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TRADE IN THE POST-DOHA GLOBAL ECONOMY

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ECONOMIC PERSPECTIVES

Trade in The Post-Doha Global Economy

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A new global round of trade negotiations, dubbed the "Doha Development Agenda" by trade ministers representing the member countries of the World Trade Organization, has the potential to make life better for people in more than 140 participating WTO nations, especially developing countries.

The negotiations, which start in January 2002 and are scheduled to end in 2005, promise to open markets on a broad range of goods and services of crucial interest to developing countries, especially agriculture. Wealthier countries also have pledged to assist developing countries build capacity to participate in trade negotiations and implement commitments they make in these agreements.

Participation by new WTO entrants China and Taiwan is certain to change the dynamics of the negotiations. Opening its markets further to trade should bolster China's massive structural economic reforms.

Meanwhile, members from both major political parties of the U.S. Congress have promised to monitor every step in the WTO negotiations.

This electronic journal brings together the views of key U.S. negotiators, as well as a leading member of the U.S. Senate and an academic scholar, to discuss the major issues that will be negotiated over the next few years.

Under Secretary of State Alan Larson explores the crucial role played by developing countries in launching the new round, particularly in agriculture and intellectual property. Industrial market access issues and the benefits of lower tariffs for developing countries are the subjects of a contribution by Under Secretary of Commerce Grant Aldonas. Under Secretary of Agriculture J.B. Penn outlines U.S. agricultural negotiating objectives in three areas — market access, export competition, and domestic supports. James Zumwalt, economic minister counselor at the U.S. Embassy in Beijing, describes why China's accession to the WTO is good for all parties.

The journal also includes an article by Senator Max Baucus, chairman of the Senate Finance Committee, which is responsible for oversight of the trade negotiations, on the importance of congressional involvement in the new trade round particularly concerning the environment and U.S. antidumping law.

And Jeffrey Schott, senior fellow at the Institute for International Economics, explains why the structure of the current negotiations can be a "win-win" proposition for both industrial and developing countries.

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The Office of International Information Programs of the U.S. Department of State provides products and services that explain U.S. policies, society, and values to foreign audiences. The Office publishes five electronic journals that examine major issues facing the United States and the international community. The journals — *Economic Perspectives, Global Issues, Issues of Democracy, U.S. Foreign Policy Agenda,* and *U.S. Society and Values* — provide statements of U.S. policy together with analysis, commentary, and background information in their thematic areas.

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❑ A NEW NEGOTIATING DYNAMIC AT DOHA

By Alan Larson, Under Secretary for Economic, Business, and Agricultural Affairs, U.S. Department of State

At November's WTO meeting in Doha, Qatar, developing countries played a decisive role in achieving consensus for new trade negotiations, says Alan Larson, under secretary of state for economic, business, and agricultural affairs.

Developing countries should benefit from the WTO work program ahead, especially in opening agricultural markets, protecting intellectual property while enabling access to drugs for public health emergencies, and promoting capacity building, he says.

WTO members should assist developing countries to participate in the WTO and the broader global economy, Larson says.

The World Trade Organization Ministerial in Doha witnessed a major shift in the negotiating dynamic of the WTO and in how the organization conducts its business. Both developments will have a profound impact on how the United States pursues its international economic interests in this important forum.

First, developing countries created a new negotiating dynamic at the ministerial by demanding and playing an important role in shaping its outcome. Second, the decision to launch a new round of global trade talks — the Doha Development Agenda — represented a tangible example of the success that can be achieved through activist American diplomacy.

Before and during the ministerial, U.S. Trade Representative Robert Zoellick did an outstanding job of building bridges to all WTO members. He personally engaged with developing countries and worked with them to address issues of concern and to build consensus for a new round. Secretary of Agriculture Veneman, Commerce Under Secretary Aldonas, and Deputy U.S. Trade Representative Huntsman joined our State Department team in reaching out to developing countries.

For their part, developing country trade ministers played vital leadership roles on issues critical to the success of the ministerial. Mexican Minister Derbez Bautista, for example, led the working group that addressed issues involving the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). South African Minister Erwin chaired the working group that focused on WTO rules issues. Singapore's Minister Yeo led the working group on agriculture. Chilean Vice Minister Munoz Valenzuela headed the working group addressing environmental issues. Ministers Bello of Nigeria, Biwott of Kenya, and Simba of Tanzania represented the Organization of African Unity, the African-Caribbean-Pacific Group, and the least-developed countries, respectively.

All of these developing country representatives worked closely with us and other developed countries to find ways forward on many of the most difficult issues. Without their active participation, it is unlikely that the ministerial could have succeeded.

At the final session, Ministers Bello, Biwott, and Simba expressed satisfaction with both the process and outcome of the ministerial. Minister Simba coined the name Doha Development Agenda, and Minister Bello specifically praised Ambassador Zoellick for his efforts to consult with, and take into account, the views of developing countries. Officials from many developing countries, including South Africa, India, Indonesia, Jamaica, Mexico, and Kuwait, later publicly praised the outcome at Doha.

HOW DO DEVELOPING COUNTRIES BENEFIT FROM TRADE?

According to the World Bank and International Monetary Fund, trade is the single most important channel affecting growth for developing countries. The World Bank estimated that increasing poor countries' access to world export markets could generate an additional $1.5 trillion in income over 10 years and raise their annual gross domestic product growth rates by 0.5

percent. Trade liberalization can also support growth-oriented economic reforms and aid the transfer of technology and expertise.

Developing countries will benefit significantly from the work program agreed to at Doha, especially in the areas of agriculture, TRIPS/public health, and capacity building.

Agriculture. Negotiating reforms to liberalize agricultural trade was a top priority for many developing countries. Singapore's Minister Yeo worked hard to forge a compromise that broke the logjam between the European Union (EU) and agricultural exporters. The ministerial declaration states that WTO members will negotiate reductions of export subsidies "with a view to phasing them out." It commits members to making substantial improvements in market access and in reducing trade-distorting domestic supports. Leveling the playing field will increase opportunities for farmers in developing countries to compete more effectively with developed countries in both domestic and export markets. Trade liberalization can also help raise agricultural productivity and farm incomes, create employment, and reduce rural poverty in developing countries.

TRIPS/Access to Medicines. The public health debate was another critical issue for the developing countries. The working group was led by Mexican Minister Derbez, who worked with U.S., EU, Brazilian, Indian, and African representatives to reach breakthrough early in the ministerial. The final declaration on TRIPS is a strong political statement that reaffirms the commitment of all WTO members to the TRIPS Agreement. It makes clear that TRIPS is consistent with the public health objectives of WTO members and gives developing members the confidence that TRIPS affords them the flexibility to address health care crises. Finally, the declaration reaffirms the importance of intellectual property protection and the important role it plays in the development of new medicines. Ministers also agreed to a U.S. proposal to extend until January 1, 2016, the deadline by which least-developed WTO members must implement their TRIPS obligations.

The United States believes the enormity of the challenge posed by HIV/AIDS and other infectious diseases, such as malaria and tuberculosis, requires the mobilization of the resources of the entire international community. The United States and other countries will establish the Global Fund to Fight AIDS, Tuberculosis, and Malaria in January 2002 to address prevention, care, and treatment of these diseases, and the development of health care infrastructure and delivery systems. President George Bush has pledged $200 million to the Global Fund as start-up money. We are actively engaged in leveraging both public and private resources to commit further resources to the fund.

