United States Senate
Republican Policy Committee
Jon Kyl, Chairman
347 Russell Senate Office Building
Washington, DC 20510
202-224-2946
http://rpc.senate.gov

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<u>WTO BACKGROUNDER</u>

The Doha Round Talks: "Suspension" and its Ramifications

Executive Summary

- This past July during what is known as the Doha Round of WTO trade talks in Geneva, U.S. negotiators faced the following dilemma: accept an agreement that would permit WTO countries to maintain significant protections to their agriculture sectors or agree to a suspension of the negotiations.
    - The European Union (E.U.) and the G-20 (represented by Brazil and India) refused to eliminate exceptions from their commitments to cut agriculture tariffs such that little, if any, market-access improvement would have resulted from an agreement that included those exceptions.
- The Doha Round negotiations broke down when negotiators for the United States, E.U., Japan, Brazil, India, and Australia failed to reach an agreement that would achieve the core goals of the Doha Round in the agriculture sector: liberalization (removal of barriers to trade) through substantial improvements in market access, reductions of export subsidies, and reductions in trade-distorting domestic support.
- The current impasse has several implications for U.S. agriculture and trade policy in the near term.
    - Suspension strengthens calls by some for an extension of the current Farm Bill. A WTO deal would most likely have required significant changes in U.S. agriculture policy. Without an agreement, one significant factor favoring change of U.S. agriculture policy has been removed. Suspension also means that federal budget considerations will now be more dominant in farm bill discussions.
    - Suspension of the trade talks may heighten the risk that U.S. farm programs increasingly will be challenged in the WTO.
    - Suspension means that the Administration will probably have to seek from Congress renewal of its authority to negotiate trade deals before a WTO agreement is concluded.
    - Suspension may intensify the push for the United States to conclude additional bilateral and regional free trade agreements (FTAs).

Introduction

This past July during what is known as the Doha Round of WTO trade talks in Geneva, U.S. negotiators faced the following dilemma: accept an agreement that would permit WTO countries to maintain significant protections to their agriculture sectors or agree to a suspension of the negotiations.[1]

The current impasse has several implications for U.S. agriculture and trade policy in the near term. First, the suspension strengthens calls by some for an extension (versus an overhaul) of the current Farm Bill (2002 Farm Bill) set to expire in September, 2007, or at least re-authorization without major policy changes.[2] A WTO deal would most likely have required significant changes in U.S. agriculture policy. Without an agreement, one significant factor favoring change in U.S. agriculture policy has been removed. Suspension also means that federal budget considerations will now be more dominant when Congress begins work in earnest on a new farm bill. Second, suspension of the trade talks may increase the risk that U.S. farm programs will be challenged in the WTO.[3] Third, suspension means that the Administration may have to seek from Congress renewal of its authority to negotiate trade deals before a WTO agreement is concluded. Fourth, suspension may intensify the push for the United States to conclude additional bilateral and regional free trade agreements (FTAs).[4]

This paper provides background on the suspension of the Doha Round talks and outlines the ramifications of suspension for U.S. trade and agriculture policy. The paper first provides background on the Doha Round negotiations, the developments that led to the suspension of the talks, and explains why agriculture is central to the Doha Round. It also explains why an agreement that includes broad exceptions for "sensitive" and

[1] According to U.S. Trade Representative Susan Schwab, the negotiations broke down specifically because participants were not willing to agree to substantial expansion in market access for agriculture products: "While the United States was prepared to do more, [the] focus on the loopholes in market access…revealed that a number of developed and advanced developing countries were looking for ways to be less ambitious…" Secretary of Agriculture Mike Johanns concurred: "We're still not seeing the market access that is necessary for world trade. USTR Susan Schwab, Transcript of Press Availability on the Doha Development Agenda with Ambassador Susan C. Schwab and Mike Johanns, Secretary of Agriculture, July 24, 2006. See: http://www.ustr.gov/Document_Library/Transcripts/2006/July/Transcript_of_Press_Availability_on_the_Doha_Development_Agenda_with_Ambassador_Susan_C_Schwab_Mike_Johanns,_Secretary_of_A.html.

