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978-1-107-03420-4 - Liberalizing International Trade after Doha: Multilateral, Plurilateral, Regional, and Unilateral Initiatives

David A. Gantz

Excerpt

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1 Introduction

Pursuing Trade Liberalization in a Post-Doha World

More than ten years after it began, the Doha Development Round is effectively in a deep coma or dead, at least in its present form, even if no one seems willing to affirm its passing for fear of being blamed for its demise.¹ As Stuart Harbinson has observed, with the exception of dispute settlement, “the WTO scene is characterized largely by drift and neglect, with no apparent light at the end of the tunnel.”² At best, the Doha Round seems likely to lapse into an indefinite period of hibernation – with uncertainty as to when, if ever, it could be revived. Director-General Lamy admitted in July 2012, after four years of paralysis, that “all agree that the harvest [progress] from the first half of this year has been meager.”³ Doha will not likely again be a comprehensive “single-undertaking” approach, and it is improbable that a broadly comprehensive round of trade negotiations reminiscent of Doha at its outset or the Uruguay Round will be attempted in the foreseeable future, certainly not by the time of the WTO’s 9th Ministerial Meeting in Bali in late 2013. Some have suggested

¹ Alan, Beattie, “WTO: World Waits to Move on after Doha,” *Financial Times*, September 22, 2011, 1.

² See Stuart Harbinson, “The WTO Must Bounce Back,” ECIPE Policy Briefs, no. 09/2012, 1, accessed September 28, 2012, http://www.ecipe.org/media/publication_pdfs/PB201209.pdf.

³ WTO, “Lamy Reports to General Council on Doha Round and Urges Negotiators to ‘Change Gears,’” July 25, 2012, accessed July 25, 2012, http://www.wto.org/english/news_e/news12_e/gc_rpt_25jul12_e.htm.

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a “time out”⁴ with resumption only after reaffirmation or changes in the political leadership of United States and China in November 2012, but those events have had no apparent impact on the Doha Round. Although there appeared as of late 2012 some limited optimism for progress on certain “deliverables” such as trade facilitation, an expanded Information Technology Agreement (ITA) and improved tariff rate quota (TRQ) administration,⁵ the prospects for a more ambitious package are dim.

Nor is there much reason a year after the Ministers at the WTO’s 8th Ministerial Meeting in December 2011 demonstrated their inability to resurrect the Doha Round,⁶ to believe that a delay of a few years would make a major breakthrough possible. For example, since President Obama has been reelected, it appears that his highest trade negotiating priorities at least through 2013 will be a Transatlantic Trade and Investment Partnership (TTIP; Chapter 10:2), the Trans-Pacific Partnership (TPP; Chapter 11) and an International Services Agreement (ISA; Chapter 7). The Government of India, another key participant in any completion of the Doha Round, relies on a “wobbly” coalition and will soon be preparing for a general election in mid-2014.⁷

Despite increasingly anemic growth in international trade – only 2.5 percent (instead of the earlier predicted 3.7 percent) for 2012 and 4.5 percent for 2013 according to downward-revised WTO forecasts – there is no evidence of any significant enthusiasm, other than among

⁴ Jeffrey J. Schott, “What Should the United States do About Doha?,” June 2011, 3, accessed July 31, 2012, <http://www.iie.com/publications/pb/pb11-08.pdf>.

⁵ See Pascal Lamy, “Lamy Urges Focus on Deliverables,” October 3–4, 2012, 2, accessed October 18, 2012, http://www.wto.org/english/news_e/news12_e/gc_rpt_03oct12_e.htm. Lamy is reporting to the WTO General Council.

⁶ See Chairman’s Concluding Statement, December 17, 2011, accessed July 31, 2012, http://www.wto.org/english/thewto_e/minist_e/min11_e/min11_11_e.doc, which reaffirms the Members’ commitment to WTO principles but reflects no progress on the Doha agenda, or other achievements other than approving Membership for Vanatu, Russia, Samoa, and Montenegro.

⁷ See “Shuffled, Not Stirred: A Tough Period Looms for India’s New Look Government,” *The Economist*, November 3, 2012. This article discusses the challenges, including corruption, facing a newly shaken-up national government.

