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Dark clouds over Doha

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Trade negotiators have been forced to admit they are unlikely to reach substantial agreement at a supposedly crucial meeting in Hong Kong next month. The quest for liberalisation seems to be stalling everywhere, thanks largely to quarrels over sensitive areas like agriculture. But the Doha round is not dead yet



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HARRY TRUMAN, an American president, wished for a one-handed economist, so that he wouldn't have to endure advisers saying "On the one hand...but on the other hand..." These days, however, there is at least one thing about which almost all dismal scientists agree: cutting barriers to trade is good for all countries involved.

Yet outside of the world's departments of economics, trade is one of the most bitter and contentious issues around. During the 1990s, when "globalisation" was still spoken of with affection, it seemed that the world was headed, slowly but inevitably, towards a liberal utopia where goods and services flowed seamlessly across borders. In the six years since world trade negotiations collapsed in Seattle, however, protectionism has staged a comeback. Though negotiators finally succeeded in launching an ambitious round of talks under the auspices of the World Trade Organisation (WTO) in Doha in 2001, the subsequent negotiations have been inching along at a glacial pace. Talks this week in Geneva, which were supposed to set the stage for the

crucial ministerial meeting in Hong Kong next month, ended without progress on Wednesday November 9th, as negotiators announced they had been unable to come to agreement over agriculture.

Time is running out for the Doha round. George Bush's hard-won "fast track" authority for trade talks, which forces Congress to vote on deals quickly and without amendment, will expire in mid-2007. By then, Mr Bush will be heading towards his final year in office, and Congress will be gearing up for the 2008 elections, making it extremely unlikely that he will be able to get fast track renewed—particularly considering the resurgence of protectionist sentiment, among both the public and politicians, since he took office. Without fast track, there is little hope of getting a deal on Doha done.

To its credit, the Bush administration has been pushing hard for trade liberalisation. Rob Portman, America's trade representative, attempted to revitalise Doha last month by making a bold proposal on agricultural subsidies, which have been the main sticking point so far. Under the American plan, the highest tariffs would be cut by 90%, and the most trade-distorting subsidies by 60%. Though this was less than developing countries had been calling for, it was a big concession from a country where a single agricultural lobby, the sugar growers, nearly mustered the political muscle to kill off the Central America Free Trade Agreement (CAFTA) a few months ago.

But the European Union, where the common agricultural policy (CAP) accounts for nearly half of the budget, has dragged its feet. After much pressure, the EU's trade commissioner, Peter Mandelson, made an offer to cut farm tariffs by an average of 39%. This offer not only fell well short of the American one but also contained loopholes big enough to drive a combine harvester through, including a provision to allow the EU to designate up to 8% of categories as "sensitive" products that would be granted special protection. A World Bank report released on Wednesday says that exempting even 2% of agricultural categories from reform in rich countries would destroy nearly all the benefits of liberalisation to developing countries.

And those benefits are large. The report estimates that abolishing all kinds of tariffs, subsidies and domestic-support systems would boost global wealth by nearly \$300 billion per year by 2015—with almost two-thirds of that increase coming from cutting farm supports.

Agricultural subsidies are the most politically sensitive form of support; farmers are well-organised, and voters everywhere romanticise their increasingly distant pastoral past. As a result, previous rounds of liberalisation have skirted round the issue. This has denied many poor countries the benefits of freer trade, as rich-world farm protections have locked them out of the main markets where they have a comparative advantage. At WTO talks in Cancún in 2003, a group of developing countries led by Brazil and India brought the proceedings to a screeching halt by insisting that they would not discuss freeing trade in goods and services until they saw substantial progress on agriculture.

The group, known as the G20, has a point. As well as keeping poor countries out of lucrative export markets, rich-world farm supports encourage overproduction, which undercuts poor farmers in their domestic markets. While this is very nice for vegetable-buying urban workers, it can be devastating to rural communities.

