



Finishing Doha: The PIIE Parameters

Jeffrey J. Schott outlines how negotiators could jump-start the global trade talks, raise their ambitions, and produce a package beneficial to all parties.

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Steve Weisman: President Obama has launched a new export initiative, but what about the Doha Round of international trade negotiations under the WTO? This is Steve Weisman at the Peterson Institute for International Economics, with Jeffrey Schott, senior fellow at the Institute, to talk about his latest research with Gary Hufbauer about what a missed opportunity the Doha Round might be in the trade picture. Jeff, thanks for joining us.

Jeffrey Schott: Glad to be here.

Steve Weisman: What is the status of the Doha Round?

Jeffrey Schott: The round started in November of 2001, and there has been some substantial progress in figuring out ways to cut tariffs and reduce subsidies on agriculture and manufactures. But for the past four years, very little progress has been made to put together a final package. And so, the talks have essentially seized up. The negotiators go to Geneva and make commitments to do better next year, and then when that deadline passes, they re-up the commitment and start the process all over again.

Steve Weisman: You and Gary have studied how concretely a successful Doha Round might affect trade. What are your main findings?

Jeffrey Schott: First, we looked at the value of what has been essentially achieved so far. The negotiators have worked out formulas that, overall, would cut tariffs and reduce some subsidies on agriculture and manufactures. These formulas allow for substantial exceptions for sensitive products, so the value of the liberalization would be reduced accordingly if these exceptions are pursued to any great extent.

When we've looked at those numbers, we found that the gains in terms of increased trade, and the boost to economic output in the major trading countries, would not be insignificant but it would be unimportant for the United States and other key countries. The numbers are just too small. The package is neither ambitious enough nor balanced enough to garner political support from political constituencies who would have to accept the changes in policy.

Steve Weisman: That's what you do hear especially in Congress, that there's not enough gain for them to go along with this agreement.

Jeffrey Schott: It's not only not enough gain, but the distribution of the gains among the major trading countries is askew. For example, if you look at who the big winners would be from just closing up shop today in the Doha Round and accepting what is on the table, the significant winner would be China, and the United States would get very little out of the deal. And that's not going to sell on the Hill.

Steve Weisman: You propose that the negotiators, with a little more effort, can expand the areas of agreement somewhat and come away with a good bargain for everybody. How would that work?

Jeffrey Schott: Essentially the agreement has to be bigger. The pot has to be bigger, there have to be contributions primarily by the G-20 countries. These are the major trading nations in the world economy. These are the countries that have the ability and the interest in having a good result in Geneva, and should contribute more for the overall success of the venture. Most of the 153 WTO member-countries need not do much more than they've already done.

In particular, what needs to be done is to start a real negotiation on services. There has been almost nothing accomplished on services since the talks began eight years ago. And indeed there have been procedural road blocks put up by groups of countries who insist that the work on agriculture and manufactures be substantially completed before one starts to work on services.

Steve Weisman: We often hear these are the three pillars of global trade talks: manufacturing, agriculture, and services. What do we mean by services?

Jeffrey Schott: By services, we mean the ability to provide insurance or financial services; to ship products by air, by ship.

Steve Weisman: So shipping and transportation fall in services.

Jeffrey Schott: Absolutely.

Steve Weisman: What's been the hang-up on services? The United States is very strong on services, maybe more than manufacturing, although perhaps not more than agriculture. You always hear the United States wanting the major developing countries like China, to open up their markets to American services. What's the hang-up?

Jeffrey Schott: The hang-up is mostly procedural. Oddly, some major developing countries like India have a big interest in seeing a successful negotiation on services. And yet, the talks, the give and take, the requests to offer procedures that are the way services negotiations are conducted, have essentially been blocked by tactical concerns that agriculture be dealt with first. And that has prevented countries from exploring what more could be done in service areas of priority to developing countries, such as in labor services or off-shoring services. These services are of greatest interest to the United States, whether it be energy and environmental services, financial services, insurance, air express services; they are all major areas where the United States could be a big winner in the Doha Round.

Steve Weisman: What is the problem? Lack of leadership in Geneva, or is it just the tentativeness of the Obama administration on trade, or the intransigence of China?

Jeffrey Schott: This impasse started long before President Obama took office and it has less to do with the intransigence in Geneva, than the lack of political will in national capitals. The decision has to be made—as the G-20 leaders have said themselves on three occasions—that the leaders need to take responsibility for concluding the Doha Round.

Steve Weisman: And what are some of the numbers that you and Gary have come up with that put a measure or a value on a successful conclusion of the round?

Jeffrey Schott: What we have seen from what is on the table so far is that the trade gains would be in the order of \$80 to \$90 billion. But that's total for all the countries in the WTO—the 153 countries—with GDP gains globally of only about \$60 billion. That's not very much when you divide it up, hardly worth 10 years' worth of effort and all the expense of all the meetings that have gone on to try to put the Doha Round together.

We've put forward a very ambitious agenda that, if fully maximized, would be four times greater. It's pretty hard to believe that negotiators would be able to get that far in the negotiations. But even if they got half of what we suggested, it would still be a much more meaningful agreement and much more valuable for workers in both developed and developing countries.

Steve Weisman: You both have presented this number and circulated it among American officials and others among the trading partners. What's the reaction been?

Jeffrey Schott: The focus has been on what was going to happen in Geneva at the end of March. The WTO members agreed to a stock-taking exercise for the Doha Round, but so little progress has been made over the past year that the ministers aren't even bothering to come to Geneva for these meetings because nothing is going to happen. So the senior officials who are coming will wring their hands about how little has been achieved and will be looking for guidance from the major trading countries. This is where the G-20 leaders have to step up. They have to take the words that they put in their G-20 declarations, that they are committed to finishing the Doha Round, and match it with actions in terms of changing their negotiating position, so that the talks can go forward. Changing the negotiating position means improving their offers to liberalize their own barriers and subsidies.

Steve Weisman: In the Middle East, they speak of the "Clinton parameters" on territorial concessions. We should call these the PIIE parameters, and congratulations to you and your colleagues for coming up with them. And thanks for joining me.

Jeffrey Schott: Thank you very much.

