Center for American Progress

The Case for Reviving the Doha Trade Round

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Progressive Ideas for a Strong, Just, and Free America

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Executive Summary

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The suspension last July of the Doha Round of multilateral trade negotiations has generally elicited indifference, or at most mild regret, in American political and policy circles. This is an unfortunate irony because a careful look at the Doha agenda suggests that an eventual agreement could avoid the unproductive, polarized debate produced by many of the Bush Administration's bilateral and regional trade agreements. Instead of remaining stuck in an argument over the merits of trade agreements in general, we should assess whether the elements of *this* specific negotiation are consistent with important national economic and security interests. The components of the Doha Round indicate that it passes that test. In fact, it is the kind of trade negotiation that should command widespread support.

The Doha Round is a back-to-basics trade negotiation. Because it focuses mostly upon tariffs and trade-distorting subsidies, it avoids the controversial inroads into domestic economic and regulatory policies that have characterized the Uruguay Round and many bilateral agreements. Its modest ambition is a virtue, rather than a flaw. Although the gains to U.S. export interests—while real—will not be as great as many would like, the harm to trade losers will also be moderated. This limited scale is prudent given current uncertainty as to where, and how, large numbers of good new jobs will be created.

The Doha Round emphasis on agricultural policies and trade allows us to negotiate increased international market access for competitive U.S. farmers in return for limits on our agricultural subsidy programs that are needed for purely domestic reasons. Budgetary pressures will likely reduce the inflation-adjusted value of the programs in any case. These programs should also be better targeted to family farmers, and to promoting sound environmental and energy policies.

The focus on agriculture also underscores that this negotiation is called the Doha *Development* Round. The potential benefit to agricultural interests in poor developing countries is a strong independent reason to support this round. The market-based boost to development would serve U.S. political and security interests in avoiding failed states, humanitarian interests in combating poverty around the globe, and commercial interests in a stable and growing world economy.

Beyond the advantages that would flow from the terms of a Doha agreement, an American initiative to bring the Doha Round to a successful conclusion serves our interests in maintaining a healthy multilateral trading system. A world dominated by bilateral and regional trade agreements would not only be less efficient; it would also reduce the U.S. influence that comes from being the most important single actor in any global arrangement.

Jump-starting the Doha negotiations to achieve an agreement that advances global economic and development aims would also boost U.S. economic leadership more generally. Recapturing our leadership is vital in a period where the rules of the global economy will be changing. Even acting together, Congress and the Bush administration cannot assure Doha's success. Other countries must do their part. But it would be a serious mistake to pass up the opportunity to seek agreement.

To seize this opportunity, we need:

- The president to become personally involved in restarting Doha
- The Bush administration to seek genuine cooperation with the Democratic leadership of the Congress
- The United States to take the lead in expanding the trade opportunities that a successful Round would offer the poorest countries.

Only then will we know if the Doha Round can be successfully negotiated and ratified. That effort is well worth making.

The Case for Reviving the Doha Trade Round

Last July the world's trade ministers suspended the Doha Round of multilateral trade negotiations after five years of nearly continuous tribulation. The apparent end of the talks was greeted mostly with indifference or, among some groups, with mild satisfaction. Except among the most dedicated supporters of trade liberalization concern about whether the Doha Round succeeds or collapses has faded. Because Doha is widely expected to be the last big round of multilateral trade negotiations, many businesses and government officials have already turned their attention to bilateral trade agreements.

In contrast, I contend that indifference to the prospect of a Doha Round failure is misguided, Abandoning the effort in favor only of bilateral or regional agreements is not just ill-advised. The Doha Round presents an unusual opportunity for the United States and the world to begin integrating a group of developing countries more thoroughly into the international economy—to the ultimate benefit of United States as well as those people around the world who have been left behind by globalization.

Notwithstanding the difficulty the Doha Round faces in regaining momentum, the negotiations offer an opening to bring the global development aims of the United States closer to the center of the world trading system. For the U.S., there are potential gains both abroad and at home. Internationally, by taking the initiative to forge an agreement that brings benefits to all World Trade Organization members, the United States has an opportunity to advance its manifold interests in the development of the world's poorest nations. More generally, by providing leadership in multilateral trade talks, the United States will enhance its influence in shaping other global trading arrangements that may evolve in the coming years.