[2] Most of the calls for extension have been referring primarily to the mandatory commodity provisions of Title I of the Farm Security and Rural Investment Act of 2002, (P.L. 107-171), referred to as the "2002 Farm Bill."

[3] For a review of the criteria under which challenges would be brought, see Congressional Research Service, "Potential Challenges to U.S. Farm Subsidies in the WTO," CRS Report for Congress RL33697, October 25, 2006. For an abridged version of the report, see Congressional Research Service, "Potential Challenges to U.S. Farm Subsidies in the WTO: A Brief Overview," CRS Report for Congress RS22522, October 25, 2006.

[4] These ramifications have been discussed widely. See, for example, Congressional Research Service, "WTO Doha Round: The Agricultural Negotiations," CRS Report for Congress RL33144, September 12, 2006, pp. 1-3; and Congressional Research Service, "World Trade Organization Negotiations: The Doha Development Agenda," CRS Report for Congress RL32060, August 2, 2006, pp. 6-7.

"special" products would not have resulted in expanded global trade in agricultural goods. The paper then outlines the ramifications of suspension and its implications for U.S. trade and agriculture policy.

What Happened and Why it Matters

The Doha Round multilateral trade negotiations, which began in November, 2001 at Doha, Qatar, broke down when United States, European Union (E.U.), Japan, Brazil, India, and Australia (G-6) negotiators failed to agree on how to structure an agreement that would achieve the core goals of the Doha Round in the agriculture sector: liberalization (removal of barriers to trade) through substantial improvements in market access, reductions (and "phase-out") of export subsidies, and reductions in trade-distorting domestic support.[5] The E.U. and the G-20 (primarily developing countries keenly interested in exports) refused to eliminate exceptions from their commitments to cut agriculture tariffs, features of the market access portions of their proposals first detailed in late 2005. The E.U., Brazil, and India (representing the G-20 in Geneva) maintained that the United States had not committed to cut enough in domestic support spending. For its part, the United States insisted that its proposed cuts in domestic spending were significant, and that without meaningful reductions in tariffs, trade in agricultural goods would remain nearly as restricted as it would be without a WTO agreement.

In October, 2005, the United States had announced a new WTO proposal for trade in agricultural goods.[6] Building on a preliminary WTO agreement to eliminate export subsidies, U.S. negotiators had proposed significant cuts in the two remaining "pillars" (categories) of negotiation: domestic support and market access (import tariffs).[7] In the domestic support pillar, the U.S. proposal would have forced those countries that spent the most supporting their domestic agriculture industries (primarily the E.U., Japan, and the United States) to cut substantially the maximum amount (Aggregate Measure of

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[5] The Doha Ministerial Declaration of November, 2001, established these goals (the three "pillars") for the agriculture negotiations. The Ministerial Declaration is available at http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm.

[6] CRS provides exhaustive summaries of the agricultural negotiations of the Doha Round. See Congressional Research Service, "WTO Doha Round: The Agricultural Negotiations," CRS Report for Congress RL33144, September 12, 2006, pp. 8-11 for a summary of the agricultural proposals; and Congressional Research Service, "World Trade Organization Negotiations: The Doha Development Agenda," CRS Report for Congress RL32060, August 2, 2006, pp. 8-18 for a review of the "Doha Agenda."

[7] The Doha Ministerial Declaration set out what have come to be known as the three pillars of agriculture trade reform: market access, export subsidies, and domestic support. "We commit ourselves to substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support." See: http://www.wto.org/English/thewto_e/minist_e/min01_e/mindecl_e.htm. See also Congressional Research Service, "WTO Doha Round: The Agricultural Negotiations," CRS Report for Congress RL33144, September 12, 2006, p. 20.

