pace of multilateral trade negotiations have been turning to bilateral and regional negotiations to secure free trade areas or customs unions. They have done this, though, without satisfying the conditions laid down in GATT Article XXIV for departures from the system-forming principle of non-discrimination, which is meant to be the cornerstone of the multilateral trading system.

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Dilemma Confronting the Doha Round Endeavor

FOLLOWING the WTO ministerial conference in Hong Kong in December 2005, the Doha Round negotiations have been on the horns of a dilemma, caught between a perceived deadline to conclude them by the end of 2006 and a realization that a high level of ambition must be achieved for agreements to be ratified in both the United States and the European Union.

This dilemma has serious implications for the liberalization of international trade, the growth of the world economy, the course of international relations and, with all that, the evolution of the multilateral trading system.

In Hong Kong, the ministers deferred facing the core Doha Round issues, but still aimed to complete the negotiations by the end of 2006 — without lowering their objectives.

They called for the modalities for negotiations on agriculture and industrial products to be settled by April 30, 2006, and for full schedules of commitments to be agreed by July 31; and they required final commitments on trade in services to be submitted by October 30.

In the end, enough time has to be left for the legal texts to be finalized before the *current* U.S. negotiating authority expires altogether on June 30, 2007.

Renewal of U.S. "Fast Track" Negotiating Authority?

American spokesmen have said securing a new authority at that time would be a long shot, given the protectionist mood on Capitol Hill, although Robert Portman, when still the U.S. trade representative, told journalists in Washington on January 20, 2006, he did not rule it out.

Finishing the negotiations by the end of 2006 is the first objective. After a record of missed deadlines, however, the chances of doing so are not rated very high, which means the U.S. Administration may have to seek a new negotiating authority from Congress to complete the negotiations.

Whatever happens in the Doha Round negotiations, the United States cannot afford to be without trade-negotiating authority, as was seen when the Clinton Administration failed to secure renewal of the authority after it expired in 1994 and therefore could not provide any leadership.

Whatever happens, it is widely expected that the proliferation of preferential trade agreements will continue, for it is an open secret that for months the Commission in the European Union has been drawing up

plans for further bilateral and regional trade negotiations.

If the United States is to move in that direction, with negotiations in progress or contemplated with various countries in the Asia-Pacific region, the Administration will need to secure a new trade-negotiating authority.

Depth of Systemic Problems Revealed

In most parts of the world, however, preferential trade agreements are seen to be second best, compared with a properly functioning multilateral trade regime. It is increasingly recognized that the "noodle bowl" of preferential trade agreements is weakening the multilateral trading system. Governments have been resorting to them almost entirely because of the slowness of multilateral trade negotiations.

If nothing else, the Doha Round negotiations have revealed the depth of systemic issues in international trade relations, now threatening the viability of the multilateral trading system. The system provides the stability to the institutional environment that is conducive, if not essential, to the conduct of international trade and investment.

It has become critically important to integrate agriculture into the world economy, to draw low-income countries into growth-through-trade and to maintain the liberalization of international trade in manufactures, services and farm products.

HUGH CORBET
President
Cordell Hull Institute

Washington, DC
January 27, 2006

Objective of the WTO Negotiations



"Our goal," said Clayton Yeutter after the Doha Round began, "should be the integration of developing countries into the world economy. That not only entails adjustment in industrialized countries to increasing trade with developing countries. It also entails developing countries helping themselves by opening their markets to stimulate the investment and adjustment needed in them to promote economic growth and development."

Ambassador Yeutter, former U.S. secretary of agriculture and earlier the U.S. trade representative, is chairing the Institute's activities on agricultural trade.

Forum for Policy Discussion

A SMALL group cannot do much about public education on large and diffuse issues such as globalization. But it can help to build an inter-governmental consensus by gathering leaders of opinion to address specific issues threatening stability in the multilateral trading system.

The Institute provides a forum for policy discussion through (i) regular seminars in Washington, (ii) occasional international roundtable meetings of senior government officials and independent experts and (iii) online *Trade Policy Analyses* arising from these exchanges of views.

Trade Policy Roundtable: this initiative consists of half-day seminars and one-day conferences. At each seminar, papers are presented by technical experts on how specific trade-policy issues might be addressed and resolved. One-day conferences focus in depth on related issues, or themes, that are more difficult to cover in half-day seminars.

International Roundtable Meetings: from the start, the Institute aimed to bring together 30-40 senior government officials and independent experts for roundtable discussions, each based on the draft report of a group of independent experts formed for the purpose. The idea was to follow the pattern of the "informal" roundtable meetings of trade ministers, senior officials, business leaders and independent experts convened in the 1980s in different parts of the world by the Trade Policy Research Centre, London. They were a part of the international behind-the-scenes effort that led to what turned out to be the Uruguay Round negotiations.



Hugh Corbet, president of the Cordell Hull Institute, was the director in 1968-89 of the Trade Policy Research Centre, London, which convened in the 1980s eight international roundtable meetings of trade ministers, senior officials, business leaders and independent experts.

Trade Policy Analyses: papers presented at the above events are published in the online series on the Institute's website (www.cordellhullinstitute.org). ■

Restore Momentum in the WTO System

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Thirdly, with some issues on the GATT agenda being put off for another day, others papered over and still others surfacing, it was critical for the United States and the European Union to stay engaged.

Thus, as the Uruguay Round negotiations were being finalized, provision was made in the agreements for a "built-in agenda" of further work and for the WTO ministerial conference, the new system's highest decision-making body, to meet at least once every two years in order to maintain political direction and control.

When the negotiations ended, however, the United States and the European Union focused on internal issues as if the international economic order could take care of itself and, in no time at all, worries were being expressed about lack of leadership in the WTO system.

These worries increased when the U.S. Administration failed to secure from Congress the speedy renewal of "fast track" trade-negotiating authority, which expired in 1994. Without the United States having the authority to lead by taking initiatives, the process of Asia-Pacific Economic Cooperation lost direction, the negotiations for a Free Trade Area of the Americas lost impetus and the new WTO system lost momentum. Indeed, without constructive initiatives coming from

anywhere, there was a debilitating loss of high-level engagement in the WTO just when it was sorely needed.

Failure to renew U.S. trade-negotiating authority was because President Clinton insisted on it including a remit to negotiate *enforceable* labor and environmental standards in trade agreements. He first sought renewal of the authority, with the new remit, in the Uruguay Round implementing legislation, but the Congress, then under Democratic control, rejected the request.

Breakdown of Bipartisan Approach

When control on Capital Hill passed to the Republicans after the mid-term elections in 1994, the Congress continued to insist on a "clean" authority, one without the remit President Clinton still insisted upon. It was over enforceable labor and environmental standards that the bipartisan approach to trade negotiations, which had prevailed in Congress since World War II, broke down.

Enforceable labor and environmental standards in trade agreements were not only rejected by the U.S. Congress. They were also rejected by the WTO ministerial conference at its first session in Singapore in December 1996. This issue is further discussed on Page 12.

Against this background, it was decided at the second WTO ministerial conference, held in Geneva in May 1998, to embark on a new round of multilateral negotiations.

The circumstances could hardly have been worse. An inter-governmental consensus was needed...