Capacity-Building Assistance. The ministerial declaration recognizes the special needs and interests of developing countries. It provides for technical assistance to build trade capacity, both during negotiations and in implementation of agreements. The United States has provided over $1.3 billion in trade capacity assistance through various bilateral and multilateral channels to developing countries over the past three years. We have contributed $1.65 million to the WTO's trust funds for technical assistance. Building capacity in developing countries is a foreign policy priority, and the United States will continue to lead in this international effort.

Environment. Trade and environmental objectives can, and must, be complementary. However, many developing countries and agricultural exporters fear "green protectionism" and the so-called precautionary principle advanced by the European Union. Under the leadership of Chilean Vice Minister Munoz Valenzuela, and with strong behind-the-scenes support from the United States, ministers agreed to a solid environmental agenda that avoided these risks. Ministers agreed to negotiations on fish subsidies and market access for environmental goods and services. They also agreed to negotiations on the relationship between the specific trade obligations set out in multilateral environmental agreements (MEAs) and existing WTO rules. WTO members focused the MEA talks by mandating that their scope be limited to the applicability of existing WTO rules among parties and instructed that they not prejudice the WTO rights of any member that is not a party to the MEA in question. Ministers agreed to take into account the needs of developing countries while maintaining the open and nondiscriminatory nature of the multilateral trading system.

Other Issues. In the group discussing WTO Rules chaired by South African Minister Erwin, developing countries were among those that insisted that clarification of WTO agreements on dispute settlement and antidumping be included in the upcoming negotiations. Developing countries agreed with the United States on the need to also address in the negotiations the issues of transparency and due process in members' antidumping investigation procedures and the underlying causes of unfair trade. WTO committees will give implementation issues, including subsidies and textiles, high priority in their work programs.

Developing countries also asserted that they currently lack the capacity to negotiate new obligations in the areas of investment, competition, trade facilitation, and transparency in government procurement. Therefore, WTO members remanded these issues to WTO committees for further discussion. Advocates of investment negotiations must work with developing countries to enhance their capacity so that countries become comfortable with measures needed to develop an investment policy framework that attracts inflows of foreign direct investment. Developing countries should remember that having a good investment policy framework provides its own reward by attracting the technology, capital, and expertise needed for development.

CONCLUSION

The WTO Ministerial in Doha showed a new dynamic in trade negotiations as developing countries played an active and constructive role in forging a consensus to launch the Doha Development Agenda. The negotiations have the potential to improve growth and development for all WTO members. In order to continue progress in global trade liberalization, we must be prepared to respond to the critical needs of our developing country trading partners. To achieve this, we will have to continue capacity-building efforts to help developing countries increase their ability to participate fully not only in the WTO, but also in the global economy. ❑

❑ DOHA MINISTERIAL: A NEW IMPETUS FOR MULTILATERAL AGRICULTURAL NEGOTIATIONS

By J.B. Penn, Under Secretary for Farm and Foreign Agricultural Services, U.S. Department of Agriculture

In WTO agriculture negotiations, the United States seeks to reduce tariffs, with special attention to administration of tariff-rate quotas, to eliminate export subsidies, and to discipline domestic support measures, says J.B. Penn, under secretary of agriculture.

Another U.S. goal in the negotiations is to provide developing countries with more food security and a more sustainable path to development, he says.

The Doha Ministerial Declaration launched new multilateral trade negotiations in a number of areas, with agriculture being at the center of these negotiations.

The Doha Declaration on Agriculture reaffirms the commitment of World Trade Organization (WTO) members to the long-term objective of establishing a fair and market-oriented agricultural trading system. WTO members agreed that comprehensive negotiations will aim at substantial improvements in market access, reductions of export subsidies, and substantial reductions in trade-distorting domestic support.

The declaration recognizes that special and differential treatment for developing countries will be an integral part of the negotiations. It also takes note of the non-trade concerns raised by a number of countries, including policy objectives such as rural development or animal welfare, that extend beyond producing and trading agricultural products.

THE U.S. AGENDA

The United States has an ambitious agenda for these negotiations.

Market Access. A recent U.S. Department of Agriculture (USDA) study estimated that the average agricultural tariff for all WTO members is 62 percent, which greatly exceeds the average industrial tariff of 4 percent. The study concludes that tariffs contribute the largest share of the total economic cost of agricultural protection. In many markets, U.S. exports face import tariffs that exceed 100 percent. This effectively eliminates any market access opportunities.

The U.S. objective is to change this situation and to ensure effective market access opportunities for all products in all markets. Enhanced market access will be achieved through:

- Substantial reduction or elimination of all tariffs, including in-quota duties.
- Substantial reduction or elimination of disparities in tariffs among countries.
- Substantial reduction or elimination of tariff escalation (where the tariff on the processed product is higher than on the raw input product).
- Simplification of complex tariffs (all tariffs to be converted to an "ad valorem," or fixed, percentage of the value of the product).

We intend to focus our attention on the administration of tariff-rate quotas (TRQ). This concept, which came out of the final Uruguay Round Agreement, was intended to provide market access opportunities in previously closed markets. An initial quota level would have zero or very low duties, and a considerably higher duty would be applied to imports above the initial quota levels.

However, improved market access has not always been the result. We seek to increase the quota amounts themselves and to reduce or eliminate the in-quota duty. Also, we are prepared to establish disciplines to improve the functioning of TRQ administration. We recognize that no single system of TRQ administration is appropriate for all markets and conditions. However, disciplines based on the principles of transparency and predictability will ensure that market access opportunities are created.

Export Competition. Export subsidies continue to be used by very few WTO members. While the amounts used, in both value and quantity, are within their respective Uruguay Round commitments, these subsidies continue to distort world trade and distort market signals for all producers. The elimination of export subsidies remains a priority objective, not just of the United States but also of almost every other WTO member.

The Doha Declaration commits WTO members to reduce, with a view to phasing out, all forms of export subsidies. This phrase proved to be the most controversial part of the declaration due to the reluctance of the European Union (EU) to make this commitment. Including the words "with a view to phasing out" makes a powerful statement, and it will undoubtedly be subject to long and heated debate in the negotiations.

USDA recognizes that the phrase "all forms of export subsidies" can be interpreted by other WTO members to include USDA's Export Credit Guarantee Program. This program facilitates trade with developing countries by providing commercial financing support to U.S. agricultural exporters. We have fully participated in the Organization for Economic Cooperation and Development (OECD) negotiations mandated by the Uruguay Round Agreement on Agriculture to work toward disciplines on export credits, and we are willing to commit to the current draft OECD agreement. Such a commitment would have a significant impact on this program. Whatever the final outcome of the OECD discussion, we intend to be fully engaged in the WTO negotiations on export credits. Any theoretical subsidy elements of our export credit program pale in comparison to the thousands of millions of dollars used annually by the EU on direct export restitutions.

Domestic Support. The U.S. goal is to redefine the debate on domestic support. The best way to accomplish this objective is to negotiate and review criteria for determining whether a program has any trade-distorting impact. The challenge for WTO members is to negotiate where the line is drawn between trade-distorting and non-trade-distorting measures. Programs that distort trade will be subject to reduction commitments. We have proposed that the final level of support be based on a fixed percentage of the total value of agricultural production.

OTHER AREAS OF CONSIDERATION

In addition to the commitments based on the three pillars from the Uruguay Round, the Doha Declaration contains two other important areas for U.S. agriculture.

