

# Cordell Hull Institute

CLAYTON YEUTTER

*Chairman*

HARALD MALMGREN WILLIAM D. ROGERS

*Vice Chairmen*

NORMAN AUGUSTINE	JAGDISH BHAGWATI
HERMINIO BLANCO	ROBERT C. CASSIDY, JR.
LAWRENCE EAGLEBURGER	BARRY DESKER
THOMAS S. FOLEY	THOMAS L. FARMER
GARY N. HORLICK	JAMES FRIERSON
KIHWAN KIM	LORD PARKINSON
RICHARD R. RIVERS	BRENT SCOWCROFT
JOSEPH E. STIGLITZ	ROBERT S. STRAUSS
BRANDON SWEITZER	JOHN M. WEEKES

HUGH CORBET

*President*

2400 PENNSYLVANIA AVENUE, N.W.

SUITE 115

WASHINGTON, D.C. 20037

*Telephone:* (202) 338-3815

*Facsimile:* (202) 338-0327

*E-mail:* [info@cordellhullinstitute.org](mailto:info@cordellhullinstitute.org)

[www.cordellhullinstitute.org](http://www.cordellhullinstitute.org)

# Getting the WTO Negotiations Back on Track

Papers for the Cordell Hull Institute's  
**Trade Policy Roundtable**

at

**Arnold & Porter**

*555 Twelfth Street, NW, Washington, DC 20004*

**November 25, 2003**

The Cordell Hull Institute's Trade Policy Roundtable is sponsored by Akin Gump Strauss Hauer & Feld, Arnold & Porter, Hogan & Hartson, O'Melveny & Myers, Sidley Austin Brown & Wood, Steptoe & Johnson and Wilmer Cutler & Pickering

# **Getting the WTO Negotiations Back on Track**

**Papers for a Trade Policy Roundtable at  
Arnold & Porter, Washington, DC,  
on November 25, 2003**

**Cordell Hull Institute  
Washington, DC**

# List of Contents

Introduction .....	2
About the Speakers .....	7
1 <b>Why the Group of 20 was “Suddenly” Formed</b> Rubens Antonio Barbosa .....	9
2 <b>Hurdles to Clear in Resuming the Doha Round</b> Harald B. Malmgren .....	16
3 <b>Need for Change in Canada’s Agri-food Trade Policy</b> Edward Menzies .....	26
4 <b>Tackling the Political Problem of Farm Subsidies</b> Andrew Stoeckel .....	31
5 <b>Towards Relaunching the Doha Round in 2005</b> Clayton Yeutter .....	38
Appendices	
1 <b>Agenda of the Roundtable</b> .....	46
2 <b>Deadlines Imposed by the U.S. Trade-negotiating Authority</b> Richard Rivers .....	48

o0o

# Introduction

**E**FFORTS are being made in Geneva to get the Doha Round negotiations back on track after the collapse of the World Trade Organization's Ministerial Conference in Cancún. But the blame game continues, the multilateral trading system is again drifting and there are further signs of disintegrations, as governments increasingly resort to bilateral negotiations. So what are the chances of resuming the Doha Round negotiations this year, at the WTO General Council on December 15, and of completing them by the end of next year? If that's not on, what about completing them before the trade-negotiating authority of the U.S. Administration expires on June 1, 2007 – assuming a two-year extension? Could the chance to resume the negotiations in 2005 and complete them in 2007 be lost by governments not re-grouping in the coming year when, for well-known political reasons, multilateral trade agreements cannot be advanced very far, let alone finalized. Those questions were addressed at the meeting of the Cordell Hull Institute's Trade Policy Roundtable in Washington on November 25, 2003.

## Response to the EU-US Duopoly

It is usually a good idea to contemplate big questions in an historical perspective. After World War II, and the autarkic and discriminatory excesses of the inter-war period, governments restored some semblance of order to international commerce by establishing the multilateral trading system, based on the General Agreement on Tariffs and Trade. Besides establishing a framework of principles, rules and procedures, the GATT succeeded through six "rounds" of multilateral trade negotiations in opening markets for industrial products traded among industrialized countries. But there were repeated failures to liberalize trade in agricultural products generally and, more particularly, trade in manufactures of export interest to developing countries. After the formation (and successive enlargements) of the European Union, with all its preferential trade agreements, the multilateral trading system turned into the duopoly that has determined the scope, pace and direction of trade liberalization ever since. The momentum of trade liberalization, and the adherence of governments to internationally agreed rules, deteriorated throughout the 1970s in spite of the seventh GATT round, the Tokyo Round negotiations, then in progress.

As the European Union struggled in the 1980s with its internal problems (e.g., "euro-sclerosis"), the United States and others in the Asia-Pacific region were able in launching the Uruguay Round negotiations to pull the multilateral trading system back from the brink of collapse, to get to grips with the "old issues" of textiles and clothing, safeguard actions (including VERs) and farm support and protection and, too, to begin addressing the "new issues" of trade in services, trade-related investment measures and the trade-related aspects of intellectual property rights.

The emergence of the Cairns Group of smaller agricultural-exporting countries led to the Uruguay Round agreement on a framework in which to bring agriculture into the multilateral trade-liberalizing process by progressively reducing domestic subsidies, border protection and export subsidies (i.e., dumping). There was also an agreement on disciplines to prevent sanitary and phyto-sanitary measures from being used for protectionist purposes. But the overall agreement on agriculture was weakened by the last-minute Blair House accord between the European Union and the United States aimed at appeasing French resistance. By then time and patience had run out and so not much actual liberalization of agricultural trade was negotiated.

After the Uruguay Round negotiations, there were promising changes in direction in the farm-support policies of the United States, but the direction was reversed in the Farm Act of 2002. Elsewhere, the European Union, Japan and other industrialized countries continued to temporize over the agriculture issue, which hardly changed when the Doha Round negotiations got under way. Thus as the first WTO round fell increasingly behind schedule in 2003, fears of “another Blair House” grew more palpable and, just before the Cancún ministerial, the European Union and the United States produced a paper on agriculture that was incredibly self-serving. The paper was the straw that broke the camel’s back and the Group of 20 “suddenly” formed – as Rubens Barbosa, the Brazilian Ambassador to the United States, explains in the first paper.

### **Role of the Cairns Group**

Although the Group of 20 and the Cairns Group overlaps, Ambassador Barbosa stresses that they are working together, as they did at the Cancún ministerial meeting, whatever the appearances to the contrary.

The chairman of the Cairns Group, Mark Vaile, the Australian Minister for Trade, in town for talks on a bilateral free trade agreement with the United States, looked in on the Institute’s meeting and made a short statement. He reiterated that a WTO agreement is still Australia’s number one goal since it would provide the “broadest and deepest benefits”. Mr Vaile recognized that completing the Doha Round negotiations by the end of next year was now “super-ambitious” and “becoming increasingly difficult”. So the next Cairns Group ministerial meeting is being brought forward to February 2004, he said, in a further attempt to “inject momentum” to the WTO negotiations.

Earlier in the meeting, Joanna Hewitt, Deputy Secretary of the Australian Department of Foreign Affairs and Trade, spoke of the role of the Cairns Group and its part in the Doha Round negotiations, having just completed a trip around the capitals of Cairns Group countries in Latin America with Allan McKinnon, Australia’s chief agriculture negotiator.

### **Re-launching the Doha Round?**

What are the options for governments in the stalled WTO negotiations? Clayton Yeutter, the former U.S. Secretary of Agriculture and onetime U.S. Trade Representative, reviews them in the concluding paper. They are either do nothing, resort to more and more bilateral and regional negotiations or set about reversing the WTO system’s fragmentation.

First of all, though, could the Doha Round negotiations really be completed next year, given how far behind they are – never mind the political difficulties in the United States of negotiating trade commitments (in consultation with the Congress) during a presidential election year?

What could be done to re-launch the negotiations in 2005? Ambassador Yeutter says do what should have been done in the first place: (i) remove the uncertainty about the U.S. commitment to promoting an open world economy, (ii) remind developing countries that they also have a stake in the WTO system and are meant to participate in negotiations on a reciprocal and non-discriminatory basis and (iii) build consensus and support for a range of objectives that are ambitious enough to generate the political commitment required to achieve a durable and worthwhile result. That would establish the clear reason the U.S. Administration will need to secure by June 1, 2005, a two-year extension of its trade-negotiating authority in order to complete the negotiations before the authority expires altogether.

### **What of the Pressures for Change?**

Agriculture tops the Doha Round agenda. That is well understood in Geneva, but not so well in capitals – or in business and financial communities. Unless there is agreement on the substantial liberalization of agricultural trade, spokesmen for the Cairns Group have repeatedly said, the negotiations “will not be completed”. Even so, farm-support policies are almost continually subject to public criticism, and fundamental reform always seems to be just around the corner, but they somehow survive and continue unloved and assailed as much as ever.

The European Union’s common agricultural policy is a case in point. The CAP is expected to change with the Eastern enlargement and, indeed, there is growing public revulsion over its excesses and its impact on other sectors of the European economy, on the environment, on development and on international relations. At a political level, environmental and related groups appear to be making a difference, while in the business community there is growing interest in markets outside Europe (with all its limitations), especially in the developing world.

There is evidence of change in other countries. In Canada, agricultural trade policy has long been ambivalent, with the supply-managed segment of the agri-food sector chiefly located in the eastern provinces set against the export-oriented segment in the western provinces. But groups in the latter, as Edward Menzies, President of the Canadian Agri-Food Trade Alliance, describes in the third paper, have recently coalesced to challenge the heavy protection afforded to the dairy, egg and poultry industries.

### **Addressing the Political Difficulties**

Overcoming resistance to the reduction of farm subsidies and protection is a formidable task with public debate obfuscated by arcane terminology and technical complexities. Andrew Stoeckel, Executive Director of the Centre for International Economics in Canberra, recalls the various developments over the last two decades that have helped to

put farm-support policies in perspective. Among them have been (i) international comparisons of levels of support and protection via PSEs and CSEs, (ii) proposals in the Organisation for Economic Cooperation and Development and the GATT to focus on the economy-wide costs and benefits of government interventions in the market process, (iii) the introduction of the Trade Policy Review Mechanism during the Uruguay Round negotiations and (iv) the tariffication of non-tariff measures in the Uruguay Round agreement on agriculture (even if undermined by tariff quotas in the Blair House accord).

Advantage now needs to be taken of these developments, Dr Stoeckel argues, to educate public opinion, overcome resistance to change and reform policies with a view to inducing adjustment in the agriculture sector to a rapidly integrating world economy. Public education needs to be promoted by assessing the economy-wide costs and benefits (i.e., the inter-sectoral effects) of farm-support policies and the import restrictions required to sustain them. Many interests, ranging from taxpayers and consumers to those concerned about the environment, food safety and development, have a real stake in economy-wide analyses becoming an integral part of the domestic policy-making process and a regular feature of TPRM reports on individual countries and regional trading blocs. Economy-wide analyses in conjunction with “due process” through open, independent and regular hearings can change the politics of protection.

### **Re-launch Further Down the Track?**

The duration of successive rounds of multilateral trade negotiations has been determined in each case by the duration of U.S. trade-negotiating authority. It is generally believed, then, that under the current authority the United States has until 2007 to complete the Doha Round negotiations, but it is not as straightforward as that. The current authority expires on June 1, 2005, with provision for a two-year extension. The extension, however, is not automatic. If the President of the United States decides to seek the extension, he must submit to the U.S. Congress by March 1, 2005, a report setting out what has been achieved so far in negotiations and why he needs more time.

If the House of Representatives or the Senate passes a “resolution of disapproval” before June 1, 2005, the authority is dead. If neither house passes such a resolution, the authority will run for another two years, expiring on June 1, 2007. Securing a two-year extension of U.S. trade-negotiating authority, however, is not going to be easy, given the breakdown in international cooperation over the Iraq situation, the state of disarray in the WTO system, the size of the U.S. trade deficit and the protectionist positions of a number of U.S. industries and labor unions.

To secure the extension, Harald Malmgren, a former Deputy U.S. Trade Representative, who was closely involved in the launch of the Tokyo Round negotiations, points out in a paper on the hurdles to clear in resuming the Doha Round negotiations that a political consensus will have to be developed in the months before the President submits his request to Congress. That will require the building of a consensus among business, financial, agricultural and other economic interests. For that consensus-building effort to be effective, however, there will have to be clear signs of a meaningful consensus forming at inter-governmental level.