- on the purpose of the new WTO system, for the consensus underlying the old GATT system had gradually broken down as its membership changed from mainly developed countries to overwhelmingly developing ones;
- on the multilateral trade-liberalizing process being extended to farm products and light manufactures; and
- on the need for adjustment to the integration of competitive agricultural-exporting and developing countries into the world economy.

By neglecting the WTO system in the 1990s, the "majors" left the field to the developing countries and by the new century, following the WTO ministerial conference in Seattle in December 1999, the WTO agenda was largely being shaped by Third World demands. Members lost sight of the system's role in maintaining a contractual framework of rules.

What of the overall situation? As a result of the anti-globalization movement, the increasing resort to preferential trade agreements and the initiative passing to developing countries, there was a loss of direction in the WTO system, which must be restored if the fragmentation of the world economy is to be averted. ■

Opportunity of a Century to Liberalize Farm Trade?

■ Breaking the *impasse* over agriculture ■ Reform of U.S. farm policy in a global context

THE Doha Round negotiations are the first occasion in a century in which governments have sought to reverse the rising trend of agricultural protection. In spite of the Uruguay Round agreement on a framework in which to liberalize farm trade, the current negotiations have been struggling. Attempts for over four years to break the *impasse* came to nothing until October 2005 when the United States offered to reduce tariffs from “bound” levels by an average 60 percent. But the European Union’s offer, averaging 39 percent, fell far short of what would be required to create new trade opportunities — as was earlier shown by a major World Bank study.

Back in November 2002 the negotiations suffered a major setback, little realized at the time, when the president of France and the chancellor of Germany declared there would be no change in the finances of the European Union’s common agricultural policy before 2013, in effect rejecting the Doha ministerial mandate.

The Franco-German statement showed that, as much as ever, agriculture is a deep-seated political problem that requires a concerted political response at the very highest level.

U.S. Stake in the Doha Round

On what to do about the *WTO Impasse over Agriculture*, the Institute held a conference on November 17, 2005. After four years, there is no political commitment to the success of the negotiations, Hugh Corbet said. Technical experts can clarify issues, but negotiators cannot settle them without political support, which nowadays has to come from heads of government.



Andrew Stoeckel, director of the Centre for International Economics in Canberra, arguing that greater public understanding of the economy-wide costs of protection would help overcome resistance to change and elevate trade policy in the priorities of governments.



Robert L. Thompson, of the University of Illinois, drawing on his experience in the White House, the U.S. Department of Agriculture and the World Bank, has provided commentary at several of the Institute’s meetings, stressing how major developing countries are the growth markets for agricultural exporters.

Robert L. Thompson, of the University of Illinois, elaborated on the interests of U.S. agriculture in the negotiations. The food market in the United States, he noted, is growing by only 0.8 percent a year and the populations of the major industrialized countries are expected to contract over the next four decades. So U.S. agriculture has to look to markets in currently low-income countries, which are expected to double in that period.

If the negotiations fail, said Herminio Blanco, the former Mexican secretary of commerce, there would be a rush into preferential trade agreements. He added that countries interested in liberalizing trade might consider a plurilateral free trade agreement among those willing to open their markets to each other.

Andrew Stoeckel, director of the Centre for International Economics in Canberra, reviewed the obstacles to progress in the negotiations on agriculture, especially in tackling market access. He stressed the need to elevate trade policy in government priorities and to promote a greater public understanding of the economy-wide costs (the inter-sectoral effects) of protection.

On the state of the negotiations, Harald Malmgren, former deputy U.S. trade rep-

resentative, said they would have to be extended, requiring the renewal of U.S. trade-negotiating authority. Thus it was necessary to rebuild in Congress a bipartisan approach to trade policy. Looking ahead, he dwelt on changing conditions, especially rising water and energy costs, important to agriculture.

WTO and the U.S. Farm Bill

Delays in the Doha Round negotiations have meant they are struggling to a conclusion in parallel with preparations on Capitol Hill for the next U.S. farm bill.

Earlier in 2005, on July 15, the Institute reviewed the situation at a half-day seminar, the *Next U.S. Farm Bill and the WTO Negotiations*. Robert Thompson presented a *tour de force* on the “essentials for the 2007 farm bill in a global context”.

Hugo Paemen, former head of the European Commission’s delegation in Washington, reviewed the state of the European Union, following the rejections in France and the Netherlands of the draft constitution and the European Council’s failure in June to agree on the “financial perspective” for 2007-13 due to differences over the further reform of the common agricultural policy. ■

Development Dimension of the Doha Round

■ Open developing-country trade ■ Question tariff preferences and S&D treatment

AT THE outset of the Doha Round negotiations, it was agreed that priority would be given to liberalizing agricultural trade and trade in labor-intensive manufactures of export interest to developing countries. But mistakes were made.

One mistake was to call the negotiations a "development round", implying they would be about development, a huge field in which trade liberalization plays only a small part. Expectations were therefore raised far beyond what the WTO system can deliver.

Another mistake was to overlook the need to address the trade interests of the industrialized countries, which may have been the main beneficiaries of previous rounds, but the agreements reached in the new round would still have to be ratified by their legislatures.

A third mistake was to forget that for trade-liberalizing agreements to be implementable, effective and durable, they have to be underpinned by internationally agreed rules. And these last have to be kept abreast of developments in the world economy for them to command the real respect of governments.

Developing Countries in the WTO System

At a conference on rethinking the WTO system in Washington on October 20, 2004, the Institute focused on integrating developing countries into the world economy, questioning whether they benefited overall from preferential treatment.

After Hugh Corbet recalled the changing place of developing countries in the multi-lateral trading system, raising the above issues, three senior World Bank economists made presentations.

Alan Winters stressed the importance of the WTO principle of non-discrimination. Richard Newfarmer dealt with the problems of achieving coherence among bilateral, regional and WTO agreements. Carlos Braga discussed how the WTO system is at a crossroads.

Douglas Oberhelman, group president of Caterpillar Inc., provided a business perspective, saying that business is interested in securing market access wherever possible, but the big prize would be a Doha Round package. John J. Barceló III, of Cornell University, speculated about the WTO moving from a two-tier to a one-tier system, with developing countries ex-

higher tariffs to be cut more heavily. Some, including the United States, have favored a higher coefficient for developing and a lower one for developed countries.

The Institute next held a conference on April 13, 2005, with three senior IMF economists on the macro-economic and financial aspects of trade reform. Thomas Dalsgaard dealt with the loss of fiscal revenue from MFN tariff reductions, Hans Peter Lankes with "preference erosion" and Udaibir Saran Das with liberalizing trade and investment in services in developing countries.

Robert Vastine, president of the U.S. Coalition of Service Industries, spoke on the difficulties in making progress in the Doha Round negotiations on services.

Agricultural Reform to Create New Trade Opportunities

At a meeting on May 26, 2005, Kym Anderson of the World Bank reviewed the conclusions of the Bank's major study on liberalizing agricultural trade.

The World Bank study showed that of the potential welfare gains, the bulk (93 percent) would come from reducing border protection, while reductions in domestic and export subsidies would be relatively small (5 and 2 percent, respectively).

