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Abstract

The Doha Round of multilateral trade negotiations was suspended for almost six months in 2006. The purpose of this paper is to ask what scholars can learn about the political economy of reciprocal trade liberalisation from this suspension. Specifically, four potential explanations for this suspension are examined and, in turn, these suggest a number of questions that researchers and interested analysts may wish to pursue in the future.

Keywords

Trade policy, WTO, Doha Round, multilateral trade reform, reciprocal trade reform.

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I. WHAT CAN RESEARCHERS LEARN FROM THE SUSPENSION OF THE DOHA ROUND NEGOTIATIONS IN 2006?

By Simon J. Evenett

Introduction

Multilateral trade rounds have afforded scholars opportunities to learn more about the politics and economics of reciprocal trade liberalization. The Uruguay Round, for example, is of particular interest as it saw a broadening of corporate support within industrialized countries for multilateral trade reform (with the inclusion of binding disciplines on services and intellectual property rights drawing in support of financial, telecommunications and pharmaceutical companies for this Round) as well as agreement by developing countries to take on greater multilateral disciplines as part of the Single Undertaking. Understanding how and why both of these outcomes occurred has provided plenty of grist for the academic mill. Looking over the events of recent years, a similar question arises as to what can be learnt about the political economy of reciprocal trade reform from the Doha Round of multilateral trade negotiations.

This chapter focuses specifically on the events leading up to, and the aftermath of the formal suspension of the Doha Round in July 2006. As is well known, once it became clear in late July 2006 that trade ministers from Australia, Brazil, the European Union, India, Japan and the United States were unable to agree on a framework for agricultural trade reforms in the context of the Doha Round, WTO Director-General Mr. Pascal Lamy suspended negotiations and all associated work on the Doha Round.

A number of rationales were advanced for the suspension. For some it was hoped that a pause or “breathing space” might allow negotiators time to reassess their positions. For others, the suspension raised the prospect of outright failure that, it was thought, might jolt the most senior national policy makers (not necessarily trade ministers, who were probably well aware of the seriousness of the negotiating impasse, but their bosses – prime ministers and presidents) into action. Peering over the cliff might provide a rude shock to those complacent about the likelihood and consequences of outright failure, or so the argument went. Advocates of the latter position were soon to be disappointed and, by the fourth quarter of 2006, there was considerable unease among trade negotiators in Geneva. “Not talking is getting us nowhere”, was how one ambassador to WTO put it. Informal consultations restarted and the suspension was formally declared at an end in December 2006.

More generally, the fortunes of the Doha Round have oscillated since its formal launch in November 2001. (Arguably, this leaves aside the pre-launch dramas at Seattle in 1999.) The desire by nations to demonstrate an enhanced commitment to cross-border cooperation in the aftermath of the 11 September 2001 attacks on the United States is widely credited with providing the necessary impetus behind the launch of the Doha Round. Unfortunately, the goodwill did not last long and was certainly perceptibly elusive at the next Ministerial Conference, held at Cancun, Mexico, in September 2003. That conference, like many of its predecessors, collapsed without agreement. A course correction, in the form of the so-called July 2004 package, was subsequently agreed, which provided some structure and a plan for completing the Round. Since then, each major deadline has been missed, and

attempts to finalize sufficient specifics for a deal on any of the major negotiating items (agriculture, industrial goods and services) has proved impossible.

One factor that has injected a sense of urgency into the negotiations is the imminent expiration of the United States President's Trade Promotion Authority, which enables the President to submit to Congress trade agreements that, by and large, must be voted up or down without amendment. It is thought by many knowledgeable observers that it would be impossible for the United States to seek congressional ratification of any multilateral trade agreement without this procedure (the fear being that individual elected representatives would seek amendments to the enacting legislation that might effectively call for the renegotiation of the agreement with trading partners.) Given that the current Trade Promotion Authority expires on 30 June 2007,¹ and the impending United States presidential election in 2008, many trade negotiators and officials appear to be currently operating on the assumption that any Doha Round agreement reached by mid-2007 could form the basis of a United States Government request to Congress to extend Trade Promotion Authority for six months. This would allow a formal ratification vote on the Doha Round agreement to take place well before the 2008 election cycle intensifies. (It is taken as a given that trade reforms are not a vote winner in the United States, a presumption reinforced in the mid-term congressional elections of 2006.)

Failure to complete the Doha Round by mid-2007 will have a number of consequences. First, given the United States' presidential election cycle and the time taken to assemble a new American administration, the Doha Round could not be completed before mid-2009 at the earliest. A completion date of 2010 or 2011 is more realistic, especially since Congress will probably have to approve an extension of Trade Promotion Authority for the new president. (The conditions that Congress may attach to such an extension could also complicate any completion of the Doha Round.) Second, it is unclear how this two-to-four year delay will be used. Will the absence of any deadlines reduce the pressure on negotiators to come to an agreement, or can negotiating scenarios and options be fruitfully explored in a less heightened atmosphere? Perhaps more importantly, will the priorities of WTO members change much in the next two to three years? If so, how? If not, will the impasse continue or will flexibility emerge? Indeed, one might ask what the tangible difference is between several years of drifting and declaring outright failure, especially as many senior political leaders will probably equate one with the other. Fortunately, the lot of a researcher is not to confront these difficult policy-making questions; even so, it is worth bearing them in mind as one considers what lessons can be learned from the suspension of the Doha Round. As is often the case, tomorrow's decisions and turn of events are often influenced by today's circumstances.