At home, there is an opportunity to begin bridging the partisan divide over trade that grew ever wider in the past decade. Doha presents an occasion to achieve greater consensus on the contents of an important trade agreement and to embed that agreement in a broader set of policies to improve the productivity and living standards of all Americans. Successful completion and approval of the Doha Round could thus be a constructive step towards a U.S. trade policy that is growth-oriented, politically sustainable, and socially equitable.

The importance of seizing these opportunities can best be understood against the larger backdrop of globalization and, more generally, of the economic changes of which globalization is an important part. These changes have contributed to a significant, sustained increase in income inequality in the United States. They have also elicited widespread anxiety over the prospect of an accelerated loss of middle-class jobs as large new pools of educated workers enter the labor force in China, India, and other emerging markets. Trade agreements have been a lightning rod for the anxieties and anger associated with these changes.

Yet the globalization of the U.S. economy will proceed regardless of whether the United States ever signs another trade agreement. Eschewing additional agreements will not stop emerging market nations from further developing their industrial capacities and improving the productivity of their workers. Nor will it stop other developed countries from pursuing new trade agreements of their own. If the United States does abdicate its leadership role in trade and other international economic arrangements, then it will see its ability to shape the rules by which global economic actors must play inevitably diminish.

The challenge, then, is to manage globalization to ensure that the benefits of globalization, both at home and abroad, are not limited to one privileged group while the costs are borne by others. This paper sets forth in more detail the reasons why completion of the Doha Round can further progressive economic and social aims in America and in the global economy. The paper then offers an outline of pragmatic, principled policies that will enable the United States to seize upon these opportunities.

This paper does not rehearse the details of agricultural subsidies, tariff-reduction formulas, or other arcane issues that led to the suspension of the Doha negotiations back in July. As important as those details are to constituencies in all countries—and thus to successful completion of the negotiations—at this stage of the non-negotiations it is more important to underscore the broader interests at stake. Similarly, there are no outlines in this paper of a grand compromise among the member countries of the World Trade Organization. There are many possible bargains. The grand compromise, if and when it comes, will be crafted by the negotiators based on the circumstances and pressures they face at the moment they are propelled forward by political leaders. At this stage of the global debate over the efficacy of multilateral trade liberalization, it is far more important today to reiterate reasons for pursuing the Doha Round, beginning with how the negotiations came to run aground in the first place.

Background

The Doha Round has been troubled since before it began, in part because there was never a well-thought-out strategy for its conduct and completion. After several false starts, the formal launch came in Doha, Qatar in November 2001—and then only because governments were intent on projecting a clear impression that global cooperation continued in the wake of the September 11 attacks in the United States. Even after the initiation of negotiations, the Bush administration never fully committed to the enterprise. The president has never shown more than pro forma support for the Round; senior U.S. trade officials have been distracted by a spate of commercially insignificant bilateral free trade agreement negotiations (see box below, A Mistaken Approach).

Still, the premise of the negotiations held promise when they first began. The trade ministers who launched the new negotiations labeled them the "Doha Development Round." In doing so, the ministers were acting on the belief that conditions of poverty create the Petri dish within which terrorism grows. They were also mindful of the widespread complaints among developing countries that the agenda of the Uruguay Round of trade negotiations, which began in 1986 and culminated in an agreement in 1994, had been excessively weighted to the interests of the developed-nation members of the Organisation of Economic Cooperation and Development.

Yet there was little concrete sense when the Doha Round of talks began what a "development round" of trade negotiations should be. The declaration issued by the trade ministers at Doha listed more than a dozen areas for possible negotiation and, by its wording, revealed that there was not agree-

A Mistaken Approach
"Competitive liberalization" isn't helping the Doha Round

The Bush administration argues that the pursuit of bilateral free trade agreements amid the Doha Round negotiations were part of a grand strategy of "competitive liberalization," whereby progress on the bilateral front would prod multilateral negotiations forward because other trading partners did not want to be left behind. Although the competitive liberalization strategy had a measure of success in the late 1980s and early 1990s, when the North American Free Trade Agreement and Asia Pacific Economic Cooperation negotiations helped reenergize the Uruguay Round, the strategy has failed this time around. At least part of the reason for its failure is the fact that the recent crop of U.S. bilateral agreements involved far smaller export markets, such as Oman and the countries of the Central American Free Trade Agreement. As a result, the prospect of U.S. trade agreements with these markets did not elicit concern among major trading partners that these agreements could place their firms at a significant competitive disadvantage. In addition, many of the agreements were also obviously motivated at least in part by the administration's geopolitical policies – as rewards for countries that had agreed to contribute troops for the invasion of Iraq, as in the case of Australia, or that were considered generally supportive of administration policies in the Middle East, as in the case of the agreements with Bahrain and Morocco. There is nothing inherently wrong with considering political and security factors in selecting negotiating partners for trade agreements. However, the degree to which these considerations dominated administration policy for several years further undermined the original premise of competitive liberalization.