In addition, Ambassador Malmgren suggested, it would be helpful in the current political hiatus if the consensus-building process could draw into public discussion and policy formation the views of those with experience, as well as those directly involved with issues of the day, who are not currently members of governments.

If the WTO system is not to suffer death by a thousand cuts, to disintegrate bit by bit, Ambassador Yeutter again calls for a conscious effort to address fundamental issues, to go back to first principles, to think again about the principles and rules on which the system is meant to be based, not brush them aside as if they do not matter.

The success of the negotiations, he adds, will still depend heavily on reaching agreement on the liberalization of agricultural trade. But it is too much to expect negotiators in Geneva to settle issues that ministers and senior officials in capitals have not been able to resolve. Technical deliberations can only go so far. As much as ever, agriculture remains a deep-seated political problem, requiring a response at the highest level. So in the next year or two, Ambassador Yeutter concludes, the G-7 heads of government have to devote attention to the issue because of its bearing on the growth and development of the world economy, which is what the annual Economic Summit is about.

HUGH CORBET  
*President*  
*Cordell Hull Institute*

*Washington, DC*  
*November 26, 2003*

# About the Speakers

**O**N EACH paper presented at the Trade Policy Roundtable, the discussion was initiated by a discussant, with some prepared comments. The meeting was briefly joined by Mark Vaile, MP, the Australian Minister for Trade, in Washington for further negotiations on the free trade agreement between Australia and the United States. Earlier the luncheon address was given by Joanna Hewitt, Deputy Secretary in the Australian Department of Foreign Affairs and Trade, following a visit to the capitals of the Cairns Group countries in Latin America. Ambassador Hewitt spoke the Cairns Group's role in the Doha Round negotiations.

Set out below are brief biographical notes on the speakers and the chairman of the meeting, William D. Rogers, a Vice Chairman of the Hull Institute.

**RUBENS BARBOSA** is the Brazilian Ambassador to the United States, having been Ambassador to the United Kingdom (1994-99). Earlier, he was Under Secretary-General for Trade and Regional Integration in Brazil's Ministry of Foreign Relations, Brasilia (1991-93), having been successively Chief of Staff to the Minister of Foreign Relations (1985-86) and Under Secretary-General for Multilateral Affairs (1986-87); and Secretary for International Affairs in the Ministry of Finance (1987-88). Ambassador Barbosa is the author of several books including one on Latin American economic integration.

**HARALD B. MALMGREN** is President of the Malmgren Group, business consultants, Warrenton, and Chairman of Malmgren O'Donnell, London and Washington, DC. In the early 1970s, as Deputy U.S. Trade Representative, Ambassador Malmgren played a major part in drafting the Trade Act of 1974 – which introduced the concept of “fast track” negotiating authority – and launching the Tokyo Round negotiations. In the Kennedy Round negotiations he was an Assistant U.S. Trade Representative for Agriculture. He has also taught economics at Cornell, Johns Hopkins and George Washington universities.

**EDWARD MENZIES** is President of the Canadian Agri-Food Trade Alliance (CAFTA), based in Ottawa, and has operated a 2,000-hectare grain, oilseed and pulse crop farm in Southern Alberta for the past 30 years. CAFTA is the result of a merger between the Agri-Industry Trade Group, of which Ted Menzies was co-Chairman, and the Canadian Alliance of Agri-Food Exporters. Mr Menzies has also served as President of the Western Canadian Wheat Growers, on the executive of the Grain Growers of Canada and as an appointee on the Alberta-Idaho Task Force on Trade.

**WILLIAM D. ROGERS** is a Senior Partner at Arnold & Porter, attorneys-at-law, Washington, DC, and Vice Chairman of Kissinger Associates, international consultants, New York. Mr Rogers joined Arnold & Porter in 1953, leaving and rejoining to serve in other places, including in 1961-65 as Special Counsel and later Deputy U.S. Coordinator, Alli-

ance for Progress, in 1971-74 as the President of the Center for Inter-American Relations, New York; and in 1974-77 at the U.S. State Department as Assistant Secretary of State for Inter-American Affairs, then as Under-Secretary of State for Economic Affairs.

**ANDREW STOECKEL** is Executive Director of the Centre for International Economics, Canberra, Australia. Earlier, as head of the Australian Bureau of Agriculture Economics (1981-86), Dr Stoeckel directed a series of ground-breaking studies on the economy-wide costs and benefits of agricultural protection in the European Union, Japan and the United States. Besides numerous studies for the Australian Government, the World Bank and other international bodies, Dr Stoeckel is co-author of *Macroeconomic Consequences of Farm Support Policies* (1989) and *Asia's Meltdown and Agriculture* (1998).

**CLAYTON YEUTTER**, Counsel at Hogan & Hartson, attorneys-at-law, Washington, DC, and Chairman of the Oppenheimer Funds, New York, played a key part in the successful Uruguay Round negotiations of 1986-94, first as the U.S. Trade Representative (1985-88) in launching them, then as U.S. Secretary of Agriculture (1989-91) in carrying them out. In 1991-92 he was Counselor to the President for Domestic Policy and Chairman of the Republican National Committee. Before returning to the U.S. Administration, Dr Yeutter was President of the Mercantile Exchange in Chicago (1978-85).

**o0o**

# 1 Why the Group of 20 was “Suddenly” Formed

**Rubens Antonio Barbosa**

**A**GRICULTURE has traditionally endured a distinct status in international trade negotiations. Since the entry into force of the General Agreement on Tariffs and Trade (GATT) in 1948, the sector has been repeatedly singled out, excluded from broad trade-liberalization initiatives. The Agreement on Agriculture signed at the end of the Uruguay Round negotiations was a first step in the direction of disciplining agricultural protectionism and, along with several other agreements, is part of the World Trade Organization (WTO) that came into force in 1995.

So the current Doha Round negotiations, launched in November 2001, are a unique opportunity to close the distance between multilateral trade rules for agricultural and non-agricultural goods. None-theless, the dynamics of the negotiations on modalities have indicated, so far, that the developed countries are still not willing to strive for the level of ambition on agriculture that was set out in the Doha Ministerial Declaration.

This issue is of utmost relevance for a country like Brazil, not only because of the importance we attach to the multilateral trading system, and to the successful conclusion of the Doha Round negotiations, but also because Brazil is increasingly a major player in international agricultural trade and played a pro-active role in the creation and leadership of the Group of 20 (G-20).<sup>1</sup> The tremendous challenge that lies ahead is how to achieve the fundamental reform in agriculture that would allow the establishment of a truly fair and market-oriented multilateral trading system.

## **Uruguay Round Agreement on Agriculture**

In order to understand what led to the creation of the G-20 during the Doha Round negotiations, we must go back to the WTO Agreement on Agriculture. This legal instrument dealt, for the first time, with the untouchable issue of agricultural protectionism and introduced sweeping changes to existing trade rules. Despite its well-known shortfalls, the agreement represented the “basis for initiating a process of reform of trade in agriculture”.

During the Uruguay Round negotiations, explicit reference was made, in the end, to three pillars for the liberalization of the international trade in the agricultural sector, namely market access, domestic support and export subsidies. After an arduous negotiating process, and following a bilateral understanding between the European Union and the

---

<sup>1</sup>Initially the G-22 was composed of Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Venezuela and Thailand.

United States, known as the Blair House accord, the Uruguay Round agreement was finally reached. Agricultural tariffs were bound and reduced and disciplines were created to limit the use of domestic support and export subsidies. Nevertheless, the quantitative commitments were so generous that they did not require major, if any, domestic-policy changes in the subsidizing countries. The result was that the Agreement on Agriculture did not, after all, pave the way towards the liberalization of global trade in agriculture. Actually, the agreement created an extremely sophisticated mechanism for the “special and differential treatment” of developed countries, which has become blatantly clear in recent years.

While recognizing that the long-term objective of substantial progressive reductions in agricultural support and protection is an ongoing process, Article 20 of the Agreement on Agriculture established that negotiations for continuing the process of liberalizing the agricultural sector should be initiated in early 2000 – five years after the WTO’s entry into force. And a new mandate for negotiations on agriculture was agreed in the Doha Ministerial Declaration that launched the Doha Round negotiations.

### **Doha Mandate and the Cancun Ministerial**

Before the Doha Ministerial Conference, negotiations on agriculture began in Geneva in March 2000, as provided in Article 20 of the Agreement on Agriculture. From March 2000 to March 2001, 45 negotiating proposals and three technical documents were submitted to the WTO on behalf of 126 members (89 percent of the organization’s membership at the time). From March 2001 onwards, revised and more detailed proposals were submitted by several countries and groups of countries. But the positions of the various WTO member countries would change significantly, especially after the launch of the Doha Round negotiations.

The Doha Ministerial Declaration established the mandate, the general parameters, that would guide the negotiations and require members to agree on modalities for further commitments on agriculture.<sup>2</sup> Based on the several proposals submitted by members, the Chairman of the WTO Committee on Agriculture, Stuart Harbinson, presented a first draft of modalities for negotiations in February 2003. Given the level of ambition level in the Doha ministerial mandate, Harbinson’s paper was cautiously received, resulting in coun-

---

<sup>2</sup>The Doha Ministerial Declaration states: “We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.”

tries not being able to agree on modalities. The Cairns Group<sup>3</sup> and the United States believed that Harbinson's paper was not ambitious enough while the European Union and Japan argued it was too ambitious and unbalanced.

The deadlock continued until the European Union and the United States released on August 13, 2003 (just before Cancún), a joint framework paper on agriculture – as requested by developing countries. This new document was substantially less ambitious than the original U.S. proposal and only slightly more ambitious than the original E.U. paper. The move from a modalities paper to a framework document in itself represented a decline in the level of ambition set fourth in the Doha Ministerial Declaration, since framework documents do not contain numerical targets that can more clearly guide negotiators.

As a response, sixteen developing countries released on August 20, 2003, their own joint framework proposal. Six other developing countries joined this coalition in the following days and gave rise to what was called the G-22, now the G-20. Of the original 22 countries in this coalition, twelve were Cairns Group members, while ten were non-Cairns Group developing countries.<sup>4</sup> The G-20 framework paper was less ambitious than the one originally presented by the Cairns Group and concentrated on agriculture and “special and differential treatment” (S&D) provisions relating to the market-access commitments of developing countries. There are two important issues to highlight here:

(a) First and foremost, the worst distortions in the world agricultural markets are caused by heavily subsidized production and high market-access barriers in developed countries. Total support in OECD countries has been put at US\$318 billion dollars in 2002, but the farm population in these countries is very small, ranging from 3 to 5 percent of total population.

(b) Developing countries have no means to subsidize agriculture. On the other hand, they have huge farm populations – 300 million in India, 800 million in China, for instance – that would be immediately and heavily penalized should agricultural tariffs come down abruptly, particularly for staple crops. Domestic markets would be immediately invaded by cheap subsidized imports. Millions of family farmers would be unable to sell their production and would be thrown into misery. This would be socially and politically unacceptable. Thus S&D treatment for market access seems a rather logical and ethical option.

---

<sup>3</sup>The Cairns Group comprises seventeen agricultural-exporting countries that support trade liberalization in agriculture and together account for one-third of world agricultural exports. It was created in 1986 in Cairns, Australia, and is composed of Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

<sup>4</sup>With the absence of results in the Cancun Ministerial Conference, the following countries have formally left the G-22: Colombia, Costa Rica, Ecuador, Guatemala and Peru.

But it is important to say that Brazil continues to be a member of the Cairns Group and takes part in Cairns meetings and deliberations. Both groups met during the WTO Ministerial Conference in Cancún and will continue to do so. Their overall goals are the same: further reform and meaningful liberalization in agriculture.

On August 24, 2003, the Chairman of the WTO General Council, Carlos Pérez del Castillo, circulated a draft Cancún ministerial text that was very close in its content and ambition to the joint paper presented by the European Union and the United States. The G-20 did not accept Ambassador Pérez del Castillo's paper as the basis for the negotiations and demanded that its own paper should remain on the negotiating table. On September 13, 2003, the Chairman of the WTO Ministerial Conference in Cancún, Minister Luis Ernesto Derbez, released a revised draft Cancún ministerial text, with a level of ambition slightly superior to that of Pérez del Castillo's paper.