But some European politicians, it seems, would rather spend billions on aid than allow poor-world farmers to sell attractively priced food to Europe's consumers. Led by Jacques Chirac, the French president, they are blocking Mr Mandelson from sweetening his offer, claiming that he has already gone too far. Thanks largely to their efforts, the Geneva talks broke up with the glum recognition that it was unlikely that any substantial agreement could be reached in Hong Kong.

Mr Mandelson, whose hands seem to be tied, gamely tried to pin the blame for the setbacks on developing countries, saying they were unwilling to discuss opening their markets to goods and services in exchange for European concessions on agriculture. But in an interview with the *New York Times*, Celso Amorim, the Brazilian foreign minister, said that his country's attempts to discuss such a quid pro quo had met with the cold shoulder. "What we heard yesterday...led me to the conclusion that [the Europeans] are setting the bar very high on industrial goods because they don't even want to talk about agriculture."

Nothing is better than something

Yet there is still hope for Doha. Negotiators are talking about using Hong Kong to set up talks in the spring,

giving them time, just, to find enough common ground for a substantial agreement. This is disappointing, but not nearly as disappointing as it would have been if negotiators had simply scaled back the ambitions for the Doha round to the sorts of modest tinkering on which they could readily agree. Both the EU and the G20 have much to gain from a trade deal, which makes it possible that their brinkmanship will soften as the talks go down to the wire.

If Doha collapses, there will be bitter times ahead for free-traders the world over. Deeper regional trade integration has, like the WTO talks, fallen victim to voter backlash. While Congress passed CAFTA by the slimmest of margins, Mr Bush's other big regional push, the Free Trade Area of the Americas, ran aground at a summit last weekend in Argentina, thanks to opposition from Latin America's largest economies. And China's booming export industries—its trade surplus hit a record \$12 billion in October—have provoked harsh reactions in the EU and America. Both have slapped restrictive quotas on textile imports from China, and American politicians have been making loud noises about severe retaliation unless China lets its currency rise against the dollar (making its goods more expensive for American consumers). The quotas are temporary, but the sentiment behind them seems more enduring. Perhaps there is a reason why those economists are so often dismal.

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Beyond Doha;

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Abstract (Summary)

During a summer when the economic shadows darkened so dramatically, few paid attention to the collapse--yet again--of the Doha round of global trade talks. Champions of liberal trade, such as this newspaper, wrung their hands, but no one else cared much. The failure in Geneva, where the World Trade Organisation (WTO) is based, seemed something of a sideshow. In a global survey of business executives over half the respondents regarded the Doha round as minimally or not at all important, and only 10% thought it very important. One in ten saw protectionism as the biggest threat to the world economy, but far more were worried about recession, inflation and the financial crisis. At first sight that seems a reasonable judgment to make.

Full Text (2149 words)

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Freer trade is under threat--but not for the usual reasons

DURING a summer when the economic shadows darkened so dramatically, few paid attention to the collapse--yet again--of the Doha round of global trade talks. Champions of liberal trade, such as this newspaper, wrung their hands, but no one else cared much. The failure in Geneva, where the World Trade Organisation (WTO) is based, seemed something of a sideshow.

In a global survey of business executives, conducted for this special report by the Economist Intelligence Unit, a sister company to The Economist, over half the respondents regarded the Doha round as minimally or not at all important, and only 10% thought it very important. One in ten saw protectionism as the biggest threat to the world economy, but far more were worried about recession, inflation and the financial crisis.

At first sight that seems a reasonable judgment to make. With so many barriers already removed, the immediate economic stakes in the Doha round are modest: gains of some \$70 billion a year, according to one recent estimate, little more than 0.1% of global GDP. Add in the likely boost to productivity growth and the eventual impact will be higher, but it is still hard to argue that the Doha round, taken in isolation, could dramatically change the world's fortunes.