A few other preliminary comments are in order before proceeding further. First, it will be necessary to draw on the events from the launch of the Doha Round in November 2001 until the end of the suspension of the Round in December 2006. Second, specific focus will be on the factors leading to the suspension of the Doha Round in July 2006. In this regard, four non-mutually exclusive hypotheses are stated and examined. Third, it must be noted that opinions have inevitably differed sharply as to whom or what was responsible for the

¹ During 2006, the approaching expiration of Trade Promotion Authority was a reason given by many senior trade negotiators for making progress before the Hong Kong Ministerial Conference in December of 2005. As 2006 progressed, the expected date of a "breakthrough" slipped further and further back. When no such breakthrough transpired at the Hong Kong Ministerial Conference, negotiators then began hoping for a deal before the end of March 2007. When that proved impossible, negotiators began discussing the need for a short extension of Trade Promotion Authority in 2007 in order to ratify an agreement they expect to complete in mid-2007.

negotiating impasse in July 2006, just as there was considerable acrimony after the collapse of the Cancun Ministerial Conference in 2003.

Fourth, the four hypotheses advanced here have been presented by the author at conferences and workshops in East Asia, North America, and Europe and, for what it is worth, a number of participants (many of whom are much closer than the author to the trade negotiations) have argued that they contain several kernels of truth. Therefore, it is hoped that by probing a little deeper into each of these four hypotheses in this chapter, some of the assumptions made by scholars in thinking through the politics and economics of reciprocal trade liberalization will be called into question and that in rethinking them, our understanding of the associated matters might improve.

Section A of this chapter describes five of the distinctive features of the Doha Round, whose relevance will become clearer as the argument progresses. The four hypotheses concerning the suspension of the Doha Round are described in section B together with some of the implications raised by them. Section C probes some of the research questions raised by the four hypotheses and section D offers some concluding remarks.

A. Five distinctive features of the Doha Round

Although the introduction to this chapter contains some remarks on the sequence of negotiations in the Doha Round, this multilateral trade round has a number of other distinctive features that are likely to be of some relevance to discussions on the political economy of reciprocal trade reform. Having said that, it should be noted that the length of the Doha Round, the propensity to miss deadlines, and failed ministerial meetings are not unique to this multilateral trade round. It is other aspects of the Doha Round that are discussed below.

First, the prominence given to development matters in this multilateral trade round is distinctive. Previous rounds have sought “only” to liberalize trade barriers, enhance transparency and the like – all of which may, in fact, facilitate development. However, never before have development considerations been so centrally placed in a multilateral trade round. It may well be that the rationale for this move was to secure support from developing countries for launching the Doha Round in 2001. Whatever the rationale, the form of the development mandate, as it is so often described, has never been precisely defined. Does it refer to a set of principles, means or ends? Certainly, diplomats and others can point to documents that refer to development-related aspects of the Doha Round, but it is not clear whether these documents really summarize a consensus view as to what constitutes the development mandate. Arguably not. Indeed, one might argue that the development mandate has deliberately been kept sufficiently ambiguous to allow its beneficiaries (developing countries) to redefine it at will as well as to suit whatever matter is at hand. One important consequence of the adoption of this mandate is that it has called into question exactly whose interests are served, and how, by the Doha Round negotiations. One traditional direct beneficiary, export interests, may now wonder what their stake has become in a development-oriented WTO. (Indeed, some leading lobbyists have noted a reluctance of senior corporate executives to attend recent WTO Ministerial Conferences, apparently because of confusion created by the development label of the Round.)

On the other hand, more developing country governments, non-governmental organizations, and other institutions may feel they have a greater stake in a round with a development mandate, which could be healthy for the long-term reputation and functioning of WTO. In short, the articulated goals of the Doha Round are likely to influence those who have

a stake in the negotiations as well as the intensity with which they pursue their interests, factors that any political economy analysis of reciprocal trade liberalization should take into account.

The second distinctive feature has been the demise of what might be termed the bipolar WTO and its replacement by a multipolar alternative. A recent paper (Evenett, 2007) describes the factors that led to the end of United States and European domination of the multilateral trading system and the determination of Brazil, China and India (admittedly, in different ways) to influence the evolution of WTO. The associated transition is by no means complete; even so, some elements of the new WTO landscape can be clearly discerned. The United States and the European Union may no longer be able to present proposals *fait accompli* to the rest of the WTO membership, but they are still large enough to veto proposals. The implications of a multipolar WTO for agenda setting, coalition formation, securing agreement and enforcement of accords have yet to be fully considered, and may come to occupy the time of many researchers in the years to come.

The third development in the Doha Round was the repudiation by many WTO members, principally the developing countries, of proposals for new multilateral rules or disciplines in a number of regulatory areas. Even though negotiations on further rules concerning trade facilitation were to begin later, it is worth bearing in mind that the African bloc of developing countries objected to launching negotiations on all four of the so-called Singapore Issues. (The four matters being the relationship between trade and competition law and policy, investment policy disciplines, transparency in public procurement practices, and trade facilitation.)

