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Michael L. Jensen

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WHITHER THE DOHA ROUND?

Michael L. Jensen*

Recently at a conference on U.S.-China bilateral relations in Beijing, United States Trade Representative Rob Portman acknowledged that the Doha Development Agenda (Doha Round or DDA) of World Trade Organization (WTO) negotiations “face[s] very serious challenges.” Then he made a pitch. In order to “avoid losing the opportunity presented by Doha,” which is “a once in a generation opportunity to reduce tariffs and reduce trade distorting subsidies around the world,” Mr. Portman stated that “[w]e need the help of WTO member countries . . . to make a push for significant progress in the weeks and months ahead.” His pitch is as needed as his assessment is obvious: on the eve of the Sixth WTO Ministerial Conference in Hong Kong in December, the Doha Round is in trouble, and only concerted effort by member countries and significant concessions by the holdouts can rescue the stalled global trade talks.

BACKGROUND

The Doha Round began in 2001 as an ambitious effort to improve market access and reform in agriculture, services, and manufactured goods. The reasoning behind this approach seemed clear: freer trade produces a win-win situation for developed and developing nations alike. As just one supporting fact, the World Bank reported that during the 1990s, per capita real income grew an average of five percent annually in developing countries that fostered freer trade, nearly three times faster than the average annual increase of 1.4 percent for countries that did not. Further, “World Bank research found that growth in developing countries benefits the poor: average incomes of the poorest fifth of society rise proportionately with average incomes. Factors such as rule of


law, openness to international trade, and developed financial markets benefit the poorest fifth of society as much as everyone else.” Developing countries make up approximately two-thirds of the WTO’s membership; a successful trade round could therefore have a profoundly positive impact on the global economy. But, as the World Bank noted recently, “the liberalization targets under the DDA have to be ambitious if the round is to have a measurable impact on world markets, and hence poverty . . . .”

THE KEY ISSUE: AGRICULTURE REFORM

A key issue of the Doha Round has been agriculture reform. Although this issue was touched on in the previous round (Uruguay Round) of negotiations, the Doha Round highlighted it as a focus primarily because so many developing countries have a comparative advantage in agriculture and insisted on this issue’s inclusion. According to Mr. Portman’s assessment, “[t]wo of the three pillars of agriculture reform—eliminating export subsidies and reducing domestic support—are pretty well along,” and are “in good shape for negotiation.” But the “final pillar”—market access—is “not as far along.” That is an understatement. After four years of negotiations, despite a significant U.S. proposal in October meant to reduce tariffs using the “tiered formula” in the July 2004 Framework, negotiations have made precious little progress regarding agricultural market access and reform, let alone the other important areas of the ambitious Doha Round agenda.

Most countries have leveled the blame for the political and bureaucratic foot dragging in the agricultural sector at the European Union (EU), especially France, for clinging to long-standing and, some assert, addictive farm subsidies. But the situation is not so simple. As noted recently in the Wall Street Journal, “[a]t the core of the stalled talks is a spaghetti bowl of conflicting demands.” A group of nations (Group of 10) that are net importers of agricultural goods, including Switzerland and Japan, have offered only modest reductions in their farm sector tariffs, which would leave them in

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3 Id.
4 Id. at 2.
5 Portman Remarks, supra note 1.
some cases higher than the EU. Perhaps predictably, some members of the Group of 10 have demanded hostage-style, deep cuts in tariffs in the manufacturing sector before entertaining further reductions in the farm sector.

Other countries are following suit in their own way, pursing, naturally, their own interests. Brazil, for example, as a member of the so-called “Group of 20” made up of richer developing countries, demands that the EU substantially improve its offer to reduce farm sector tariffs, but it adamantly refuses to consider reductions of its own high tariffs on the manufacturing sector. As another example, India, a fellow Group of 20 member, stands firmly behind its own high farm sector tariffs, but it unsurprisingly argues that other countries should make more progress in opening up the services sector. And so it goes, country by country, and the result is a largely fractured approach in the Doha Round. While the lack of consensus is perhaps most obvious in the agricultural sector, there are still huge gaps in how to approach the services and manufacturing sectors as well.

RECENT DEVELOPMENTS

Early in November, trade representatives from five powerhouses (the U.S., the EU, Japan, Brazil, and India) met in London and tried—unsuccessfully—to breathe new life into the negotiations. Immediately thereafter, representatives of a larger subgroup of countries met in Geneva with the same objective and the same unfortunate result. As Pascal Lamy, Director-General of the WTO, pointedly observed to the delegates in Geneva:

Some have said they are not in a position, at this stage, to move further on Agricultural market access, unless there is more on the table on NAMA [Non-Agricultural Market Access], Services, or GIs [Geographical Indications]. Others have said they are only able to keep their offer on reduction of Domestic Subsidies if there is an improved offer on market access in agriculture on the table. Yet others say they can only agree to . . . a proposal of cuts of its industrial tariffs (NAMA) . . . if there is an
improvement in, and to the extent of, a new offer on Agricultural market access. And we also hear from other sides that they will only discuss NAMA if there is a sufficient degree of precision on Special Products and the Special Safeguard Mechanism.

All of this adds up to some very wide gulfs . . . .9

Mr. Lamy attempted to put the best face on the state of the Doha Round by observing that “what is already [on the negotiating table] is not negligible,” and that “nobody wants to reduce the level of ambition for the Round.”10 But in a burst of candor, Mr. Lamy observed that “the question is whether—to use the words of the Indian Minister Kamal Nath—we ‘recalibrate’ the expectations for Hong Kong—to what can reasonably be achieved or whether we are ready to run the risk of making Hong Kong an ‘announced failure’.”11 The answer seemed clear in the malaise among the delegates and their unwillingness to offer further compromises of significance: prepare for the Hong Kong meeting with “recalibrated ambitions.”12

In the wake of these disappointing developments, leaders of twenty-one Pacific Rim countries met at the Asia-Pacific Economic Cooperation (APEC) forum in Busan, Korea on November 18–19, 2005. High on the list of agenda items was the Doha Round. The government leaders issued a statement supporting the ambitious (read: not “recalibrated”) objectives of the Round heading into the Hong Kong meeting. While an unnamed South Korean government official lamented that the statement would likely fall on deaf ears, another observer of the forum observed more hopefully that “APEC includes seven of the world’s 13 largest economies, represents more than a third of the world’ population, and constitutes 60 percent of the global economy and nearly half world trade, putting

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10 Id.
11 Id.
12 Id.
it in a position where it cannot be ignored.”13 President George W. Bush and Chinese President Hu Jintao, in a joint press conference in Beijing on November 20, also stressed the importance of “building consensus on market access issues” at the Hong Kong meeting in order to permit a new global trade agreement in 2006.14

Whether such last minute endorsements will affect the substance of the Hong Kong meeting is doubtful. The real question is whether, among the widely disparate interests of the 148 members of the WTO, enough members can muster the courage to seize, in Mr. Portman’s words noted above, this “once in a generation opportunity to reduce tariffs and reduce trade distorting subsidies around the world.”

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