

# American Trade Politics and the Doha Round

Can the Twain Meet?

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# The Current Situation

- Congress just extended TPA (aka fast track) to July 1, 2007.
- Essential for completing Doha Round
- Unlike 1991, no House or Senate floor vote—so no debate or new mandate
- De facto deadline is early 2007 due to consultation requirements.

## Current Situation (cont.)

- Since Kennedy Round, US deadline has been global deadline.
- Is early 2007 realistic? If not, new US legislation required.
- Assuming that deadline, what are the prospects?

# Is There Anything New?

2000s look a lot like the 1980s

Special interests fighting liberalization:

Textiles then, sugar now

Huge trade deficit

\$150 billion then, \$700 now

Big country target

Japan then, China now

# American Trade Politics: Three Big Changes

- Traditional protectionism is weaker.
- Social (labor-environment) issues are more prominent.
- Partisan rancor has deepened in Congress.
- Each is topic of chapter in AMERICAN TRADE POLITICS, 4<sup>th</sup> edition.

# Social Issues: Labor, Environment

- Begin with the second, because least important for Doha.
- Labor standards not on agenda.
- Limited environmental agenda.
- Democrats have pressed these issues mainly for Free Trade Agreements (FTAs)

# Decline of Protectionism

- In 1980s & post-1995, huge trade deficits
- In 1980s, textiles, steel, autos, shoes, machine tools, semiconductors
- In 1995-2005, just steel
- Why? Industries have globalized.
- Trade/GDP, 1970-2000, .09→.29
- Textiles: quotas to Rules of Origin

# So Why Not Easy Trade Politics?

- Stubborn protected redoubts: sugar, cotton. (sugar and CAFTA)
- Some sectors already happy
- Others eye resistant emerging markets—Brazil, India—for trade, investment.
- Social Issues have eroded support.
- But main reason is partisan rancor.

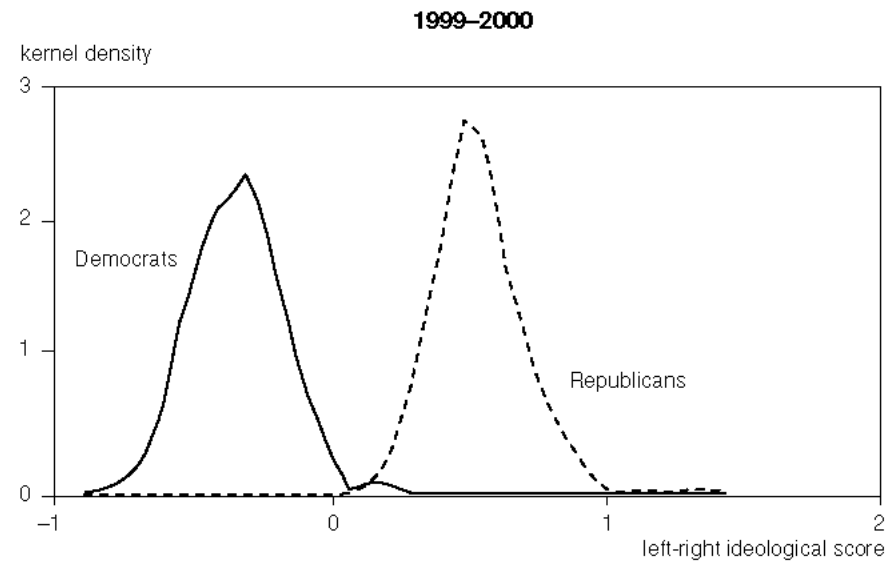
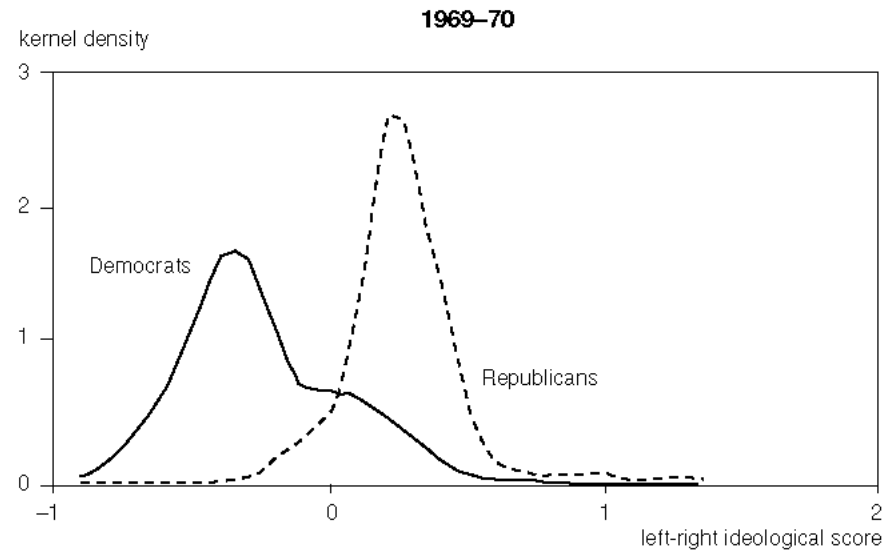


# The Partisan Divide

- Rank-in-file: no difference. 50% Republicans, 51% Democrats for CAFTA
- In Congress, big difference. In Senate, Repubs 43-12, Dems 10-33. In House, barely 10 of 205 Dems in favor.
- Reflects broader political structure: reasonable public, polarized elites.
- The middle disappears, as does bipartisan communication and collaboration.

# The Incredible Shrinking Middle

**Figure 11.1 Ideological distribution of the parties in the US House, 1969–70 and 1999–2000**



# Partisan Rancor and Trade

- On trade, substantive divide not so stark (46 Dems, 39 Repubs anti-WTO)
- But process polarized in Ways and Means Committee: majority excludes minority
- Result on TPA 2001—Dems oppose, Repubs squeezed: 215-214 vote
- If CAFTA wins, same process

# Can Doha Break This Pattern?

- CAFTA outcome may force change in political strategy.
- Historically, global deals easier politics than NAFTA/CAFTA.
- Rob Portman, a politician-USTR
- Must give: sugar, cotton, AD, immigration?
- BUT must get in order to give: agriculture, NAMA, services.

# Best Answer: “New Social Compact”

- Full liberalization: \$1 trillion plus \$500 billion in gains
- BIG programs to help globalization’s losers: from \$2 to \$20 billion
- Extend programs to all displaced workers.
  - Stipends and retraining
  - Wage insurance
  - Business tax credits

# In Doha Period

- Seek most ambitious outcome—expand trade, help emerging economies.
- Move toward social compact.
- The win-win solution