ment on whether some issues should even be included in the Round. The declaration did indicate the intention of the ministers to review WTO provisions granting "special and differential treatment" to developing countries, with a view towards strengthening these provisions. But exactly what was meant by those terms was left undefined.

The concept of "special and differential treatment" in the international trading system has generally been understood to mean that developing countries are not expected to offer full reciprocity for tariff or other concessions made by developed countries during trade negotiations. The issue of how *much* less than full reciprocity is to be expected in this "development" round of negotiations was not addressed at the outset, and continues to be an important point of disagreement.

Notwithstanding this inauspicious start to the talks and the subsequent halting progress in the intervening five years, the negotiations have at least identified which areas are key to reaching a final agreement. Trade in agriculture quickly became the centerpiece of the Doha Round. The focus on agriculture was in part due to the fact that prior rounds of multilateral negotiations had less impact in this area: Tariffs, export subsidies, and domestic subsidies are generally considerably higher on agricultural products than on manufactured goods, particularly in Europe, the United States, and Japan. Yet agriculture was also seen as an important subject for a *development* round. Many developing countries, especially the poorer developing countries, are potentially more internationally competitive in agriculture than in manufactures or services, at least in the short term.

The suspension of the Doha talks last July was precipitated by the failure to reach even the outlines of a bargain on agricultural trade. The principal impediment to more progress has been the unwillingness of the United States, the European Union, and Japan to offer additional commitments, although the extent of expected commitments by developing countries also remains a sticking point. The area closest to agreement was export subsidies. The European Union had already decided to eliminate export subsidies on agricultural products by 2013 as part of its internal reform of the Common Agricultural Policy, and thus offered to bind this reform internationally. The United States conditionally agreed to match that commitment.

In the other two areas, however, the parties remain far apart. Broadly speaking, the United States is the major obstacle on trade-distorting domestic subsidies and the European Union and Japan are the obstacles on market access (in the form of import barriers) for agricultural products. [**See chart, page 7, showing Doha Round agriculture proposals of US, EU, and the G-20.**] Among emerging market countries, India has thus far declined to make a proposal on access to its market that developed country agricultural interests would consider at least a starting point for discussion. For negotiations to be successful, India will likely have to join the developed countries in improving its offer. Other countries, such as South Korea, will also have to improve their market access offers.

DOHA ROUND AGRICULTURE PROPOSALS			
	United States (US)	**European Union (EU)**	**G-20**
AGRICULTURE – Trade Distorting Domestic Support	Proposed reductions: US: 53% (or over 60% for more market access) EU: 83% Proposed ceiling: US: $22.6 billion	Proposed reductions: EU: 70% Proposed ceiling: US: close to G-20 request of $10.5 billion	Proposed ceiling: OECD: $10.5 billion
AGRICULTURE – Export Subsidies	To be eliminated by 2013 (conditional)	To be eliminated by 2013 (committed)	
AGRICULTURE – Market Access	Proposed reduction of average tariffs: OECD: 55-90% Proposed tariff cap: 75%	Proposed reduction of average tariffs: EU: 39% G-20: 2/3 of OECD cuts	Proposed reduction of average tariffs: OECD: 54% G-20: 36% (2/3 of OECD reduction)
Sensitive Products	Proportion of tariff lines: 1% (for major market access)	Proportion of tariff lines: 8%	Proportion of tariff lines: OECD: 1% Developing countries: 1.5%
Special Products (Developing Countries only)	Proportion of tariff lines: 1%		
Special Safeguard Mechanisms (price and volume triggers)	For developing countries only	For developing countries and EU	

Negotiations on other subjects, with the exception of the so called non-agricultural market access, or NAMA category, have not been nearly as extensive as talks on agriculture. On NAMA, differences have at least been channeled into some discrete alternatives. There has been disagreement both on what formula should be used for determining cuts in tariff levels and on the coefficient that should be used in the chosen formula to generate the specific tariff-cutting obligations. Here the lines are drawn along the more traditional split between developed and developing countries. The United States, European Union, and Canada favor the so-called Swiss formula, while many developing countries argue for the ABI formula ("ABI" standing for Argentina, Brazil, and India, the three countries that proposed it) [**See table, page 8, showing Doha Round NAMA proposals.**]