Developing Countries. The entire Doha Declaration is a commitment to ensure that developing countries, especially the least developed countries, secure a share in the growth of world trade. USDA is committed to working with other U.S. government agencies and international organizations, such as the United Nations Food and Agriculture Organization, to focus attention on trade capacity-building in developing countries. Agriculture is at the heart of sustainable development for the majority of the world's population. With the world's largest agricultural research network and decades of experience, USDA will continue to provide important technical assistance to countries throughout the world.

A number of studies on the impact of the Uruguay Round concluded that the level of benefits countries derive from trade is directly related to the level of participation those countries have in the negotiations. Our objective is to increase developing countries' participation in the negotiations. Developing countries are different in many ways from each other, from soybean production in Brazil, to subsistence farming in sub-Saharan Africa, to traditional farming practices in small island countries. Therefore, one model or approach will not work. However, in all cases, trade policy can play an important role in agricultural development, allowing farmers to receive world price signals and providing consumers with lower prices and greater choices. Trade policies should enhance food security and can be used by developing countries to ensure a stable supply of healthy foods to their consumers.

Environment. The Doha Declaration committed members to negotiations that examine the relationship between existing WTO rules and the specific trade obligations in multilateral environmental agreements. It will be vital to ensure that the science-based nature of the Uruguay Round Agreement, in particular the Agreement on Sanitary and Phytosanitary Measures, is maintained.

The Doha Declaration was difficult to negotiate, but we must remember that it is only the beginning. We have an ambitious agenda for these negotiations, and we are supported by most of the WTO members. The United States and USDA will continue to play a leadership role in these negotiations. Further trade liberalization is good, not only for American farmers, ranchers, and consumers, but for farmers and consumers around the world. ❑

❑ OPEN TRADE: GREATER OPPORTUNITIES FOR ALL COUNTRIES

By Grant Aldonas, Under Secretary for International Trade, U.S. Department of Commerce

Developing countries have a lot to gain from WTO negotiations, not only for expanding their entire economy, but also for making available a wider supply of goods to their citizens at a lower cost, says Grant Aldonas, under secretary of commerce for international trade.

Developing countries have the most to gain by reducing tariffs among themselves, he says.

They should come to WTO negotiations prepared not only to seek market-opening concessions from industrialized countries but also to reduce their own barriers, Aldonas says. Freedom is bolstered by reducing barriers to individuals' success in the economic realm of trade no less than in the political realm, he says.

> "We know that giving developing countries greater access to world markets can quickly and dramatically raise investment levels and incomes. We also know that free trade encourages the habits of liberty that sustain freedom over the long haul."
>
> — President George W. Bush,
> to the World Bank, July 17, 2001

At the conclusion of the World Trade Organization (WTO) Ministerial in Qatar, trade ministers from more than 140 countries agreed to launch the Doha Development Agenda. For the WTO to be effective, all members must be involved in the decision-making process. Thus, if we are to have a successful round of global trade talks, developing countries must play a central role in the process. The Doha Development Agenda will be more inclusive than past negotiations; as the Doha Ministerial Declaration states, the "needs and interests" of developing countries must be at the heart of the future WTO work program.

While in Doha, I saw firsthand that the developing countries want to be engaged in these talks, and they want to speak for themselves. This should not be surprising to anyone — the developing countries have a lot to gain. A study by Joseph Francois of Erasmus University projects that new global trade negotiations would generate $90,000 million to $190,000 million a year in higher incomes for developing nations. It's no wonder that UN Secretary-General Kofi Annan has said: "The poor are poor not because of too much globalization, but because of too little." The WTO operates by consensus, which should give developing countries a strong role in the negotiations themselves and, even more importantly, in the results of the new round.

While trade among advanced economies still accounts for the majority of international trade, world economic growth has been faster in developing economies. With a few exceptions, tariffs and quotas are no longer significant barriers in industrial economies, but they remain high in most of the developing world. This is counterproductive. Reductions in market access barriers can promote trade, particularly between developing countries, and improve investment flows.

THE BENEFITS OF OPENING MARKETS

All countries stand to gain when they lower their tariffs and open their markets. In the United States, our exports have contributed more than one-quarter of our economic growth in the last decade. From 1970 to 2000, our exports grew more than 10 percent per year, reaching $1.1 trillion in 2000 — that's a doubling of U.S. exports about every seven years. An estimated 12 million American jobs depend directly on exports — good jobs that pay wages 13 to 18 percent higher than the national average. Benefits from the North American Free Trade Agreement (NAFTA) and the Uruguay Round negotiations alone have saved a family of four $1,200 to $2,000 a year by encouraging our markets to make higher-quality goods available at lower prices. One in three hectares planted on American farms is seeded with crops intended for export.

In other words, opening new markets for American goods, services, and agriculture is critical to our economic future and our strength as a nation. There is no better policy tool for raising the economic prospects for the

United States — and the rest of the world — than opening markets through trade agreements.

This holds true for developing countries as well. In the first five years of the Uruguay Round, developing countries increased their exports by 41 percent while high-income countries increased their exports by 29 percent. Strong growth in exports is a catalyst for economic growth. The World Bank's 2001 report *Global Economic Prospects and the Developing Countries* concludes that developing countries that lowered trade barriers over the last 20 years experienced strong economic growth. For developing countries that reduced trade barriers in the 1980s, gross domestic product (GDP) per capita grew an average of 3.5 percent a year; for developing countries that reduced trade barriers in the 1990s, GDP rose by an average of 5 percent.

DEVELOPING COUNTRIES' POTENTIAL

The potential for developing countries to prosper from a more inclusive role in new trade negotiations is significant in terms of GDP growth, but even more important in the benefits to be realized by the citizens of these countries. A new round of trade negotiations focused on reducing tariffs on industrial and agricultural products can deliver more choices and competitive prices, including access to many goods not readily available. Medical equipment, agricultural equipment, and pharmaceuticals historically have been scarce in developing countries; reductions in tariffs and the more effective protection of intellectual property rights could provide the incentive needed for traders and investors to enter developing country markets. Also, restrictions on foreign investment and ownership have hampered growth in service sectors — the fastest growing component of the global economy.

Eliminating barriers to entry and new competition and liberalizing restrictions on exports, including transportation and construction services, can promote new market opportunities and attract new foreign investment. A new round can also focus attention on environmental protection through better access to environmental technologies, goods, and services.

Developing countries traditionally have been viewed as offering limited opportunities for investors. Active participation in the world trading system, including adherence to global trading rules, fosters a business climate that attracts foreign investment. An environment that includes greater transparency and stability in government and economic transactions can leverage both government and private investment pools to help expand growth and development.

The United States seeks stronger trading relationships with developing countries — as evidenced by our work in 2000 on the Africa Growth and Opportunity Act and renewal of the Caribbean Basin Initiative. Currently in the United States, 62 percent of all imports from developing countries are free from duties or tariffs.

The U.S. simple average tariff is 4.3 percent — which is low compared to the average tariffs for developing countries. Many developing country tariffs exceed 15 percent across the board, placing high burdens on those who can least afford them. Average developed country tariffs on manufactured goods, including textiles and clothing, now stand at 8 percent while the same tariffs in developing countries are 21 percent. Also, developing countries apply duties on motor vehicles at more than double the average rate of advanced economies.