Russell Lamb, managing associate at Nathan & Associates, Arlington, VA, analysed the political economy of U.S. farm-support policies, showing how reform could lead to a Doha Round success. ■



Richard Eglin (left), of the WTO, and Kym Anderson, of the World Bank, analyzed the development aspect of the Doha Round negotiations in several briefings for Institute meetings.

pected to adhere to WTO rules on the same basis as developed countries.

Richard Eglin, director of trade and finance at the WTO Secretariat, briefed a meeting on March 1, 2005, on the *State of Play in the Doha Round*, highlighting the differences between and among developed and developing countries.

On industrial products, several developing countries have been reluctant to consider the negotiation of sectoral liberalization until agreement is reached on the general tariff formula, but have opposed use of the Swiss formula, which requires

Key Coalitions in the Doha Round

TWO *ad hoc* coalitions are playing major roles in the Doha Round negotiations *vis-à-vis* the United States, the European Union and other industrialized countries.

Cairns Group and...

The Cairns Group, seventeen agricultural-exporting countries, was formed in 1986 ahead of the Uruguay Round negotiations, where it played a large part in securing agreement on a framework in which to set about liberalizing agricultural trade.

It brings together developed and developing countries: Australia (in the chair), Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

The Cairns Group countries account for 23 percent of world exports of agricultural products.

...the Group of Twenty

The Group of 20 developing countries came into being at the WTO ministerial conference in Cancún, Mexico, in September 2003, following an EU-US proposal in the Doha Round negotiations on agriculture that they regarded as thoroughly self-serving, not taking into account the interests of other countries.

Those in the Group of 20 are Brazil (in the chair), Argentina, Bolivia, China, Chile, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Thailand, Tanzania, Uruguay, Venezuela and Zimbabwe.

Agricultural Progress Key to Overall Success

■ International roundtable meetings ■ Resort to the dispute-settlement procedure

FROM the start of the Doha Round negotiations, it was well understood that attention would focus primarily on agriculture, where progress would be key to liberalizing trade in industrial products and services. So in 2002 the Institute formed an open study group on the liberalization of agricultural trade, which has been chaired by Clayton Yeutter, and two international roundtable meetings were held.

The first meeting was at Airlie House, near Warrenton, VA, on May 17-19, 2002, and focused on what had to be done to ensure the Doha Round negotiations succeeded in opening markets around the world. Forty experts from the United States, Australia and other Cairns Group countries took part, along with officials from the WTO, the OECD and the World Bank.

Importance of Maintaining Ambitious Objectives

By then, six months into the negotiations, little or no progress was being made. In a chairman's statement after the meeting, Ambassador Yeutter summed up the situation: "The most successful of previous rounds of multilateral trade negotiations were those inspired by ambitious goals. 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 achieve a worthwhile and durable outcome commensurate with the times".

For progress to be made in liberalizing farm trade, much would depend, it was concluded, on support from sectional interests outside the agricultural sector, such as those interested in economic



The Palácio Itamaraty in Rio de Janeiro was the venue in October 2002 for the Institute's international roundtable meeting of trade negotiators, farm leaders and independent experts, which was convened to discuss a global approach to liberalizing trade in agricultural products.

Uruguay Round Achievements on Agriculture

IN THE Uruguay Round negotiations the Cairns Group of agricultural-exporting countries, led by Australia, held the feet of the European Union and the United States to the fire until an agreement was reached on how to set about liberalizing agricultural trade. Since the 1960s the European Union, Japan, Switzerland, Korea and others have resisted efforts by the United States and others to extend the multilateral trade-liberalizing process to agriculture.

The agreement involved reducing the three "pillars" of farm-support policies – production subsidies, border protection and export subsidies. It was agreed to convert non-tariff barriers into tariffs. There was an agreement, too, to discipline sanitary and phyto-sanitary measures so that they could not be used for protectionist purposes.

Domestic supports were grouped into an "amber box" of trade-distorting measures, which would be subject to reduction commitments, and a "green box" of interventions not deemed to be trade distorting.

In the Blair House accord, however, the European Union and the United States agreed to a "blue box" of measures that they considered not to be badly trade dis-

torting. Much of the good in tariffication was undone with the introduction of tariff-rate quotas aimed at guaranteeing minimum degrees of market access to small suppliers of particular products.

Although a start was made in tackling the three pillars, little actual liberalization was achieved in the negotiations. So the Cairns Group and the United States were obliged to wait for "next time" to push for the liberalization of agricultural trade.

In the end, agricultural protectionist countries set tariffs far above the "tariff equivalents" of the non-tariff barriers they replaced, which was characterized as "dirty tariffication", and out-of-quota tariffs were set prohibitively high. The effect was to thwart market opening. ■

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"Whatever else happens in the world, so the president of France insists, whatever the global shifts in comparative advantage, the changes in Europe's economic priorities and the development needs of poor countries, EU farm spending is and must remain immutable. Come what may, feast or famine, Brussels must stick until 2013 to the agricultural figures that EU leaders agreed way back in 2002"

— PHILIP STEPHENS, in the *Financial Times*, London and New York, December 9, 2005

Strategy for Freeing Agricultural Trade

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development, the environment, food safety and the liberalization of trade in manufactures and services.

Soon after, on September 11, 2002, the Institute and the Carnegie Endowment for International Peace held a conference in Washington on the interest of developing countries in liberalizing farm trade, which was attended by 70 development, trade and agricultural policy specialists.

The second international roundtable meeting was convened in Rio de Janeiro, at the Palácio Itamaraty, on October 14-16, 2002, in collaboration with the Centro Brasileiro de Relações Internacionais. It was chaired by John Weekes and attended by 35 senior officials, farm leaders and independent experts from the United States and several Cairns Group countries, including the chief agriculture negotiators of Argentina, Australia, Brazil, New Zealand and Uruguay.

Developing countries stressed that, since their budgets do not run to production subsidies, support for their farmers takes the form of border protection. Thus they expected to see industrialized countries commit to reducing their domestic support before they would consider reducing their border protection.

What of the Litigation Option in the WTO System?

Ambassador Weekes noted in his chairman's statement that the major players in the Doha Round negotiations, particularly the European Union and Japan, were not effectively engaged and had not made any proposals on how to achieve the round's objectives.

Some noted that the European Union and Japan were saying their concessions would have to be reciprocated in the area of "non-trade concerns". This was seen by Cairns Group participants as a blatant unilateral attempt to rewrite the agreed basis for the negotiations on agriculture.

Cairns Group negotiators repeatedly said that without the substantial liberalization of agricultural trade the Doha Round negotiations "will not be completed".

Views were also exchanged on how the expiry in 2003 of the "peace clause" — a provision in the Uruguay Round agreement on agriculture that gave immunity against complaint to subsidies in the course of



The Rio de Janeiro meeting in October 2002 discussed other ways of seeking the liberalization of agricultural trade, including resort to the WTO dispute-settlement process. Soon afterwards Brazil lodged a complaint in the WTO against the U.S. cotton program and a second complaint, with Australia and Thailand, against the European Union's sugar program.

From left to right: Robert L. Thompson, Pedro de Carmago (then secretary for production and trade in Brazil's ministry of agriculture), Harald Malmgren and Allan McKinnon (then Australia's chief agriculture negotiator).

reduction — might be used as leverage in achieving an interim "early harvest".

