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“What to do about Doha”

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The Doha Round will soon officially become Geneva’s longest running show, surpassing the languid Uruguay Round (9/86-4/94). There are a lot of reasons why the pace of the talks has been so slow, but clearly the central focus on agriculture, and the demand by many WTO members that progress on agriculture was a prerequisite for movement in other areas, has held back progress across the rest of the Doha agenda. To be sure, agricultural liberalization lagged in prior GATT negotiations, so it is understandable that WTO members would want to “make up for lost time” in the current Doha Round. Instead, they have wasted a lot of time.

But that’s ancient history!

The profound changes in the world economy over the past year have important implications for world trade and the Doha Round. US trade objectives and strategies need to be recalibrated accordingly—shedding old talking points, recasting negotiating objectives to reflect new budgetary constraints, and challenging trading partners to discuss reforms on specific products and service sectors.

In the midst of a global economic crisis, the major trading nations need to forestall new doses of debilitating protectionism and open new opportunities for trade and investment. Accelerating the Doha Round negotiations now has broader strategic implications and must be a critical part of the overall response of the G-20 nations—with the aim of deflecting new measures that distort trade in the short-run and preparing the final package of trade reforms for political decision in 2010.

Standing pat is now a costly option. As we have already seen, the status quo in terms of market access is not sustainable. Without further policy intervention and new WTO commitments, we are likely to see more restrictions and subsidies in overseas markets. At the same time, US farm programs face new budget cuts, which will inevitably go beyond the proposals put forward by the Obama administration this week. Members of Congress, and of this audience, may object...but the arguments that led to the passage of the 2008 Farm Bill are hard to justify in the face of the profound restructuring costs we must now endure to resolve major problems in the US economy.

What needs to be done? When it meets in London on April 2, I think the G-20 needs to put forward a “Doha Stimulus Package”, offering several concrete initiatives to accelerate the pace of the Doha negotiations. Like their finance ministers last week in Rome, the Summit leaders will likely push for the “early completion” of the talks. This is only feasible, however, if the major trading nations top-up the Doha pay-off...in agriculture, manufactures, and services. To do so, the major trading nations need to take concrete

steps to unblock the negotiations and to restore confidence—among both domestic constituencies and foreign trading partners—that the venture is worth further investment.

The first step is to accept the July “modalities” as a basis for engaging in product-specific and sectoral negotiations. Doing so would finally give our negotiators a chance to negotiate!! But let me be clear. No country should be asked to commit *ab initio* to reforms on particular products or services, but all should recognize that the final outcome must be “ambitious and balanced”, including commercially significant reforms in agriculture, manufactures, and services...or the deal won’t close. In other words, if countries take the maximum exceptions allowed by the modality guidelines, the talks will collapse...and developing countries will be the big losers.

In NAMA, the G-20 members should commit to participate in any sectoral negotiation in which another G-20 member requests that it undertake WTO commitments—recognizing that the ultimate content of the deal will determine whether or not the country signs the pact. Here again, there is no need to demand in advance that countries sign a particular sectoral deal.

Talks on services should follow the same model. G-20 members should work on sectoral deals of interest to their partners—again recognizing that the price of some national regulatory reforms may exceed the willingness to pay.

Second, as a down payment on such a deal, the G-20 should agree to an early harvest of agreements already substantially concluded in the Doha talks—such as trade facilitation measures and the phase out of farm export subsidies. This would help rebuild trust that developed and developing countries are both working toward the same goal.

Third, the G-20 should commit to include in the final Doha accord a built-in agenda mandating new WTO work in areas such as climate change and WTO institutional reform, following the Uruguay Round precedent for talks in sectors like telecommunications and financial services.

Can't be done because the US trade officials, among others, have no political guidance?

The Summit leaders committed themselves in November 2008 to making “positive contributions necessary to achieve “an ambitious and balanced outcome” to the Doha Round. Subsequently, President Obama underscored the importance of the WTO talks. US negotiators now need to do their job and explore the possibilities for the trade reform across the Doha agenda. US economic interests don't change from one year to the next, but US priorities among those interests do change. The hard decisions on what to offer and where to stand firm on the most politically sensitive measures or policies won't be necessary until the trade diplomats get closer to an overall deal—which as a practical matter will bring us to 2010.

Even under that optimistic timeline, implementation of the Doha Round results would not begin until 2011 at best...and of course one should expect, following past precedent, that

reforms affecting import-sensitive products would have a delayed and protracted implementation period. What this means for agriculture is that the real impact of the Doha Round will involve the constraints imposed on the drafting of the next farm bill. Since US farm programs face new budget cuts, which will inevitably go beyond the proposals put forward this week by the Obama administration, why not make virtue of necessity and get full credit for our policy reforms in the Doha Round?