If one considers the three main agriculture drafts circulated by WTO representatives since the start of the Doha Round negotiations (Harbinson's, Pérez del Castillo's and Derbez's), it is evident that the overall level of ambition has declined significantly in comparison with the Doha ministerial mandate. If one looks, however, at the several country and coalition proposals on the modalities and frameworks, it is clear that the distance separating them became significantly smaller as the talks got closer to the Cancún ministerial. The United States migrated from its original offensive position to a mainly defensive one (shared by the European Union, which at first was even more defensive). Some members of the Cairns Group and other key developing countries had gone from positions that were respectively very offensive and very defensive to a more middle-ground position, based on the reductions of tariffs and subsidies in developed countries and the granting of increased S&D treatment for developing countries.

Bearing in mind these facts, it is clear that the creation of the G-20 resulted from the deep frustration of developing countries with regard to agricultural negotiations since 2000 and the first two years of the Doha Round negotiations. First, because the delay in approving the latest reforms of its common agricultural policy (CAP), the European Union held up its final negotiating proposals on agriculture until, as mentioned, August 2003. The delay affected most of the negotiating deadlines established in, and after, the Doha Ministerial Declaration, not only in this sector but also in other areas such as implementation issues, services, dispute settlement and so on. And the frustration of developing countries continued with the attempt in the EU-US paper to do "another Blair House accord" with a self-serving proposal that fell short of the Doha ministerial mandate.

### **Role of the G-20 at Cancún**

The Cancún Ministerial Conference did not produce consensus, it's true. The discussions among WTO members continue to be inconclusive and somehow will have to be resolved by delegations in Geneva. Although the absence of agreement on modalities for moving forward with the liberalization of agricultural trade was a disappointment for countries like Brazil, in one fundamental respect Cancún can be viewed as positive. The attempt of the major trading powers to dilute the Doha ministerial mandate on agriculture did not prosper and the voice of the developing world was taken into consideration.

The question that one should pose here is not whether a modest outcome in Cancún would have been better than no results at all. The real dilemma that most developing countries faced was whether it was sensible to accept an agreement that would essentially consolidate the policies of the two subsidizing superpowers – with very modest gains and even some steps backward (for instance, with a new and broader definition of “blue box” subsidies, accommodating U.S. interests under the Farm Act of 2002) – and then wait another fifteen to eighteen years to launch a new WTO round, having spent precious bargaining chips.

As coordinator of the G-20 (encompassing 60 percent of the world’s population, 70 percent of the world agricultural population and 22 percent of the world agricultural production), Brazil is convinced that the Cancún Ministerial Conference will be remembered as the occasion that signaled the emergence of a less autocratic multilateral trading system. In Brazil and in a host of other developing countries, large and small, Cancún is perceived as a turning point. Moreover, it is important to point out that the positions defended by the G-20 did not reinstate the North-South confrontation, nor create a category of “won’t do” countries, as some have asserted.

The G-20 has a specific agenda on agriculture and it is based on a concrete proposal to reduce the outrageous level of subsidies granted to farmers in developed countries. To use a popular expression among trade negotiators when combating protectionism in its many guises, Brazil’s and the G-20 platform is about achieving “a level playing field” through the full integration of agriculture into the rules-based multilateral trading system. It is about addressing, in a decisive way, the most important “unfinished business” of the Uruguay Round negotiations and honoring the terms of the Doha Ministerial Declaration, afterwards called the Doha Development Agenda, especially in the agriculture area that is unanimously regarded as its centerpiece.

Cancún cannot be seen in isolation. It was a mid-term review of an exercise that started two years ago at the Ministerial Conference in Doha where WTO members agreed a mandate on agriculture that included the substantial improvement of market access, the phasing out of export subsidies and the substantial reduction of trade- and production-distorting domestic support in agriculture.

It is important to underline, however, that the trade-liberalizing exercise launched at Doha represented a long overdue collective commitment to do away with protectionist barriers and trade-distorting measures in an area of vital importance to competitive exporters in both developed and developing countries. No other area of trade is subject to such blatant discrimination. Distortions in agricultural trade not only harm efficient exporters by denying them market opportunities. Domestic and export subsidies in developed countries depress prices and incomes around the world, cut into export earnings and increase food insecurity in developing countries. Their addictive nature does not contribute to productivity gains or the creation of wealth. They only generate dependence, on one side, and deprivation, on the other.

Contrary to what some have said, the G-20 has a maximalist agenda. In fact, the “offensive” objectives of the group are similar to those, for instance, that the United States

advanced during negotiations in Geneva until quite recently. Indeed, they are the sort of proposals the United States promoted when the Permanent Representative of Brazil in Geneva was nominated (by the United States) as chairman of the WTO Agriculture Committee.

In Cancún, even after the G-20 made a genuine effort to accommodate the interests of its broad-based constituency, we could venture to calculate that between 70 and 80 percent of its proposals corresponded almost literally with what the United States upheld until not very long ago. It is important to point out, too, that the Cancún ministerial did not fail on account of agriculture. The G-20 was ready to negotiate in earnest. The group had prepared amendments to the last text brought to the negotiating table. This was recognized even by those on the other side as “businesslike”.

Therefore, the G-20 did not cause the Cancún ministerial to collapse. In the end the collapse was not even due to agricultural negotiations, but to the Singapore issues.<sup>5</sup> What the G-20 really did – and this is probably the reason for such great dis-comfort in Brussels and Washington – was question for the first time the duopoly of the European Union and the United States in the WTO system.

After the collapse of the Cancún ministerial, the reaction, not to say exasperation, of the major trading powers with the G-20 position was not an answer to the substance of the group’s proposal itself. Their reaction had to do with power politics as it became clear to the European Union and the United States that the G-20 had put down a challenge to the long-established and untouchable farm-subsidy policies of developed countries worldwide. The tactical maneuver of creating the G-20 before the Cancún ministerial was an important step in the direction of fundamental reform in agriculture that would allow the establishment of a truly fair and market-oriented multilateral trading system that will help to promote growth in many agricultural-based developing countries.

## **Conclusion**

As WTO members try to resume negotiations in Geneva – hopefully with a lighter agenda as regards the Singapore issues – may we bear in mind the lessons of Cancún. The G-20 is actively working for the resumption of negotiations, but the G-20 and other developing countries will no longer accept the role of supporting actors in discussions that affect their development prospects. Consensus cannot be imposed through pre-cooked deals that disregard previous commitments and ignore the legitimate aspirations of the majority of the world’s population. Trade must be a tool not only to create wealth but also to distribute it in a more equitable way.

Brazil is confident that a virtuous alliance among those who support free trade and economic development throughout the world will prevail in steering the Doha Round

---

<sup>5</sup> The “Singapore issues” were brought to the WTO at the 1996 Singapore Ministerial Conference, with the creation of working groups to undertake studies with a view eventually to negotiating multilateral disciplines in the following areas: trade and investment; trade and competition policy; transparency in government procurement and trade facilitation.

negotiations to a successful outcome, in line with the promises raised at its inception in Qatar. And Brazil will be working actively with all WTO trading partners to make this possible.

**o0o**

## 2 Hurdles to Clear in Resuming the Doha Round

**Harald B. Malmgren**

**T**HE FAILURE to reach any reasonable accord in Cancún should not have been surprising to any delegation to the WTO Ministerial Conference in September. The only surprise was that anyone was surprised. Prior to the Cancún ministerial gathering there was little progress on key issues between the United States, the European Union and Japan. Little attention was paid to relations between the advanced industrialized countries and the developing, emerging market economies. Virtually no progress could be seen by the governments of the latter group. Moreover, there were growing differences among the developing countries themselves.

There was no basis for formulating a consensus in Cancún. The best that governments could have done was scale back their ambitions in the Doha Round negotiations and treat the Cancún meeting as “one in a series” of preparatory meetings. Unfortunately, scaling back what was to be achieved was not seriously addressed in advance, leaving the widespread impression that the meeting was a complete failure.

Many months earlier, in November last year, France undermined the multilateral negotiating process when President Chirac formally announced his strong opposition to any fundamental change in the European Union’s common agricultural policy until after 2013 and his opposition, too, to any public discussion of possible changes until after 2006. His stance was endorsed by Germany’s Chancellor Schroeder, even more firmly blocking serious multilateral trade-liberalizing negotiations. This severely circumscribed efforts by the European Commission to make meaningful proposals on agriculture. Without meaningful progress on agriculture, little can be accomplished on non-agricultural questions, on manufacturing, services or institutional issues. The E.U. offers made at Cancún were made at the last minute and were considered inadequate by major agricultural exporters.

As for the United States, election politics had already become a major preoccupation in Washington, even though presidential and Congressional elections were a year away. This severely limited the ability of U.S. trade negotiators to undertake intensive consultations with Congress and interest groups on potential gains and concessions from the Doha Round negotiations.

There has been much discussion of who was to blame for the Cancún failure. But there has been a noticeable unwillingness to acknowledge that the meeting was poorly prepared by governments. The failure in Cancún was similar to the failure at the WTO Ministerial Conference in Seattle in December 1999. Prior to both meetings there was no underlying consensus on what could be achieved and there was widespread disagreement over a wide range of important issues. International meetings of ministers lasting a few

days cannot be expected to resolve difficult questions that have defied government officials for several years or even decades. When ministers are called together, it should be to approve agreements already reached, or statements already prepared, at a lower level among their representatives.

Trade negotiators have been under pressure to conclude the Doha Round negotiations by January 1, 2005. By September 2003 the timetable had already become impossible. But the target date was flawed from the very outset. The United States and the European Union agreed on the target date of January 1, 2005, for concluding the round – and other governments unwittingly concurred. This is the date for the rotation of members of the European Commission, with the current commissioner responsible for trade negotiations, Pascal Lamy, coming to the end of his term like his fellow commissioners. It is possible, of course, that some commissioners could be reappointed, but there are many uncertainties in E.U. governance that might require significant changes in the composition of the Commission.

The January 1, 2005, date would be soon after the U.S. presidential and Congressional elections in early November 2004. The period before then, however, would be politically impossible for U.S. negotiators. International agreements cannot be presented to Congress without extensive consultations and consensus building prior to a formal request for approval. No President can go to Congress with a *fait accompli*, knowing that it would generate broad opposition, even within his own political party. And no U.S. Administration in the last several decades has been willing to take the risk of consulting Congress on possible trade concessions in the months preceding a presidential election. Bringing international negotiations to a conclusion during a major election campaign would ensure confrontation with large American interest groups and risk the collapse of offers of American concessions.

In Washington it has been understood among Congressional staff that the end date for the Doha Round negotiations would have to be moved to the end of 2005 and quite likely even later. That was why the authorization by Congress of negotiations explicitly provided for a possible extension of the authority until 2007 if requested by the President. Even then, it is not at all clear that Congress will agree to an extension; and even more worrisome is the prospect that a further extension might be needed beyond June 1, 2007.

### **European Difficulties to Clear**

For the European Union, major elections must be faced in France and Germany in 2006. Meaningful political concessions by these governments before that time are almost impossible to envisage.

What's more, several other policy controversies must be addressed in 2004-05. They include the enlargement of the European Union to embrace ten new member states from Central and Eastern Europe, some of which are large agricultural producers (e.g. Poland and Hungary). At this moment, there is developing a major controversy over the draft new "constitution", which is likely to impede intra-E.U. decisions on many other matters, including trade and agriculture.

Yet another explosive challenge is the breach of the budget disciplines set out in the “stability and growth pact” that underlie the Euro – most prominently by France and Germany, but also by Portugal, Italy and possibly others in the near future. Now we see France and Germany promoting a “re-interpretation” of the stability pact that would allow higher budget deficits for a few years. If this were to be agreed, fiscal disciplines would probably break down elsewhere in the European Union and, in addition, political cooperation would falter between the smaller members countries, on the one side, and France and Germany, on the other.

In such a context, with serious disputes among E.U. member countries, the European Commission is not in a position to make major decisions on other matters of direct interest to any of the member countries. In particular, decisions to offer major concessions on industry or agriculture in the Doha Round negotiations would not be possible at such a time, probably not for the next couple of years.

### **Alienation of Other Countries**

In spite of these considerations, and in an effort to pave the way for progress at Cancún, the U.S. Trade Representative, Robert Zoellick, and Commissioner Lamy drafted a US-EU common paper on a framework for agricultural negotiations just before the Cancún ministerial. By presenting the image of a common position, the paper was considered by other agricultural-exporting countries as an American betrayal of their implicit alliance with the United States. It generated deep distrust of both the U.S. and E.U. delegations among other governments.

It also became clear that the United States and the European Union had basically ignored the differing special concerns of developing-country governments in the preparations for Cancún. Thus a number of developing-country governments assembled coalitions to present their own agendas, most notably the Group of 22 (now known as the G-20) countries, led by Brazil, India and China. Brazil’s concerns should not have been a surprise. High officials in Brazil had earlier laid out their priorities, especially on agriculture and anti-dumping issues, in the months leading up to Cancún, but the Brazilian position was essentially overlooked. The key questions are laid out eloquently in the above paper by Ambassador Barbosa.