These high tariffs, along with restrictive market access barriers, have stymied trade in all directions. Because trade barriers between developing economies are significantly higher than between developing and industrialized countries, developing countries have the most to gain from liberalizing restrictions on trade with one another. Trade between developing countries accounts for 40 percent of their overall trade, and developing country trade still accounts for a very small percentage of world trade. According to the United Nations, in 1999 intra-African trade accounted for 10 percent of world trade; intra-South Asian trade, 4 percent; Asian-African trade, 1.5 percent; and Latin American-African trade, 1.5 percent.

LIMITATIONS OF HIGH TARIFFS

It is generally believed that developing countries produce similar goods — primarily raw materials and commodities. However, the range of products in developing countries is actually considerably more diverse. A growing number of developing countries have become important producers and exporters of manufactured goods, and the decentralization of production has resulted in parts and components being combined from many sources. But the high tariffs between developing countries limit their ability to produce final goods to trade because of the added expenses involved in importing parts. The barriers that were once erected to protect domestic markets and fledgling export industries are now hampering growth throughout the developing world.

The Doha Ministerial Declaration makes it clear that there are no a priori exclusions for product coverage in the industrial market access negotiations. The United States is willing to look at liberalization in historically sensitive sectors and to consider reducing restrictions on products and services that the developing economies produce so long as liberalization results in a genuinely more open and level playing field in these sectors worldwide. Similarly, developing counties should be prepared to improve their own situations by liberalizing services and lowering barriers to import competition — they should come to the negotiating table not only asking for a reduction in market access barriers to the industrialized world, but also indicating a willingness to reciprocate and reduce their own barriers to entry.

Lowering tariffs is not the only challenge faced by WTO members, of course. Nontariff barriers, such as difficult customs procedures and lack of transparency in the enforcement of official rules and regulations, also make it difficult for developing countries to derive the expected benefits from trade. The Doha Development Agenda provides for these and other issues to be addressed. The developed WTO countries must, in the new round, be willing to work with the developing countries to realize the full benefits of the world trading system. But liberalization is a two-way street, and developed country efforts to provide technical and capacity building assistance to developing countries will be central to making the Doha Development Agenda a success.

CREATING GREATER OPPORTUNITIES

The benefits will be broad for businesses and consumers in developing countries during the next round of trade negotiations. Greater market access will lead to greater transparency, more economic stability, and greater availability of necessary goods. As the noted economist Mancur Olson observed in *Power and Prosperity*: "It is no accident that the developed democracies with the best established individual rights are also the societies with the most sophisticated and extended transactions (such as those in futures, insurance, and capital markets) for realizing the gains from trade. They are generally the societies with the highest levels of per-capita income."

The importance of that success is not merely material. Freedom is served when governments tear down barriers to individuals' success, whether these barriers are political, social, or economic, as in the case of trade. Assuming an increased role in the global trading system, developing countries will realize these benefits through their trade both with the industrialized countries and with other developing countries.

The United States provided more than $555 million in trade-related capacity-building assistance to developing countries in the year 2000 — more than from any other single country. This assistance includes significant programs for the WTO, which are part of an overall U.S. effort to support developing country capacity building through bilateral assistance and in other international organizations. This underscores our belief that the developing countries must play a central role in the WTO process — to foster greater understanding and create greater opportunities for all. ❑

❑ HOW WTO MEMBERSHIP AFFECTS CHINA

By James P. Zumwalt, Economic Minister Counselor, United States Embassy, Beijing

Joining the WTO was good for China and good for the world economic system, says James P. Zumwalt, economic minister counselor at the U.S. Embassy in Beijing.

WTO membership should help China sustain economic expansion as it continues its program of structural reform, Zumwalt says. Asian neighbors should face both more competitive challenges from China and more export opportunities, he says.

Trade disputes between the United States and China are quite likely to increase, Zumwalt says, as China struggles to fulfill its obligations and both parties have access to WTO dispute-settlement procedures.

But the United States and other countries are working to mitigate trade frictions by offering training and other technical assistance, he says.

With its accession to the World Trade Organization (WTO) on December 11, 2001, China became one of the last major trading nations to join that organization. And the message to the world was clear: China is prepared to become a fully vested player in the global economy. WTO membership will generate tremendous benefits for China — expanding trade, spearheading further economic reform, attracting even higher levels of foreign investment, and fostering the rule of law.

At home, WTO membership will undoubtedly thrust significant responsibilities and challenges on the Chinese leadership and the Chinese people. Abroad, it will fundamentally redefine China's relations with other countries, especially with the United States, its most significant export market, not to mention its neighbors in the Asian region.

One thing is certain: the changes wrought by China's WTO accession will reach far beyond just the trade-related aspects of its relations with other countries, engendering many benefits as well as challenges. How best to bolster the benefits and mitigate the risks remains a subject of considerable debate among policy planners, business people, and consumers.

China's explosive economic expansion over the past 20 years is a well-known success story. Fueled by vigorous reform efforts, growth rates averaging nearly 10 percent annually have created a vast array of new job and investment opportunities, making China more prosperous. The effect of China's transformation from an inward-looking, planned economy to a more market-oriented, trading powerhouse has reverberated throughout the global economy, influencing everything from consumer choice to investment flows.

Rapid-fire growth has not been cost free, however. In particular, it has cast a harsh light on some of the structural weaknesses of China's economic system, particularly in agriculture, finance, and state-owned enterprises. The dilemma for China has been, and will continue to be, how best to keep the dual momentum of economic growth and structural reform going. For if one were to stall, the other might very well stumble, potentially unleashing a whole new set of economic challenges and difficulties.

WTO IS CHINA'S BEST OPTION

In many respects, WTO membership is China's best option for sustaining the pace of economic growth and reform. As the world economy has become vastly more complex and interconnected, China's participation in it — according to the rules of international trade — has become that much more critical for China, as well as for the United States, Asia, and the world. As a WTO member, China will be able to participate in the formulation of rules that govern international trade and investment.

Similarly, it will be able to defend its trade interests using the WTO dispute-settlement system. Chinese exporters will benefit from the certainty that their trading partners must obey WTO rules. This means, for example, that WTO members will not be able to discriminate against Chinese products in their home markets. WTO membership will make China even more attractive to foreign investors. And more money invested in China means more high-paying jobs, more government tax receipts, and more technology transfers.

China's WTO commitments will facilitate increased competition in every sector of the economy. Chinese consumers will be the direct beneficiaries as competition encourages a larger range of choices, lower prices, and higher quality, not to mention a greater awareness of and appreciation for intellectual property rights and consumer rights. Competition will foster gains in efficiency and productivity, which will strengthen China's economy over time and enhance the ability of Chinese firms to compete with the best multinationals in any market.

China's economy will benefit from the expanded range of services — insurance, finance, distribution — that foreign companies want to bring into China after its WTO accession. Competition in this area will, in turn, stimulate China's homegrown services sector, giving companies and consumers an even broader range of choices.

Perhaps most importantly, consumers and companies alike will benefit from an expanded rule of law as China implements its WTO commitments, particularly those designed to foster the highest degree of transparency and trade-related nondiscrimination.

CHINA'S RESPONSIBILITIES UNDER THE WTO

While China is poised to benefit greatly from joining the WTO, it is important to keep in mind that WTO membership conveys not only certain rights but also specific responsibilities. China labored through 15 years of tough negotiations, particularly with the United States and the European Union, to achieve WTO membership. The commitments China has made are extensive. For a comprehensive understanding of them, one could pore over the some 1,000 pages of China's Protocol, Working Party Report, and Schedules of Commitments on Goods and Services. Short of doing that, we can summarize the key components of China's accession package as follows:

Tariff Reductions

- Industrial tariffs of greatest importance to U.S. businesses will be reduced from 25 percent to 7 percent.
- Agricultural tariffs of greatest importance to U.S. farmers will be reduced from 31 percent to 14 percent.