That is partly because the negotiations were about "bound" tariff rates--the maximum permitted by global trade rules. But most countries have already slashed their tariffs unilaterally to well below the bound rates--and it is actual trade barriers, not the highest permissible ones, that businesspeople worry most about (see chart 12). Tellingly, the scale of corporate lobbying around the Doha negotiations has been much lower than in previous global talks, such as the Uruguay Round.

Nor is it hard to see why many companies discount the risks of protectionism. Rich countries, particularly America, have grumbled a lot about trade with China, but nothing much has happened to obstruct the spread of commerce. Congress has threatened to punish China's currency policy with tariffs and to "get tough" with other supposedly unfair trade behaviour, but no laws have emerged. Globally, the use of anti-dumping duties, a popular protectionist tool, has fallen. With supply chains so integrated, it is tempting to conclude that multilateral negotiations are no longer necessary and new trade barriers have become implausible.

Tempting but wrong. In an increasingly integrated world, multilateralism matters more than ever. The inability to get a

Doha deal done is a worry not because of the modest amount of freer trade forgone but because of the symbolic importance of the talks and the reasons for the impasse. This trade round is the first international forum in which big emerging economies, such as India, Brazil and China, have played an influential role. Failure to reach agreement thus bodes ill for future multilateral co-operation of any sort.

If the talks continue to flounder, negotiating momentum will shift to (far less desirable) regional and bilateral trade deals, of which there are already some 400 in place or under negotiation. The WTO itself may be weakened. India signed a regional trade deal with the ASEAN group of Asian countries less than a month after the Doha talks fell. If countries lose faith in multilateral negotiations as a means to achieving better market access, they may turn to litigation to reach their trade goals.

Perhaps most worrying, the Doha impasse in part reflects the intellectual shifts that this special report has described. The July summit failed because of China's and India's insistence on maintaining the right to impose "safeguard" tariffs to protect their own farms in case of a sudden surge in food imports. India, which has over 200m farmers, has long been reluctant to expose them to international competition. China, which had kept a low profile throughout Doha's six years of tortured talks, swung behind India's position at the last minute, worried about food security in the wake of the commodity-price surge. Security-conscious

The centrepiece of the Doha trade round is freer trade in farm goods, a shift that will benefit poor countries disproportionately. But the round was launched in 2001, well before the commodities boom, so its main emphasis was on government policies that kept prices artificially low, such as production and export subsidies in rich countries. Today, the main concern is policies that push prices up: unilateral export bans, subsidies for consumers and the pursuit of biofuels. The fear is about security of supply. Food self-sufficiency has become a political rallying cry.

That instinct is plainly misguided. The food with the most volatile price over the past year is rice, precisely because it is the least traded. Freer trade in food is the best way to ensure stable access and prices. But an efficient global market needs strictures against unilateral barriers to exports as much as imports, and the WTO's current rules do little to control export restrictions. Nor are current trade rules much use for controlling the use of regulations to boost biofuels. Fixing that requires multilateral talks of a different sort.

The irrelevance of the global negotiating agenda to today's trade concerns goes beyond agriculture. In a provocative new paper, Aaditya Mattoo of the World Bank and Arvind Subramanian of the Peterson Institute argue that global talks should concentrate on fears over "security"--of food, energy, environment and income. They point out that there are strikingly few rules governing trade in oil, the world's single most important commodity. The WTO prohibits export quotas, but not the production quotas on which the OPEC oil cartel is based. More broadly, the WTO, at least in its present form, is ill-equipped to deal with other potential flashpoints, from "green tariffs" (barriers imposed against countries that do not take action on climate change) to complaints about undervalued currencies or investment protectionism, particularly the backlash against sovereign-wealth funds and other investors owned by the state.