Four African cotton-producing countries made surprising new demands that put the United States off balance and the U.S. response was poorly conceived. Some developing countries fought extremely hard against the modernization and simplification of customs procedures (“trade facilitation”) even though the question was earlier thought to be non-controversial. Developing countries complained that their concerns about special-and-differential treatment had not been addressed and so cooperation with the United States and the European Union was unwarranted.

The European Union was blamed for last-minute mismanagement of its “Singapore issues”. This was not really the cause of the breakdown in Cancún, but it provided a convenient excuse for many governments that were not prepared to see real progress in the Doha Round negotiations

The failure at Cancún cannot be blamed on the conference chairman, Luis Ernesto Derbez, or on individual governments. What went wrong was a reflection of inadequate preparations in the capitals of WTO member countries. Trade ministers and foreign ministry officials who take part in inter-governmental meetings usually do not have a great deal of political power within their governments. Hard political decisions are made in capitals by other ministers with strong domestic responsibilities. That's why it is important to consult extensively in capitals. It is evident, though, that the leaders in the WTO system, especially the United States and the European Union, did not do anywhere near enough preparatory work at a political level in the capitals of key countries.

After the collapse of the talks in Cancún, the European Union and United States blamed WTO decision-making procedures (Lamy described them as "medieval") and the stubborn recalcitrance of unwilling governments (Zoellick wrote of those who "can" and those who "won't"). Neither acknowledged the inadequacies in their own preparations. These U.S. and E.U. public attacks on the WTO and key governments have deepened divisions in the WTO system. When giants publicly belittle smaller countries, the likely political effect will be to solidify, and dramatize, opposition to their bullying tactics. This public expression of irritation and disdain by the two trading giants will probably delay further any meaningful efforts to restart or revitalize international consensus building in the next phase of world trade liberalization.

### **What of Competitive Trade Liberalization?**

After the failure at Cancún, the USTR announced that the United States will proceed with bilateral and regional free trade agreements (FTAs), alternatives to global trade liberalization in the WTO framework. The USTR argument is that moving ahead one by one with countries and regions willing to liberalize trade will increase pressure on other governments to join in the wider process or risk being excluded from the benefits of trade liberalization.

This argument seems on its face to look weak. On the one hand, many participants in the E.U. decision-making process, especially in the member states, would probably welcome deeper U.S. involvement in "regionalism" and "bilateralism" because it would impart greater legitimacy to the many E.U. bilateral and regional agreements already in place, negotiated over the last five decades. Japan may also find legitimacy in its quest for bilateral agreements with neighboring countries. Japan cannot easily reach FTAs with other Asia-Pacific countries without segregating and excepting agriculture.

For decades, the United States has argued vigorously that free trade agreements that do not cover "substantially all the trade", including agriculture, are in violation of Article XXIV(6) of the GATT, still a part of the WTO system. As the United States seeks to negotiate bilateral trade agreements with resource-based economies like Australia it may be necessary, in the end, to make exceptions of agriculture. That could open the way for Japan to accelerate its efforts to negotiate *industrial* free trade agreements with its trading partners in the Asia-Pacific region.

The United States can easily reach some agreements with "smaller" trading countries like Morocco, the United Arab Emirates, Bahrein, some Central American countries

and so on, but the trade impact of such agreements will be small relative to total world trade. A larger and more meaningful FTA with all of Latin America, known as the Free Trade Area of the Americas (FTAA), is being attempted, but up to now it has not been feasible as long as Brazil opposed U.S. negotiating tactics and limitations on the U.S. negotiating agenda. In particular, the United States refuses to discuss anti-dumping and agricultural subsidies in a regional negotiation, stating that these kinds of questions must be dealt with in a worldwide trade-liberalizing effort in the WTO system. For Brazil, these issues are the *sine qua non* for the serious liberalization of trade in goods and services. It is difficult to argue that such questions must be taken up in the WTO when the WTO is making no significant progress.

Furthermore, U.S. public attacks on Brazil's role in Cancún are likely to harden the political resistance of Brazil's President Lula da Silva, who has portrayed the Brazilian position in Cancún as part of the new assertive leadership of Brazil in global affairs. For the moment, the FTAA talks are continuing, but the new framework of a "menu" for selective participation, opting in for some issues and opting out for others, seems to be a prescription for avoiding anything painful, which in turn means avoiding anything meaningful.

From time to time, there may be public discussion of a possible EU-US bilateral free trade agreement, but this is politically impossible for the Congress of the United States without a major change in the European Union's common agricultural policy, which is politically impossible for the European Union until some years from now.

There is a fundamental question that the U.S. Administration has not addressed. Is it desirable, or even possible, to negotiate a variety of trade agreements that differ from one another, particularly when the "strategy" involves abandoning the thrust of U.S. trade and international economic policy since the Reciprocal Trade Agreements Act of 1934. At that time, and in the immediate post-World War II years, the Congress strongly wanted to avoid a patchwork of bilateral agreements, which tended to maximize political pressures from each government involved. It was appreciated, moreover, that the U.S. economy (its business and financial participants) had global interests and that the establishment of common rules and procedures providing an institutional framework for world commerce was of vital interest to the United States, even though that was not as important to many other trading countries with more narrow regional or bilateral interests. Was it wise to depart from a course that had successfully brought about significant trade liberalization around the world in the last half of the twentieth century?

For the United States, it is theoretically possible to engage many governments in a variety of bilateral, regional and multilateral trade negotiations. But it is not practicable for the governments of much smaller economies to handle simultaneous negotiations at all three levels. For the smaller players, priority must be given to one of these options, and the others must be set aside. For many governments, the appeal of a bilateral free trade agreement with the United States seems far greater than trying to accomplish major liberalization through the WTO system. The U.S. tactic necessarily undermines support for the multilateral process.

Even for the United States a multiplicity of negotiations is extremely difficult, not only from a technical point of view, but also from a political point of view. We can all recognize the difficult complexities for customs officials in generating varying rules of origin, classification schemes, tariff schedules, intellectual property criteria and so on. But is it plausible to expect Congress to set aside its main legislative agendas for a continuing stream of bilateral trade agreements, with occasional bouts of dealing with larger regional agreements?

What underlies this question is the fact that trade negotiations today go far beyond the traditional issues involved in the reduction of tariffs and the elimination of import quotas and tariff quotas. Nowadays many trade-negotiating issues involve domestic policy issues, including consumer and safety standards, the regulation of services, intellectual property protection, subsidies to farmers, rights of establishment, etc. Since the successful handling of the results of the Tokyo Round negotiations in Congress, it has been recognized that elaborate consultative procedures must be undertaken to ensure Congressional support for internationally negotiated agreements. Is it realistic to think that key Congressional committees and a wide variety of members of Congress would be willing to set aside substantial portions of their time to consider the ins-and-outs of a wide variety of trade agreements every year?

I have no doubt that the United States can field a number of highly effective trade negotiators. I have great doubt that a multiplicity of trade agreements can be successfully managed domestically – unless the President were personally to manage each and every agreement, which would not be a good use of his time.

### **Difficulties in a U.S. Election Year**

In the background, the coalition of interests in the United States that has traditionally supported trade liberalization is being eroded by, among other things, changes in the interests of agricultural groups. On the one hand, key exporting interests like soybean producers are facing powerful competition from Brazil and Argentina, so they have little or no interest in opening global markets for their competitors. (Brazil will this year surpass the United States in soybean production and Brazil also wants to export to the United States more orange juice, sugar, cotton, meat, etc.) On the other hand, many U.S. farm groups have become addicted to the new subsidy programs passed by Congress, thus having a decreasing interest in any international negotiations that would entail commitments to reduce those subsidies.

As for the American business community, there has been a noticeable absence of energy and political involvement in trade liberalization in recent years, except for the normalization of trade relations with China. It is difficult to energize the business community on international trade agreements and trade liberalization. Without that support, the opponents of trade liberalization, both in the business community and among anti-globalization activists, are in a relatively stronger position, at least in Congress.

At this time, many members of the two political parties in the U.S. Congress simply do not want important trade issues to be brought before Congress prior to the elections in

November 2004. It is not a question of whether Congress has turned protectionist. Rather it is a question of avoiding debate on sensitive political issues in a year when the parties are battling over majority control of Congress. We can expect increasingly intense opposition among politicians to considering any trade agreements that might be negotiated by the USTR prior to the elections. President Bush is unlikely to go against this political aversion to discussing trade concessions in the year in which he is seeking re-election.

In conclusion, multilateral negotiations under the WTO are now delayed until there is a more suitable framework, one that is less dominated by U.S. and E.U. political events. A possible target for the WTO might be some time in 2007 or in 2009 (non-election years.) It is a pity that governments allowed a dramatic confrontation to materialize in Cancún, maybe because there was little understanding of a reality, that an *impasse* there would set the Doha Round back by several years, not several months.

Consider the U.S. political dynamics. Bilateral and regional FTAs will have to be reconsidered in light of political realities after the November 2004 elections. The outcome of elections to Congress as well as to the Presidency will have a vital effect on the future of American trade policy. If President Bush is not re-elected, a Democratic president will take at least two years to establish a new trade-policy agenda. There is strong likelihood that the initial agenda of a Democratic president would have a protectionist bias. If Republicans gain seats in the House of Representatives and Senate, there is better chance of Congressional support for further trade liberalization. Even the Republicans, however, have become divided about dealing with the consequences of trade liberalization and the globalization of the American economy. If Democrats gain seats in the House or Senate, further trade liberalization would probably be blocked, or severely impeded, for several years to come.

Richard Rivers, a former General Counsel in the USTR Office and adviser to the Senate Finance Committee, has explained the process by which an extension of U.S. trade-negotiating authority would have to be sought in 2005.<sup>6</sup> The President is required by legislation to submit a request to Congress by March 1, 2005, enumerating the results achieved by then and explaining the reasons for expecting further progress if the authority is extended. Then the House or the Senate has an opportunity to pass a resolution of denial of extension. Thus in the spring of 2005, soon after the elections and long before most politicians are ready to jump into trade policy, a major trade debate would have to take place on Capitol Hill.

For this “extension” process to succeed, a political consensus would have to be developed, informally, in the months preceding March 2005. In turn, this would require the building of a broad consensus among business, financial, agricultural and other economic interests, again through informal consultations. For that consensus-building effort to be effective, there would need to be clear signs of meaningful progress among negotiators at inter-governmental level, even though no significant concrete agreements would

---

<sup>6</sup> Richard Rivers, “The Doha Round and the Deadlines Imposed by U.S. Trade-Negotiating Authority,” at [www.cordellhullinstitute.org](http://www.cordellhullinstitute.org) and, also, reproduced in Appendix 2 below.

have materialized. Achieving the extension of U.S. trade-negotiating authority will be a difficult task for the President, or a new President-elect, after the November 2004 elections when trade will not be the foremost issue at the start of a term of office.

At this time we cannot expect meaningful new initiatives in U.S. trade policy. The USTR may go through the motions of negotiating “small” FTAs, but major steps forward will simply not take place until some time in 2005 or later. This should not be a surprise, for it has long been evident, at least to “old hands”, that major new steps in the further liberalization of world trade would not be possible until well into the second half of this decade, at the earliest. Why is that?

### **Multilateral Negotiations Take Years**

The slow pace of multilateral trade negotiations is not a new phenomenon. Multilateral, comprehensive trade negotiations entail a lengthy process, lasting several years. If we look back at recent GATT rounds, the Kennedy Round negotiations were formally initiated in 1962, after a year or so of informal international and domestic consultations, but it was not completed until the spring of 1967. Even then, some of its provisions had to be worked out in subsequent months. Although that round focused primarily on the simple task of reducing tariffs, it took more than four years before the major trading countries could come to agreement. The most significant non-tariff issue addressed in the Kennedy Round was the negotiation of the Anti-dumping Agreement of 1967, but the agreement was summarily rejected by the U.S. Senate.

The Tokyo Round negotiations attempted to address non-tariff barriers and other distortions of trade, as well as tariff reductions, and took far longer. The Tokyo Round was initiated by ministers in Tokyo in September 1973 and was completed in 1979. But most of the agenda was developed between the closing months of 1967 and the formal opening at the Tokyo ministerial meeting. This process of six preparatory years – in which I took part as an official, a think-tank fellow, a consultant and then again as an official – was characterized by intense informal discussions on what were appropriate subjects for negotiations. Without those informal discussions the formal negotiations could never have been launched.

