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After the "July Package" of framework agreements (without modalities) that was reached by the WTO General Council on August 1, 2004, the Friedrich Naumann Foundation and the Cordell Hull Institute held a half-day meeting in Washington, DC, on October 5, 2004, on the framework for re-launching the WTO negotiations.

The meeting was held at the Willard Hotel (pictured above) across from the U.S. Treasury.



Reproduced are remarks by **William Reinsch** (above) at the meeting.

About the Speaker

William A. Reinsch is the President of the National Foreign Trade Council in Washington, DC. He was previously U.S. Under Secretary of Commerce for

AFTER THE JULY PACKAGE...

Negotiations on Industrial Products and Services

William A. Reinsch

WHAT ARE the next steps in the World Trade Organization that are necessary in the long march toward a successful conclusion to the Doha Round negotiations?

The framework for the agriculture negotiations, following the "July Package" reached by the WTO General Council on August 1, 2004, is much further along than the negotiations on "non-agricultural market access" (NAMA) and those on trade in services. NAMA covers industrial products and fishing subsidies. The agriculture text in the July Package is both more detailed and clearer on the overall endpoints. This is a terrific development, and also a necessary one, given the centrality of agriculture to any final comprehensive agreement. For the past few years, the main discussion has always been centered on the need for meaningful reform and liberalization of agriculture. We now have an outline and roadmap on agriculture, which is no small accomplishment.

This has important implications for the NAMA and services negotiations. One thing it clearly means is that WTO members can no longer hide behind agriculture and avoid making tough decisions about NAMA and services. As we head into the new year and are faced with another major ministerial at the end of 2005, the most important goal must be for NAMA and services to catch up with agriculture in terms of their *ambition* and level of detail. One of our overall objectives should be to aim for negotiating modalities in all three major areas of the negotiations (agriculture, services, NAMA) by the Hong Kong ministerial meeting on December 13-18, 2005. If we can't do that, and assuming U.S. trade-promotion authority is extended next year, it is hard to envision completing the negotiations before the 2007 expiration of that authority. So we have a lot of work to do this year and next.

I think this is eminently possible, but it will take a "real coalition of the willing". Some of the key ingredients for making this happen

Export Administration (1994-2001).

Earlier, Mr Reinsch was legislative assistant to Senator Jay D. Rockefeller (1991-93); and before that, he was chief legislative assistant to Senator John Heinz III (1977-91).

Mr Reinsch has contributed articles to professional journals and he has taught international relations at the University of Maryland at College Park.

About the Meeting

The purpose of the half-day meeting was to review the WTO General Council's package of "framework agreements" without modalities at the end of July that enabled the Doha Round negotiations to continue.

Other Speakers

Besides William Reinsch, the other speakers were: **William D. Rogers**, Vice Chairman of Kissinger Associates, New York; **Hugh Corbet**, President of the Cordell Hull Institute; **Ann Tutwiler**, President of the International Food & Agricultural Trade Policy Council, Washington, DC; **Andreas Falke**, Professor of Trade Policy, University of Erlangen, Germany; and **Gernot Pehnelt**, of the Friedrich Schiller University of Jena, Germany.

are (i) a continued focus on results and ambitious liberalization; (ii) a constructive involvement of the G-20 countries; (iii) an overall emphasis on the positive linkages between the three areas of the negotiation; and (iv) a willingness on the part of lesser developed countries to focus on their own stakes in a meaningful outcome of the trade talks.

NAMA and the Level of Ambition

The National Foreign Trade Council (NFTC) continues to believe it is time to conclude the unfinished business of the General Agreement on Tariffs and Trade by eliminating industrial tariffs. We came out with a bold proposal on this idea when the Doha Round agenda was first launched. While the "Derbez text" on NAMA, arising out of the Cancun ministerial meeting in September 2003, which was agreed to as part of the July Package, sets the overall sights lower, the challenge now for us is to achieve as much ambition as possible through that text. This means pushing for an ambitious non-linear tariff-cutting formula, building support for zero-for-zero sectoral initiatives and creating as much momentum as possible in the direction of reducing and eliminating tariffs.

Two other important aspects of the NAMA negotiations are the trade facilitation negotiations and the non-tariff barrier component. A comprehensive approach in tackling tariff and non-tariff measures is critical for many industries. For industries such as automobiles, lack of real action on NTBs will mean no new market access in critical markets in Asia and elsewhere.

On non-tariff measures, the NFTC is working on a new paper on regulatory and tariff transparency (notifications are inadequate and there is no adequate public data base) as critical, horizontal issues, such as regulatory policies, to be addressed in the NAMA negotiations. These issues are central to achieving effective liberalization of goods trade across the WTO membership. We hope to promote these ideas in Geneva.