The risk of a wholesale retreat into beggar-thy-neighbour tariffs may be remote, but a proliferation of new kinds of barriers is all too plausible. Take green tariffs. The most prominent climate-change bill in America's Congress makes reference to trade restrictions against countries that do not take equivalent actions to control carbon emissions. European leaders, too, have talked of trade sanctions to punish the laggards in the fight against global warming. As tools to promote global carbon reduction, such tariffs have a theoretical rationale. But in practice they would almost certainly set back the cause of global co-operation on climate change.

Although capital-starved Western banks are desperately seeking cash infusions from sovereign-wealth funds and other state-owned investors, the threat of investment protectionism is growing, with control of natural resources being a prime worry. Many commodity-rich countries are becoming increasingly jittery about China's thirst for direct control of natural resources. Faced with a surge in applications for foreign direct investment from China, most of them in the mining industry, Australia is now "closely examining" those that involve government-controlled entities and natural resources.

A new study for the Council on Foreign Relations by Matthew Slaughter of Dartmouth College and David Marchick of the Carlyle Group points out that in the past two years at least 11 big economies, which together made up 40% of all FDI inflows in 2006, have approved or are considering new laws that would restrict certain types of foreign investment or expand government oversight. A "protectionist drift", they conclude, is already under way. If state-based investors play an ever bigger role in global capital markets, that protectionist drift may become irresistible.

Many of the politicians' fears about foreign investors are surely misguided. Most sovereign-wealth funds are run by professional managers to maximise returns, and international codes to improve their transparency are in the process

of being drawn up. Countries already have plenty of rules to prevent foreign control of strategic assets. And provided that markets are competitive and well regulated, it does not make much difference who owns the firms concerned. A question of leadership

At a macroeconomic level, however, it is reasonable to fret about the growing clout of state-based investors, not least because most of this money will be held by a small group of (authoritarian) countries including China, Saudi Arabia and Russia. China is piling up foreign-exchange reserves so fast that if it were to put them into American shares instead of bonds, it would already be buying more than all other foreigners put together. As Brad Setser of the Council on Foreign Relations points out in a new report, concentrated ownership by authoritarian governments is a strategic as well as an economic concern, particularly for America.

Both the risks of this new protectionism and the odds of it being countered depend heavily on the relationship between America and the biggest emerging economies. As the Doha malaise has shown, active American leadership, although no longer sufficient, is still necessary for multilateral progress. Yet the politics of trade has become increasingly difficult in America, compromising the country's ability to take the lead. Support for more open markets is weaker than almost anywhere else in the world. According to this year's Pew Global Attitudes Survey, only 53% of Americans think trade is good for their country, down from 78% in 2002. Several other surveys in America suggest that supporters have become a minority. In other countries support is far higher. Some 87% of Chinese and 90% of Indians say trade is good for their country, along with 71% of Japanese, 77% of Britons, 82% of French and 89% of Spaniards.

America's popular disillusionment has been accompanied by a growing intellectual one. Several well-known American economists, including Paul Krugman, a professor at Princeton and prominent New York Times columnist, Alan Blinder of Princeton and Larry Summers, a Harvard economist and former treasury secretary, have begun to doubt whether increased globalisation is good for the American middle class. Rather than improving typical Americans' living standards, they suggest, global integration may be causing wage stagnation, widening inequality and greater insecurity.

Mr Blinder worries that offshoring--the outsourcing of services to countries such as India--will pose problems for tens of millions of Americans over the coming decades. Mr Krugman, who pioneered research in the 1990s that found trade played only a small part in explaining wage inequality, now believes that the effect is much bigger, because America trades more with poorer countries and more tasks can be traded. Mr Summers has similar concerns, arguing that the increasing mobility of global capital limits the government's ability to act as firms move away from America in search of low-tax regimes.

These economists all eschew protectionism as a solution, arguing instead for domestic changes, such as health-care and education reform as well as greater redistribution through the tax system. But they have helped change the terms of the political debate in America--a shift that has not been lost on policymakers in the emerging world, many of whom are irritated by America's double standards. One Indian official talks of an "intellectual climate change" and a "betrayal" by globalisation's erstwhile champions.