Services Commitments

- Substantial opening of a broad range of service sectors, including important U.S. sectors such as banking, insurance, telecommunications, and professional services.

Systemic Reforms

- Broad reforms in the areas of transparency, notice and comment, uniform application of laws, and judicial review will help to address barriers to foreign companies doing business in China.

Adherence to Existing WTO Agreements

- China will take on the obligations of numerous existing WTO agreements covering all aspects of trade, such as agriculture, import licensing, trade-related aspects of intellectual property rights, technical barriers to trade, and trade-related investment measures.

China-Specific Trade-Liberalizing Provisions

- Right to import from and export to customers in China directly within three years.
- Right to engage in distribution of all products in China within three years of accession (except that chemical fertilizers, crude oil, and refined petroleum can be distributed at the wholesale level five years after accession, and chemical fertilizers can be sold at the retail level five years after accession).
- Investment and import approvals no longer subject to trade-distorting requirements such as technology transfer, foreign exchange balancing, export performance, and local content requirements.
- Right to export to China without establishing an investment presence there.
- Phase-out of nontariff measures (NTMs) such as quotas and licenses on hundreds of products, with all WTO-inconsistent NTMs eliminated by January 1, 2005.
- Elimination of state-trading import monopolies for agricultural and industrial products.
- Requirement that state-owned enterprises must make purchases and sales based solely on commercial considerations.
- Elimination of export subsidies on agricultural goods and elimination of import substitution and export subsidies on industrial goods.

Safeguard Mechanisms

- The United States and other WTO members can continue to use special nonmarket economy methodology for measuring dumping in antidumping cases against China for 15 years.
- Under a China-specific safeguard mechanism, the United States and other WTO members can restrain increasing imports from China that disrupt their markets for 12 years.

The time and effort involved in negotiating these commitments stand as a testament to China's determination to become a fully integrated player in the rules-based global trading regime. Although the battle to achieve the victory of WTO accession was hard fought, in many respects another equally worthwhile but difficult challenge confronts the nation. As can be seen from the above list of commitments, China is making enormous changes to meet its WTO obligations — restructuring industries, publishing previously internal laws and regulations, establishing formal procedures to adjudicate disputes, and leveling the playing field for foreign companies. It has agreed to slash tariffs and to eliminate import quotas, to dismantle export subsidies, and to open service industries to foreign competition. Some of these changes will come immediately; others will be phased in over a period of a few years.

CHINA AND ITS NEIGHBORS

With its 1.3 billion people and an increasingly diverse and growing economy, China's accession (in conjunction with that of Taiwan) inextricably alters the composition and character of the trade organization, and it will have a direct bearing on China's relations with other nations, particularly its neighbors. Many Asian nations are faced with recession and are looking to a growth in exports to revive their economies. In some respects, China represents both a competitive challenge to these goals and an opportunity to gain from its strong economic performance.

Between 1995 and 2001, China's share of global exports rose from 2.9 percent to 3.9 percent, while exports from Thailand and Indonesia during the same period stagnated. In the last four years, China has overtaken both Malaysia and Singapore in electronics exports to the United States.

On the other hand, China's WTO accession also can translate into improved growth in gross domestic product (GDP) for countries with high-value exports. According to a recent study by investment bank UBS Warburg, China's accession will give Taiwan's economy a boost equivalent to 1.7 percent of Taiwan's 2000 GDP by 2005. Asia's other newly industrialized economies are projected to benefit by 1.1 percent of their 2000 GDPs as China's demand for their exports increases.

For most of Southeast Asia, however, the prospects are not as bright. UBS Warburg estimates that Southeast Asian economies will lose between the equivalent of 0.1 percent and 0.2 percent of their 2000 GDPs by 2005. For India, this figure could be as high as 0.7 percent. This is one of the reasons the Association of Southeast Asian Nations and China have agreed to try to liberalize trade between them.

U.S.-CHINA RELATIONS

How well China fulfills its obligations of WTO membership will directly affect the future direction of U.S.-China relations. China's leaders have stated time and again their determination to implement fully their country's commitments. It is in the interests of both the United States and China to avoid a scenario in which trade frictions are exacerbated by China's inability or unwillingness to meet its many WTO commitments.

That said, trade frictions between the United States and China will not disappear with WTO accession, just as they have not disappeared between the United States and many of our trading partners who are longstanding WTO members. If anything, there is potential for an increase, at least initially, as the size and scope of our trade relationship grow. China already enjoys a burgeoning trade surplus with the United States. If American companies discover that promised access to China's markets does not materialize as quickly as anticipated, the result may be an unstable combination of sluggish U.S. export growth, a politically unsustainable Chinese bilateral trade surplus, and heightened trade frictions.

The United States and other WTO members are playing a vital role in trying to avoid just such a scenario by offering China assistance in meeting its WTO obligations. Our consulate general in Shanghai, for example, has worked with the U.S.-China Business Council to put together a video-conferencing program in which American trade-law experts speak to Chinese officials. Similarly, our embassy in Beijing is working with Beijing University and a local distance-learning institution to provide online WTO training opportunities in communities throughout China. Our commercial section is arranging a series of seminars to expose local officials to WTO principles. The European Union has allocated approximately $23 million to bring Chinese officials up to speed on WTO rules and concepts such as protection of intellectual property.

Although China is under tremendous pressure to abide by international rules and meet fully its WTO commitments, it is important to remember that trade disputes are not a one-way street. China too will have recourse to WTO mechanisms to address its trade complaints against other WTO members.

Despite the challenges that lie ahead for China, there is no question that joining the WTO is the right choice for China and good for the world economic system. WTO membership will inextricably link China to the global economic community, eventually bringing with it more employment and investment opportunities, and greater social stability, as the rule of law takes deeper root in governing economic transactions in China. Americans will benefit from greater export opportunities in China, more job creation at home, and more diverse options for overseas investment. As trade and business links between our two nations expand, so too will face-to-face contact between Chinese and American citizens, exchanges of ideas, and transfers of technology. The growing sense of interdependence engendered by the WTO should also help foster a stronger sense of common purpose as China and the United States work more closely together on a broad range of issues relevant to global economic stability, security, and prosperity. ❑

❑ DOHA AND BEYOND: THE ROLE OF CONGRESS IN A NEW TRADE ROUND

By Senator Max Baucus, Chairman, Senate Finance Committee

The WTO round launched in Doha, Qatar, in November presents opportunities for opening markets, especially in agriculture and services, as well as advancing environmental goals, says Senator Max Baucus, the Montana Democrat who chairs the Senate Finance Committee.

Ambiguity in the Doha Declaration on Agriculture makes a good outcome far from certain, though, Baucus says.

And the agreement to reopen negotiations over antidumping and other unfair-trade laws, opposed by a majority of the Senate, demonstrates a need for Congress to reassert more influence during the course of trade negotiations, he says.

The new round of trade negotiations launched at November's World Trade Organization (WTO) Ministerial represents an important step forward for the global trading system. In the wake of the stalemate that emerged during the Seattle Ministerial, a number of commentators expressed concern for the continued viability of globalization and, specifically, trade liberalization. The consensus that was struck at Doha, therefore, is a significant blueprint for expanding trade and creating an integrated global economy.