Support, or "AMS") they could spend under WTO rules.[8] In the market access pillar, the U.S. proposal would have eliminated many import tariffs in an initial five-year period, eliminating remaining tariffs over a longer phase-in period.[9]

Key WTO negotiating blocs, including the E.U., the G-20, and the G-10, (agricultural importers led by Norway, Japan, and Switzerland)[10] quickly responded with their own announcements.[11] These proposals fell short of the United States' proposed cuts. In the market access pillar specifically, both the E.U. and the G-20 proposals exempted a significant number of products from tariff cuts.

According to analysis conducted by the World Bank, the exemptions retained by the E.U. and the G-20 would have permitted WTO members to avoid reducing applied tariffs on many agriculture products, and, therefore, virtually eliminate new trade flows. Specifically, the E.U. insisted on retaining broad discretion to shield a significant volume of products by designating them as "sensitive." The G-20, represented by Brazil and India at the final meeting in Geneva, insisted on preserving the right to designate a large number of products as "special" – a similar designation (but available only to developing countries) by which products are shielded from agreed cuts in tariff levels. Based on the World Bank's findings, had the United States agreed to the exceptions for "special" and "sensitive" products, little if any, market-access improvement would have resulted from the agreement.[12]

The Doha Round and Agriculture

Trade experts consider liberalizing trade in agriculture central to the success of the Doha Round.[13] The text of the Ministerial Declaration (the text of the agreement reached at

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[8] For a discussion of WTO country spending on domestic support, see Congressional Research Service, "Agriculture in the WTO: Member Spending on Domestic Support," CRS Report for Congress RL30612, June 17, 2005.

[9] USTR press release, "U.S. Offers Bold Plan on Agriculture to Jumpstart Doha Round Ambitious Initiative Demonstrates Seriousness of Purpose, Says Portman," October 10, 2005. See: http://www.ustr.gov/Document_Library/Press_Releases/2005/October/US_Offers_Bold_Plan_on_Agriculture_to_Jumpstart_Doha_Round.html.

[10] Switzerland, Norway, Japan, Korea, Bulgaria, Mauritius, Bulgaria, Israel, Liechtenstein, Chinese Taipei.

[11] For a listing and description of WTO member negotiation blocs, see "WTO Agriculture Negotiations: The Issues, and Where We Are Now," December 1, 2004, pp. 84-85; available at: http://www.wto.org/english/tratop_e/agric_e/agnegs_bkgrnd_e.doc. See also Congressional Research Service, "The WTO Doha Round: The Agricultural Negotiations," CRS Report for Congress RS33144, September 12, 2006, p. 20.

[12] The Word Bank's model assumed the designation of two percent of tariff lines as sensitive products, and found that the resulting agreement did not result in any "substantive liberalization." Kym Anderson, Will Martin, and Dominique van der Mensbrugghe, "Market and Welfare Implications of Doha Reform Scenarios," Chapter 12 in Kym Anderson and Will Martin, eds., *Agricultural Trade Reform and the Doha Development Agenda* (New York: Palgrave Macmillan and the World Bank), p. 101.

[13] For an account of the agriculture sector's role in the current impasse, see Jeffrey J. Schott, "Completing the Doha Round," Policy Briefs in International Economics, Number PB06-7, October 2006, available at http://www.iie.com/publications/pb/pb06-7.pdf. See also: Kym Anderson, and Will Martin, "Agriculture, Trade Reform, and the Doha Agenda," Chapter 1 in Kym Anderson and Will Martin, eds., *Agricultural*

Doha, Qatar, in 2001) stipulated that a broad array of trade issues would be added to ongoing WTO discussions regarding the agriculture and services sectors.[14]

Liberalizing the agriculture sector is central to the Doha Round for several reasons. First, developing countries, convinced they had not gained as much as they should have from the Uruguay Round Agreement, pushed for guarantees that their economic interests would be supported in the current round, and made clear that they would not support an agreement otherwise.[15] They were politically invested in Doha's outcome, and specifically viewed reform of the agriculture sector as an important goal. Without it, developing countries believe their farmers would have no hope of competing against producers in the U.S. and E.U.[16]