The Uruguay Round negotiations delved further into non-tariff measures and other domestic policies that impede or distort international trade, investment and business activity. Attempts were made by the United States to embark on a new GATT round in 1982, utilizing the OECD as a coordinating point, but agreement could not be reached with a sufficient number of governments. After further efforts to settle an agenda, the Uruguay Round was formally launched in 1986 by ministers at Punta del Este, Uruguay, but without adequate preparation and with little consensus on the objectives. The next two years were taken up with interminable arguments over what should be covered – especially over whether, and in what way, to deal with agriculture. After negotiations finally began in earnest it took until the end of 1993 before conclusions could be drawn.

Some of the most crucial questions in the Uruguay Round negotiations could not be settled. So it was decided to pursue, once the WTO system was established, an agenda of

unresolved issues on a schedule laid out in the agreements. But the “built-in agenda” in the Uruguay Round agreements was not taken up until the end of the 1990s, when the first WTO round began to be contemplated, which governments aimed to launch at the WTO ministerial in Seattle.

### **Need for a Consensus-building Effort**

The elaborate process of fits and starts in getting under way a new round of multi-lateral trade negotiations should not be considered unusual and it should not be surprising either if the negotiations take several more years. But it will be impossible to make progress unless an intensive consensus-building effort is undertaken in the United States and in other key countries. In addition, it would be helpful, in the current political hiatus, if a new kind of consensus-building process could be embarked upon, domestically and internationally. It would involve drawing into the policy-making process the viewpoints of those with experience, and those directly involved with issues of the day, who are not currently members of governments.

In the United States, it is time for something like the Williams Commission, which in 1969-71 set the stage for international trade liberalization in the 1970s and 1980s.<sup>7</sup> The United States needs to address the consequences for the accelerating globalization of its economy. Internationally, we need something like the OECD “wise men’s group” of 1970-71, chaired by Jean Rey, which covered many non-traditional international trade liberalization issues, including trade in services, and helped achieve international agreement on the framework for the Tokyo Round negotiations<sup>8</sup> – and subsequently for the Uruguay Round negotiations, launched in 1986.

Looking back at the successes of the Tokyo Round and Uruguay Round, a number of informal meetings in the 1970s and 1980s, involving ministers and knowledgeable and experienced people outside governments, helped get past seemingly insurmountable negotiating problems and generate an inter-governmental consensus on what could and should be accomplished. This enabled governments to overcome entrenched bureaucratic positions that officials alone could not change, no matter how many times and in how many places they met, in whether in Geneva and elsewhere. At this juncture, the need for informal discussions, away from the negotiating battlefield, seems even more necessary than it was in the two previous rounds of multilateral trade negotiation.

It may also be time to consider other options for liberalizing trade and trade-related investment at multilateral level. Would it be possible, for example, to launch a global, or multilateral, free trade agreement among countries that are willing to accept the obligations entailed while benefiting from the liberalization that would be set in train?

---

<sup>7</sup> Commission on International Trade and Investment, *United States International Economic Policy in an Interdependent World*, Report of the Williams Commission (Washington, DC: U.S. Government Printing Office, 1971), accompanied by two volumes of papers.

<sup>8</sup> High Level Group on Trade and Related Problems, *Policy Perspectives for International Trade and Economic Relations*, Report to the Secretary-General (Paris: OECD Secretariat, 1972).

Negotiating international rules for international commerce takes time. Tariffs and other border measures are still problematic and in need of further liberalization. But today the more difficult questions involve domestic politics in most countries. The underlying issue is the reconciliation of differing national policies, laws and regulations. Altering these to bring them into concert internationally is primarily a political task. The time involved must be measured in years, not months. Negotiations of this kind should not be personalized.

We are not talking about a sports event where we can identify the most valuable player or the most clever coach. These negotiations must be viewed as a teamwork effort among many governments, shared by many participants spanning several administrations, as in the U.S. case, and changes in parliamentary majorities in other countries. We are building a framework for international commerce that can stand for decades to come and adapt to the inevitable globalization of all economies. This is not an easy task, but it is necessary.

**o0o**

# 3 Need for Change in Canada's Agricultural Trade Policy

**Edward Menzies**

CANADA is the major trading nation on the planet. One in every three Canadian jobs depends on trade. Exports account for over 40 percent of Canada's total gross domestic product. That is four times the level of the United States and Japan. Imports account for over 36 percent of Canada's gross domestic product. Every Canadian imports twice as much as the average American. That means that of all the developed economies on the planet, Canada has the most open economy – in exports and imports.

Trade is vital to the Canadian economy and to the country's agriculture and agri-food sector. We are now the world's third largest exporter of agriculture and agri-food products and the fifth largest importer. In agriculture and agri-food, more than half, and for some products more than 80 percent, of Canada's agriculture and food production is exported. More than 80 percent of total farm cash receipts are from exports and over 90 percent of the farm population relies on exports. It is clear that Canada needs a strong, rules-based multilateral trading system.

## **Impact of the Uruguay Round**

The Uruguay Round of multilateral trade negotiations was an historic round because, after forty odd years, it was the first to incorporate rules for agricultural trade under its own agreement. It also took some first tentative steps to reform because it did put some disciplines on subsidies and protection, but it also allowed for the continuation of protection and subsidies. At the end of the implementation of the Uruguay Round Agreement on Agriculture, Canada's trade-dependent industries – grains, oilseeds, cattle and beef, hogs and pork, sugar and value added processors (crushing, malting, milling, meat processing and consumer products manufacturers) – found that they were still at a very substantial disadvantage in the international market place. For example:

- Canadian wheat producers found themselves facing tariffs in Japan of over US\$400 per tonne while barley exporters hit tariffs of over US\$210 per tonne.
- The Canadian flour-milling industry was forced out of the European market by high domestic subsidies and out of the entire export market by export subsidies.
- Canadian pork producers and processors hit tariff walls of up to 139 percent in Malaysia and suffer restrictions in access to European Union

because it skews its minimum-access requirements away from pork in order to protect its market.

- The Canadian oilseed-processing industry is precluded from competing in many of the world's largest markets for vegetable oils because of the application of tariff escalation and tariff discrimination. Two of the more egregious examples are the vegetable oil tariff barriers employed by Japan and India. Canadian canola and soybean oils face import tariffs of approximately 20 percent in Japan while unprocessed seed is imported free of tariffs. Canadian canola oil faces an applied over-quota tariff of 85 percent in India while unprocessed canola seed has a tariff of 35 percent and soybean oil has a tariff of 45 percent.

- Tariff escalation also affects the Canadian meat industry. For example, Korea applies a 40 percent tariff on beef and a 70 percent tariff on beef jerky, a more value added form of beef. In Japan, the bound tariff on beef is 38.5 percent, but the tariff on seasoned beef, such as prepared hamburger patties, is 50 percent.

- The Canadian refined sugar sector saw its access to the U.S. market decline with the implementation of the Uruguay Round agreement. High subsidies and tariffs often reaching higher than 300 percent prevented the industry from finding new markets for the product. The result – the loss of two sugar-refining plants and the entire sugar-beet production industry in the Province of Manitoba.

- Domestic support programs in the United States and the European Union cost our grains and oilseed farmers at least \$1.3 billion each year.

- Export subsidies, which have been eliminated in virtually every other industry covered by the World Trade Organization (WTO), still are allowed in agriculture and still deny markets for farmers and processors around the world.

## **Rise of the Trade-dependent Industries**

The export-oriented industries, upon reviewing the results of the Uruguay Round negotiations, realized that while there were some improvements in transparency, and some modest disciplines on subsidies, there were few real benefits. At first they blamed Canada's negotiators, but they quickly realized that it was the trade-dependent industries themselves that were to blame.

These industries were not present in the Uruguay Round negotiations. Assuming that trade negotiations were about trade and not protectionism, they did not make their needs and views known to the Canadian government and negotiators. They did not seek active participation in international alliances that supported more open trade; and they did not speak publicly about the benefits of liberalized trade.

Given their silence, it should not have come as a surprise that Canada's policy makers and negotiators did not aggressively pursue the liberalization needs of our industries and expended greater energy in defending protections like GATT Article II, which allowed countries to impose quantitative restrictions on imports.

Canada's attempts to "balance" the need for liberalization with its strong mandate to protect its domestic markets resulted in its isolation from countries and groups of countries that, like Canada, relied on trade, but which, unlike Canada, chose to aggressively pursue liberalization. Canada found itself increasingly on the outside of the Cairns Group countries and offside with the United States in their pursuit of increased market access. Some believe that the effectiveness of the Cairns Group was compromised by the lack of total consensus on market access and that Canada missed opportunities to make input to the negotiations between the United States and the European Union as they developed what became the Blair House accord and, eventually, the WTO Agreement on Agriculture.

The realization that the outcome for Canada could have been different had they been present, prompted the trade-dependent industries in Canada's agriculture sector to pledge that they would not be silent during the first WTO round, the Doha Round negotiations now in progress.

Representatives of the Canadian cattle and beef, pork, meat processing, grain, oilseeds and sugar industries formed an informal coalition to share information and strategies and to facilitate their input to the development of the Canadian negotiating position on agriculture. The Canadian Alliance of Agri-Food Exporters allowed exporters to speak together and to pool resources to put forward common positions and concerns. At the same time, in the province of Alberta, a similar group of companies and organizations, with the support of the Government of Alberta, formed the Agri-Industry Trade Group. The group held a major conference in the fall of 1998 with the goal of making international trade an issue for industry and for governments across Canada. The AITG and the CAAFE, in recognition of their common goals, merged in 2001 to become the Canadian Agri-Food Trade Alliance (CAFTA). Over the past two years, CAFTA has grown in stature and reputation, speaking out, both nationally and internationally, on behalf of the trade-dependent industries in the Canadian agriculture and food sector.

Using well-researched facts, and acting as the voice of reason, CAFTA has begun the long and difficult process of changing Canada's approach to international trade. Through regular meetings with negotiators, appearances before committees in the House of Commons and the Senate, public fact sheets, speaking engagements, seminars and conferences and education sessions with Members of Parliament and departmental staff, CAFTA has increased the knowledge of the importance of trade for Canadian agriculture and has significantly affected the Canadian negotiating position. In the Doha Round negotiations, Canada is seeking "the elimination of agricultural export subsidies, substantial reductions in trade-distorting domestic support, and real and substantial market access improvements for all agriculture and food products".

CAFTA, its members and its objectives are also becoming better recognized internationally. Alliances are forming with other trade dependent countries and, while not

welcomed by Canada's official member, the Canadian Federation of Agriculture, CAFTA now participates in meetings of the Cairns Group Farm Leaders at Australia's invitation.

The growing recognition of CAFTA as the true voice for Canada's international trade interests was reflected in an international declaration supporting liberalized trade that was developed by CAFTA and supported by 58 organizations and companies from 15 different countries.<sup>9</sup>

## **Challenge Facing the Trade-reliant Sector**

In spite of Canada's acknowledged dependence on international trade, Canadian negotiators are not always able to pursue trade liberalization aggressively. While Canada's position calls for substantial increases in market access for all products, the mandate approved by the Canadian cabinet calls for negotiators to work just as aggressively to protect Canada's domestic system of supply management for dairy, poultry and eggs. The domestic supply-management system controls production and adjusts consumer prices to provide producers with their cost of production and a return on investment. It is protected with tariff-rate quotas and very high over-quota tariffs. Once again this has resulted in Canada not always being in agreement with our Cairns Group partners. For example:

- Instead of joining the Cairns Group and other WTO members in the call for deep cuts to all tariffs, Canada is proposing to give countries a choice to either substantially reduce tariffs or to create new tariff-rate quotas under those high tariffs to provide minimum access of "at least 5 percent of domestic consumption".
- Instead of joining the call for maximum reductions in "amber-box" support on a disaggregated basis, and the reduction of the *de-minimis* category, Canada continues to advocate disciplines on domestic support on an aggregate basis and the maintenance of the *de-minimis* category.

---

<sup>9</sup> See the "International Call for Serious Negotiations at the WTO" issued on July 28, 2003, in which agriculture and food-industry organizations from around the world called for trade liberalization.