Use of the WTO dispute-settlement process to test the legality of certain farm-support programs in major developed countries, in the event of the multilateral negotiations not getting anywhere, was also discussed. Shortly afterwards, Brazil lodged complaints in the WTO against the United States over its cotton-support program and, in cooperation with Australia and Thailand, against the European Union over its sugar program.

Since then, it is reported, Uruguay has been thinking about filing a complaint in the WTO against the United States over its rice program, while Canada has also been exploring the possibility of mounting a complaint against the United States over its corn program.

A Framework Agreement Without Modalities

As the Doha Round struggle proceeded, negotiators were meant to agree on the modalities for negotiations on agriculture by March 30, 2003, but no agreement was reached, which was not surprising after so many earlier deadlines were missed. But still no alarm bells rang in the corridors of power in key capitals around the world.

The *Moment of Truth on Liberalizing Farm Trade* was how Robert L. Thompson, then chairman of the International Food and Agricultural Trade Policy Council, laid out the situation in a half-day briefing on April 24, 2003.

In an effort to break the stalemate in the negotiations, the WTO General Council decided in February 2004 to try to secure framework agreements *without* modalities on agriculture and industrial products by the end of July.

As the "framework" discussions were proceeding in Geneva, the Institute held a conference on May 28, 2004, with a good number of U.S. and Cairns Group farm leaders taking part.

Clayton Yeutter and Bob Stallman, president of the American Farm Bureau Federation, discussed a "re-launch" of the Doha Round negotiations in mid-2005, following the two-year extension of U.S. trade-negotiating authority.

Andrew Stoeckel and Eugenio Diaz-Bonilla, an executive director of the Inter-American Development Bank, stressed the priority of cutting border protection. Robert Thompson and Thomas Lambie, president of the Federated Farmers of New Zealand, addressed the need for an accord on the substantial reduction of domestic support.

Pedro de Camargo, former secretary of production and trade in the Brazilian ministry of agriculture, and Liam McCreery, president of the Canadian Agri-Food Trade Alliance, dealt with export subsidies.

Allen F. Johnson, then the chief USTR agriculture negotiator, reviewed the prospects for a framework agreement on agriculture. ■

Struggle for Another Trade-liberalizing Effort

The WTO ministerial conference in Seattle in December 1999 is remembered for the anti-globalization protests in the streets, seen on front pages and televisions screens around the world. The conference was meant to launch the first WTO round of multilateral trade negotiations. But weeks earlier, WTO delegations in Geneva could not get anywhere near agreement on a negotiating agenda, especially on agriculture over which the European Union and Japan continued to temporize.

Thus the ministerial conference failed before it began. But anti-globalization NGOs claimed credit for the failure. "Noise has triumphed!" one NGO leader shouted. The street demonstrations, however, had simply turned a failure into a fiasco.

As governments began preparing for a first WTO round, the Institute formed an open study group on restoring momentum in the WTO system, beginning with briefings on issues posed by developing countries and "civil society" groups.

The first briefing on April 29, 1999, considered the *Links between Trade, Finance and Development*, led by Richard Eglin, director of trade and finance at the WTO Secretariat, Geneva. On July 21, 1999, Dr Eglin briefed a second meeting on *Labor Standards, Human Rights and Other Issues*. Then on September 13, 1999, J. Michael Finger, a resident scholar at the American Enterprise Institute, explained the *Implementation Problems of Developing Countries*.

In the margins of the Seattle ministerial conference, the Institute and the Centre



Back in Washington, following the Seattle riots of December 1999, the Institute assembled several former government officials experienced in trade policy, law and negotiations for a *post mortem*, chaired by William E. Brock III, a former U.S. trade representative. They concluded on the urgent need for a public-education campaign in the United States — not an advertising campaign — to explain the role of the WTO system and its contribution to business, consumers and the economy.

for International Economics, Canberra, mounted a day-long briefing for the Cairns Group Farm Leaders, attended by over 450 participants from NGOs, governments, farm groups and manufacturing interests. It identified the *Requirements for a Suc-*

cessful WTO Round, with presentations by the following: Guido di Tella, then Argentina's minister of foreign affairs, on institutional challenges in an integrating world

(Continued on Page 10)

Supporters of the Institute

THE Cordell Hull Institute is a non-profit organization incorporated in Washington, DC, and is tax exempt under Section 501 (c)(3) of the Internal Revenue Code. It is funded by corporate donations and foundation grants. The Institute looks to a broad base of support to preserve its independence.

Meetings of the Institute's Trade Policy Roundtable are sponsored by eight law firms: Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, Miller & Chevalier, O'Melveny & Myers, Sidley Austin, Steptoe & Johnson and Wilmer Cutler Pickering Hale & Dorr.

Project grants have been awarded by the Ford Foundation, the Netherlands Government, Cargill, the Japan Fair Trade Center,

the National Farmers Federation of Australia, the Queensland Cotton Corporation, the Grain Growers Association of New South Wales, Stanbrook & Hooper, Sidley Austin and the German Marshall Fund of the United States.

Joint activities have been supported by the Japanese Ministry of Foreign Affairs, the Carnegie Endowment for International Peace, the Inter-American Development Bank, the Berger International Legal Studies Program at Cornell University and the Friedrich Naumann Stiftung.

Corporate supporters have included Ag Processing, America First Companies, American Standard, the Archer Daniels Midland Company, Blank Rome, Burlington Northern Santa Fe Corporation, Cargill,

Caterpillar, ConAgra Foods, Corning, the Dilenschneider Group, EFJ Inc., the FMC Corporation, Hennington Durham & Richardson, Kissinger McLarty Associates, McDermott Will & Emery, the Malmgren Group, the Marsh & McLennan Companies, Mutual of Omaha Insurance, Shearman & Sterling, Siemens Corporation, the Union Pacific Company, Valmont Industries and Weyerhaeuser.

Trade association supporters have included American Trucking Associations, the Corn Refiners Association, the Grocery Manufacturers of America and the National Pork Producers Council.

Among individual supporters have been Hugh Corbet, Richard Cunningham and Brandon Sweitzer.

Board of Directors

THE former U.S. Secretary of State, Lawrence Eagleburger, was the first chairman of the Institute, from 1998 to 2002. He was succeeded by Clayton Yeutter, of Hogan & Hartson, attorneys-at-law, former U.S. Secretary of Agriculture, who in 2004 handed over to William D. Rogers, senior partner at Arnold & Porter, attorneys-at-law, and a former U.S. Under-Secretary of State for Economic Affairs.

The Institute's board of directors, set out below, represents a wide range of experience and expertise in international affairs, business and the law.

Chairman

Hon. Harald B. Malmgren: President of the Malmgren Group, international financial advisers, Fredericksburg, VA; former Deputy U.S. Trade Representative

Deputy Chairman

Mr Douglas R. Oberhelman: Group President, Caterpillar Inc., Peoria, IL, and a director of the Ameren Corporation,

South Side Bank and the American Manufacturers Association

Vice Chairman

Mr Richard O. Cunningham: Senior International Law Partner, Steptoe & Johnson LLP, attorneys-at-law, Washington, DC

President

Mr Hugh Corbet: previously the Director of the Trade Policy Program, Sigur Center for Asian Studies, George Washington University, Washington, DC; earlier the



Douglas Oberhelman (left) and Richard Cunningham

Director of the Trade Policy Research Centre, London

Other Members

Hon. Norman R. Augustine, Dr Jagdish Bhagwati, Dr Herminio Blanco, Mr Robert C. Cassidy, Jr, and Mr Barry Desker.