Middle-class Americans' living standards have stagnated over the past few years and income inequality has widened. Globalisation could be a culprit, because the integration of hundreds of millions of workers from emerging economies increases the global supply of labour and presents less skilled American workers with more competition. But academic analyses suggest that this effect is modest compared with other factors, such as the decline of trade unions and, particularly, technological innovation that has raised the demand for skilled workers.

Nor is there much evidence to support the revisionist view. In a recent Brookings paper Mr Krugman searched for statistics to show that trade now plays a bigger role in wage inequality but failed to find them. Several other new studies point in the opposite direction. A paper by Runjuan Liu of the University of Alberta and Dan Trefler of the University of Toronto shows that the effect on American workers of outsourcing service work to India and China has been tiny and, if anything, modestly positive.

In a recent book, "Blue-Collar Blues", Robert Lawrence of Harvard University shows that the chronology of America's widening income inequality makes it hard to blame trade with poorer countries. Low-skilled workers lost out in the 1980s, long before trade with China surged. Most of the latest rise in inequality is due to the soaring incomes of the very rich. A study by Christian Broda and John Romalis of the University of Chicago argues that trade with China has helped reduce inequality in living standards, because poorer folk benefit disproportionately from lower prices for manufactured goods (though higher commodity prices have recently been pushing in the opposite direction).

But whether or not the evidence justifies it, America's intellectual climate has shifted. Advocates of globalisation are

on the defensive, particularly in the Democratic party. That, alas, augurs badly for the new kind of multilateralism that the world economy urgently needs.

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Special Report: In the twilight of Doha - World trade; World trade

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Abstract (Summary)

After stumbling on for months, the Doha trade talks have collapsed. On July 24th, at the end of yet another futile gathering of trade ministers in Geneva, Pascal Lamy, the World Trade Organisation's director general, formally suspended the negotiations. He set no date for their resumption. The big question is what happens next? In principle, a compromise was there for the taking. Indeed, Mr Lamy has informally laid out its contours: more subsidy cuts than America has offered and more ambitious tariff cuts by the EU and big emerging economies. So why has nothing happened? One reason is genuine differences over whether the interests of poor people are best served by lower tariffs or more special protection. But the explanation lies chiefly in the failure of countries to face down their own powerful protectionist lobbies, particularly farmers. America's farm bill is to be reauthorised next year. With Doha in abeyance, farm-friendly lawmakers will do little to cut subsidies and Mr Bush will do little to force them. Another fat farm bill will make it even harder to restart the Doha talks.

Full Text (1802 words)

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The global trade talks have collapsed because the world's biggest economies prefer failure to compromise. What comes next?

AT LAST it is official. After stumbling on for months, the Doha trade talks have collapsed. On July 24th, at the end of yet another futile gathering of trade ministers in Geneva, Pascal Lamy, the World Trade Organisation's director general, formally suspended the negotiations. He set no date for their resumption. As Kamal Nath, India's trade minister put it, the Doha round "is definitely between intensive care and the crematorium."

Launched in the Qatari capital in 2001, soon after the terrorist attacks on New York and Washington, DC, the Doha round was to be an "ambitious" effort to make globalisation more inclusive and help the world's poor, particularly by slashing barriers and subsidies in farming, the rich-world's most molly-coddled industry.

For almost five years, negotiators haggled over just what such an "ambitious" effort should look like--and made scant progress. Technically there was nothing inevitable about this week's collapse. Yet, despite their grand rhetoric, the world's big economies have long appeared unwilling to make the political compromises that a Doha deal requires.

The big question is what happens next? Previous trade rounds have stumbled, only to rise again a few years later. In 1990 the Uruguay round (predecessor to the Doha talks) was suspended thanks to seemingly insoluble differences between Washington and Brussels over Europe's farm subsidies. Trade experts declared the trade talks dead and fretted about the future of the multilateral system. But three years later came the Uruguay Agreement--the most ambitious and comprehensive trade deal to date.