DOHA PROPOSALS ON NON-AGRICULTURAL MARKET ACCESS (NAMA)		
	Swiss formula	**ABI formula**
Proponents	United States, European Union, Canada	Argentina, Brazil, India, Jamaica, other developing countries
Coefficient (tariff ceiling) for developing countries	25	35
Coefficient (tariff ceiling) for developed countries	10	10
Reciprocity	Full	Less than full

The last formal declaration describing the state of the Doha negotiations indicated acceptance of the Swiss formula, with important but vague provisos that the applicable coefficients should be determined through two broad parameters: attention should be paid to the export interests of developing countries; and developing countries should not have to provide full reciprocity.

Although trade in services continues to be highlighted by the WTO as a key part of the Doha Round, there has been little serious negotiating in this area. Few significant offers to liberalize trade in services have been offered, even tentatively. In addition, the United States has firmly resisted calls by many developing countries to make commitments on services trade involving temporary workers from other countries, so-called "Mode 4" commitments.

The Merits of a Doha Round

At present there is little apparent energy behind calls for reviving the Doha Round. Policy commentators and editorial writers who reflexively support any liberal trade initiative seem to comprise the only constituency thoroughly committed to this enterprise. In developed countries, including the United States, most governments and businesses remain nominally supportive of restarting serious negotiations, but few have shown the willingness to dedicate significant political capital to achieving this end.

Similarly, many (though by no means all) developing country governments seem untroubled by the prospect that the Doha negotiations will never restart. Groups generally opposed to trade liberalization have, to a greater or lesser extent, welcomed the suspension of negotiations. Agricultural interests are split and thus have not added a strong voice for restarting Doha, with the exception of those in Australia and New Zealand.

This is a fairly powerful tide against which to row. Still, putting aside for the moment specific (though important) special interests arrayed against specific measures discussed in the Doha talks, it is clear from the perspective of the *national* interest of the United States that there are four key reasons to support revival and completion of the Doha Round.

Back-To-Basics Trade Agenda

Contrary to the assertions of some business representatives and government officials, the relatively modest ambitions for the Doha Round should be viewed as an argument in its favor. The Uruguay Round transformed the world trading system in several important respects. In place of the institutionally weak General Agreement on Tariffs and Trade came the World Trade Organization. The WTO has a binding dispute settlement system that replicates the domestic pattern of independent courts more closely than other international arrangements, which usually reserve a role for politics and negotiations in dispute settlement.

The Uruguay Round also broadened the scope of the trading system. It included agreements governing national regulation of food safety, intellectual property protection and other topics that have occasioned much controversy because they reach so deeply into domestic choices about basic economic and social policies.

The Doha Round, by contrast, has the makings of a "back-to-basics" negotiation, in which the most significant results will involve traditional trade issues such as reducing tariffs and trade-distorting subsidies. At the outset of the negotiations the European Union argued for the inclusion of additional domestic policies, notably competition (antitrust) policy, but this initiative was generally opposed by developing countries and not supported by most other developed countries, including the United States. These additional areas for negotiation were eventually dropped from the Doha agenda, leaving only the more basic trade issues on the table.

Moreover, with the notable exception of agriculture, it appears unlikely that an eventual agreement would produce far-reaching liberalization of tariff and non-tariff barriers in most trade sectors. Of course, this means that new export opportunities will be modest. But it also means that domestic dislocation from increased foreign competition is likely to be limited. This limited scale is prudent given the current uncertainty as to where, and how, large numbers of good new jobs will be created as well as the absence of effective policies to prepare Americans for the skilled jobs of the future.

Both the absence of controversial new negotiating subjects and the limited effects in core economic areas open the possibility of a less heated U.S. domestic debate over acceptance and implementation of a trade agreement. Although not sufficient in itself, this outcome would be an important step towards reestablishing a bipartisan trade policy that would in turn enhance the ability of the United States to influence global economic arrangements.