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WTO officials, to “revitalize the multilateral trading system” restoring “economic certainty,” particularly at a time when the Eurozone crisis remains unresolved.⁸ Nor is there doubt that a combination of inaction in Geneva, plus the lingering effects of the 2008–2009 economic crisis, in addition to slower growth in Brazil, China, the European Union (EU), India, and the United States, among others, raises the risk of increasing protectionism. As Director-General Lamy has noted, “[t]he sluggish pace of recovery raises concerns that a steady trickle of restrictive trade measures could gradually undermine the benefits of trade openness.”⁹ (Brazilian and Argentine protectionism are discussed under Mercosur in Chapter 9.) Other developing countries, such as Ukraine, have sought to escape from certain tariff concessions agreed to as part of the accession process just four years ago, generating vehement objections from more than sixty WTO Members.¹⁰

Still, although some observers have suggested that Doha’s demise threatens the continued existence of the GATT/WTO system,¹¹ many more see continued strength in the system as developed over the past sixty-five years. That system, with its extensive body of rules and a mandatory dispute settlement system works reasonably well, and many believe it unlikely that the binding rules that have been negotiated in prior GATT rounds will atrophy.¹² Even with serious risks of backsliding and increasing protectionism in many nations, the United States, the EU, Japan, Brazil,

⁸ WTO, “Slow Global Growth to Hit Trade in 2012 and 2013, WTO Says,” Press Release, September 21, 2012, accessed September 28, 2012, http://www.wto.org/english/news_e/pres12_e/pr676_e.htm.

⁹ Pascal Lamy, “Multilateralism is at a Crossroads,” Speech at the Humboldt-Viadrina School of Governance in Berlin, June 26, 2012, accessed June 27, 2012, http://www.wto.org/english/news_e/spp1_e/spp1239_e.htm.

¹⁰ Daniel Pruzin, “Ukraine Defends Push to Modify Hundreds of WTO Tariff Concessions,” *Int’l Trade Daily (BNA)*, October 17, 2012.

¹¹ “Failure of the Doha Round will create a dangerous situation in the WTO ...” according to Peter Sutherland, quoted in Viv Davies, “The Future of Doha and the WTO: a CEPR Trade Seminar,” April 27, 2011, 7, accessed July 31, 2012, <http://www.voxeu.org/index.php?q=node/6431>.

¹² See Sandra Polaski, “What Future for the WTO?,” *Le Economie Politique*, July 2007, 3. Polaski argues that existing WTO rules will still set trade rules for major players.

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China, and India, among others, have far too much to lose by abandoning the WTO rules or even departing substantially from them.

Additionally, non-Members continue to press forward for WTO Membership. For example, Vanuatu became the 157th Member in August 2012,¹³ and Kazakhstan, among others, completed long-standing efforts toward accession in 2012.¹⁴ Therefore, it seems highly likely that the WTO system with its inefficiencies and deficiencies (of which there are many¹⁵) is here to stay.

Views suggesting that the WTO is resilient even in the light of a Doha failure reflect some obvious facts. Over the past twenty-five years, international trade has expanded in a robust manner, outpacing world population growth by about 5 percent, compared to 1 percent from 1870 to 1950.¹⁶ Between 1994 and 2006, world merchandise trade increased each year (except for 2001) at rates ranging from approximately 10 percent in 1997, 2000, and 2004, to only 3.5 percent in 2002.¹⁷ Although world trade rules undoubtedly facilitated this growth, other factors, including

¹³ See WTO, “Members and Observers,” accessed November 17, 2012, http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm, which confirms Vanuatu’s accession August 24. Laos and Tajikistan were approved for Membership in October 2012.

¹⁴ Sergei Blagov, “Kazakhstan Hopes to Finish WTO Entry Talks by Year’s End; Farm Subsidies Still a Hurdle.” *Int’l Trade Rep. (BNA)* 29 (August 16, 2012): 1339; WTO, “Kazakhstan Paves Way to Becoming WTO Member in 2013,” December 10, 2012, accessed December 15, 2012, http://www.wto.org/english/news_e/news12_e/acc_kaz_10dec12_e.htm.

¹⁵ Various Members have complained, inter alia, about alleged U.S. abuse of the anti-dumping laws; unfairness of the dispute settlement mechanism for small developing countries; U.S. and EU agricultural subsidies; barriers in major developing country markets (particularly China, India, and Brazil to imports of both agricultural and manufactured products from other Members); extraordinarily high tariffs imposed by many countries on a variety of agricultural and nonagricultural products); insufficiently “special and differential treatment” of imports from developing countries, particularly the least developed countries; continued tariff and non-tariff restrictions to textile, apparel, and footwear imports from developing country Members; and other deficiencies.

¹⁶ See Uri Dadush, “The Future of the World Trading System” *Int’l Economic Bulletin*, July 14, 2010, 3, accessed July 31, 2012, <http://www.carnegieendowment.org/2010/07/14/future-of-world-trading-system/45b>.

¹⁷ See Sandra Polaski, “What Future for the WTO?,” 4.

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increased commerce in parts and components as a result of “just-in-time” manufacturing processes and the revolution in shipping brought about by the containerization phenomenon,¹⁸ as well as some of the more successful regional trade agreements (RTAs) such as the EU and NAFTA, have also made major contributions. Perhaps Doha has been, in part, a victim of the success of the Uruguay Round. After the extensive trade liberalization that took place in the Uruguay Round, even with regard to agricultural subsidies and manufactured product market access,¹⁹ the challenges to further liberalize in a new round were even more daunting.