A number of interesting questions were raised by this third development. However, in order not to drift too far from the theme of this chapter, the focus here is on only a few of them. Much turns on how to interpret this rejection to negotiate on Singapore Issues. Was it a step taken to trim the negotiating agenda of items thought likely to divert developing country energies from pursuing their true interests? Or, did the rejection reflect careful consideration of each of the four Singapore Issues and the conclusion that none was appropriate for multilateral disciplines? From the perspective of the political economy support for trade reform, questions arose as to which interests might be served by multilateral initiatives in these areas and whether they could effectively organize themselves nationally and internationally. Although consumers, for example, may well benefit from certain multilateral disciplines on competition law, will they bear the costs of collective action? If they do not, who, if anyone, will do so? Moreover, is the political economy of implementing a rule or law – which can be a discrete, irreversible act – the same as liberalizing a trade barrier, which can take many values and be reduced in stages? The final point to be made in connection with the Singapore Issues is that, having swept three of them off the negotiating table in 2004, they cannot be held responsible for the impasse that followed.² Instead, the impasse arose over what might be called the traditional liberalization function of WTO, particularly in this case as it refers to agricultural trade reform.

² There are two quite different caveats here. For completeness sake, they are stated by the author without endorsement. The first is that one could argue that by serving as a distraction for almost eight years, the Singapore Issues used up time and energy that could been used productively elsewhere. The second is that, without the Singapore Issues, the European Union would have little to show for any concessions that it might make on agricultural trade reforms and other matters.

The sustained focus by many WTO members, both developing and industrialized, on agricultural trade reform (in all of its forms³) is the fourth distinctive feature of the Doha Round. Certainly, an Agreement on Agriculture was negotiated during the Uruguay Round, but this was regarded as a prelude to something more – the more being the next multilateral trade negotiation, the Doha Round. There are, without doubt, some (but not very many) WTO members for whom existing trade-distorting agricultural policies significantly harm their economies or their export interests, a fact that may account for the attention given by those WTO members to this matter. However, it must also be said that a balanced assessment must point out two countervailing factors.

The first factor is that some WTO members' consumers (particularly those in North Africa and the Middle East, it seems) benefit from the agricultural subsidies that depress the world prices of certain foodstuffs. Many studies have found that eliminating agricultural export subsidies would have a small net effect on the world economy, which in turn raises the question of whether any measures to reduce agricultural export subsidies ought to be coupled with transfers to those harmed by this initiative.

The second factor is that the overall benefits of agricultural trade reform are typically found to be a fraction of those associated with liberalization of national service sectors. A better understanding of the factors responsible for the prominence given to agriculture, and the reluctance of many WTO members to seriously discuss service sector liberalization, would shed light on one important aspect of the trajectory followed during the Doha Round. If it is the case that the reluctance to liberalize service sectors, in the context of WTO, is the result of (a) prior adverse experiences with unilateral service sector reform, or (b) such reforms being a condition of IMF or World Bank “rescue” packages, then we might learn something about the spillovers from development policy-making to WTO.

More generally, whether it be with regard to the Singapore Issues, agricultural trade reform or the service sector negotiations, more light could be shed on the influencing factors and the processes used by countries in determining national negotiating priorities.

The legacy of the Uruguay Round, both good and bad, provides the final distinctive feature of the Doha Round. On (what at first appears to be) the positive side, the Marrakech Agreement clarified and distinguished between the different functions of WTO. These functions include, among others, negotiation and dispute settlement. These two functions can, in principle, operate independently of one another.⁴ This separation of functions does not appear to be lost on those WTO members who are not keen on further multilateral trade reform (at least on the terms offered by their trading partners.) To some, this may have raised the possibility that a failed Doha Round negotiation need not necessarily imply the end of WTO. Based on this logic, the prevailing WTO agreements and the Dispute Settlement Understanding would remain in place even if the Doha Round negotiations fail to reach a successful conclusion. As argued in section B, this factor may have influenced the calculations by key actors as to the cost of suspension and failure of the Doha Round.

The negative legacy of the Uruguay Round is the enduring perception among many developing country delegations that at Marrakech they agreed to a one-sided deal. Fears have been expressed that the cost of implementing certain Uruguay Round agreements cut too

³ Market access, export subsidies and domestic support payments.

⁴ Whether this is desirable, however, is another matter.

much into any gains for developing countries.⁵ Moreover, some of the high-profile benefits of the Uruguay Round for developing countries, such as the liberalization of trade in textiles and clothing, were backloaded and did not occur until almost 10 years after WTO came into being. An imbalance between the timing of costs and benefits, then, is said to have occurred. The perceived inequity of the Uruguay Round is very much an empirical question, and 13 years after the signing of the Marrakech Agreement one would have thought plenty of data would be available for conducting serious ex post assessments of the Uruguay Round.

Whatever the merits of received wisdom, the perceived inequity appears to have coloured the negotiating strategies of many developing countries, particularly the least developing countries (LDCs) and the lower-income developing countries. For example, it is not surprising that some developing countries opposed the Singapore Issues because of fears over their implementation costs, especially as certain international organizations — including the World Bank, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) — were fostering these fears at the time.) More generally, some Geneva-based trade observers have argued that 90-100 WTO members, principally poorer developing countries, would be delighted to see the Doha Round fail. Accounting for this level of disenchantment with the multilateral trade reform ought to be a priority for research over the years to come, especially for an institution such as WTO, where each member has, in principle, a veto.