Additionally, agriculture is part of the so-called "built-in agenda." The Uruguay Round Agreement on Agriculture (AA, completed in 1994) committed WTO members to continue talks aimed at liberalizing agriculture. Negotiators had achieved some success in this area, and the extant negotiations were subsumed under the agenda adopted at Doha.[17] Third, the United States and other major WTO countries would not have considered the Doha Round a success without an agriculture agreement. Countries with agriculture constituencies that depend heavily on export markets like the United States, Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, the Philippines, South Africa, Thailand, and Uruguay[18] are very hesitant to agree to a WTO deal without the agriculture sector included.[19]

Finally, the agriculture sector is central to Doha because it holds significant promise when it comes to trade liberalization. Because the agriculture sector is among the most protected sectors in the global trading regime, reducing trade barriers in this area achieves

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Trade Reform and the Doha Development Agenda (New York: Palgrave Macmillan and the World Bank), pp. 3-4.

[14] Congressional Research Service, "World Trade Organization Negotiations: The Doha Development Agenda," CRS Report for Congress RL32060, August 2, 2006, p. 2. The Ministerial Declaration is available at http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm.

[15] Congressional Research Service, "World Trade Organization Negotiations: The Doha Development Agenda," CRS Report for Congress RL32060, August 2, 2006, "Summary," p. 3. The WTO adopts the definition of "developing countries" and "least developed countries" utilized by the United Nations Conference on Trade and Development (UNCTAD). Developing countries are those that receive benefits under the Generalized System of preferences. The poorest 49 of these are the least-developed countries (LDCs). For a current list, see http://www.unctad.org/Templates/Page.asp?intItemID=1418&lang=1.

[16] Congressional Research Service, "World Trade Organization Negotiations: The Doha Development Agenda," CRS Report for Congress RL32060, August 2, 2006, p. 9.

[17] Congressional Research Service, "World Trade Organization Negotiations: The Doha Development Agenda," CRS Report for Congress RL32060, August 2, 2006, pp. 8-9.

[18] These countries (except the United States) are commonly referred to as the "Cairns Group." See: http://www.cairnsgroup.org/.

[19] According to the Cairns Group, "Only a quality outcome in (Agriculture) will deliver real reform to our farmers and allow them to compete in a fairer trading world. That is the plain meaning of the mandate agreed in Doha... The Cairns Group will not accept a deal that falls short of that standard." Cairns Group Statement, "Statement by the Cairns Group," June 28, 2006. Available at: http://www.cairnsgroup.org/media/060628_statement.html.

correspondingly large gains in global welfare. A recent World Bank study estimated global welfare gains from the elimination of barriers to trade in all agricultural goods at $287 billion.[20] The model captured gains through 2015 if barriers to all merchandise trade were eliminated by 2010. Barriers to trade in agriculture and food items account for more than half of this total ($182 billion, or 63.4 percent).[21] Recent Congressional Budget Office (CBO) reports summarizing research in this area suggest that the total effects of reducing barriers to trade in agricultural goods falls between $50 billion and $185 billion in 2001 dollars, assuming full liberalization of the agriculture sector by 2015.[22]

Ramifications of Suspension

As noted earlier in this paper, the suspension of the Doha Round talks generates important policy ramifications for U.S. trade and agriculture, each of which is discussed below.