The substance of this blueprint, however, points to the continuing need for the United States Congress to play an active and forward-looking role in developing U.S. trade policy.

The accession of China and Taiwan to membership in the WTO, which took place during the Doha Ministerial, points to just how effectively Congress, in conjunction with the president, can work to advance a proactive trade agenda. The United States was an early proponent of China's and Taiwan's membership bids and worked hard to gain support for them both domestically and internationally. This process culminated in a contentious vote granting permanent normal trade relations to China — a vote that, despite the controversy, turned out to be largely bipartisan.

China's and Taiwan's successful membership bids are particularly significant in light of the fact that U.S. and international negotiators were able to reach a consensus on launching a new round of trade negotiations at Doha. Despite a few notable exceptions — such as Russia — this round will be the most inclusive trade negotiation ever undertaken.

POSITIVE NEGOTIATING POINTS

The agenda for these talks contains a number of promising negotiating points that have the potential to benefit not only the United States but the rest of the world as well. At the core of these objectives is increasing market access in a number of sectors that have traditionally been closed to U.S. exporters, such as services and agriculture.

Increasing market access in the services sector is particularly important from the United States' perspective. In 2000, the United States was the largest exporter (and one of the largest importers) of services to the world. Despite this, a number of important markets remain closed, simply for protectionist reasons. If a level playing field is ever to be established, U.S. negotiators must work to open these markets as well as ones in other significant sectors.

Another important victory for the United States was the important role that environmental issues will play in the upcoming negotiations. Increasing access for environmental goods, reducing trade-distorting fish subsidies, and recommitting the WTO to promoting sustainable development are all important additions to the negotiating agenda that will likely receive strong support from both Congress and the American people. But the commitment to explore the linkages between Multilateral Environment Agreements (MEAs) and trade and trade agreements represents a particularly significant step into the 21st century for the WTO. A number of dispute-settlement cases have examined potential conflicts between commitments countries have made under MEAs and the WTO. Indeed, this has been a particular source of concern in the United States, where the perception that the WTO is undermining domestic environmental standards has gained greater currency over the past several years.

While the WTO's work is not guaranteed to lead to concrete negotiations, it is nevertheless an important acknowledgment of the linkage between trade and the environment. Indeed, any trade agreement that does not explicitly acknowledge this important connection will most likely face an extremely difficult time being ratified by the Congress. Now the WTO and its members need to take the next important step and begin examining the role labor rights play in liberalizing trade — another step that is essential in shaping a negotiating agenda for the 21st century.

Agriculture, of course, remains one of the most consistently controversial trade issues, both in the United States and abroad. The negotiating language in the Ministerial Declaration is extremely promising, and U.S. negotiators are to be commended for their work in guaranteeing that export subsidies remain on the agenda.

However, the details of the actual negotiation remain vague, and there is great concern that the final outcome may not adequately address the issues raised at the ministerial. Specifically, there is increasing trepidation that a clear agenda for eliminating export subsidies, though called for in the Ministerial Declaration, might be blocked, using the vague language of the declaration as a wedge. U.S. farmers have been extremely hard hit by the trade distortions caused by European agricultural subsidies over the past decade, and it is essential that a plan for their elimination is developed. Indeed, these subsidies are more appropriate for a 19th century mercantilist system than for today's open trading system.

NEGATIVE ISSUES

Despite these positive negotiating objectives, several extremely disturbing items were also included on the future negotiating agenda — items that threaten to undermine the support of a number of members of Congress and a vast majority of the American people for launching a new round.

Foremost among these issues is the inclusion of U.S. trade laws, specifically antidumping and countervailing duty laws, on the negotiating agenda. Antidumping and countervailing duty laws have been part of the international trading system since its inception in 1948 and were renegotiated at the international level during the Uruguay Round. Upon completion of the Uruguay Round, the United States made a number of revisions to its existing trade laws to bring them into compliance with the newly established international system.

Further, the trade distortions that make these laws necessary continue to plague the U.S. economy. Industries ranging from steel to semiconductors to a variety of agricultural sectors have been victimized by dumped and subsidized exports from a number of countries, a problem that grows worse during economic downturns, when U.S. industries are at their most vulnerable. The trade laws currently on the books are the only effective means of addressing these unfair exports.

This issue was deemed so significant that two-thirds of the Senate signed a letter to U.S. Trade Representative Robert Zoellick specifically requesting that our trade laws not be on the table during a new round of negotiations. Despite this urging, however, the United States' antidumping and countervailing duty laws will be reopened, leading to the possibility that they will need to be significantly revised yet again.

CONGRESSIONAL OVERSIGHT

The failure of U.S. negotiators to leave this item off the agenda points to the continuing need for Congress to take an aggressive role in shaping U.S. trade policy. Although the fact is often overlooked, the U.S. Constitution grants Congress, not the president or the administrative branch, the power to regulate trade. The administration may do the actual negotiating, but responsibility for making sure that trade agreements reflect the broad needs of the American people lies ultimately in the hands of the Congress. If negotiations are to move forward, Congress needs to be assured that its concerns are reflected in the U.S. agenda, particularly when contentious issues arise.

Along with reopening negotiations on trade laws, there are a number of issues addressed by the new round that could fundamentally affect the laws and regulations of the United States. Work on competition policy holds the potential for reshaping the antitrust system that has evolved over more than a hundred years. Negotiations on intellectual property could undermine protections that the United States has sought to make an integral part of the world trading system. Even issues that hold great potential for benefiting the United States also hold the potential to create trade-offs that are simply unacceptable.

These issues remain too important for the Congress to hand them off. The fact that U.S. negotiators ignored the express request of a majority of the Senate to keep U.S. trade laws off the table only serves to illustrate just how significant a role congressional oversight needs to play in any future negotiation.

The administration has asked Congress to grant it Trade Promotion Authority (TPA, formerly known as fast track), so that any agreement that emerges from the new round of negotiations is voted on a strict "yes" or "no" basis. A number of commentators, both inside and outside of government, have argued that, without such authority in place, the new round is doomed before it begins.

In fact, I have always maintained that the president should have such authority. But it is essential that any grant of TPA be structured so as to maintain the integrity of Congress's role in regulating trade. In part, this means the inclusion of labor and environmental rights in any future trading agreements. These issues have become so pressing that it seems unlikely that any trade agreement can garner bipartisan support without allowances being made for these issues. More importantly, however, is making sure that the essential oversight role played by Congress is maintained.

In sum, the launch of a new round offers several promising opportunities for expanding U.S. trade and further liberalizing the global trading system. But it is essential that the negotiations move forward on terms that do not compromise the structures needed to maintain public support for trade. This means that U.S. trade laws need to be strengthened, not undermined, by any negotiation, and that labor and environmental concerns need to be taken into consideration. If the president is to be granted TPA in the new year, Congress and the administration need to work together to make sure that the negotiations reflect the concerns expressed by a vast majority of Americans by making sure that trade is both free and fair. ❏

The opinions expressed in this article are those of the author and do not necessarily reflect the views or policies of the U.S. government.

❑ REFLECTIONS ON THE DOHA MINISTERIAL

By Jeffrey J. Schott, Senior Fellow, Institute for International Economics

The 2001 WTO meeting in Doha, Qatar, succeeded where the 1999 meeting in Seattle failed for a number of reasons, including improved U.S.-EU cooperation and better organization, says Jeffrey Schott, senior fellow at the Institute for International Economics in Washington.