The statement was supported by Agricore United (Canada), Canada Beef Export Federation, Canadian Agri-Food Trade Alliance, Canadian Cattlemen's Association, Canadian Meat Council, Canadian Oilseed Processors Association, Canadian Restaurant and Food Services Association, Canadian Seed Trade Association, Canadian Sugar Institute, Canola Council of Canada, Cargill Limited, Dairy Farmers of New Zealand, Federated Farmers of New Zealand, Food and Consumer Products Manufacturers of Canada, Food Processors of Canada, Global Dairy Alliance, Global Alliance for Sugar Trade Reform and Liberalization, Grain Growers of Canada, Grocery Manufacturers of America, Meat Export Federation (United States), Malting Industry Association of Canada, Meat and Livestock Australia, Meat New Zealand, National Corn Growers Association (United States), New Zealand Food and Grocery Council, New Zealand Grains Council, New Zealand Meat and Fibre Producers Council, Ontario Soybean Growers (Canada), Sociedad Nacional de Agricultura (Chile), Sociedad Rural Argentina, Western Barley Growers Association (Canada)

The Canadian government position in the Doha Round negotiations, while more ambitious in general, is still strongly reflective of the two realities that exist in Canada. The market and export dependent industries, by far the largest and most important to the economy, but with a history of silence, are now demanding that Canada aggressively pursue an ambitious, trade-liberalizing result. At the same time, those industries under the protection of supply management are demanding that Canada protect the tariff-rate quotas and over quota tariffs around which the system has been structured. These industries are well organized, well financed and primarily concentrated where the political power lies, in the more densely populated central areas of the country.

The challenge for CAFTA and the trade-dependent industries lies in convincing all Canadians of the importance of trade to them as workers, as consumers and as citizens of this highly trade-dependent country.

**o0o**

## 4 Tackling the Political Problem of Farm Subsidies

Andrew Stoeckel

**A**GRICULTURAL trade liberalization is a major political problem. Its resolution has eluded policy makers for fifty years.<sup>10</sup> The reason is well understood, for farmers in highly protected markets are vocal and well organized, while the beneficiaries of trade liberalization are widely dispersed. A few studies, however, have taken the diagnosis further and examined what can be done about it. In *Solving the Problem*, an analysis prepared for a meeting of the Cairns Group Farm Leaders a few years ago, I examined where the political forces for liberalization might come from.<sup>11</sup> The analysis showed that the powerful political forces keeping agricultural protection in place are not about to change unless more powerful political forces in favor of liberalization are brought to bear on the issue.

### Groups Interested in Trade Liberalization

Many political groups have an interest in liberalizing world agricultural trade. First, there are the consumers in protected markets who could have greater access to better-value-for-money products, but they are mostly un-organized and politically weak. There are the taxpayers in protected markets who could save huge sums by removing subsidies paid out of government budgets. Their hand will strengthen as budget deficits become a major problem in key countries. Other groups with an interest in trade liberalization are developing countries and agricultural exporters, particularly the Cairns Group countries, who would be gainers from greater access to markets.

Yet another group that stands to gain are the manufacturers and other exporters in protected markets. As economists know full well, but most negotiators seem not to know, the burden of protection for agriculture is borne by export sectors. In Japan, Europe and America those exporters are in the manufacturing and services sectors. By protecting agriculture, costs in manufacturing and services are higher than need be, so they lose sales on export markets. They bear the brunt of the burden of agricultural protection.

Still another group with an interest in solving the problem is the environmental movement. Some 80 percent of agricultural subsidies are perverse – they damage both the

---

<sup>10</sup> This paper is an extract from a forthcoming publication, *Termites in the Basement: To Free up Trade, Fix the WTO's Foundations*, which is being sponsored by the Rural Industries Research and Development Corporation, Canberra, Australia.

<sup>11</sup> Andrew Stoeckel, *Solving the Problem: a Look at the Political Economy of Agricultural Reform*, Publication No. 00/124 (Canberra: Rural Industries Research and Development Corporation, 2000).

economy of the country providing the subsidies and the environment.<sup>12</sup> The “greens” have a powerful incentive to eliminate most agricultural subsidies.

Another relevant group is the international community that favors a strong and open rules-based multilateral trading system – as revealed when it sees the system threatened. Without solving the agricultural trade problem, the combination of that and other deficiencies in the multilateral trading system, such as the one-sided treatment of anti-dumping cases, will see the eventual collapse of the system.

Although each one of these interest groups can be identified, the finding in *Solving the Problem* was that each one on its own was not powerful enough to see agricultural protection reformed. The strong conclusion was that the liberalization of world agricultural trade would only occur when *several* interest groups joined forces, if only implicitly. This is yet to happen.

The problem is that the Doha Round negotiations under the World Trade Organization appeal to only one group that has an interest in reforming world trade. That group in countries where agriculture is protected is the exporters of goods and services who face barriers to the things they sell in foreign markets. This group can “exchange” barriers to trade. By offering to open their market to agriculture they might be able to secure a concession on something important to them in another market.

### **Flaw in the Principle of Reciprocity**

Multilateral trade negotiations are based on the principle of reciprocity. This principle is fundamental and works by allowing “concessions”, such as the reduction of agricultural support, to be “traded” for something of more-or-less equal value to the country offering the concession. So the interests of protected farmers, who do not want to see concessions, is traded off by negotiators who want greater access to someone else’s market for their exports (or something else of value). Politically, it pits the interests of exporters facing barriers to trade against those wanting protection from imports.

At least that is how it has worked in the past. But two points need to be made here. One, things have changed and, two, there is a major logical flaw in the notion of reciprocity. The change is that the natural political coalition of interests in favor of removing agricultural protection is no longer there – especially in Europe and Japan. The logical flaw is that concessions are not valuable at all. The barriers being traded away mostly hurt the country imposing them. This wrong mercantilist thinking has been known for a long time. Adam Smith and David Ricardo exposed the flaw in the “exports good, imports bad” mentality a couple of hundred years ago.

But negotiations remain mercantilist in nature because they have worked politically. The problem today is that the political incentive for the one interest group brought

---

<sup>12</sup> John Humphreys, Martin van Bueren and Stoeckel, *Greening Farm Subsidies: the Next Step in Removing Perverse Farm Subsidies*, Publication No. 03/040 (Canberra: Rural Industries Research and Development Corporation, 2003).

into the political equation by Doha Round negotiators – the exporters who face barriers in other markets – to argue for change has been weakened over time with the success in reducing barriers to trade in manufacturing and services in the markets that matter. Therefore, to achieve liberalization, a broader coalition with enough power to outweigh the interests of protected farmers has to be brought into the political equation. Coalitions do not form mainly because the effects of protection are hidden and analysis of the “unseen” is rarely carried out. The best way to identify who bears the burden of protection is economy-wide analysis of the costs and benefits of protection.

### **Considering the Secondary Consequences**

In one respect, restricting trade is no different to other areas of bad policy, such as rent controls or commodity price stabilization schemes. The reason why bad policy prevails is that the secondary consequences of policy actions are overlooked or ignored. Only the first-round immediate effects are considered – mostly from the special interest group pleading for the policy. Henry Hazlitt, the American economist, argued “nine-tenths of the economic fallacies that are working such dreadful harm in the world today are the result of ignoring [secondary consequences]”.<sup>13</sup> Secondary consequences are just another way of saying economy-wide analysis. Bad trade policy falls into this category. In some cases it is even worse than mere oversight. In cases of alleged dumping, for example, the law in practically every country with anti-dumping laws rules out the “unseen” secondary effects (on consumers) being measured.

Economy-wide analysis entails consideration of all linkages and secondary effects when a sector is protected through a policy of government intervention in the market process. It involves looking at the both the costs and benefits of the policy. There are several ways this can be done. One early technique was to measure the *effective rate of protection*. With this method the penalties on an industry as a result of protection *elsewhere* in the economy are considered along with the benefits the protected industry receives. Today, with advances in computing techniques, economy-wide analysis involves using computable general equilibrium (CGE) models. Such analyses are routinely done by academics and other researchers. It is particularly relevant in analyzing the effects of the Doha Round negotiations where a raft of changes in policies are being proposed.

Conducting economy-wide analysis of the costs and benefits of trade policy straightens out wrong mercantilist thinking. It can demonstrate to countries at large that they would be better off by unilaterally removing barriers to trade. That would be important for developing countries who wrongly see their plight as the result of actions by others rather than themselves.

Economy-wide analysis automatically includes the consumer in anti-dumping cases and provides a balanced view of the issue. And it can show countries entering into bilateral preferential trade agreements that the net economic gain, if positive at all, would be paltry compared with unilateral reform by removing all barriers to imports. And it can

---

<sup>13</sup> Henry Hazlitt, *Economics in One Lesson* (New York: Three Rivers Press, 1979)

show that the gain from unilateral reform would be only slightly smaller than reform on a multilateral basis.

If countries were convinced about trade reform and “got on with the job”, the distorting effects of preferential treatment for developing countries would be removed, along with the perverse incentives they create to block trade liberalization. Multilateral trade reform would also remove the incentives that countries have today to form bilateral preferential trade arrangements (erroneously called free trade agreements) that are doing so much harm to the multilateral trading system.

If considering the secondary or economy-wide effects is so important, surely they are being exposed now. Not so. Only rarely is that done. Interestingly in those few countries where trade policy has been routinely subjected to this analysis, most notably in Australia, there has been significant unilateral trade liberalization to the great benefit of the country.

### **Economy-wide Analysis in TPRM Reports**

Where economy-wide analysis should be carried out is in the WTO’s Trade Policy Review Mechanism (TPRM). But TPRM reports only record the facts about the trade policy of the country being examined. They report on things like the level and incidence of tariffs and other barriers. They contain no analysis of the costs and benefits of the trade-policy regime in question.

The TPRM, introduced in the course of the Uruguay Round negotiations of 1986-94, has been a good a start, but it is inadequate. The Director-General needs to be persuaded, in the interests of trade and development, to extend the WTO trade-policy review process to include economy-wide analysis of the costs and benefits of trade-policy interventions in the market process. And there is something else.

Economy-wide analysis, as implied earlier, takes into account all the linkages in an economy. So when, for example, the sugar industry in the United States receives protection, the extra cost to the industries that use sugar, such as the chocolate makers in Chicago, are all measured. So is the effect on exporters, such as the Boeing Corporation in Seattle, who necessarily bear the burden of the import barriers. If protection for U.S. sugar farmers were removed, Brazil would export more sugar to the United States. The *only* thing Brazil can do with the extra earnings of foreign exchange is purchase more imports, one of which in all likelihood is new aircraft. The economy-wide analysis can be extended to other secondary or downstream effects such as the environment. The sugar industry is having a major adverse impact on the Everglades in Florida and that will be of concern to the greens.<sup>14</sup>

This analysis needs to be conducted in the open by an independent agency so that each stakeholder can see the other’s point-of-view and comment on it. So, for example,

---

<sup>14</sup> Humphreys, van Bueren and Stoeckel, op. cit.

the sugar farmers should be able to comment on the evidence of the greens to ensure that exaggerated claims are not made and *vice versa*. A draft report by the independent agency should be produced and made available for written comment by all concerned.<sup>15</sup> Through this *process*, those who benefit and those who bear the burden of the policy are identified. It causes those losing from the policy – in this case the chocolate makers, the aircraft manufacturers and the greens as well as consumers – to get together to lobby the government for change. *An open process of economy-wide analysis changes the politics of protection.*

Protection is a political game. Indeed, the current WTO negotiations are a political game, for the “exports good, imports bad” mentality of negotiations is economic nonsense. This nonsense is making the politics of removing remaining protection harder. By contrast, economy-wide analysis makes economic sense *and*, when conducted through open, transparent and independent processes, makes political sense as well. Also, the politics is ultimately more powerful. The more the correct analysis is done, the more the public and policy-makers are informed about the economics of trade protection, making it harder for narrow vested interests to dominate the national interest. The politics of protection change with the education of public opinion. It changes the mindset of those reviewing claims for assistance and is built into government domestic processes. The hand of central agencies, normally the Treasury, is strengthened.

### **Australian Experience with Economy-wide Analysis**

The proposition that open, independently conducted economy-wide analysis of protection changes the politics of protection is not just theorizing. It has been shown to work in practice. The best example is Australia, as work at the Organisation for Economic Cooperation and Development (OECD) in Paris, showed in the 1980s.<sup>16</sup> In the 1970s the Australian Government turned the Tariff Board into an independent agency, then called the Industries Assistance Commission, with a more extensive remit. Its task is to review systematically Australia’s import protection and public assistance to industry. Reviews are conducted through open and transparent processes. All the hidden and unseen secondary effects of policies are traced through economy-wide analysis.