One area, however, in which caution may be needed is in the services negotiations. As already mentioned, those discussions had not progressed very far at the time the Doha Round was suspended. In many cases, government restrictions on entry or pricing are designed simply to exclude foreign companies or to protect incumbent suppliers from both foreign and domestic competition. Reduction of these kinds of regulatory barriers is usually desirable. However, because many services are subject to prudential, consumer protection, or competition oversight by governments, it is also important to ensure that any subsequent negotiations do not undermine legitimate regulatory prerogatives under the aegis of market access.

Agricultural Policies

Agricultural negotiations are both the focal point and the stumbling block of the Doha Round. The United States has much to gain from a successful outcome, most obviously the prospect of modest increased export opportunities in global markets for American products (such as wheat and soybeans) as tariffs and subsidies in other countries are reduced. Although U.S. food exporters are facing growing competition in international markets from a number of emerging market countries, as well as their traditional competitors in countries such as Australia and Argentina, they will remain globally competitive in many products. Tariff reductions in other countries will permit access to heretofore protected markets, while subsidy reductions in European and other countries should increase U.S. market share in other markets around the world.

Of course, the extent of additional export opportunities is a principal concern of U.S. trade officials and agricultural groups in the negotiations. Throughout the negotiations, they were disappointed in the offers from others—particularly, though not only, the European Union. Even in the event that negotiations are restarted, it seems unrealistic to expect that cuts in eventual tariffs and subsidies will exceed by a significant order of magnitude the proposals pending when the negotiations were suspended.

Many agricultural interests in the United States regard the negotiations as a trade-off between the relatively circumscribed benefits they will gain from the reduction of import barriers and subsidies abroad versus the losses they will incur from the negotiated reduction of U.S. subsidies. Although this is a standard way for any interest group to assess trade negotiations, it does not capture all the relevant factors. The reason: Current U.S. agricultural subsidies will come under pressure from two sources even if no Doha agreement is ever reached.

In the first place, there is a growing domestic consensus that the current system of U.S. agricultural subsidies should, and will, be changed. A short but trenchant evaluation of current subsidy programs, "Modernizing America's Food and Farm Policy: Vision for a New Direction," published last year by the Chicago Council on Global Affairs, underscores why some programs are questionable as a strictly economic matter. Often these subsidies provide farmers with an incentive to continue producing a subsidized crop rather than to shift to crops for which market returns are greater because of supply and demand factors. Linked to this debate is a growing consensus that a significant portion of existing subsidies should be redirected to promoting farm-based renewable energy and biofuels.

As a matter of social policy, existing subsidies have not been able to maintain the viability of small, family-owned farms; the benefits are skewed to large farming companies. According to a database maintained by the Environmental Working Group, 60 percent of all U.S. farms and ranches receive no agricultural subsidies at all, primarily because they do not produce commodities benefiting from subsidy programs. Of the 40 percent of U.S. farms and ranches that *do* received subsidies, a fifth received 87 percent of the benefits over the last decade. The remaining four-fifths thus received only 13 percent of the subsidies, with the average annual subsidy per farm or ranch in this group being just over $7,000.

Because of the federal government's dismal fiscal situation produced by the last six years of presidential and congressional policies, there will be pressure on nearly all forms of spending. That means farm subsidies will be competing with education or research spending and could well lose out in the process.

The second reason why current agricultural subsidies in the U. S. are unlikely to continue regardless of the Doha outcome is that a number of U.S. agricultural subsidy programs are highly vulnerable to challenge as inconsistent with American obligations under the WTO rules agreed to during the Uruguay Round of negotiations. Until 2004, a provision of the 1995 Uruguay Round Agreements, the so-called "Peace Clause," had immunized some agricultural programs from legal challenge in the WTO.

But the Peace Clause expired on January 1, 2004. In addition, a March 2005 WTO decision in a case initiated by Brazil found a number of U.S. subsidy programs to violate WTO obligations as they applied to cotton exports. Because most other significant U.S. agricultural exports benefit from similar subsidy programs, they may also be found to break WTO rules. (see box below, Coming WTO Challenges) Although other countries have refrained from bringing further cases while the Doha negotiations were underway, this inhibition will surely disappear if no deal is reached.

It is uncertain how many successful cases would actually be brought against U.S. agricultural programs as they now stand. In addition to a finding that programs are prohibited subsidies, there must be demonstrable adverse effects on the trade of other WTO members as a result of trade-distorting subsidies. Moreover, WTO cases are expensive to develop and prosecute. But these factors are not likely to hold back all challenges to U.S. agricultural subsidies in the absence of a Doha Round agreement.