Pushing ambitious liberalization of services is also critical. As with NAMA, it is time for "catch up" in terms of specificity and inclusiveness. The desired process is straightforward enough – WTO members need to put forth meaningful offers on what they are prepared to liberalize. Those 40 or so who have already put offers on the table need to do a lot more to improve the quality of the offers. The framework agreement calls for tabling revised offers by the end of May 2005; a deadline we hope will be met. I suspect many countries have been holding back, waiting for progress in agriculture. Now is the time to take the next step forward in this area.

On services, there are some sensitive issues for the United States, namely Mode 4 dealing with the temporary movement of business personnel. Many Americans view this issue primarily in the

One important caveat of the Enabling Clause, which made preferences GATT legal, was that they not interfere with or prevent broader multilateral trade liberalization.

This point can not be emphasized strongly enough. The developing countries have thrown their weight around so far with great success. They have forced meaningful progress on agriculture and – with the United States losing the cotton case and the European Union the sugar case – they may well be able to build those victories into further concessions on agriculture subsidies.

That means, however, that it is time for them to put something on the table as well.

– William Reinsch



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

context of either immigration or terrorist threats. Neither is a perspective conducive to meaningful negotiations. Despite the highly sensitive nature of this issue, the NFTC believes something needs to be agreed in this area, for it is a high priority for developing countries like India. It also might present an opportunity for U.S. business to focus on good governance and due process procedures here as a way to address the growing and urgent problem of securing U.S. business visas.

Role of the G-20 and FIPs Group

Both the Group of 20 and the Five Interested Parties, the FIPs Group, which consists of the United States, the European Union, Australia, Brazil and India, and their ability to work constructively toward a common goal of a meaningful and successful conclusion to the Doha Round negotiations, will be important to the ultimate outcome. They played very useful roles in the agriculture negotiations and arriving at the general framework of the July Package.

The true test will come in terms of their ability to be forthcoming on NAMA and services. These are bottom line issues for advanced countries and for the U.S. business community. There needs to be a big and substantial result in these areas for U.S. business, which means that for countries like Brazil, India, China and other middle-income developing countries, they have to open up their markets in a significant way as part of this negotiation. And they have to demonstrate leadership beyond matters solely in their self-interest.

- The United States has noted on several occasions that there are centrifugal forces within the G-20 that may make it difficult for them to maintain unity. Thus far, they've proved those predictions wrong, but we all need to make sure they don't focus on unity at the expense of progress. Their leaders have an opportunity to help shape the trading system for the next decade or so, but they can only do that by leading and not surrendering to the lowest common denominator in the group.

Role of Developing Countries

What we need is an upward spiral of ambition that recognizes the win-win nature of ambition across the board. Brazil, for example, will be in a much better position to achieve its ambitious objectives on agriculture if it demonstrates a willingness to be similarly ambitious on NAMA and services. The political economic facts are that we will all win big if we recognize that we all have very sensitive issues and powerful special interest lobbies that can only be overcome by gains elsewhere. That is why major rounds have worked in the past and it is the only way they will continue to be the main broad multilateral vehicle for trade liberalization in the future. What of the role of developing countries? As NFTC reports have

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

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shown, developing countries stand to gain from open and rules-based trade. Developing countries pay most of their duties on trade with each other. I hope that they will focus less on the issue of preserving temporary and disappearing tariff preference regimes and more on how to integrate their economies more fully into the multilateral trading system. It is worth reading the so-called “enabling clause” that gave GATT legality to these preference regimes back in 1979. One important caveat was that they not interfere with or prevent broader multilateral trade liberalization.

- This point cannot be emphasized strongly enough. The developing countries have thrown their weight around so far with notable success. They have forced meaningful progress on agriculture and, with the United States losing the cotton case and the European Union the sugar case, they may well be able to build those victories into further concessions on agriculture subsidies.
- That means, however, that it is time for them to put something on the table as well. For the United States, which already has fairly low tariffs and few quotas – especially with those on textiles and apparel expiring in January 2005 – meaningful gains in market access in goods and services will be necessary to sell any agreement to a Congress increasingly skeptical about free trade and free riders.
- That means, among other things, we are going to have to do a better job of addressing the special-and-differential issue. Those words permeate the negotiating text, but we are rapidly reaching the point where we have to give them meaning, which will, inevitably, mean making some distinctions between stages of development – distinctions which, after all, reflect current economic realities.
- While there is little dispute that the least developed countries should receive such treatment, we have to address the countries who don’t want to acknowledge their success. One of the trends of the last ten years has been the growth of what people are starting to call upper and lower middle-income developing countries, some of whom want to continue to define themselves as “developing”. Dealing with these definitions in a way that doesn’t let them all off the hook will be one of the challenges of the Doha Round negotiations.