The purpose of this section has been to identify five distinctive features of the Doha Round of multilateral trade negotiations and some of the research questions that they raise. Raising them should not be viewed as a suggestion that no one else has thought about these matters; rather, the objective has been to identify areas where additional research would possibly be especially helpful. These five factors provide much of the context for the following account of the four potential hypotheses accounting for the suspension of the Doha Round in 2006.

B. Four working hypotheses on the suspension of the Doha Round

To fix ideas as to what research questions arise from the suspension of the Doha Round of multilateral trade negotiations, it may be useful to posit four working hypotheses. This will make it possible to take into account several different aspects of the political economy and the mechanics of multilateral trade reform, and, hopefully, will help the reader assess the pros and cons of each hypothesis. It should also be noted that these four hypotheses are not necessarily mutually exclusive and that a combination of them, plus other factors, may well best account for the suspension of the Doha Round in July 2006. The four working hypotheses, which are subsequently discussed, are:

- (a) Perceived low costs of suspension – even of outright failure – of the Doha Round;
- (b) Domestic political constraints in certain leading WTO members lead to incompatible levels of ambition in liberalizing agricultural trade;
- (c) The organization and procedures used during the negotiations among the WTO membership were flawed;
- (d) Negotiating miscalculations were responsible for the impasse.

⁵ This view is stated without the endorsement of the author who, like many other experts, remains sceptical of the evidence presented in support of this argument.

Four somewhat related factors underlie the first hypothesis. The fact that there has been so much unilateral liberalization of trade barriers by developing countries and, to a lesser extent, of agricultural policies by certain industrialized countries (in particular, the European Union), plus the fact that more such liberalization is either planned or likely to occur, may well have led to the impression that national commercial interests will be well served in the years to come, even without a Doha Round deal. The wave of regional trade agreements signed in recent years also reinforces the impression that there is a trade liberalization alternative to WTO. Perhaps unsurprisingly, then, according to the WTO statistics on national exports, every major player (with the exception of Japan and the United States) or group of players (such as LDCs) in the Doha Round has seen its exports grow by approximately 10 per cent or more per annum since 2000.

The final factor in support of the first hypothesis, which was mentioned in the previous section, is that WTO members appear to have differentiated between the liberalization function of WTO and the existing WTO agreements, and the Dispute Settlement Understanding, which, in principle, exists to encourage compliance with the latter. Taken together, these factors suggest that the prospects for export growth will continue to be good and that the threat to existing privileges of a Doha Round suspension or even failure is limited. Moreover, to the extent that concluding the Doha Round on relatively unambitious terms means export growth would accelerate by a mere 1 or 2 percentage points per annum, given the high levels of existing export growth one can imagine a jaded and mercantilistic trade minister asking whether the incremental payoff from concluding the Doha Round would be large enough. (Of course, the retort should be that the minister needs to negotiate a more ambitious deal.)

Whether the costs of outright failure of the Doha Round are as low as suspension is another matter.⁶ Much presumably turns on the metrics employed and the timeframe. From a longer-term systemic perspective, it is difficult to see how an acknowledged failure to complete the Doha Round would be a plus for the reputation of WTO.⁷ However, much depends on the alternative. If it is a never-ending acrimonious negotiation that saps the will of all concerned, thus perpetuating and adding to a negative impression of the world trading system, then calls to halt the Doha Round negotiations might not look so unappealing. In these circumstances, damage limitation may become the primary consideration rather than potential for liberalizing progress. The prospect of continuing buoyant export growth may also cushion the downside of any decision to abandon the Doha Round negotiations.

The second hypothesis relates, superficially at least, to the subject over which the impasse was reached in July 2006, namely, agriculture. No overlap was found in the acceptable levels of ambition for liberalizing the various policies that support and protect farmers. The European Union trade negotiators clung tenaciously to the 10-year programme of reforms that its member States agreed to in 2003 and refused to cut, among other policies, its agricultural tariffs at a faster pace. Demands that the United States cut its financial support to farmers were rebuffed unless greater market access improvements in agriculture were offered by the trading partners of the United States. In fact, the United States proposed a very

⁶ Indeed, whether the costs of suspension have been accurately assessed is another matter which is considered further in section C of this chapter.

⁷ However, the argument exists that by acknowledging failure, the decks can be cleared, so to speak, and any future multilateral negotiation may be less encumbered with the baggage of the Doha Round. Whether every WTO member will see the matter that way, should these events come to pass, is probably doubtful. Will every WTO member resist the temptation to claim that they have unaddressed grievances from the Doha Round and that certain "promises" made to them were broken etc?

ambitious liberalization package for agriculture precisely to balance what it perceived as its losses on domestic support with gains on foreign market access.⁸ India and China both argued that they had little or no room to cut farm tariffs, lest they jeopardize the wellbeing of their rural populations, which are numbered in the hundreds of millions. The preconditions for a standoff were in place, with the United States eventually being isolated as the party making the least mainstream demands.