Coming WTO Challenges

U.S. agriculture sector can't escape Uruguay Round commitments

Brazil's decision to bring a case before the World Trade Organization regarding U.S. cotton subsidies is sure to reverberate throughout the American agricultural heartland. The WTO's 2005 ruling in favor of Brazil means that the U.S. export credit guarantee program under challenge was found to be *per se* violative of WTO rules. The upshot: Marketing loan program payments, so called Step 2 payments, market loss assistance payments, and counter-cyclical payments were all found to have impermissibly distorting effects on world cotton markets. Step 2 payments have subsequently been eliminated, but the rest (along with other programs such as subsidized crop insurance) continue. In a report dated October 25, 2006, the Congressional Research Service concluded that "all major U.S. program crops are vulnerable to WTO challenges." Indeed, certain export subsidies may be a violation even without a demonstration of adverse effects.

There is thus some (perhaps considerable) risk of successful cases. As with any WTO dispute settlement, a finding of inconsistency with WTO rules would require the United States either to remove the offending subsidies or to face retaliation from countries that have lost export revenues due to the subsidies' effects.

That means current agricultural subsidy programs in the United States will be under pressure to change from both domestic and international sources. From both perspectives it would be wiser to get something from other countries in return for what may well be inevitable changes in these programs. This can only happen through revival of multilateral negotiations. It is notoriously difficult to negotiate the reduction or elimination of a subsidy in bilateral negotiations, because any bilateral agreement will automatically benefit non-participants without any reciprocal obligations. Knowing this, countries will usually not make commitments on subsidies in bilateral agreements.

Development Policy

The denomination of the Doha Round as a development round of trade negotiations was not particularly well considered, yet this largely tactical step is an opportunity to elevate the importance of development aims in our national trade policy. Development aims have long been explicit in initiatives such as the Generalized System of Preferences and the African Growth and Development Act. They have also been implicit in parts of the country's broader trade agenda.

Development goals, however, have not often been invoked as a reason to support multilateral trade negotiations. Nor have the interests of the poorer countries of the world been a significant factor in determining the outcomes of prior GATT/WTO rounds. That is what makes the Doha Round unique

Although liberalized trade is sometimes touted as the core prescription for a development policy, it can provide only a piece of a successful strategy. Without infrastructure, education, and a reliable legal environment, even trade commitments that offer substantial market access for competitive products from developing countries cannot markedly improve the lives of people in most countries. Yet market access can play a part in the development of poorer countries. The United States should embrace development as a goal of its trade policy for economic, political, security, and humanitarian reasons.

As an economic matter, the more rapidly developing countries grow, the quicker they will become potential purchasers of a broader range of U.S. goods and services.

As a political matter, the receptiveness of developing countries to U.S. policies of all sorts will depend significantly on how much commitment to a development agenda they perceive in the United States. In addition to trade, this agenda certainly includes development assistance, debt forgiveness, and other policies. Yet insofar as trade is a highly visible arena in which the interests of many countries intersect, American support for agreements that tangibly advance development goals can highlight the nation's support for development.

As a security matter, trade opportunities for poor countries can further the kind of development that will help prevent these countries from deteriorating into failed states.

Finally, as a humanitarian matter, there is a strong argument for a trade policy that assists the poorest countries, which have generally benefited little from the increased trade and investment flows of recent decades.

Even if a poor country's economy has no medium-term chance of providing a boost to American exports, and even if that country's geopolitical position is minor, the United States should support trade policies that will help alleviate poverty in the country. This is particularly the case if the growth of trade will make available a revenue stream that is not subject to the vagaries of development-assistance policies.

The contribution of a trade agreement to development should thus be considered independent of the promise of commercial advantage or influence on global trading rules. But in practical terms, the embrace of development goals as an integral part of trade policy means that developed nations such as the United States should not expect developing countries to offer completely reciprocal concessions in the negotiations, as has long been the custom in multilateral trade negotiations. The poorer countries should obviously receive the greatest consideration, while emerging market countries that are already significant exporters can and should offer more substantial commitments to lower their trade barriers.

Additionally, developed nations should place on the negotiating agenda additional items of particular significance to developing nations, particularly the poorest of those countries, as has been the practice so far during the Doha Round.