Initially, the politics of protection proved hard to shift. The carmakers and textile manufacturers fought hard to retain their high levels of tariff protection. After a while, however, the politics changed. It became apparent that Australia’s miners and farmers, the two main export groups, were bearing the burden of protection. They joined forces to form

---

<sup>15</sup> Drawing on Australian experience, the process needs to begin with terms of reference issued to the independent reviewing agency, which then publishes an “issues paper” setting out the framework for the review and identifies the key stakeholders. The agency then needs to call for submissions, hold public hearings, in which anyone can see and comment on any other submission, and produce draft report. Comments on the draft report, also in the public domain, are then considered, incorporated in the review as necessary, and a final report is published, which must be considered by government.

<sup>16</sup> *Transparency for Positive Adjustment* (Paris: OECD Secretariat, 1983).

a coalition for reform that the government could not resist politically. Australia embarked on a path of unilateral trade liberalization to the benefit of the economy and, although pockets of low protection still remain, it is today one of the relatively open economies in the world.

The reduction in protection in Australia was the result of an open, independent process of systematic and repeated economy-wide analysis of protection. The mindset of enough people in Australia had changed to swing the politics in favor of liberalization. Narrow, self-centered vested interests still exist and always will, but, with a few notable exceptions, the economic debate reported to a large extent in the responsible Australian media highlights the secondary benefits of policy choices and portrays a balanced view of the issues.

### **Employ Economy-wide Analysis to Achieve Reform**

Public debate over farm subsidies and the import restrictions required to sustain them is obfuscated by arcane terminology and technical complexities. Matters are not helped in representative democracies by the general decline of the media and lack of leadership in public discussion of public policy issues.

Steps have been taken, though, over the last two decades or so to counter the problem, to make the dimensions of agricultural protection easier to see and understand.

- First, ideas were explored in the OECD,<sup>17</sup> the Long Report<sup>18</sup> and the Leutwiler Report<sup>19</sup> for focusing on the economy-wide costs and benefits of government interventions in the market process on behalf of sectional interests.
- Second, international comparisons of levels of farm support and protection were developed by the OECD in the mid-1980s through “producer subsidy equivalents” and “consumer subsidy equivalents”, which are updated every year.
- Third, PSEs were developed in the Uruguay Round negotiations into an “aggregate measurement of support” as a basis for negotiating, and

---

<sup>17</sup> See, for example, *Transparency for Positive Adjustment*, *op. cit.*, and “Improving the Basis for Trade Policy Decisions”, *OECD Press Release*, OECD Secretariat, Paris, May 9, 1985, reproduced in the Long Report (cited below).

<sup>18</sup> Olivier Long *et al.*, *Public Scrutiny of Protection: Domestic Policy Transparency and Trade Liberalization* (Aldershot, Hants.: Gower, for the Trade Policy Research Centre, 1989), first published in 1984.

<sup>19</sup> Fritz Leutwiler *et al.*, *Trade Policies for a Better Future*, Report to the Director-General (Geneva: GATT Secretariat, 1985).

also monitoring, reductions in domestic support, border protection and export subsidies (dumping).

- Fourth, it was also agreed in the Uruguay Round negotiations to convert non-tariff measures into tariffs, thereby making protection more transparent, although one of the steps backwards in the Blair House accord was the introduction of tariff quotas.

- Fifth, it was during the Uruguay Round negotiations that the TPRM process was introduced on a provisional basis, straightaway put into effect and made permanent in the final package of agreements.

Overcoming political resistance to the reduction of farm subsidies requires a greater public understanding of their first-round and secondary effects. A start can be made in that direction, even during the Doha Round negotiations, by incorporating economy-wide analysis in the TPRM process. That could be brought about by the WTO's Director-General at the stroke of a pen.

The problem with the existing TPRM process is that it is not open, it is not independent and it does not entail any economy-wide analysis – in fact, it does not entail any analysis at all. Stakeholders cannot make submissions that everyone can scrutinize and comment upon. In addition, the reviews are prepared and vetted by departments of trade, which typically promote exports and resist imports – are not really bastions of trade liberalization.

More than strengthening the TPRM process, economy-wide analysis needs to be part of the policy-making process in the major economies, not only with respect to agriculture but also with respect to textiles, steel and other industries that rely on public assistance through support and protection.

The politics of protection for resisting agricultural trade liberalization is so strong that relying on the Doha Round negotiations alone, and on the one interest group for change they empower, will not be sufficient to see trade reform actually happen. Other groups have to be brought into the political equation. The best way to do this is through open, independent economy-wide analysis of all the secondary and inter-sectoral effects of protection. Through this process the politics of protection changes. Not only does it make sense. It can work. Even in a representative democracy.

o0o

# 5 Towards Relaunching the Doha Round in 2005

Clayton Yeutter

**F**OLLOWING the debacle in Cancun in September, efforts are proceeding in Geneva to find a basis on which to get the Doha Round negotiations back on track, but they continue to be plagued by resentments, uncertainties and distrust. Confidence in many of the key players has been lost. In the meantime, the WTO system is again drifting, its fragmentation quickening.

## Options for Governments

As an institution the WTO is in a lot of trouble. There's no two ways about it. So what are the options? Do nothing? Resort to more and more bilateral and regional negotiations? Or set about reversing the WTO system's fragmentation? Let's consider them.

### 1. Do Nothing?

First, why do anything, some would say. The sky won't fall if we do nothing. That's a bit like those who were not concerned about terrorism until the destruction of the World Trade Center on September 11, 2001. Doing nothing is not a viable option in situations that can easily worsen and adversely affect the lives of millions of people.

### 2. Negotiate More FTAs

Second, if progress cannot be made at the multilateral level, let's try to make progress in liberalizing trade and investment through bilateral and regional negotiations. In the academic world there has been a debate over whether free trade areas and customs unions are "building blocks" or "stumbling blocks" in achieving the objectives of the multilateral trading system.

They need not be stumbling blocks if they really are concerned with promoting trade liberalization, economic growth and development, if they meet the requirements of GATT Article XXIV for departures from the principle of non-discrimination; and if they satisfy the requirement to cover "substantially all the trade" among the participants.

But none of them are doing that fully. Most of them at least partially exclude certain politically sensitive segments of the economy, with agriculture often being on that list. And many are driven more by geo-politics than by economics. That is not inappropriate, but it does make it more difficult to rationalize these agreements as being consistent with the spirit, as well as the letter, of WTO rules. Since such agreements are inherently

discriminatory, i.e., they favor participants over non-participants, they merit careful scrutiny under GATT Article XXIV.

Notwithstanding the shortcomings of regional and bilateral free trade agreements, we'll certainly see more of them if the Doha Round goes nowhere. They'll be the "only game in town", and they do have the potential to liberalize trade in a significant way. Compared, however, with a smoothly functioning WTO process, they're a distant second best.

### **3. Reverse the WTO's Fragmentation**

So what about reversing the WTO's fragmentation? Some would say that would be like trying to stop a runaway train, except it has been done before. Within two years of the Tokyo Round being concluded in 1979 it became obvious that the agreements reached did not preclude protectionism fashioned through "voluntary" export restraints. Nor did they preclude the increased use of subsidies to "buy" market share globally. The GATT was nearing the point of collapse.<sup>20</sup> That led to the "crisis" GATT ministerial meeting in November 1982 and to "talks about talks" on the launch of a new GATT round.

After two series of behind-the-scenes "informal" roundtable meetings, the first convened by the Trade Policy Research Centre in London and the other by "like-minded" governments, representatives of the major trading nations concluded that strengthening the multilateral trading system was imperative.<sup>21</sup> They realized that for trade agreements to be durable they must be underpinned by a framework of internationally agreed rules that are respected by governments.

By the mid-1980s the United States was running its largest trade deficit in history, the piracy of intellectual property was rampant, the European Community's agricultural export subsidies were distorting farm trade in a major way, the GATT's dispute-settlement mechanism had failed on the most politically sensitive issues and protectionism was rearing its head in many places. Fortunately, those countries with a strong interest in trade liberalization rescued the multilateral system by successfully pressing for the launch of the Uruguay Round negotiations in 1986. That effort:

- pulled the GATT system back from the brink of collapse,
- addressed festering issues such as safeguards (the VER question, in particular), the textile/clothing regime and the absence of discipline in agricultural trade; and
- tackled the "new issues" of trade in services, trade-related investment measures and the trade-related aspects of intellectual property rights,

---

<sup>20</sup> John Croome, *Reshaping the World Trading System: a History of the Uruguay Round* (Geneva: World Trade Organization, 1995), pp. 6-20.

<sup>21</sup> The conclusion of a survey of government opinion submitted to an Informal Meeting of Ministers, Stockholm, May 1985.

while also working on dispute-settlement procedures and other more administrative GATT functions.

No negotiation is a complete success and the Uruguay Round was no exception. But it still was by far the most productive of any GATT round and it brought into being the World Trade Organization (WTO). Shortly thereafter additional agreements were reached on basic telecommunications and financial services. All in all, it was an excellent foundation on which to build.

Regrettably, the world soon began to lose interest in the WTO, perhaps partially because of the booming economies of the mid-90s. Governments turned their attention to other things and the WTO began to drift. That was unfortunate, for a number of Uruguay Round issues were put off to another day, others were papered over and still others were just surfacing.

The challenges facing the WTO system today are similar to those faced by the GATT system in the early 1980s. Leadership seems to be in short supply and the institution is on the verge of losing the confidence of both governments and the private sector in its member countries. Indeed, everyone seems to have lost sight of the system's purpose, its role in the world economy. Nevertheless, as between "fixing" the WTO and shifting to other alternatives, the former wins hands down. So let's fix it!

### **Completing the Doha Round in 2004?**

So how do we do that? Can the Doha Round negotiations be completed by the end of 2004? No, for they are already far behind schedule. Next year the European Union will be preoccupied with its enlargement to 25 countries. And next year is both a presidential and Congressional election year in the United States – not a great time to be negotiating trade agreements, especially on politically sensitive issues. A number of other major trading countries have elections in 2004 as well. What that means is that not much in the way of substance is likely to emerge from the Doha Round until 2005 at the earliest.

From time to time it is suggested in Geneva that with a limited agenda one might still meet the original deadline, the end of 2004. But even a limited agenda must have agriculture as one of its components, and I cannot visualize anyone completing the agricultural negotiations within the next year or so. Hence, a shortened agenda is nothing more than a way to "declare victory and go home" without having accomplished much.

So let's face reality. The Doha Round negotiations cannot be completed by the end of 2004 if the results are to be meaningful. The WTO Council must recognize that now and plan accordingly. Otherwise the round will be in even more trouble when U.S. negotiating authority is up for "extension" in 2005.

### **Extending U.S. Negotiating Authority**

Most people seem to believe that the United States has until 2007 to finish the Doha Round under present "fast track" authority, but that is not the case. Under existing

law that authority expires on June 1, 2005. There is provision for a two-year extension, but it is by no means automatic. If the President chooses to seek an extension, he must submit to the Congress by March 1, 2005, a report setting out what has been achieved in negotiations and why he needs more time.<sup>22</sup>

The extension can be challenged by a “resolution of disapproval” that can be introduced by any member in either the House of Representatives or the Senate. If either house passes such a resolution by June 1, 2005, the President’s current trade-negotiating authority will expire. If neither house passes a resolution of disapproval, the authority will run for another two years, expiring on June 1, 2007.

Given the state of the WTO system, the magnitude of the U.S. trade deficit, and the protectionist proclivities of some American industries and unions, securing a two-year extension of U.S. trade-negotiating authority is not going to be a pushover. It cannot be taken for granted.

Looking ahead realistically, the next WTO Ministerial Conference, scheduled to be held in Hong Kong, should be the occasion for “re-launching” the Doha Round. That meeting should be held when the United States is ready, i.e., after an extension of trade-negotiating authority has been obtained. That would suggest holding the ministerial meeting in July 2005 or thereabouts. Then, if all goes well, governments would have just under two years to complete the negotiations. (They’ll want to complete them sooner than that, however, because of the time required to secure formal approval by their executive and/or legislative bodies.)

Now what does that tell us? It tells us that a major consensus-building effort will be needed in the coming 12-15 months to prepare the way for the re-launch and completion of the Doha Round negotiations. Not only is that effort required in the United States. It is also required in the rest of the world. And it must involve not just governments, but the worldwide business community, consumer groups and everyone else who believe in the merits of trade liberalization. Millions of people throughout the world have a stake in the success of the WTO generally and the Doha Round specifically.