Hon. Lawrence Eagleburger, Ms Audrae Erickson, Hon. Thomas L. Farmer, Hon. Thomas S. Foley, Mr James Frierson and Mr Gary N. Horlick. Dr Kihwan Kim, Mr Hidehiro Konno, Mr William C. Lane, Ms Susan G. Lee and Rt. Hon. Lord Parkinson.

Mr Masahisa Naitoh, Lt. Gen. Brent Scowcroft, USAF (ret.), Dr Lorenz Schomerus, Dr Andrew Stoeckel, Dr Joseph E. Stiglitz, Hon. Robert S. Strauss, Hon. Robert L. Thompson and Mr John M. Weekes.

Chairman Emeritus

Hon. Clayton Yeutter: Of Counsel, Hogan & Hartson LLP, attorneys-at-law, Washington, DC, and Chairman, Oppenheimer Funds Inc., New York; former U.S. Secretary of Agriculture and earlier the U.S. Trade Representative. ■

Public Education on the WTO's Role

(Continued from Page 9)

economy; Clayton Yeutter, former U.S. secretary of agriculture, on the critical role of the Cairns Group in liberalizing farm trade; and Robert E. Litan, then director of economic studies at the Brookings Institution, on next steps in moving towards an open world economy.

Other papers were presented by Victoria Curzon Price, of the University of Geneva, on the right and wrong ways of addressing labor and environmental concerns; Brian Chamberlin, of Euro Farms Ltd in New Zealand, on myths and realities about public support for agriculture; Andrew Stoeckel, director of the Centre for International Economics, Canberra, on removing the hidden taxes on exports; and Hugh Corbet, the Institute's president, on the possible shape of a comprehensive WTO round.

Need to Restore Momentum

After Seattle, the WTO system marked time until the U.S. presidential election in November 2000, which provided a chance to think through what was going wrong in the WTO system.

In January 2000, the Institute organized a symposium for the Japan Automobile

Manufacturers Association on *Protectionism in a Booming Economy*, which went over the Seattle fiasco.

Hugh Corbet listed the mistakes that were made, Victoria Curzon Price put "ethical protectionism" in perspective and Brian Hindley, of the London School of Economics, stressed the need to deal afresh with non-tariff measures. The papers were published in *The JAMA Forum*, Tokyo, in February 2000.

Restoring Momentum in the WTO System was the theme of a one-day conference on March 29, 2000, with 73 trade policy specialists from government departments, embassies, universities, think tanks and NGOs participating.

Lawrence Eagleburger spoke on the need for public education on the WTO system, followed by Lord Parkinson, former British cabinet minister, on the changes in the world economy that were leading to crises.

Gary N. Horlick, then a partner at O'Melveny & Myers, reviewed agriculture, services and dispute-settlement issues, Hugh Corbet reviewed investment regulation and other "new issues", Robert Litan reviewed competition laws and anti-dumping reform and Clayton Yeutter

reviewed internal WTO transparency, decision-making and implementation problems. Harald Malmgren looked ahead to the next WTO ministerial conference.

At the dinner that evening Luis Felipe Lampreia, then Brazil's minister of foreign affairs, spoke on the stake of developing countries in the WTO system.

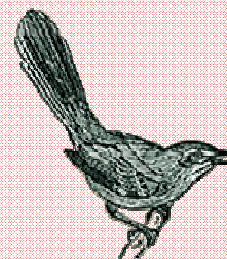
In 2000 there was little sign that the leaders of the Group of Seven countries were aware of the growing division and distrust that was palpable in Cancún a few years later. ■

Mockingbird Logo

THE Institute's logo is based on the mockingbird, the state bird of Tennessee, which Cordell Hull represented first in the U.S.

House of Representatives and then as a senator, before becoming U.S. secretary of state (1933-44).

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



Activities in 2001

Battle for a Wide-ranging Doha Round Agenda

THE effort to launch a first WTO round succeeded at the second attempt in Doha in November 2001 following the failure prior to the Seattle ministerial two years before. It was a battle for three reasons. First, the Quadrilateral Group – the European Union, the United States, Japan and Canada – insisted on what it called a comprehensive agenda. Second, the developing countries resisted the inclusion of the Singapore issues – the extension of the WTO system to cover investment, competition, transparency in government procurement and “trade facilitation”. Third, the United States pressed for enforceable labor standards to be included, even though the Singapore ministerial in 1996 had rejected a working group on the subject.

After the U.S. presidential election in 2000, but before the new Administration had got its feet under the table, the European Union and Japan renewed pressure for a WTO round. Washington, though, had not yet secured from Congress the renewal of U.S. trade-negotiating authority, which had expired in 1994.

As a contribution to consensus building, the Institute held two international round-table meetings in 2001 based on the deliberations of the Institute’s study group on restoring momentum in the WTO system.

Reaching a Two-stage Approach

The first meeting, *Moving Ahead in the World Trading System*, was held on May 11-13, 2001, in Gressy-en-France, near Paris, chaired by Harald Malmgren and attended by 35 independent experts and senior officials, including some from the OECD and the WTO.

The chairman’s statement, which set out the salient features of the discussion and was distributed in WTO circles, argued that it was time to start thinking about a “Plan B” in case the WTO ministerial con-



The Institute’s meeting in Gotemba in September 2001, hosted by the Government of Japan, concluded that the first WTO round should be launched in two stages.

From left to right: Toshio Kojima, then parliamentary secretary to the Japanese Ministry of Foreign Affairs; Cesar Virata, former prime minister of the Philippines; Hidehiro Konno (part hidden), then METI vice minister for international affairs; Hidetoshi Ukawa, former Japanese ambassador to the GATT; John Weekes, former chairman of the WTO General Council; and Hugh Corbet, the Institute’s president.

ference scheduled for November was not able to settle on a negotiating agenda.

By the time of the second meeting, *Facing the Challenge in the WTO System*, which was hosted by the Government of Japan in Gotemba near Mount Fuji on September 8-10, 2001, the Quadrilateral Group was still pressing for a comprehensive agenda.

The meeting was chaired by John M. Weekes, former Canadian ambassador to the WTO, and attended by 34 independent experts and senior officials.

The chairman’s statement, also distributed in WTO circles, argued that agreement was more likely in November if the round could be launched in two stages, beginning with market-access issues while preparing to negotiate, in stage two, on the Singapore issues.

Indeed, when the Doha Round negotiations were launched two months later, it was decided to proceed in two stages and to complete them by the end of 2004.

Seasoned observers thought the completion date was too optimistic, given the inertia that would have to be overcome in tackling the liberalization of farm trade not only in the European Union but also in Japan, Korea, Switzerland and Norway, plus some parts of the United States.