The mismatch in ambition begs the following question: why was domestic opposition to further agricultural concessions hard to overcome? Was it because political leaders saw few competing domestic interests clamouring for trade reforms to economies abroad and, therefore, in political terms saw little to offset the “pain” of agricultural trade reform? This, of course, pushes the question back further. What accounts for the limited support for further foreign market opening? Here the answer could be a combination of factors, including some of those mentioned above (such as already buoyant levels of export growth as well as plenty of ongoing unilateral and regional trade reforms.) Other contributing factors might be that:

- (a) The quality of offers to liberalize national service sectors was generally poor;
- (b) The terms upon which trade in goods was to be liberalized remained unclear, especially as it related to the exemption to be allowed; and
- (c) Corporate interests may well have factored in any planned liberalization by trading partners and may not see any Doha Round reforms going beyond the planned liberalization.

With regard to factor (c), there appears to be a marked reluctance by trading partners to “pay” for agricultural reforms that jurisdictions, such as the European Union, are undertaking. These trading partners may have decided to wait for better commercial opportunities in agriculture to unfold as reforms abroad are implemented. This discussion will return later to the complications created by unilateral liberalization when negotiating reciprocal cuts in bound tariffs and other policy instruments. Implicit in the argument above, of course, is that actual, and not bound, market access improvements are what appear to galvanize export interests.

The third hypothesis refers to the terms upon which the recent negotiations were conducted among the WTO membership. As is well known, the conundrum faced is as follows. Each WTO member has, in principle, a veto over the outcome of any negotiation – but with 150 members and at least three substantive areas of negotiation to consider (goods, agricultural and service sector matters) it is impossible for everyone to negotiate all three matters together. Inevitably, some classification or segmentation of WTO membership into groups (even groups of one) occurs. Moreover, some WTO members may take the lead in negotiating the parameters of an agreement that could then be presented to the other members. This raises concerns about inclusivism and suspicions that subsets of the WTO membership will make deals among each other at the expense of other members. Given the negative view that some have of the Uruguay Round agreement, these concerns are not to be underestimated.

In the run-up to the July 2006 suspension, the following formulation was adopted to advance the negotiations: six significant WTO members (Australia, Brazil, the European Union, India, Japan and the United States), each represented by their trade ministers or

⁸ The United States sought to balance its losses in agriculture within the same sector – and not across sectors. It may be recalled that it is precisely the willingness of nations to make intersectoral trade-offs which many argue is one of the advantages of reciprocal trade liberalization. The fact that the United States’ agricultural interests consistently insisted on intrasectoral benefits for any losses is somewhat revealing.

equivalent, attempted to negotiate the parameters of the overall package of agricultural, non-agricultural and service sector reforms. Typically, each of the three main topics for negotiation were taken in turn, but it was understood that “nothing was decided until everything was decided” (a consequence of adhering to the Single Undertaking). WTO Director-General Mr. Lamy floated the so-called 20-20-20 proposal in the first half of 2006 as a possible set of parameters around which a final Doha Round agreement might coalesce. This involved a cap of US\$ 20 billion on direct agricultural subsidies by the United States, acceptance of the G20 proposal for cutting agricultural tariffs (which envisaged approximately a 54 per cent cut in tariffs on imported agricultural products), and a maximum ad valorem tariff of 20 per cent on imports of goods by developing countries.

As we now know, this scheme for organizing the negotiations did not bear fruit and, of course, the question is why? Perhaps even with only six parties, as opposed to the two parties that essentially negotiated the central elements of the Uruguay Round, it was feared that each concession was likely to be “pocketed” and, therefore, not reciprocated by the other five members of this inner group. There may also have been idiosyncratic factors that slowed this process down, such as the appointment of a new United States Trade Representative in early 2006. (Realistically, new United States Trade Representatives cannot be seen at home to be making concessions during their first meeting with foreign counterparts.) Even so, once it became clear that not enough movement was forthcoming, negotiating positions hardened.

The extent to which the negotiating procedure was really at fault can be questioned, especially if one believes the second hypothesis outlined above and that, on agricultural matters, some leading WTO members had little room to make further concessions. Even so, questions still arise as to whether the 20-20-20 package was the right formulation, whether that process and package took sufficient account of the concerns of other WTO members (especially the poorer and smaller developing countries), and whether more progress could have been made at the level of ambassadors in Geneva before the matters were taken up by trade ministers? It is not being suggested here that there are straightforward answers to these questions; the intention is merely to highlight the fact that there were alternatives to what some have dubbed the “Masters of the Universe” model of multilateral trade negotiations.

The fourth hypothesis points to the role of negotiating miscalculations, if not necessarily as a reason for the ultimate impasse but at least as an explanation as to why precious time was lost. Throughout the Doha Round, much has been made of the need to keep pressure on the United States and the European Union to make more concessions, in particular on agricultural policies, as if it were just a matter of persistence before the supporters of those policies in the West would throw in the towel. This is not a matter of whether the European Union or the United States should make more concessions (in fact, they should). It is whether influential domestic interests in these jurisdictions will let their trade negotiators move and whether enough pressure could sway the influence of those interests. Presumably, senior trade negotiators have to judge how far their foreign counterparts can feasibly go, given domestic political constraints, and what, if anything, foreign offers of market access and the like can do to bolster opponents to import-competing sectors in trading partners. Elsewhere (Evenett, 2006), the author argued, on the basis of specialized press reports at the time, that in 2005 some of the European Union's trading partners underestimated the strength of the opposition among European Union member States to further agricultural concessions. That opposition was led by France and included a majority of the then 25 European Union member States.