Judging whether Geneva 2006 is a replay of Brussels 1990 means answering two questions: why will today's negotiators not compromise? And what, if anything, could change their mind?

The fault lines in the Doha round are deep. America wants to slash tariffs, arguing (rightly) that the best way to help poor countries is through more open markets. Since America's tariffs are already low, that puts the onus on the European Union (EU) to cut farm tariffs and on big emerging economies to reduce barriers on farm goods and industrial products. Emerging economies, in contrast, want fewer farm subsidies and lower tariffs in rich countries, but

are loth to reduce their own barriers much. Countries such as India argue that in a pro-poor Doha round they need do little. The EU chides America both for demanding unrealistically large tariff cuts from others and for offering too little farm-subsidy reform of its own.

In principle, a compromise was there for the taking. Indeed, Mr Lamy has informally laid out its contours: more subsidy cuts than America has offered and more ambitious tariff cuts by the EU and big emerging economies. So why has nothing happened? One reason is genuine differences over whether the interests of poor people are best served by lower tariffs or more special protection. But the explanation lies chiefly in the failure of countries to face down their own powerful protectionist lobbies, particularly farmers.

Deal or no deal

Curiously, this political cowardice has pushed negotiators in opposite directions. Europe and the big emerging economies are inclined towards a timid deal. America wants a big Doha deal, where its farmers see real gains in their access to foreign markets, or no deal at all.

The tension between these approaches was the immediate cause of this week's collapse. Susan Schwab, America's trade representative, decided that the EU and the emerging economies were not offering enough liberalisation to justify big cuts in America's farm subsidies. "Doha lite" as Ms Schwab put it, was riddled with loopholes and not worth having. This is why America has received much of the blame for Doha's demise. But at home, Ms Schwab's hard line was hailed. Virtually everyone in Washington agrees that no Doha deal was better than a weak deal.

America may be exaggerating. By most calculations, the kind of compromise Mr Lamy envisaged would have brought real, albeit modest, reductions in rich countries' farm barriers and big emerging economies' industrial tariffs. What is more, rich countries promised to give the poorest duty- and quota-free access for most goods. Rich and poor were working on rules to streamline customs procedures so that it no longer takes 20 days to unload and clear a container in Eritrea compared with two hours in Liverpool. Trade in services might have been freed a bit. Because global trade talks work on the principle that nothing is agreed until everything is agreed, these gains are all at risk.

Nothing will change until the big economies, and Washington in particular, decide that a Doha deal is worth having. The lesson of the Uruguay round is that domestic calculations can change quickly. Carla Hills, then America's top trade negotiator, said she would rather see the Uruguay round fail than cave in to Europe's refusal to take on its farmers. Yet three years later, that round was concluded as all sides compromised.

Optimists argue that much the same will happen again. As Jeffrey Schott of the Institute for International Economics puts it, leaders need to "stew in their own juices" until they realise that a Doha deal is worth doing. Some argue a turnaround could come quickly. Jagdish Bhagwati, a prominent trade expert, still hopes that George Bush will realise within weeks that a Doha compromise is better than no deal at all. "He needs a multilateralist triumph," argues Mr Bhagwati.

Unfortunately, there are several reasons for pessimism. In 1990 the only obstacle to a deal was the deadlock between Brussels and Washington. Today, several other big economies, including Brazil, India and China, also need to be on board. India, in particular, shows remarkably little interest in doing a Doha deal.

The political landscape in America is less hospitable today, too. This week's collapse means the administration cannot get a Doha agreement through Congress before June next year, the date for the expiry of George Bush's trade-promotion authority--which prevents the deal from being destroyed by legislators' amendments. Although some in the White House want him to ask Congress for an extension, Mr Bush may be unwilling to take on a political fight he may not win. America's lawmakers are more sceptical of trade deals these days. Trade-promotion authority--and by extension a Doha deal--will probably have to wait until after the 2008 presidential election.