Farm Bill: Suspension Eliminates a Factor Favoring Change

Reauthorization of the Food Security and Rural Investment Act of 2002 (P.L. 107-171) (the "Farm Bill") is generally viewed as the primary legislative vehicle by which Congress makes major changes to U.S. agriculture programs. Since completion of the last Farm Bill in 2002, the committees of jurisdiction in the House and Senate have generally avoided making significant yearly changes to farm bill programs, preferring instead to write a multi-year omnibus bill that simultaneously makes changes to each of its ten titles.[23]

Policymakers face a threshold question when it comes to the 2007 Farm Bill: Should the Farm Bill be extended with minimal change? Put another way, to change farm policy in 2007, Congress must first decide not merely to extend the underlying authorizations. While the House and Senate Agriculture committees have collected stakeholder input and indicated their intention to write a bill in 2007, they are not likely to release any details about what their bills might contain until sometime next year.[24] Some stakeholders, however, have come down clearly in favor of extending current law. For example, the

[20] Kym Anderson, Will Martin, and Dominique van der Mensbrugghe, "Market and Welfare Implications of Doha Reform Scenarios," Chapter 12 in Kym Anderson and Will Martin, eds., *Agricultural Trade Reform and the Doha Development Agenda* (New York: Palgrave Macmillan and the World Bank), p. 344.
[21] Kym Anderson, Will Martin, and Dominique van der Mensbrugghe, p. 348.
[22] CBO, "The Effects of Liberalizing World Agricultural Trade: A Survey," December 2005, p. 3. Congressional Research Service, "WTO Doha Round: The Agricultural Negotiations," CRS Report for Congress RL33144, September 12, 2006. See also CBO, *The Effects of Liberalizing World Agricultural Trade: A Review of the Modeling Studies*, December 2005, p. 9. Available at: http://www.cbo.gov/ftpdocs/69xx/doc6909/12-01-TradeLib.pdf.
[23] The Farm Bill contains one title each for the following areas: *Commodity Programs, Conservation, Trade, Nutrition Programs, Credit, Rural Development, Research and Related Matters, Forestry, Energy,* and *Miscellaneous.*
[24] For 2007 Farm Bill hearing records, see http://www.agriculture.senate.gov/ and http://agriculture.house.gov/.

American Farm Bureau Federation, on September 20, 2006, called for the extension of current Farm Bill provisions until a "World Trade Organization agreement is finalized."[25] Members of Congress in both bodies have introduced legislation that would extend the Farm Bill for various periods of time.[26] The Bush Administration, in contrast, has rejected the idea of an extension, and called for a 2007 Farm Bill that is "equitable, predictable, and beyond (WTO) challenge."[27]

In the context of re-authorization, suspension means that one potential external discipline has been removed. Because the U.S. proposal most likely would have required substantial changes in Farm Bill program structure, a WTO agreement based on it would have provided a strong impetus for Congress to substantially change the way farm bill programs provide domestic support. Under the domestic support pillar of the U.S. proposal, total AMS would be cut by 53 percent.[28] To meet this cut in domestic support, the U.S. would have to make significant changes to loan rates and price targets, the central policy tools utilized to support U.S. commodity production. Experts at the Center for Agricultural and Rural Development (CARD) and the Food and Agricultural Policy Research Institute (FAPRI) have estimated the likely impact of the U.S. October proposal on U.S. domestic support policy. They concluded that both loan rates and target prices for program crops would have to be cut significantly.[29] Without a WTO agreement that contains these commitments, the 2007 Farm Bill may not change U.S. farm policy as significantly.

Those who favor current farm bill structure are likely to increasingly argue that it would be unwise for the United States to write a new farm bill without knowing the content of a future WTO deal, mirroring the American Farm Bureau Federation's position outlined above. If a WTO agreement were concluded in late 2007, for example, Congress would likely have to revisit the bill it had just completed. This possibility would frustrate the key agriculture policy objectives of consistency and predictability.

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[25] American Farm Bureau Federation Press Release, "Farm Bureau Calls for Extending Farm Bill." See: http://www.fb.org/index.php?fuseaction=newsroom.newsfocus&year=2006&file=nr0920.html. Others, including the National Association of Wheat Growers (NAWG), for example, have called for a new bill. NAWG Press Release, "NAWG Board: Build on Successes When Writing 2007 Farm Bill," June 2, 2006. See: www.wheatworld.org.