Stuart Harbinson, then Hong Kong’s man in Geneva, discussed at a conference on April 18, 2002, the lessons learnt when, as chairman of the WTO general council, he guided the long tussle to launch the Doha Round. But he warned that the meeting of minds achieved in Doha might not last ■



Gotemba Meeting urged a Two-stage Launch

The Institute’s meeting in Gotemba proposed that the Singapore issues be taken up in a second stage.

Hassan Kartadjoemena (left), former Indonesian ambassador to the GATT, with Crawford Falconer, then chief trade policy adviser to the New Zealand government.

Activities in 2001 continued

Enforceable Labor Standards? No!

SEVERAL attempts were made by the U.S. Administration in 1994-99 to secure from Congress the renewal of "fast-track" trade-negotiating authority with a remit to press for enforceable labor and environmental standards in trade agreements, but they were roundly rebuffed.

At the Singapore ministerial conference, the United States urged the establishment of a working group on trade and labor standards, but the proposal was rejected overwhelmingly. The ministers declared:

"We renew our commitment to the observance of internationally recognized core labor standards.

"The International Labor Organization (ILO) is the competent body to set out and deal with these standards and we affirm our support for its work in promoting them. We believe that economic growth and development, fostered by increased trade and further trade liberalization, contribute to the promotion of these standards.

"We reject the use of labor standards for protectionist purposes and agree that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put in question."

Even so, at the ministerial conference in Doha, the United States tried again to get enforceable labor standards on the agenda, but ministers reaffirmed the Singapore position.

Opposition is Not Against Standards as Such

Opposition to enforceable labor standards in the WTO system is not based on opposition to labor standards *per se*, but on opposition to using trade sanctions to en-

force them. Indeed, the long-held view in the ILO itself is that adherence to core labor standards has to be voluntary, not the consequence of others imposing or threatening to impose sanctions.

The Institute held a one-day conference in Washington, *Mounting a Dialogue on Trade and Labor Standards*, on December 4, 2001, in response to the ILO's call for suggestions on its world commission on the social dimension of globalization. The subsequent chairman's statement, setting out suggestions, was sent to Juan Somavia, ILO director-general in Geneva.

Confusing Trade Remedies with Sanctions

The conference was chaired by William D. Rogers, a senior partner at Arnold & Porter, with 35 development, labor and trade-policy specialists around the table.

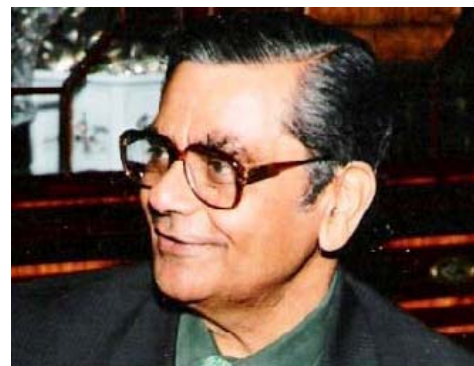
Papers were presented by Jagdish Bhagwati, of Columbia University, New York, on what's wrong with enforceable labor standards in the WTO system and by Jeffrey Lang, former deputy U.S. trade representative, on the scope and agenda of the ILO's world commission.

Herwig Schlögl, deputy secretary-general of the OECD, Paris, provided an international perspective on the trade-and-labor issue. Theodore Moran, of Georgetown University, dealt with coming to terms with developing countries in an integrating world economy; and Daniel Drezner, of the University of Chicago, set

Corbet, are the papers arising from the conference that the Institute and the Cornell Law School held in Paris in July 2004.

Developing Countries in the WTO System, edited by Hugh Corbet and John J. Barceló III, pulls papers from the Washington meetings in June and October 2004.

Trade and Labor Standards, edited by Hugh Corbet and Jagdish Bhagwati, contains papers arising out of the conference in December 2001, plus other analyses.



Jagdish Bhagwati on trade and enforceable labor standards: "With freer trade and labor issues linked by neither legitimate fears nor legitimate aspirations, it is simply wrong to insist that the WTO must address labor issues in any form."

out why fears of "a race to the bottom" aren't justified.

Gary Horlick queried whether trade sanctions would work, pointing out the confusion of trade sanctions with trade remedies. Gérard Depayre, then deputy chief of mission at the Delegation of the European Commission, addressed the question of promoting labor standards outside the WTO system.

With the great diversity of cultural, social and other differences around the world, the integration of the world economy cannot proceed as if what works in Western countries can work in all other countries. In legal matters, for example, there are substantial differences in Western societies, ranging from the "common law" tradition to the various juridical approaches.

Papers from the conference have since been revised and supplemented by others to make a substantial volume of essays to be published in 2007. When the U.S. Administration next seeks the renewal of trade-negotiating authority, after mid-2007, the question of enforceable labor standards in the WTO system could well be raised again. ■

Forthcoming Publications

PAPERS for the Trade Policy Roundtable, international roundtable meetings and other events are initially published in the online *Trade Policy Analyses* series on the Institute's website.

Books are to be published for the Institute in hardcover and paperback by Lexington Books, an imprint of Rowman & Littlefield, Lanham, MD.

Rethinking the World Trading System, edited by John J. Barceló III and Hugh

Developing Countries in the WTO Legal System, by Robert E. Hudec and edited, with an afterword, by Joel Trachtman, is the revised edition of a seminal work first published in 1987 with post-Uruguay Round analyses.

Strengthening the International Economic Order, by Jan Tumliar, based on his published and unpublished papers, edited by Hugh Corbet with an introductory essay by Martin Wolf. ■

Succession of Missed Deadlines Prior to Cancún

AFTER a succession of missed deadlines in the Doha Round negotiating schedule, it was no shock when in September 2003 the WTO ministerial conference in Cancún, Mexico, came to grief. It was there that the Group of 20 developing countries was formed after a joint EU-US proposal on agricultural trade, issued shortly before the conference, was seen to be self-serving, not taking into account the interests of other parties to the negotiations.

In a half-day seminar on the *State of Play in the Doha Round* on May 8, 2003, Herminio Blanco, the former Mexican secretary of commerce and industry, spoke of raising sights rather than reducing goals, John Weekes identified the economic interests at stake in the negotiations and Kenneth Rogoff, then economic counselor at the IMF, dwelt on promoting economic recovery, multilateral cooperation and poverty reduction.

On the eve of the Cancún ministerial, on September 8, 2003, the Institute held a seminar on the *"Big Picture" Issues in Cancún*. David Woods, former spokesman for the WTO director-general, discussed the prospects, Hugh Corbet addressed the dangers of brinkmanship in a large gathering and Clayton Yeutter stressed how the heavy lifting still lay ahead.

The Cancún ministerial conference not only failed to agree on how to proceed on agriculture, manufactures and services. It also failed to proceed with the "stage two" negotiations on the Singapore issues.

Post Mortem on Cancún

The Institute convened two seminars that reviewed what the Cancún debacle meant for different issues on the agenda.

On the *Market Access Negotiations*, discussed on September 22, 2003, John Weekes dealt with industrial products and Robert L. Thompson with agriculture, while Harald Malmgren dealt with the obstacles to be overcome in resuming the round.

On the *Legal Issues in the WTO System*, discussed on September 25, 2003, Bruce Wilson, director of legal affairs at the WTO Secretariat, covered the agenda.