America's political calculus could yet change if the real costs of a Doha failure became clear. In the short term, however, that seems unlikely. Although, Doha's failure makes rich-country promises to help the poorest sound hollow, the rich could salvage some credibility. Peter Mandelson, Europe's top negotiator, has already suggested a separate development package for the poorest, which would include trade-related aid as well as promises on duty- and quota-free access to rich markets.

Moreover, America's farm bill is to be reauthorised next year. With Doha in abeyance, farm-friendly lawmakers will do little to cut subsidies and Mr Bush will do little to force them. Another fat farm bill will make it even harder to restart the Doha talks.

In the years ahead other things may revive Doha--although they might equally poison the trade system still further. Some analysts argue that this week's breakdown will bring a mass of trade disputes, particularly over rich countries' farm subsidies. The WTO has already declared many of America's cotton subsidies to be illegal. Future cases might attack subsidies for rice and soyabeans. The disputes could convince politicians that farm trade really needs reform. Then again, it might make America's Congress even more sceptical of multilateral trade.

A bleaker economic climate could also change the political equation. In the early 1990s a recession focused minds on the importance of getting the Uruguay round done. Today, the thriving world economy has bred complacency. Trade has grown briskly and many types of protectionism have waned. The number of new anti-dumping cases, for instance, has fallen sharply in the past couple of years. If the economy slows, tariffs--and the risk of trade spats--may rise. Slower growth will make it harder to take on special interests, such as farmers. A global slowdown will also raise countries' fear of Chinese competition. And that fear may make a Doha deal less likely.

In America, where Sino phobia is strongest, many politicians equate China's entry into the WTO with the beginning of America's "problems" with Chinese trade. In emerging economies the fear of China already lies behind a reluctance to cut multilateral tariffs. Many countries, including India, Egypt and Nigeria have been unilaterally slashing tariffs, even as they refuse to offer big tariff cuts in the Doha round. The reason is that Doha commitments are irrevocable and they want to keep the ability to raise tariffs, partly for fear of China.

The most likely route to a reinvigorated Doha is the failure of an alternative--a greater focus on regionalism. Regional and bilateral trade deals have mushroomed (see chart). All but one WTO member, Mongolia, is now involved in some sort of preferential trade deal.

America is often touted as a champion of regionalism. The Bush administration has signed 14 free-trade deals and is negotiating another 11. Many people assume America would lose little from Doha's demise, in part because it could wield power in regional deals.

Yet the opposite may prove true. Without trade-promotion authority, the president will find it difficult to negotiate bilateral, regional or multilateral deals. The ability to push a regional agenda could be stymied just as others step up the pace. The EU has made no secret that its Plan B after Doha's demise is a shift towards bilateral deals, particularly in Asia.

Within Asia, the number of trade deals is exploding. The ten ASEAN countries have bilateral deals with each other; all have, in effect, individual bilateral deals with China. Others are being negotiated with India, South Korea and, in several cases, Japan. By one estimate, East Asia alone will have around 70 free-trade deals by the end of 2006.

This noodle bowl of Asian regionalism could be the catalyst for restarting the Doha round. As Richard Baldwin, an expert on regionalism at the Graduate Institute of International Studies in Geneva, has pointed out, Asian-style regionalism may prove more pernicious than other regional deals. The sheer number of agreements, all of which cover slightly different products and contain different rules, will dramatically complicate logistics in a region that epitomises the global trend towards decentralised production.

As these agreements gradually reduce bilateral tariffs, Asia will be riven by trade discrimination between different countries. That may push nations back to the Doha table. None more so than America, especially if it is left out of the regional rush. But how far must Asian regionalism go and how much damage will be done before the multilateral trading system can put this week's disaster behind it?

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