[26] See: H.R. 4332, H.R. 4775, and S. 2696.

[27] "Transcript of Agriculture Secretary Mike Johanns' Remarks to The 2006 Agricultural Outlook Forum Farm Policy: A Portfolio of Economic Opportunity for Rural America," February 16, 2006, available at: http://www.usda.gov/oce/forum/2006_speeches.htm. See also: *Western Farm Press*, "Johanns Says No to Farm Bill Extension" March 6, 2006.

[28] A WTO country's Aggregate Measure of Support (AMS) is its total trade-distorting domestic subsidies. For a list of key WTO terms, see Congressional Research Service, "WTO Doha Round: The Agricultural Negotiations," CRS Report for Congress RL33144, September 12, 2006, p. 36.

[29] See Bruce A. Babcock, and Chad E. Hart, "How Much "Safety" Is Available under the U.S. Proposal to the WTO?" Briefing Paper [05-BP 48], November 2005, p. 29 for an estimated reduction of 9 percent (loan rates) and 10 percent (target prices). Available at: http://www.fapri.iastate.edu/publications/wto.aspx. For specific figures at the commodity and country level, see Food and Agricultural Policy Research Institute, "U.S. Proposal for WTO Agriculture Negotiations: Its Impact on U.S. and World Agriculture," CARD Working Paper 05-WP 417, December 2005. Available at: www.fapri.iastate.edu.

Suspension Elevates Budgetary Constraints in the Next Farm Bill

Finally, suspension means that the debate surrounding the 2007 Farm Bill is more likely to be dominated by budget considerations. If negotiators had completed a WTO agreement, U.S. policymakers would have faced at least two policy disciplines – WTO compliance and budgetary constraints. As noted, a completed WTO agreement would have functioned as a discipline because it would have likely forced changes in farm bill programs. On the fiscal side, the 2007 Farm Bill will be considered in an environment where increasing deficits are viewed as something to be avoided, unlike the 2002 Farm Bill, which was written in a surplus environment. Without a WTO agreement, spending becomes the central, and perhaps most important, policy constraint facing policymakers.

Suspension Makes Farm Bill Programs More Vulnerable to WTO Challenge

Recent WTO litigation concerning the U.S. cotton program has raised concerns that farm programs supporting other U.S. crops may also be prohibited under WTO rules.[30] In 2002, Brazil initiated a WTO case against the United States asserting that certain portions of the U.S. cotton program were not consistent with WTO rules. A WTO dispute settlement panel ruled against the United States on several issues within the complaint. The United States subsequently lost on appeal, the WTO membership adopted the panel's report, and the United States was compelled either to comply with the ruling or to face retaliation from Brazil. In response, the Deficit Reduction Act of 2005 (P.L. 109-171) eliminated the "Step 2 program," a marketing provision designed to compensate domestic mills and exporters for purchasing qualifying U.S. cotton, on August 1, 2006.[31]

On August 21, 2006, however, Brazil asked the WTO to review whether the United States had complied with certain portions of the WTO's decision.[32] In particular, the WTO had found that marketing loans, loan deficiency payments, and counter-cyclical payments played a role in encouraging production and depressing cotton prices in international markets and were, therefore, not consistent with WTO rules.

Because the support programs in place for rice, wheat, corn, soybeans, and other crops grown in the United States utilize systems of support similar to that used for cotton, some believe there is significant risk that these support programs likewise would be subject to a WTO challenge.[33] One expert observer, Robert L. Thompson, Gardner Chair in Agricultural Policy at the University of Illinois, asserts that if the United States does not