As discussed in greater detail in Chapter 2, the last several decades have also been a time of fundamental change to the global trading system. The “Quad” countries (the United States, EU, Japan, and Canada) no longer dominate the negotiations. China (since November 2001), Brazil, India, Indonesia, and South Africa in particular are major players without whose concurrence little can be accomplished in Geneva. This trend will likely continue. It is estimated that in twenty years or so ten of the largest economies will be what we currently regard as developing countries and China will likely be almost every WTO Member’s largest trading partner.²⁰ Peter Sutherland, the last secretary general of GATT, states bluntly that because China is the “world’s most successful trading nation and will remain so for a long while ... China [is] the key player in the World Trade Organization.”²¹ Less significant change is likely for most other developing countries, which – despite increasing their share of world trade – are likely to remain poor.²²

¹⁸ Marc Levinson, For consistency with other chapters book titles are italicized, as here: *The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger* (Princeton: Princeton University Press, 2006).

¹⁹ Jeffrey J. Schott, “The Doha Dilemma: Implications for Korea and the Multilateral Trading System” (2011), 2, accessed July 31, 2012, <http://www.piie.com/publications/papers/schott20110926.pdf>.

²⁰ See Dadush, “The Future,” 3.

²¹ Peter Sutherland, “A Future for the World Trade Organization,” The 2010 Jan Tumlir Lecture, no. 01/2010, September 2010, 9, accessed March 8, 2013, http://www.ecipe.org/media/publication_pdfs/a-future-for-the-world-trade-organisation.pdf.

²² Ibid.

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The Doha process has also been plagued by a confluence of negative political factors in the United States, the EU, India, and elsewhere. The expiry of Trade Promotion Authority (TPA) in the United States in mid-2007 and divided government since 2010 has made continued negotiations more difficult. Most nations are reluctant to conclude negotiations with the United States unless they are assured (as TPA provides) that Congress cannot unilaterally change the agreement or indefinitely delay its consideration.²³ Observers such as former U.S. Trade Representative Robert Zoellick also point out that the United States needs a fiscal policy that “rebuilds the fundamentals of long-term growth” as well as limits government spending, encourages private sector innovation and “[empowers] all its citizens to fulfill their potential.”²⁴ As of early 2013, there is no assurance that the Democratic and Republican Parties have the political will to work together to adopt such policies, either in 3013 or in the foreseeable future.

Elsewhere, elections in India in 2009 likely contributed to the lack of progress in the negotiations in 2008 (and may do so again by or before the end of 2013), as did Brazil’s defensive approach to rapidly increasing imports from China and currency appreciation at home.²⁵ For those and other developing nations, reducing poverty remains a major focus of government policy and actions, and inhibits negotiations in Geneva.²⁶ If one adds to these challenges Japan’s on-going economic stagnation, the EU’s focus on the survival of the Eurozone and the EU itself, and China’s reluctance to accept the full responsibilities of WTO Membership and world economic power status (in part as a result of the leadership

²³ 19 U.S.C. § 3803–3805 (2002, expired 2007).

²⁴ Robert B. Zoellick, “American Exceptionalism: Time for New Thinking on Economics and Security,” July 25, 2012, 10, accessed August 1, 2012, <http://www.piie.com/publications/papers/zoellick20120725.pdf>.

²⁵ Susan Schwab, “After Doha: Why the Negotiations are Doomed and What we Should do About It,” *Foreign Affairs* 90 (May 1, 2011), 104. The former U.S. Trade Representative catalogs the political challenges.

²⁶ See Dadush, “The Future,” 3. Dadush argues that reducing income gaps are much more important than a free trade offensive.

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transition),²⁷ there has arguably been a perfect storm of extreme political caution among the major negotiating players.

If there is reason for cautious optimism post-Doha it is because there *are* alternatives to a broad package of new or amended WTO Agreements. These, although they are not the ideal solutions, may nevertheless provide an impetus for continuing trade liberalization both among specific countries and in some instances worldwide. Such possibilities include adoption by the WTO Membership of a few consensus elements of the Doha package, existing and future “plurilateral” trade agreements,²⁸ dozens of regional trade agreements (RTAs) and various trade-liberalizing national laws and regulations being adopted in many of the WTO Member states. As U.S. Trade Representative Ron Kirk has observed, “I think the reality, given the current global macroeconomic environment [is that] countries’ leaders have a responsibility to use all of the tools in their economic tool box.” He also suggested that bilateral agreements represent a “fairly efficient way to use trade to help spur economic growth and grow jobs.”²⁹

The substantive discussions in this volume begin (in Chapters 2 and 3) with a brief review of the evolution of the world trading system since 1947, along with the major reasons for Doha’s failure and for the widespread belief that a broad agenda of single-undertaking negotiations cannot be re-created in the foreseeable future. Chapters 4 and 5 discuss the specific areas in which it is reasonable to expect that relatively widespread international agreement could be reached at the multilateral level, including trade facilitation, tariff-free, quota-free treatment of goods from least-developed Members, subsidies to fisheries, and some other aspects of special and differential treatment of developing Members. Chapters 6 and 7 address plurilateral agreements, with emphasis on government

²⁷ Drawing in part on Schwab, “After Doha.”