Failure at Doha could have raised serious doubts about global economic prospects as well as about continued international cooperation in the war against terrorism, he says.

Crucially, Schott says, the Doha negotiations will be carried in a "a single undertaking" — that is, no trade agreement without resolution of all issues.

To take advantage of any trade agreement reached, developing countries need assistance in building economic management and infrastructure, he says.

After three years of preparations and five grueling November days in Doha, Qatar, trade ministers from the 142 member countries of the World Trade Organization (WTO) finished their marathon by agreeing to cross the starting line for new multilateral trade negotiations. The Doha meeting produced three major documents:

• A Ministerial Declaration that sets out the terms of reference and negotiating objectives for the new trade talks, as well as directives to guide the work of WTO committees and working groups.

• A Declaration of the Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS) and Public Health that confirms that the existing WTO provisions afford countries flexibility in addressing public health problems in general and access to medicines in particular.

• A decision that addresses problems that have arisen in the implementation of the 1994 Uruguay Round trade accords.

In addition, the Doha Ministerial approved the protocols of accession for both China and Taiwan, who became WTO members in mid-December 2001.

This article assesses why the Doha meeting fared better than its predecessor in Seattle and then offers general observations on the Doha mandate and what it presages for the new negotiations.

WHY DOHA WASN'T SEATTLE

There are several reasons why the Doha meeting did not share the same fate as the previous ministerial in Seattle.

First, the world's largest traders — the United States and the European Union (EU) — cooperated more extensively with each other and were willing to make concessions on key issues of priority concern to the developing countries. U.S. Trade Representative Robert Zoellick and European Commissioner Pascal Lamy understood that neither side could achieve its objectives if they worked at cross-purposes.

U.S.-EU cooperation started early in 2001 with the settlement of the long-running bilateral dispute on bananas and the tacit agreement to avoid new retaliation on issues such as U.S. Foreign Sales Corporation export subsidies. These actions demonstrated that transatlantic trade problems could be solved in a pragmatic manner without the acrimony and "winner-take-all" results of trade litigation. They also established a strong precedent for working together on the Doha agenda. Each side recognized that, despite their substantive differences on key issues such as agriculture and the environment, neither could achieve its overall objectives in new WTO talks without concessions from the other.

In Doha, the European Union acceded to demands by the United States and others for a strong mandate to reduce and eventually eliminate agricultural export subsidies. In return, U.S. negotiators encouraged other countries to support European proposals for new negotiations on environment immediately and on investment and competition policy (deferred until the next ministerial in 2003). Without these trade-offs, neither trading superpower could have accepted the Doha Declaration.

Second, the Doha Ministerial was better prepared and better organized than Seattle. Extensive consultations throughout the year engaged all WTO members. Developing countries participated actively through their own south-south caucuses, north-south caucuses (such as the Cairns Group of agricultural exporters), informal ministerials in the months preceding the Doha meeting, and frequent bilateral consultations with the United States and the European Union. This network of consultations benefited from the efforts and guidance of WTO Director-General Mike Moore and WTO Council Chairman Stuart Harbinson, who directed WTO preparations for Doha.

In 1999, WTO talks failed to bridge differences between delegations and produced a worthless and unworkable document for ministerial action. In 2001, the WTO preparatory process yielded more constructive results. Moore and Harbinson prepared draft declarations that were considered balanced and objective and that resolved most subsidiary disputes over agenda items. Where agreement by Geneva diplomats was not possible, they framed options for a limited number of politically sensitive issues so that ministers could put together a set of compromises that allowed each one to take home "trophies" for his or her political constituencies. In that regard, U.S. concessions made early in the Doha meeting on sensitive issues like antidumping and the declaration on TRIPS and Public Health, as well as the EU concession on agriculture, proved invaluable in ensuring a result that balanced the interests of developed and developing countries.

Third, the costs of failure in Doha were greater than in Seattle. Amid deepening economic slumps in the United States, Europe, and Japan, a failure to launch new trade talks would have sent a signal that countries were less likely to resist protectionist demands from their domestic lobbies, triggering a bearish reaction in financial markets. Furthermore, after the Seattle experience, another debacle would have raised doubts about the efficacy of the new trade institution and the willingness of major trading nations to use the WTO, rather than new bilateral and regional initiatives, to advance their trade objectives. Trade is not like baseball; usually, it's two strikes and you're out.

Finally, and perhaps most importantly, failure in Doha would have reflected badly on the international alliance of Western and Islamic nations working together to confront the scourge of global terrorist networks. The tragic events of September 11, 2001, brought together many countries that had previously differed on important trade and foreign policy matters. Indeed, the countries that had been the most reluctant to engage in new WTO talks had become key allies in the war on terrorism and had received substantial economic assistance from the industrialized countries in recognition of their contributions. Failure in Doha would have raised doubts about the staying power of this new alliance.

THE DOHA MANDATE: GENERAL OBSERVATIONS

First, the Doha Ministerial Declaration is an agreement to negotiate. With the exception of a few implementation decisions, it only sets negotiating objectives; it does not require that those objectives be met, in whole or part, in the eventual agreements. Each participating country will determine the maximum level of obligation that it will undertake in each area and the minimum level of obligation by other countries that it deems sufficient to produce a reciprocal package of agreements.

Second, the declaration establishes a broad-based agenda that encompasses ongoing negotiations on agriculture and services, both traditional General Agreement on Tariffs and Trade (GATT)/WTO subjects, new issues like investment, competition policy, and environment, and a limited array of institutional issues (primarily dispute-settlement reform). The declaration establishes a two-stage process in which new negotiations on the so-called Singapore issues such as investment and competition policy will not begin until after the next WTO ministerial, probably in fall 2003, based on modalities to be agreed at that time. Developing countries, which originally were reluctant to expand the WTO agenda to these new issues, wanted to ensure that the focus of the initial talks was on the traditional market access issues and that failure to make progress in those areas would imperil talks on the new issues.

The negotiating agenda is not cast in stone. In the past, other subjects have been added to the talks that were not mentioned in the ministerial declaration that launched the round (for example, commercial counterfeiting in the Tokyo Round and the WTO itself in the Uruguay

Round). In the new negotiations, it would not be surprising if the Agreement on Safeguards is revisited in light of the discussions that evolve on GATT Article VI (antidumping) and the balance-of-payments provisions of GATT Article XVIII. However, subjects that are excluded from the original agenda are very difficult to retrieve. In the Doha Declaration, "trade and labor" was the only subject explicitly excluded from the negotiations.

Third, countries agreed that the Doha negotiations would be a single undertaking. It is difficult to overstate the importance of this commitment. Given the WTO's consensus rule, the all-or-nothing requirement means that sufficient progress has to be made on all of the key issues or nothing gets done — and all the new issues are included in the single undertaking. The single undertaking thus provides an insurance policy for the European Union that India and other countries will not block the start of negotiations on investment and competition policy by refusing to agree on modalities for those talks. If India or any country attempted to block those talks, it would elicit reciprocal actions to stall ongoing talks on other issues of priority for the blocking country. The entire WTO negotiation would quickly founder, and India would be implicated in the crime just as it would have been if it unilaterally blocked the launch of the talks at Doha.