[30] See, for example: Timothy E. Josling, and Richard H. Steinberg, "When the Peace Ends: The Vulnerability of EC and US Agricultural Subsidies to WTO Legal Challenge," *Journal of International Economic Law* 6(2) (2003), pp. 369-417.
[31] Congressional Research Service, "U.S. Agricultural Policy Response to WTO Cotton Decision," CRS Report for Congress RS22187, September 8, 2006, pp. 1-2.
[32] *BNA*, "U.S. Implementation of WTO Decision On Cotton Subsidies Falls Short, Brazil Says," August 23, 2006.
[33] Robert L. Thomson, Remarks prepared for "Prospects for Reform of U.S. Agricultural Policy – With or Without Doha," Cato Institute, August 31, 2006. Available at: http://www.freetrade.org/node/465.

complete a 2007 Farm Bill that includes new support structures, there is a "high probability" that WTO member countries would initiate a series of challenges.[34]

Absent changes in the structure of U.S. farm programs, suspension may increase the risk of U.S. programs being subject to challenge in part because it precludes the United States from addressing certain trade issues in the multilateral context of WTO negotiations. This removes a strategic negotiation option for the United States. The U.S. response to a proposal from African cotton producers is illustrative on this point. In 2003, the nations of Benin, Burkina Faso, Chad, and Mali proposed the complete elimination of domestic support and export subsidies for cotton.[35] In response, the United States resisted treating cotton in isolation, proposing instead to negotiate within the context of a comprehensive agreement on cotton under discussion at the WTO encompassing all types of agriculture support, tariffs, non-tariff barriers, and manufactured goods, including textiles.[36] If the Doha talks remain stalled, the United States no longer has the option of resolving trade issues within WTO negotiations.

To the extent that a major factor favoring significant change in the 2007 Farm Bill has been eliminated, WTO members considering bringing a case against the United States may be less inclined to believe that reform of U.S. farm programs will be forthcoming. Put another way, interested parties understand that if major changes to U.S. farm programs in the 2007 Farm Bill are less likely, then the legal grounds on which they wish to initiate a case are less likely to change as well.

Doha suspension also means the United States and others cannot extend the so-called "peace clause," a provision of the WTO's Agreement on Agriculture that protected WTO member countries from certain WTO legal action until January 1, 2004. Under the peace clause, a country could not be sued for utilizing subsidies otherwise inconsistent with the WTO Agreement on Subsidies and Countervailing Measures so long as the support levels for the commodity in question remain below a base period (1992). The U.S. October, 2005 proposal included the establishment of a new peace clause to reestablish the protection granted by the provision before it expired.[37]

Suspension's Impact on Trade Negotiating Authority

Because negotiators failed to reach an agreement in Geneva, completion of the Doha Round may now require new trade negotiation authority. The Administration currently conducts trade negotiation under trade promotion authority ("fast-track" or TPA) legislation passed in 2002 (Title XXI, P.L. 107-210). TPA expires on July 1, 2007.

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[34] Thompson, August 31, 2006.
[35] Congressional Research Service, "The African Cotton Initiative and WTO Agriculture Negotiations," CRS Report for Congress RS21712, January 16, 2004, pp. 1-2.
[36] Congressional Research Service, "The African Cotton Initiative and WTO Agriculture Negotiations," CRS Report for Congress RS21712, January 16, 2004, p. 4.
[37] Congressional Research Service, "Background on the U.S.-Brazil WTO Cotton Subsidy Dispute," CRS Report for Congress RL32571, July 11, 2005, p. 8. Josling, Timothy E., and Richard H. Steinberg, "When the Peace Ends: The Vulnerability of EC and US Agricultural Subsidies to WTO Legal Challenge," *Journal of International Economic Law* 6(2) (2003), p. 370.

Without the procedural protections afforded by TPA, trade agreements would be open to amendment in the Senate Finance Committee, House Ways and Means Committee, as well as on the House and Senate floors. U.S. counterparts in trade negotiations would understand that U.S. commitments are subject to change by Congress, and would be therefore hesitant to rely on them during negotiations. For this reason, all but the most simple and uncontroversial trade agreements require trade promotion authority for completion.