Likewise, the level of support in the United States Congress for the current set of United States farm subsidies is very high, reflecting their popularity among United States

farmers and ranchers. This is despite a concerted effort by the United States Administration to persuade the country's farmers and elected officials that the current farm subsidies are financially unsustainable and likely to be challenged as WTO-illegal. In the light of these considerations, one has to wonder if the European Union and United States trading partners applied the right level and right form of pressure. Perhaps less emphasis on moral suasion and more on signals to move further on goods and service sector reforms might have galvanized wider export interests in these industrialized countries. One way or the other, individually and collectively, the negotiating offers did not trigger enough support to overcome entrenched supporters of the status quo.

Another factor that may have reduced the incentive to accurately assess each trading partner's so-called bottom lines for these negotiations is the view, voiced by a number of supporters of WTO, that somehow "everything will be all right on the night" and that enough WTO members care about "saving the system". These are two different views, the first appealing to luck perhaps, and the second to basic instincts to support multilateral rules. Both views, however, may well have accentuated the negotiating miscalculations associated with the fourth hypothesis, and overlooked the hard-nosed calculations associated with the first and second hypotheses described above.

The four hypotheses described in this section could, individually or combined, partly account for the suspension of the Doha Round of multilateral trade negotiations. The objective of section C is to describe a number of research questions raised by these four hypotheses and the suspension itself.

C. Research questions arising from suspension of the Doha Round in 2006

One approach to assessing the suspension of the Doha Round is to ask whether it raises any fundamental questions about our current understanding of the politics and economics of trade policy formation and reciprocal trade liberalization. Implicitly or explicitly, most economic analyses of trade policy formation have self-interested political leaders aggregate (in some fashion) the preferences of various organized and unorganized groups of society, typically with the former getting a larger weight than the latter.⁹ The willingness of those groups to lobby their governments depends on a number of factors, including the perceived gains or losses from various choices, the lobbying efforts of others and the costs of collective action. The beauty of this approach to studying trade policy formation is that it neatly identifies and clarifies some of the trade-offs facing self-interested politicians. What is interesting here is how applicable this conception of trade policy formation is when applied to the specific circumstances of reciprocal trade liberalization in the context of WTO. The fact that this conception may not be entirely accurate does not imply that it should be rejected out of hand, but rather that refinements and reformulations may be in order.

The first hypothesis described in the previous section essentially argues that the perceived cost of the Doha Round suspension is low. This raises questions as to how self-interested politicians assess the costs to their national interests of a suspension of the Round and whether that assessment is accurate. Have all of the relevant costs been identified, especially if there is the belief that the end of negotiations will be followed by more dispute settlement cases and by more trade remedy actions (such as antidumping, countervailing duties and safeguard measures)? By what process are these costs identified and assessed? To

⁹ An example of this approach is the much studied paper by G. Grossman and E. Helpman, 1994.

what extent are these costs discounted by the fact that they might not, in fact, happen? Here, both empirical and qualitative research might shed light on the restraining effect, if any, that ongoing multilateral trade talks have on international trade disputes as well as identify errors in decision-making that do not consider the absence of this restraint. Of course, the explanation for the perceived costs being seen as so low is that the political costs are likely to be faced by the successor to a current trade minister. Even so, it would be useful to test this simple hypothesis against more sophisticated alternatives, taking into account any international differences in the tenures of trade ministers or other relevant senior decision-makers.¹⁰

Perhaps far more under-appreciated is the possible impact that sustained unilateral and preferential trade liberalization might have had on the costs of suspension or failure of the multilateral trade negotiations. During the past 20 years, many developing countries (and some industrialized countries) have liberalized their trade regimes significantly, resulting in a growing gap between the measures bound in the relevant WTO agreements and the measures applied. It is argued here that this growing gap might have implications for the political economy of reciprocal trade liberalization at WTO and which require more thought and attention.

The bound level of a trade measure is, of course, the currency of WTO trade negotiations; this is because such bindings are thought to provide certainty concerning the nature of the (most adverse) treatment of a foreign product, service or supplier. Reductions in bound rates, therefore, are said to have value to foreign firms in so far as they reduce uncertainty about their potential treatment. When bound tariffs equal or just exceed applied tariff rates, a multilateral trade agreement to cut bound tariff rates is almost certain to also require cuts in applied tariff rates; the latter reduces the cost of supplying a given market, thereby creating commercial opportunities for foreign firms. It is precisely the quest for those commercial opportunities that encourages foreign trade partners to offer reciprocal concessions of their own. The question posed here is whether private parties do, in fact, view the benefits of cutting bound tariff rates in the manner described above.