Advancing U.S. Leadership

Since the time of President Franklin Roosevelt, American economic interests have been well served by the exercise of U.S. leadership in pursuit of aims shared with other countries. At unusual moments this leadership entails creation of formal organizations, such as the International Monetary Fund, the World Bank and other Bretton Woods institutions at the end of World War II. More frequently, though, American leadership involves providing direction and energy for the achievement of specific ends. In both kinds of circumstances, effective leadership produces arrangements or outcomes in which other nations have a stake, while still reflecting basic American interests and values.

Today, the leadership challenge falls somewhere between the post-war creation of a new international economic system and the achievement of discrete advances within that system. The WTO, International Monetary Fund, and World Bank today are each under stress, their structures and capacities misaligned with the contemporary task of creating stable, prosperous, and equitable structures for a global economy. Changes in the trade, monetary, and development assistance areas are both needed and likely in the coming years. The question is how much influence the United States will have over these changes.

In the not too distant past, the answer to that question would have been fairly straightforward: Nothing of consequence would happen without the United States, and the eventual outcome would be at least broadly consistent with U.S. preferences. Today, one cannot offer that answer with as much assurance. More nations will play important roles in shaping new arrangements than has previously been the case. Some of these countries are not traditional allies of the United States, and thus have no ingrained impulse to be receptive to American proposals.

Moreover, the legacies of unilateralism in U.S. foreign policy and neglect in many areas of international economic policy in the last six years have diminished the willingness of most other countries, including our traditional allies, to sign on to American plans. It is important, therefore, that the United States burnish its leadership credentials in anticipation of a broader set of changes in international economic arrangements.

The Doha Round provides a good opportunity to do just that by assuming an active and constructive role in breaking the current deadlock. Completion of a trade round with tangible benefits for developing countries will give the United States greater credibility as a proponent of international arrangements that can serve the interests of a broad range of countries. This is especially the case for poorer developing countries where key U.S. national security issues are at stake. Developed and emerging market countries can conclude bilateral agreements in the absence of multilateral negotiations, but poor countries have little consumer demand of interest to those countries, which means the poorest may lose opportunities for greater exports if Doha fails.

More generally, a renewed American initiative will remind the rest of the world that the United States remains the international actor best positioned to bring multilateral negotiations to a successful conclusion. While the United States cannot expect to influence today's trade agreements as much as it did those of the 1940s, it still carries considerable weight at the negotiating table. This weight will be greater still if it exercises leadership to conclude arrangements that take account of the interests of all countries, including the poor countries that lack commercial leverage.

This last point is significant despite—or, perhaps more accurately, because of—the fact that the Doha Round looks increasingly likely to be the last large round of multilateral trade negotiations, regardless of its outcome. Although there is no plausible near-term substitute for the United States as a leader in *multilateral* trade negotiations, there are obvious contenders for regional leadership.

Bilateral negotiations do not even require the same form of leadership. With the demise of an established mode of multilateral negotiations, it is a near certainty that countries will turn to bilateral and regional negotiations to fill the vacuum. Many, including the United States and the European Union, already have moved bilateral negotiations forward in their trade agendas.

The multilateral vs. bilateral agreement has been actively debated in the United States for over a decade. Yet even those who have championed bilateral agreements have generally done so against the backdrop of a vigorous multilateral system, which prevents too much fragmentation in international trade rules and practice. Should that system begin to deteriorate, the effects of bilateralism could change substantially.

From an American perspective, a world in which only bilateral and regional trade agreements are concluded will not likely be a positive change. In any multilateral negotiation, the United States will be no less than the single most important participant. In all but the most unusual of circumstances, this status will assure considerable influence over the outcome of the negotiation, at least if the United States plays a constructive role. In bilateral or regional negotiations to which the United States is not party, it will have only the most indirect influence over the terms of the resulting agreements. And, by definition, it will not receive any rights created by those agreements.

Whether the issue is non-tariff barriers on agricultural exports or the protection of labor standards, American interests can be better pursued through preservation of a complementary system of bilateral and multilateral arrangements.

The Way Forward

Just as no one outside the Doha negotiations can identify the bargain that will be available at a critical moment, no one can sensibly urge our government to bring the Doha Round to a *successful* conclusion without considering all the details. Leadership entails creative accommodation of varying country interests and a willingness to take some risks in pursuit of an agreement. Leadership does not require that the United States simply do whatever is necessary to reach agreement.