While TPA expires in July, the law covers any agreement signed before that date. However, both the notification deadlines outlined in TPA and the task of fully articulating the specific text of an agreement suggest an even tighter timetable. Under TPA, the Administration is required to notify the Congressional Committees of jurisdiction at least 90 calendar days before entering into an agreement with both tariff and non-tariff provisions. The notification period expands to 180 days before signing an agreement if proposals within that agreement would require changes to U.S. trade remedy laws.[38] In addition, for Doha, the process by which a general agreement in principle is translated into specific text applicable to all 149 WTO member countries is expected to take several months at a minimum. This means there is probably insufficient time to successfully conclude an agreement under current trade negotiation authority. If Congress is unwilling to renew TPA, concluding the Doha Round becomes practically impossible. Suspension, therefore, means that the 110th Congress holds the key to the future of the Doha Round.

Suspension Increases Pressure to Conclude Regional and Bilateral FTAs

Looking beyond 2007 reveals another ramification. Suspension may signal a more aggressive pursuit of regional and bilateral FTAs.[39] If expanded trade opportunities are not available in the multilateral context, stakeholders heavily dependent on export expansion, especially in agriculture, may push for the conclusion of additional agreements of this type. Because the Administration has steadily pursued both regional and bilateral free trade agreements (FTAs) with a variety of trading partners throughout the Doha Round, however, additional pressure is likely to take shape only if the WTO talks remain stalled for a significant period of time.[40] This is true because there is not

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[38] Congressional Research Service, "Trade Agreements: Requirements for Presidential Consultations, Notices, and Reports to Congress Regarding Negotiations," CRS Report for Congress RL31974, June 30, 2003, pp. 8-9. Congressional Research Service, "Trade Negotiations During the 109th Congress," CRS Report for Congress RL33463, September 15, 2006, p. 6.

[39] Congressional Research Service, "The WTO Doha Round: The Agricultural Negotiations," CRS Report for Congress RS33144, September 12, 2006, pp. 1-2.

[40] During the 108th Congress, for example, Congress implemented agreements with Australia, Chile, Morocco, and Singapore. Congress later approved legislation implementing additional FTAs, including the Dominican Republic and Central American Free Trade Agreement (DR-CAFTA) the Bahrain FTA, and the U.S.-Oman FTA. Congressional Research Service, "Trade Negotiations During the 109th Congress," September 15, 2006, pp. 1, 18. Known as "competitive liberalization," the Administration's concurrent pursuit of trade agreements in multiple fora is driven by the belief that the United States must continue to demonstrate leadership in the pursuit of open and free markets. According to the Administration, concluding agreements on a bilateral basis encourages participants to support the completion of multilateral agreements. In testimony before the Senate Finance Committee, for example, Ambassador Susan Schwab

enough time before TPA expires for the United States to select additional FTA partners and conclude negotiations not currently underway. If, however, TPA is renewed and the WTO talks remain stalled, additional FTAs become the only avenue available for trade expansion.

Conclusion

The suspension of the WTO Doha Round talks changes the complexion of U.S. trade and agriculture policy in important ways. In agriculture policy, suspension eliminates a factor favoring significant change of current farm bill programs. Absent significant changes to current programs, the likelihood of WTO challenges of farm bill programs increases. Finally, suspension means that instead of a WTO agreement playing a critically important role shaping the re-authorization of the Farm Bill, budget issues are likely to be more dominant. On trade policy, suspension means that concluding a Doha Round WTO agreement likely will require new trade negotiation authority. Suspension may also mean that regional and bilateral FTAs may be the only available avenue for trade expansion.

asserted that the pursuit of "bilateral and regional agreements will broaden and deepen trade relations with key, like-minded countries…[and]…establish the breadth and scope of potential multilateral agreements in years to come by setting precedents and by demonstrating the real benefits of free and fair trade." Susan Schwab, United States Trade Representative, in testimony before the Senate Committee on Finance, May 16, 2006. Available at: http://www.senate.gov.