First, the value of a bound tariff rate depends in large part on the probability that foreign private parties place on the liberalizing government reversing its reforms. Much, of course, depends on the political economy of the liberalization programme in the reforming country. If this probability is thought by foreign firms to be low, then the value of lowering a binding on tariffs that does not result in cuts in applied rates is likely to be low as well. This implies that, as time passes and the gap between bound and applied rates grows because of unilateral trade reforms, only larger and larger cuts in bound rates (necessary to cut the applied rates in foreign markets) will be enough to encourage exporters to actively support their government's negotiating position at WTO.

Following this argument, the degree of exporter support for multilateral trade reform is a function of the prior extent of unilateral trade reform abroad; where the latter has been extensive, a minimum level of bound tariff rate reduction may be necessary to garner any active corporate support at all. These are (hopefully intelligent) conjectures and it would be useful to understand better the factors that determine the value, if any, that firms attach to tariff bindings.

¹⁰ To the extent that average tenure of a minister is an endogenous variable, the slow-changing or never-changing institutional features that partially determine tenure may be more useful in identifying variables.

One reason why WTO members may be unwilling to “pay” for the unilateral reforms or each other's agricultural policies is the presumption that it is irreversible budgetary pressures that are driving reforms and, therefore, backsliding is very unlikely. Whether or not this argument is true depends very much on the context and countries being considered; yet, it does suggest that bindings may have less of a role in certain situations — in which case, the balance of concessions and even the content¹¹ of a multilateral deal will have to reflect this.

A third reason why bindings might be less important than is typically thought is because there are number of WTO-legal measures for effectively circumventing them (and thereby imposing higher tariffs on imports). Exporters know this, and thus discount promises to cut bindings accordingly. For example, anti-dumping measures can be applied on top of MFN tariffs. As far as the calculus facing the exporter is concerned, much would depend on the difference in the magnitude of the MFN tariff and the expected antidumping tariffs¹² and the likelihood of the latter being imposed. To the extent that the enforcement of unfair trade laws is expected to become more rigorous after a multilateral trade deal is concluded (for some this is the quid pro quo for most favoured nation [MFN] tariff reduction in the first place), this will erode the net benefits to exporters with consequences for the overall level of support for the associated multilateral trade agreement. It would be useful to learn more about the potential dampening effect of the widespread use of trade remedy laws on corporate support for the reciprocal liberalization of trade in goods.

Examining the true value of cutting bindings, especially to exporters of manufactured goods, may go some way to understanding what many perceive to be a low level of business support for the current trade round. Other factors could also be relevant, including any confusion created by the adoption of the development mandate. Moreover, the greater propensity of service sector firms to engage in high-profile lobbying during the Doha Round is worth exploring; however, the explanation here may well be that opposition to reforming their service sectors is so intense in many WTO members that an additional lobbying effort was thought necessary.

Implicit in the second hypothesis is a statement about how national political systems aggregate across different corporate interests and the apparently substantial influence of defensive agricultural interests on national trade negotiating strategies. The explanation for this may be, as argued above, that many non-agricultural corporate interests see little benefit in the Doha Round's completion, at least on the terms being offered at present, and they do not lobby in the first place.

However, there are perhaps alternative explanations. For example, do agricultural interests have a far more effective lobby because they focus on a smaller number of policy matters before politicians, and so can concentrate their lobbying efforts? Alternatively, is there something about the nature of the policy instruments being negotiated in agriculture that generates more intense lobbying pressure? For example, does the expected gain in overseas market access, necessary to compensate a farmer for a certain reduction in domestic support payments, have to be so much larger precisely because the former is speculative and the latter loss is certain? Finally, the allocation of seats in certain legislatures on a geographical, rather than a population basis may well reinforce the strength of the agricultural lobby (and, in fact, is said to do so precisely because of this reason in the United States Senate.) These matters,

¹¹ That is, the desirability of including agricultural trade reforms at all.

¹² Given that average MFN tariff rates in many industrialized countries are a fifth or even a tenth of the height of the anti-dumping duties imposed, it therefore does not take a large increase in the probability of anti-dumping duties being imposed to overturn the benefit of any MFN tariff reduction.

and no doubt others, need further consideration if we are to understand better: the political economy of agricultural trade liberalization; the extent to which agricultural trade liberalization should be thought of in the same way as the liberalization of trade in goods; and, perhaps most importantly of all, and whether serious agricultural trade reform is possible within the context of multilateral trade agreements.¹³

The third hypothesis mentioned in the previous section, i.e., that the procedures and organization of the Doha Round negotiations were flawed, raises important questions about the nature of multilateral trade agreements and the mechanisms used to secure accords. At present, the challenge is to secure the agreement of all 150 WTO members, each of whom has a veto, on a Single Undertaking covering a diverse range of topics recognizing that, practically speaking, progress is likely to be made (at least, initially) among smaller groups of WTO members. The latter point implies the existence of a second stage to what might be termed the negotiating game, in which the whole WTO membership accepts, rejects or modifies any proposals negotiated in the first stage. Undoubtedly, those involved in the smaller group – or first stage – negotiations will take this second stage into account, a fact that may also have adverse implications.