After the *post mortems*, the Institute held on November 25, 2003, a conference on *Getting the WTO Negotiations on Track*. It explored what next and stressed the need for reflection on what has been going wrong ahead of the U.S. negotiating authority being extended in June 2005.

Rubens Barbosa, then Brazil's envoy to the United States, explained why the



Cairns Group chairman Mark Vaile, Australia's minister for trade, recognized at the conference in November 2003 that completing the Doha Round negotiations by the end of 2004 was "super-ambitious". William D. Rogers chaired the event.

Group of 20 was formed. In effect, he said the G-20 challenged the duopoly of the United States and the European Union that had determined the direction, pace and content of multilateral trade negotiations since the mid-1960s.

Harald Malmgren elaborated on hurdles to be overcome in re-launching the Doha Round negotiations. Edward Menzies, then president of the Canadian Agri-Food Trade Alliance, Ottawa, addressed the need for change in Canada's agri-food trade policy. Andrew Stoeckel focused on the political problem of farm subsidies,

assessing their secondary effects in distorting production, consumption, and trade. Clayton Yeutter addressed what had to be done to re-launch the Doha Round negotiations after the U.S. trade-negotiating authority was extended on a more promising course.

Mark Vaile, Australia's trade minister, who is chairman of the Cairns Group, reviewed efforts to resume the Doha Round negotiations. Patricia Hewitt, deputy secretary in the Australian trade department, reported on her talks in Cairns Group capitals in Latin America. ■

International Economic Order

BESIDES immediate issues, the Institute is undertaking two in-depth projects on the international economic order.

Strengthening the International Economic Order is the working title of the volume of papers by the late Jan Tumlir, director of economic research and analysis at the GATT Secretariat in 1968-85, who was seen as "the resident philosopher". The papers on systemic issues in the multilateral trade regime are being edited by Hugh Corbet with Martin Wolf, of

Financial Times, expected to write an introductory essay.

Developing Countries in the WTO Legal System is the title of the revised edition of the seminal work by the late Robert E. Hudec, *Developing Countries in the GATT Legal System*, published by the Trade Policy Research Centre, London, in 1987. Joel Trachtman, of the Fletcher School of Law and Diplomacy at Tufts University, is updating, revising and extending the analysis.

Activities in 2002-2003 continued

Foreign Direct Investment?

LITTLE actual work was done in the working groups on the Singapore issues, not even on trade and investment – about which the European Union and Japan were said to be particularly interested.

Richard Eglin, of the WTO, briefed the Institute's Trade Policy Roundtable on April 19, 1999, on *Multilateral Rules for Foreign Direct Investment*.

After the Doha Round was launched, V.N. Balasubramanyam of the University of Lancaster, in England, presented a paper on November 29, 2001, in favor of *Extending the WTO System to Investment*.

Ahead of the WTO ministerial conference in Cancún, on August 26, 2003, Dr Eglin suggested how, in *Extending the WTO System to Investment Regulations*, the positions of the United States and developing countries might be reconciled.

Charles Levy, general counsel to the Business Roundtable, commented and Timothy Deal, of the U.S. Council for International Business, said the proposed compromise would not yield strong enough rules, but advanced proposals for securing an agreement on investment.

After the Cancún ministerial conference, which did not add the Singapore issues to the Doha Round agenda, the Institute re-

viewed at a meeting on October 17, 2003, the options for internationally agreed rules on competition and investment.

Diane Wood, a judge in the U.S. Court of Appeals for the 7th Circuit, and William Kolasky, a partner at Wilmer Cutler & Pickering, reviewed the options for international competition rules. And Edward M. Graham, of the Institute for International Economics, and Scott Miller, director of national government relations at Procter & Gamble, reviewed the options for interna-



Gary Horlick, a partner at Wilmer Cutler Pickering Hale & Dorr, attorneys-at-law, Washington, DC, who has been a regular commentator at the Institute's meetings on legal issues.

tional investment rules. Jean-François Boitin, minister-counselor for economic affairs at the French embassy, provided a European perspective on the post-Cancún situation ■

Negotiations on Selected WTO Rules

IN THE first eighteen months of the Doha Round negotiations, the Institute held seminars on the "rules" items in the agenda.

On regional trade agreements, Bernard Gordon, of the University of New Hampshire, presented a paper on April 3, 2002, on the *Foreign Policy Consequences of FTAs*, later published in *Foreign Affairs*, New York, May-June 2002. Barry Desker, director of the Institute of Defence and

Strategic Studies, Singapore, presented a paper on September 2, 2002, on *East Asia's Resort to Preferential Trade Agreements*, later published in the *Pacific Review*, Canberra, 2004.

On WTO rules on anti-dumping, subsidies and subsidy-countervailing measures, Gary N. Horlick, then of O'Melveny & Myers, presented a paper on April 14, 2003, on *Time for Coherence among WTO Escape Clauses*. ■

Trade Policy Analyses

THE INSITUTE produces a series of papers on current issues in trade policy that are published online as *Trade Policy Analyses*.

The full series is available from the publications section of the Institute's website. The most recent are listed below:

Vol. 7, No. 8 — **Andrew Stoeckel**, Executive Director of the Centre for International Economics, Canberra, on "What's Holding Up Progress in the Doha Round?" (December 2005).



Vol. 7, No. 7 - **John Campbell**, Vice President for Government Relations and Industrial Products, at Ag Processing Inc., Omaha, NE, on "Why Decoupled Payments to Farmers were Introduced" (November 2005).

Vol. 7, No. 6 – **Hugo Paemen**, Senior Adviser at Hogan & Hartson, Washington, DC, and former Permanent Representative of the European Commission in the United States, on "A Mid-2005 State of the European Union" (July 2005).

Vol. 7, No. 5 – **Robert L. Thompson**, Gardner Professor of Agricultural Policy at the University of Illinois and former Director of Agriculture and Rural Development, World Bank, Washington, DC, on "Essentials for the 2007 Farm Bill in a Global Context" (July 2005).

Vol. 7, No. 4 – **Kym Anderson** and **Will Martin**, Lead Economists (Trade Policy) in the Development Research Group at the

World Bank, on "Agricultural Trade Liberalization in the Doha Round Negotiations" (May 2005), later published in *The World Economy*, Oxford, September 2002.

Vol. 7, No. 3 – **Hans Peter Lankes**, Chief of the Trade Policy Division, International Monetary Fund, Washington, DC, on the "Macro-economic Implications of Preference Erosion and the Expiry of Textile Quotas" (April 2005).

Vol. 7, No. 2 – **Thomas Dalsgaard**, Senior Economist in the Tax Policy Division, International Monetary Fund, on "Developing Countries: Lessons from Trade Reform and Revenue Loss" (April 2005).

Vol. 7, No. 1 – **Richard Eglin**, Director of Trade and Finance, World Trade Organization, Geneva, on "What's the State of Play in the Doha Round Negotiations?" (March 2005). ■

Need to Pause for Reflection on the WTO System

SINCE Cancún, the Doha Round negotiations have been seen worldwide to be in deep trouble, struggling with apparently intractable issues in an atmosphere of division and distrust, unable to make any progress. When the negotiators returned to Geneva and still couldn't find a basis on which to re-engage, it had to be asked whether the negotiations were salvageable or, if that was too soon to determine, whether it wasn't time to reflect on what the negotiations and the WTO were trying to achieve.