What has to be done to build support for re-launching the Doha Round negotiations? I would say, Do what should have been done in the first place:

- make certain the commitment of the U.S. to an openly competitive, liberalized trading system – and make sure that the other major trading countries are prepared to step up and be counted as well;
- remind developing countries that they, too, have a stake in the WTO system and are expected to participate in multilateral trade negotiations on a reciprocal and non-discriminatory basis; and

---

<sup>22</sup> See the note by Richard Rivers “The Doha Round and the Deadlines Imposed by U.S. Trade-Negotiating Authority,” at [www.cordellhullinstitute.org](http://www.cordellhullinstitute.org), reproduced in Appendix 2 below.

- build consensus and support for a set of goals that are ambitious enough to generate the political commitment required to achieve a durable and worthwhile result.

## Clarifying the WTO's Purpose

In all the turmoil of recent years, the purpose of the WTO system has been lost from view. As Hugh Corbet said at a recent conference in London:

“In the United States, not to put too fine a point on it, the multi-lateral trading system is seen as a device through which to obtain access to markets for American exports. In the European Union the system is viewed traditionally as the framework within which it handles its relationship with the United States.<sup>23</sup> For half a century Japan saw the system as a defense against bilateral pressures of the United States and the European Union to open its markets, but is now turning to bilateral negotiations as a way of evading the Uruguay Round commitment to open its market to agricultural products. As for developing countries, many of them seem to regard the WTO as another aid agency, all ‘take’ and no ‘give’. Only China, it would seem, sees the WTO as a framework of internationally agreed rules, providing a guide to the development of its commercial laws.”

It is time to clarify the purpose of the multilateral trading system. Spokesmen for the WTO stress the importance of “transparency”, “stability” and “predictability” to the functioning of the system. Spelling out those points, the WTO’s underlying purpose is to promote the institutional stability that is conducive, even essential, to international trade and investment, enabling private enterprises to know where they stand *vis-à-vis* their governments, and *vis-à-vis* the governments of other countries, so that they can make investment, marketing and other business decisions of long-term significance – so that they can plan for expansion or, if need be, for adjustment.

In that way economic growth and development is facilitated in poor and rich countries alike. Economic growth, after all, is a process of continuous adjustment to changes in patterns of demand, advances in technology, shifts in comparative advantage and so on – stimulated by ideas, innovation and investment.

What’s also important as countries become more and more a part of the world economy is the rule of law in upholding private property rights and laws of contract, both critical to the functioning of market economies.

If the WTO system is not to suffer death by a thousand cuts, to disintegrate bit by bit, a conscious effort has to be made to address fundamental issues, to go back to first principles, to think again about the rules on which the system is meant to be based, rather than brush them aside as if they do not matter.

---

<sup>23</sup> J.P. Hayes, *Making Trade Policy in the European Community* (London: Macmillan, for the Trade Policy Research Centre, 1993).

## Adopt a Range of Ambitious Goals

In May last year I recalled “the most successful of previous rounds of multilateral trade negotiations were those inspired by ambitious objectives. Somehow governments must now 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.”<sup>24</sup>

In April of this year, Peter Sutherland declared that the “development” perspective of the Doha Round negotiations needs to be thought through more carefully. As he put it, “Many of the objectives being pursued are understandable when set against the rhetoric of poor countries as victims of the WTO system. But do they make sense in terms of poverty reduction, the generation of competitive export sectors, the attraction of inward investment or integration into the global economy?”<sup>6</sup>

In that same vein the objectives of the Doha Round need to be re-considered with a view to:

- advancing the liberalization of trade and investment in the agricultural, manufacturing and services sectors,
- extending the WTO system to trade facilitation, transparency in government procurement, and investment, and laying the groundwork for extending it to competition policy (the so-called Singapore issues);
- removing discriminatory measures that impede the integration of developing countries into the world economy and
- achieving coherence and consistency among the WTO’s “escape clauses” so that each of them is used, properly, for its intended purpose.

All this should readily justify a two-year extension of U.S. trade-negotiating authority.

The success of these negotiations will still depend heavily on reaching agreement on the liberalization of agricultural trade. But it is too much to expect ambassadors in Geneva to sort out and settle issues that ministers and senior officials in capitals have not been able to resolve. Technical deliberations can only go so far. As much as ever, agriculture remains a deep-seated political problem, which requires a response at the highest level.

---

<sup>24</sup> Chairman’s Statement in Andrew Stoeckel and Hugh Corbet, *Opportunity of a Century to Liberalise Farm Trade*, report arising out of an international roundtable meeting convened by the Cordell Hull Institute at Airlie House, Warrenton, VA, May 2002.

<sup>6</sup> Peter D. Sutherland, “Avoiding Stalemate in the Doha Round Negotiations”, The Tacitus Lecture, Worshipful Company of World Traders, London, April 15, 2003.

If agricultural trade reform is to be a centerpiece of the Doha Round, as it must be, heads of government in the G-7 group are going to have to devote their personal attention to that issue. This is a subject that rarely reaches a summit agenda, but it needs to be there over the next couple of years. The summitters could also give a boost to the negotiations in services and to the toughest of the Singapore issues. These are all matters that will affect the level of world economic growth over the next several decades and are what the annual Economic Summits are about.

## **Conclusion**

All of this is a formidable undertaking, of course. But so is anything that is worthwhile. Let's get it done!

**o0o**

## Appendix 1

# Agenda of the Roundtable Meeting

- 
- Chairman*     **William D. Rogers** – Senior Partner, Arnold & Porter, attorneys-at-law, Washington, DC, and Vice Chairman, Kissinger Associates, New York; former U.S. Under Secretary of State for Economic Affairs
- 10:00-10:15    Welcome
- 10:15-11:15    FIRST SESSION
- Why the Group of 20 was “Suddenly” Formed**
- Speaker*        **Rubens Antonio Barbosa** – Brazilian Ambassador to the United States, Washington, DC; former Undersecretary-General for Trade and Regional Integration, Brazilian Ministry of External Relations, Brasilia
- Discussant*    **José Manuel Salazar-Xirinachs** – Chief Trade Adviser, Organization of American States, Washington, DC; former Costa Rican Minister of Foreign Trade.
- 11:15-11:30    Refreshments
- 11:30-12:30    SECOND SESSION
- Hurdles to Clear in Resuming the Doha Round**
- Speaker*        **Harald B. Malmgren** – President, Malmgren Group, business consultants, Warrenton, VA; former Deputy U.S. Trade Representative
- Discussant*    **William Reinsch** – President, National Foreign Trade Council, Washington, DC; former U.S. Under Secretary of Commerce for Export Administration.
- 12:30-13:30    Lunch
- 13:30-14:00    **Address on the Role of the Cairns Group**
- Joanna Hewitt** – Deputy Secretary, with responsibility for multilateral trade negotiations, Department of Foreign Affairs and Trade, Government of Australia, Canberra
- 14:00-15:30    THIRD SESSION

## **Pressures for Change in the European Union**

*Speaker*      **Sherman Robinson** – Institute Fellow, International Food Policy Research Institute, Washington, DC

*Discussant*   **Hugo Paemen** – Senior Adviser, Hogan & Hartson, attorneys-at-law; former Head of the Delegation of the European Commission, Washington, DC

## **Need for Change in Canada's Agri-food Trade Policy**

*Speaker*      **Edward Menzies** – President, Canadian Agri-Food Trade Alliance, Ottawa

*Discussant*   **William R. Crosbie** – Minister-Counselor (Trade and Economic Policy), Canadian Embassy

15:30-16:30    **FOURTH SESSION**

## **Tackling the Political Problem of Farm Subsidies**

*Speaker*      **Andrew Stoeckel** – Executive Director, Centre for International Economics, Canberra; former Director of the Australian Bureau of Agricultural Economics

*Discussant*   **Robert A. Rogowsky** – Director, Office of Operations, U.S. International Trade Commission

16:30-17:30    **FIFTH SESSION**

## **Towards Relaunching the Doha Round in 2005**

*Speaker*      **Clayton Yeutter** – Counsel, Hogan & Hartson, attorneys-at-law, Washington, DC; former U.S. Secretary of Agriculture and earlier U.S. Trade Representative

*Discussant*   **Herminio Blanco** – Chairman of Consultoria Soluciones Estrategicas, Mexico City; former Mexican Secretary of Commerce and Industry

---

## Appendix 2

# Deadlines Imposed by the U.S. Trade-negotiating Authority

Richard Rivers<sup>25</sup>

THE FAILURE to reach agreement in Cancún and the current efforts to restart the Doha Round negotiations necessitate a clear understanding of current U.S. “trade-negotiating authority”. The authority is currently scheduled to expire on June 1, 2005, unless it is extended until June 1, 2007. This note summarizes the approaching deadlines and issues concerning U.S. trade-negotiating authority that are likely to rekindle a heated debate in the Congress early in 2005.

### Background

Congress, in the Trade Act of 2002 (“The Act”), reluctantly granted to President Bush something it had denied his predecessor: the authority to negotiate international trade agreements and submit them to the Congress under a procedural understanding that the agreements and implementing legislation would be voted up or down, without amendment, and within a time certain. This type of understanding between the Executive and the Congress dates from 1974 and is occasionally referred to as “Fast Track” or “Trade Promotion Authority”. In essence, it represents an agreement between the Congress and the President as to how the former will consider international trade agreements, an arena in which constitutional powers must be dovetailed.

The Act (Public Law 107-210 of August 6, 2002) sets forth in painstaking detail the terms and conditions under which the Congress has agreed to consider certain trade agreements and implementing legislation during the ensuing years or, if necessary, during an additional two years.

Whoever is sworn in as President on January 20, 2005, he (or she) will soon find on the Oval Office desk a decision memo describing the status of the Doha Round negotiations and the urgent necessity for presidential decisions within the following weeks. The law sets up an elaborate series of hurdles that the new President must consider almost immediately.

In general, the Act provides that the President “may enter into trade agreements” relating to both tariff and non-tariff measures with foreign countries before June 1, 2005, or, if trade-negotiating authority is extended, before June 1, 2007.

---

<sup>25</sup> Richard Rivers, a member of the board of the Cordell Hull Institute, Washington, DC, is a former General Counsel in the Office of the U.S. Trade Representative, having earlier been Trade Counsel to the Committee on Finance in the U.S. Senate and, subsequently, was head of the trade practice at Akin Gump Strauss Hauer & Feld, the international law firm.

On the highly optimistic – but also highly unrealistic assumption – that the Doha Round negotiations can be successfully concluded in the coming year, the President at present possesses all the authority needed to enter into trade agreements and submit implementing legislation to the Congress by June 1, 2005, for its consideration and approval or disapproval. Such a package would contain the same provisions as set forth in the original Section 151 of the Trade Act of 1974 (approval for each agreement, a statement of administrative action, and such changes in domestic law as are necessary and appropriate.)

### **Extension of Negotiating Authority**

If, however, as seems likely, the Doha Round negotiations cannot be concluded in the coming year or so, the Act contains provisions for extending the President’s negotiating authority beyond the June 1, 2005, deadline. The joint decision by the President and the Congress to arrange such an extension seems likely to re-ignite debate over U.S. trade policy. Indeed, it could be the occasion for another attempt by opponents to derail the negotiations once and for all. The remainder of this note will explain the dates and procedures for obtaining such an extension.

Under the Act, the President may request a two-year extension of trade-agreement authority and obtain such authority provided neither the House nor the Senate adopts an “extension disapproval resolution” before June 1, 2005. Any member of either body may submit such a resolution and it will be automatically referred to the House Committee on Ways and Means or the Senate Committee on Finance. Not later than March 1, 2005, the President is required to submit a report to the Congress requesting such an extension, together with a detailed description of all trade agreements that have been negotiated and the anticipated schedule for submitting them to the Congress for approval, a description of the progress that has been made to obtain the negotiating goals of the United States and a statement of the reasons why an extension is needed to complete the negotiations. The Act also requires similar reports on the status of the negotiations from the President’s Advisory Committee for Trade Policy and Negotiations and by the United States International Trade Commission.

The Act contains special provisions relating to the import-relief laws of the United States and other topics that are beyond the scope of this note, but are likely to be controversial.

It is a foregone conclusion that resolutions of disapproval will be introduced in both the House and the Senate. The resolutions will be voted upon in the late spring or early summer of 2005. If they are defeated in both bodies, the President will have two additional years in which to conclude the Doha Round negotiations. If either the House or the Senate adopts a resolution of disapproval, the President’s authority to enter into agreements will expire on June 1, 2005.

**o0o**