If other key nations are, in the end, unwilling to make reasonable offers, then the negotiations will not succeed. Yet the combined importance of reestablishing a bipartisan trade policy, advancing U.S. agricultural interests, promoting development of poor nations, and recapturing U.S. leadership in international economic arrangements all argue for support of an effort to restart the failed negotiations. Any successful international *and domestic* outcome requires action from both the administration and the Congress. The clear task for the Bush administration is to revive the negotiations. There is no simple roadmap for doing so, but there are some essential steps to take.

First, the president and other senior members of the administration must be involved in the effort. Although President Bush has appointed three capable U.S. Trade Representatives, those individuals have been essentially left to their own devices in seeking to move the negotiations forward. The White House has obviously not regarded completion of the Doha Round as an administration priority. The president himself has done little more than include a call for progress on Doha in speeches he gives on the eve of various international conferences. When a major international negotiation has come to a standstill, major political effort is usually required to move it forward. The president, secretary of state, and secretary of the treasury must be actively engaging their counterparts in other key countries.

Second, the United States should be prepared to make additional offers, particularly in the areas of greatest interest to the poorer developing countries. Domestic agricultural subsidies are one obvious issue area for an improved offer. But there may be others as well, such as offering unfettered access to the United States and other developed nations for agricultural exports from the least-developed countries. An analysis published in July by Antoine Bouët, Simon Mevel, and David Orden at the International Food Policy Research Institute, titled *Two Opportunities to Deliver on the Doha Development Pledge*, suggests such a move could lead to a seven-fold increase in exports by those countries. The precise contents and sequencing of these new offers must of course be determined in the context of the political effort to restart talks and the willingness of other countries to re-engage their own prior offers. But the willingness to move forward can be communicated convincingly if the president and other senior officials are behind the renewed effort.

Third, the administration must be willing to talk to Democrats about the negotiations. It goes without saying that a bipartisan trade policy is difficult to achieve if an administration declines to speak with elected representatives of one party. Yet this was just what happened in the Central American Free Trade Agreement negotiations. There were already signs before the election that the administration had shifted its position on this point. Now, with Democratic majorities in both chambers of Congress, it is even more important for the administration to consult fully and cooperatively with Congressional leaders of both parties.

Members of Congress also have an important part to play beyond their statutory role in voting on a final negotiated agreement. They should insist that the completion of trade agreements be an occasion for reaffirming the social compact that has been badly eroded in the United States. Congress should develop proposals specifically addressed to the needs of Americans whose economic prospects and security are threatened by the forces of economic change, including globalization. Programs of this sort could be included in any legislation extending the president's trade promotion authority ("fast track") or approving a Doha agreement.

The legislation could, of course, include assistance specifically targeted to displaced workers, but it is essential to move beyond these patchwork efforts that have traditionally accompanied trade legislation. Two examples are education programs to help Americans take advantage of the opportunities created by economic growth and health-care programs to ensure the security of Americans regardless of their current job.

Conclusion

Even if the Doha Round were to be revived, concluded, and implemented, debates over the desirability of specific trade agreements and over the inclusion of certain subjects or provisions within trade agreements will not end. But Doha does present an opportunity to begin bridging the partisan divide that has characterized trade policy, as it has so many other areas.

The Doha negotiations offer President Bush the opportunity to follow through on the promise he made the morning after the November congressional elections that he would work with Democrats to address the great challenges facing the country. Proceeding with the talks is an opportunity to continue the integration of the international economy in a manner that benefits everyone, importantly including those who have been left behind—both at home and abroad. Finally, the Doha Round provides an opportunity for the United States to recapture its role as a leader in shaping the arrangements within which the global economy will grow in the coming decades. Whether the opportunities will eventually yield these favorable outcomes is uncertain. What is certain is that passing up these opportunities would be a mistake.

About the Author

Daniel K. Tarullo is Professor of Law at the Georgetown University Law Center and a non-resident senior fellow at the Center for American Progress. He teaches and writes in the areas of international economic regulation, banking law, international law, and the relationship between foreign policy and international economic policy. During the Clinton Administration he was, successively, Assistant Secretary of State for Economic Affairs, Deputy Assistant to the President for Economic Policy, and Assistant to the President for International Economic Policy. In March 1995, President Clinton appointed Tarullo as his personal representative ("sherpa") to the G-7/G-8 group of industrialized nations. Before joining the Administration in 1993, Professor Tarullo had practiced law in Washington, served as chief counsel on the staff of Senator Edward M. Kennedy, and taught at Harvard Law School.

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