Finally, the Doha Declaration recognizes the basic fact that trade accords create opportunities but do not guarantee sales. If developing countries are to be able to take advantage of the prospective new accords, they will need help in strengthening their macroeconomic management, economic infrastructure, and administrative capabilities. Much of the required effort lies outside the competence of the WTO. But trade ministers committed at Doha to provide the necessary technical assistance and capacity building to developing countries so that they can fully participate and benefit from the Doha round. Such support can make the new WTO negotiations a "win-win" proposition for developed and developing countries alike. ❏

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❑ U.S. AND GLOBAL MERCHANDISE TRADE

Leading Exporters and Importers in World Merchandise Trade, 2000
(value in billions of dollars and shares as percentage)

Exporters	Value	Share	Importers	Value	Share
United States	781.1	12.3	United States	1257.6	18.9
Germany	551.5	8.7	Germany	502.8	7.5
Japan	479.2	7.5	Japan	379.5	5.7
France	298.1	4.7	United Kingdom	337.0	5.1
United Kingdom	284.1	4.5	France	305.4	4.6
Canada	276.6	4.3	Canada	244.8	3.7
China	249.3	3.9	Italy	236.5	3.5
Italy	237.8	3.7	China	225.1	3.4
Netherlands	212.5	3.3	Hong Kong	214.2	3.2
Hong Kong	202.4	3.2	Netherlands	198.0	3.0

Source: World Trade Organization, *International Trade Statistics 2001.*

U.S Merchandise Trade by Region
(value in billions of dollars and shares as percentage)

Destination	Exports 2000		Origin	Imports 2000	
	Value	Share		Value	Share
World	781.8	100.0	World	1257.6	100.0
Asia	214.6	27.4	Asia	469.3	37.3
W. Europe	181.4	23.2	W. Europe	248.5	19.8
N. America	179.4	22.9	N. America	238.4	19.0
Latin America	170.0	21.7	Latin America	216.0	17.2
Middle East	19.2	2.5	Middle East	40.3	3.2
Africa	11.0	1.4	Africa	28.5	2.3
C./E. Europe/ Baltic States/CIS	5.9	0.8	C./E. Europe/ Baltic States/CIS	16.6	1.3

Source: World Trade Organization, *International Trade Statistics 2001.*

U.S. Merchandise Trade by Economy
(value in billions of dollars and shares as percentage)

Destination	Exports 2000 Value	Exports 2000 Share	Origin	Imports 2000 Value	Imports 2000 Share
Canada	178.9	22.9	Canada	238.3	19.0
European Union	165.2	21.1	European Union	227.2	18.1
Mexico	111.3	14.2	Japan	151.3	12.0
Japan	64.9	8.3	Mexico	140.4	11.2
Korea, Rep. of	27.8	3.6	China	103.3	8.2
Top 5	**548.2**	**70.1**	**Top 5**	**860.4**	**68.4**
Taiwan	24.4	3.1	Taiwan	41.8	3.3
Singapore	17.8	2.3	Korea, Rep. of	41.6	3.3
China	16.2	2.1	Malaysia	26.4	2.1
Brazil	15.3	2.0	Singapore	19.8	1.6
Hong Kong	14.6	1.9	Venezuela	19.2	1.5
Australia	12.5	1.6	Thailand	16.9	1.3
Malaysia	10.9	1.4	Saudi Arabia	14.8	1.2
Switzerland	10.0	1.3	Philippines	14.4	1.1
Philippines	8.8	1.1	Brazil	14.3	1.1
Israel	7.7	1.0	Israel	13.4	1.1
Thailand	6.6	0.8	Hong Kong	11.8	0.9
Saudi Arabia	6.2	0.8	India	11.0	0.9
Venezuela	5.5	0.7	Nigeria	10.9	0.9
Argentina	4.7	0.6	Switzerland	10.8	0.9
Dominican Rep.	4.5	0.6	Indonesia	10.7	0.9
Turkey	3.7	0.5	Russia	7.9	0.6
Colombia	3.7	0.5	Colombia	7.2	0.6
India	3.7	0.5	Australia	6.6	0.5
Chile	3.5	0.4	Iraq	6.3	0.5
Egypt	3.3	0.4	Norway	5.9	0.5
South Africa	3.1	0.4	Dominican Rep.	4.5	0.4
Honduras	2.6	0.3	South Africa	4.3	0.3
Costa Rica	2.5	0.3	Angola	3.7	0.3
Indonesia	2.4	0.3	Costa Rica	3.7	0.3
United Arab Emirates	2.3	0.3	Chile	3.4	0.3
Top 30	**744.7**	**95.3**	**Top 30**	**1191.8**	**94.8**

Source: World Trade Organization, *International Trade Statistics 2001.*

❑ U.S. MERCHANDISE TRADE BY PRODUCT, REGION AND MAJOR TRADING PARTNER, 2000

(Value in billions of dollars)

	Agricultural Products		Mining Products		Manufactures		Textiles	
	exports	imports	exports	imports	exports	imports	exports	imports
North America	11.46	21.71	7.15	42.68	155.30	156.36	2.85	1.97
Latin America	12.62	17.68	8.38	46.55	141.34	142.45	5.19	2.01
W. Europe	11.28	11.78	5.03	17.62	153.64	204.75	1.39	3.28
C/E. Europe/ Baltics/ CIS	1.10	0.71	0.11	6.02	4.35	9.62	0.05	0.19
Africa	2.53	1.12	0.46	23.25	7.28	3.78	0.07	0.17
Middle East	2.57	0.21	0.36	23.97	15.04	15.01	0.14	0.41
Asia	29.01	13.49	6.31	7.52	173.20	437.12	1.27	7.68
Canada	11.38	21.68	7.13	42.68	155.03	156.35	2.84	1.97
EU (a)	10.02	10.81	4.71	12.68	142.90	190.50	1.32	2.73
Mexico	7.61	6.52	6.09	14.64	92.64	113.12	3.78	1.60
Japan	14.74	0.67	2.20	1.04	46.35	145.36	0.28	0.62
China	2.37	1.50	1.03	1.30	12.56	99.28	0.12	1.89
Korea, Rep. of	3.53	0.38	1.12	0.87	22.55	39.66	0.15	0.95
World	**70.87**	**66.70**	**27.80**	**167.61**	**650.16**	**969.11**	**10.95**	**15.71**

(a) EU members: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK.

Source: World Trade Organization, *International Trade Statistics. 2001*

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Bureau of Economic and Business Affairs
Phone: (202) 647-7971
http://www.state.gov/e/eb/
Office of International Information Programs
http://usinfo.state.gov/wto/homepage.htm

U.S. Environmental Protection Agency
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http://www.epa.gov/oppfead1/international/trade.html

NON-U.S. GOVERNMENT

Advisory Centre on WTO Law
http://www.acwl.ch

American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)
http://www.aflcio.org/globaleconomy/

Canada — Department of Foreign Affairs and International Trade
http://www.dfait.gc.ca/tna-nac/WTO-MCD-e.asp

European Union
http://europa.eu.int/comm/trade/

Food and Agriculture Organization of the United Nations
Trade in Agriculture, Fisheries and Forestry
http://www.fao.org/trade/index.asp?lang+en

International Food Policy Research Institute
http://www.ifpri.cgiar.org

International Agricultural Trade Research Consortium
http://iatrcweb.org

National Association of Manufacturers
http://www.nam.org/

Organization for Economic Cooperation and Development
http://www.oecd.org

Public Citizen
http://www.citizen.org/trade/wto/index.cfm

U.S. Chamber of Commerce
http://www.uschamber.org/international.default.htm

World Trade Organization
http://www.wto.org/
Doha Organizing Committee
http://www.wtodoha.org

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