Accordingly, the Institute convened three conferences on the WTO's role in the world economy, examined from different perspectives.

First, a conference on June 16, 2004, reviewed the evolution of the multilateral trading system. It marked the seventieth anniversary of Cordell Hull's Reciprocal Trade Agreements Act of 1934, which led to the establishment after World War II of the multilateral trading system.

Kenneth W. Dam, former deputy secretary of the U.S. Treasury, discussed the significance of the 1934 Act. Richard Eglin dwelt on the need to clarify the WTO's role. Harald Malmgren assessed the drift in the WTO system following the success of the Uruguay Round negotiations.

Ernesto Zedillo, the former president of Mexico, now the director of the Center for the Study of Globalization at Yale University, New Haven, declared it necessary to go back to basic principles, to the thinking that led to the multilateral trading system.

Discussion then focused on the stakes in the WTO system. Ann Tutwiler, president of the International Food and Agricultural Trade Policy Council, dealt with the negotiations on agriculture and John Weekes reviewed those on industrial products.



Kenneth W. Dam (left), of the University of Chicago, and Judge Diane P. Wood, of the U.S. Court of Appeals, 7th circuit, presented papers on rethinking the WTO system.



Ernesto Zedillo, the former President of Mexico, argued at the "pause for reflection" conference on the need to recall the thinking that led to the establishment of the multilateral trading system in the first place. Lord Parkinson, former British cabinet minister, chaired the session.

Second, with the Cornell Law School, the Institute held an international meeting at the Panthéon-Sorbonne, Paris, on July 9-10, 2004, attended by 35 independent experts and senior officials, mostly from the European Union.

Role of the WTO in the World Economy

Herwig Schlögl spoke on Cordell Hull's legacy and the multilateral trade regime, Victoria Curzon Price on the place of non-discrimination in a rapidly integrating world economy, Bernard Hoekman, of the World Bank, on overcoming discrimination against developing countries and Stefan Tangerman, director of agriculture at the OECD, on overcoming discrimination against competitive agricultural exporters.

Legal issues were examined by Patrick Messerlin, of the Institut d'Études Politiques, Paris, on the need for coherence among WTO escape clauses, by Ernst-Ulrich Petersmann, of the European University Institute, Florence, on reinforcing WTO rules in domestic laws and by John J. Barceló III, of Cornell University on the status of WTO rules in U.S. courts,

Agnes van Ardenne, the Dutch minister for development cooperation, reviewed the main issues in the development dimension of the Doha Round negotiations. Jagdish Bhagwati, of the Council on Foreign Rela-

tions, laid out a number of proposals for strengthening the multilateral trade regime.

Third, a conference on rethinking the world trading system in Washington on October 20, 2004, focused on developing countries (as described on Page 6).

July 2004 Package

After Cancún little headway was made in getting the Doha Round on track. The July 2004 Package of framework agreements (without modalities), discussed on Page 8, enabled the negotiations to resume.

To review what the package meant, the Institute and the Friedrich Naumann Foundation convened on October 5, 2004, a conference on the *Framework for Re-launching the Doha Round*.

Hugh Corbet put the July 2004 Package in context, Ann Tutwiler spoke on the prospects for the negotiations on farm products and William Reinsch, president of the National Foreign Trade Council, Washington, DC, discussed those on industrial products and services.

Andreas Falke, of the University of Erlangen, and Gernot Pehnedt, of the Friedrich Schiller University of Jena, in Germany spoke on the state of trade policy and public discussion in the European Union. ■

Building Consensus Behind the Scenes



Agnes van Ardenne, the Dutch minister for development cooperation, gave the keynote address at the Panthéon-Sorbonne conference in July 2004, declaring:

"Developing countries are best served by pressing for close adherence to internationally agreed trade rules rather than pushing for wide-ranging policy space to dispense subsidies they can ill afford or for measures that make little economic sense."

See *Need to Pause for Reflection on the WTO System* on Page 15

Strategic Approach to Liberalizing Trade

THE Cordell Hull Institute aims to promote a strategic approach to the liberalization of international trade and investment, based on free-trade principles, private enterprise and open competition.

Reliance on open markets, facilitating adjustment to changing economic circumstances, is the only durable way, consistent with the rights of the individual, to secure peaceful and prosperous coexistence within and among countries.

Trade and related policies do not mark time; either they are moving forwards or they are moving backwards. Thus the Institute is active in taking up new ideas, proposals and initiatives for:

- advancing the liberalization of trade in services, manufactures and agricultural products
- extending the WTO system to investment and competition regulations
- improving the WTO agreement on trade-related aspects of protecting intellectual property rights
- achieving coherence and consistency among WTO rules on regulatory trade measures
- promoting transparency, openness and disclosure in public administration, corporate governance and financial institutions

- enhancing the rule of law to uphold private property rights and laws of contract, critical to the functioning of market economies.

The Institute contributes to public discussion and the policy-making process through roundtable meetings that bring together senior government officials, business representatives and independent experts serving as a catalyst — both domestically and internationally. ■



Harald Malmgren, chairman of the Institute, whose trade-policy experience goes back to the Kennedy Round negotiations of 1964-67.

Peter Sutherland's Support for Liberal Trade Recognized with the Cordell Hull Award

SUSTAINED support for liberal trade, open competition and the multilateral trading system by Peter Sutherland, chairman of BP Plc and Goldman Sachs International Ltd, was recognized with the Cordell Hull Award for 2005. In 2003 he was appointed head of the World Trade Organization's consultative board whose report, *The Future of the WTO*, was published in February 2005.

Mr Sutherland was the first director-general of the WTO, having been the last head of the GATT, when he played a major role in drawing the Uruguay Round negotiations to a successful conclusion.

The presentation of the award at a dinner in Washington had to be postponed because of scheduling difficulties.

Establishment of the Award in 2003

The Institute established the award in 2003 in order to recognize outstanding support for the multilateral trading system and the movement towards an open world economy.

Cordell Hull, FDR's Secretary of State in 1933-44, inspired the planning during World War II for the establishment of the rules-based multilateral trading system that came into being in 1948 under the General Agreement on Tariffs and Trade.

Hull was earlier instrumental in achieving the two most fundamental reforms of U.S. trade policy. One was the adoption of *unconditional* MFN treatment in the Tariff Act of 1922. The other was the shift from the "autonomous" tariff, set by Congress, to today's contractual tariff determined in international trade-liberalization agreements.

This was achieved when Congress delegated to the President, in Hull's Reciprocal Trade Agreements Act of 1934, the setting of tariffs and making of trade policy.

Previous Awards to Senators Hagel and Grassley

The first Cordell Hull Award was presented to Senator Chuck Hagel, the senior U.S. senator from Nebraska, at the U.S. Chamber of Commerce on May 8, 2003.

Senator Charles E. Grassley of Iowa, chairman of the finance committee in the U.S. Senate, received the second Cordell Hull Award at the U.S. Chamber of Commerce on July 14, 2004.