²⁸ Specialized agreements among willing Members but not the entire Membership, such as the WTO’s Government Procurement Agreement and Information Technology Agreement.

²⁹ “USTR Sees Proliferation of Bilateral, Regional Deals due to Doha Impasse,” *World Trade Online*, January 31, 2012 (quoting Ambassador Kirk).

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procurement, information technology, and services. Chapters 8 through 11 focus on the historical development, current state, and likely future expansion of RTAs. Chapter 12 addresses the importance of national, largely unilateral trade liberalization through tariff and non-tariff barrier reduction such as that which has recently taken place in the Four “Asian Tigers,” and a handful of Latin American nations (which I term the “Four Jaguars”). This process may become more widespread through pressures arising in the Asia Pacific Economic Cooperation Forum (APEC; Chapter 9) and perhaps even with some unilateral reduction of agricultural subsidies in United States and the EU (Chapter 12).³⁰

The short, final Chapter 13 speculates on the success of the various negotiations that are now moving forward or are likely to be begun in 2013, and when closure – if at all – might be achieved. When trying to assess the future, I focus on the short and medium term, primarily the coming three to five years. Predictions of any kind are fraught with peril; longer term predictions will make even the wisest crystal ball gazer (and I am not one of those) appear overly optimistic (or pessimistic) about the future of world trade.

Several obvious caveats for a project of this type should be kept in mind. First, it is difficult to know whether the EU and the United States will continue to provide a high level of political leadership as they have in the past or whether others such as the BRICS (Brazil, Russia, India, China, and South Africa) will step in to take their places, or whether no Member will be willing to do so in the future, as is the discouraging situation at the end of 2012. Second, and perhaps more important, it is only in the past several years that most WTO Members have fully accepted the demise of the Doha Round. Many of the alternatives discussed herein are still at early stages of development, allowing only for speculation on their likely success or failure and the timing of the same.

Finally, it is impossible to assess the impact of unexpected events, ranging from a nuclear bomb or other catastrophic attack in a developed

³⁰ See “Agricultural Committees Devising Proposal to cut \$23 Billion in Spending,” *World Trade Online*, October 17, 2011, accessed July 25, 2012, (discussing plans because of budgetary pressures to reduce agricultural subsidies).

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country by a terrorist group (or North Korea) to a major war in the Middle East, to the economic and social dislocation resulting from much more rapid climate change than experts currently anticipate, to a drastic decline in Chinese economic growth or an accelerated economic decline of Europe and/or the United States. For example, three years ago, who would have suggested that the demise of the Eurozone as we know it was a reasonable possibility?

Most of the approaches to continuing trade liberalization post-Doha discussed in this book are not original to me. Instead, I have consulted the writings of various experts on the subjects covered, as well the major trade periodicals, as is evident from the footnotes and the bibliography. My hope is that I add coherence and analysis to these various proposals, and collect them in a single volume in a useful manner for further review and debate.

In those chapters discussing the history of the GATT/WTO system, the reasons for the failure of the Doha Round, and the nature of regional trade agreements, I try to strike a balance between over-discussing issues that have been exhaustively detailed in the literature elsewhere and providing the non-expert reader with sufficient information to permit understanding of the later chapters. I have tried to be reasonably comprehensive, but have made no effort to devote equal space to the various proposals for new or expanded trade agreements, whether multilateral, plurilateral, or regional. Instead, those agreements under negotiation or in pre-negotiation stage that have major economic importance such as the ITA, the ISA, and the TPP have been analyzed in greater detail than others that are much less likely to move forward in the foreseeable future, such as the China-Japan-Korea Free Trade Agreement or the Regional Comprehensive Economic Partnership (formerly “ASEAN Plus 6”). Hopefully, this balance is reasonable under the circumstances.

As others have pointed out, “the WTO is an integral part of the world trading system, but it is only one part.”³¹ There is insufficient political

³¹ Dadush, “The Future,” 1.

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will to conclude the Doha Round. It remains to be seen whether among even the more willing trading nations there exists the necessary political foresight to assure that the process of expanding world trade through the reduction of trade and non-trade barriers will continue well into the twenty-first century utilizing alternative routes. If such will exists, multiple avenues other than a major WTO negotiating round exist to achieve much trade liberalization. Exploration of those avenues is the purpose of this book.