Given that concessions are associated with political “pain”, once a concession is offered it signals a willingness to accept a higher level of pain to secure an agreement. Even if a concession is subsequently withdrawn, the willingness and ability to go further is not forgotten. Perhaps as a result of this, but more generally because of the multi-step nature of the negotiation, WTO members will be reluctant to move first, as any overtures that they make may be rejected. However, the information revealed by the overture remains. These preliminary lines of argument suggest that, if WTO is effectively stuck with using multi-step negotiations, then we need to better understand the incentives created by the multiple steps. Here, game theory approaches to bargaining and the findings of studies of similar decision-making challenges in organizations with large memberships might be of use.

Alternatives to the current negotiating modalities could be considered further, which opens both narrow- and wide-ranging possibilities. Among the latter, the pros and cons of the Single Undertaking comprise a venerable research topic that still requires further attention. On what basis could different groups of WTO members proceed at different speeds without creating further discrimination within the multilateral trade system? In addition, to what extent does the answer to that question depend on the trade regulations being considered? Perhaps, more narrowly, we might ask whether there was an alternative to the “top down” negotiation of the framework of an agreement in 2006, which could have been pursued? Given the desire of many WTO members to secure exceptions from any framework agreement, to what extent can the parameters of such an accord be agreed upon without knowing the specifics of which exemptions are to be allowed?¹⁴ Must uncertainty over the average level of cuts in tariffs (say) be resolved at the same time as the exceptions negotiated, or is a sequential approach possible? The pros and cons of the different alternatives to organizing negotiations and the incentives that they create for countries to liberalize their economies arguably need further thought. Certainly, this is an area where the professors need to catch up with the steps taken by the practitioners.

¹³ Perhaps the question could be put pointedly, thus: What is likely to lead to more agricultural reform – recurring domestic budgetary pressures or multilateral trade negotiations?

¹⁴ In this regard, it is telling that during 2007, trade negotiators in Geneva began a “bottom up” assessment of each negotiating topic in order to establish the possible implications of the exemptions being sought. Surely, however, the number and nature of the exemptions sought will depend on the overall depth of liberalization, which are precisely the parameters that the “top down” approach, pursued in 2006, sought to establish.

Implied in the fourth hypothesis is the following question: how do trade ministers and ambassadors learn about the real underlying determinants of their trading partners' negotiating positions and the changes in them? A related question, borne more out of the author's own suspicions than anything else, is whether there has been an over-reliance on face-to-face impressions gained between trade ministers, with insufficient attention being paid to the reports from officers or diplomats working in embassies and missions to foreign trading partners.

For example, it would be interesting to understand why so many WTO members felt the European Union was able to give more concessions on agriculture in 2005, when a French-led coalition of the majority of European Union member States was firmly in place and which was publicly and repeatedly resisting attempts by the European Commission to offer more to trading partners. Interestingly, sometime towards the end of 2005 or during 2006, this point appears to have been absorbed by Europe's trading partners; according to press reports, those trading partners had, by early 2007, apparently taken account of this coalition and had begun working with more reform-oriented European Union member States to persuade Germany to break with France on this matter (the ultimate goal being to isolate France and some other hold outs.) Whether this strategy was particularly well-timed in the run up to the French presidential election is another matter (a point that was unlikely to have been missed by the German Government), and may well account for little apparently coming of this particular initiative. The thinking, strategy and tactics employed, plus what they reveal about each major player's understanding of other nations' trade policy formation processes, are worthy of much more attention (although these matters may well appeal more to political scientists and international relations specialists than to economists).

This section describes a number of research questions and problems that have arisen from the suspension of the Doha Round negotiations in July 2006. The sole purpose has been to emphasize that, in the light of relatively recent events, these questions and problems merit further attention, and not to suggest that no one has ever worked on these matters. Indeed, by answering these questions, we might gain a fuller picture of the political, economic and diplomatic determinants of WTO-led reciprocal trade liberalization.

D. Conclusion

At present, the most optimistic predictions concerning the conclusion of the Doha Round point to the adoption of a modest package of trade reforms that will, to a large degree, consolidate prior trade reforms in a number of significant WTO members. It seems unlikely, then, that any Doha Round accord will be seen as a watershed agreement, as were the Uruguay Round accords. The question posed in this chapter concerns what we can learn from this latest attempt at multilateral trade liberalization and, in particular, in what ways will our understanding of the process of reciprocal trade liberalization need to be revised. The goal of this chapter is to sketch out what political, economic and diplomatic factors may need additional thought by researchers.

In summary, this chapter argues that the following matters needed further consideration by scholars and international trade experts. Perhaps the most important question from the perspective of policy relevance is why do policy makers apparently perceive the cost of a suspended and possibly failed Doha Round to be so low? Questions have been raised with regard to how much value corporate interests actually place on bindings of tariffs etc.,

especially in an era when unilateral trade reforms have reduced applied tariff rates well below bound rates in many WTO member States. What factors account for the weight given to agricultural interests in the current trade round especially when national service sectors and the apparent benefits of service sector reform seem so large? What incentives are created by different negotiating procedures and which, if any, procedures are less susceptible to deadlock? Finally, in what ways and how effectively do the national trade policy makers learn about the factors underlying the negotiating positions of their trading partners? In addition to enriching our understanding of the process of multilateral trade negotiation and reform the answers to these questions could, in principle, have implications for policy-making as well as for the design of institutions and initiatives supportive of reciprocal trade liberalization.

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