

US TRADE POLITICS DURING THE DOHA ROUND

I. M. (Mac) Destler¹
University of Maryland
and
Institute for International Economics

On March 17, 2005, President George W. Bush announced the appointment of Congressman Rob Portman (R-OH) to serve as United States Trade Representative during his second term. This designation ended months of growing anxiety in the trade policy community, which watched as all other Cabinet-level positions were filled and no word emerged about this key position. The choice was warmly received: You couldn't have a person with a better relationship with Congress and the President, declared Benjamin L. Cardin (D-MD), ranking Democrat on the House Ways and Means Trade Subcommittee. A trade lawyer before his election to Congress in 1992, Portman was expected to win easy Senate confirmation.

Portman succeeds Robert B. Zoellick, who compiled a formidable record of achievement despite suboptimal relationships at both ends of Pennsylvania Avenue. Neither a confidant of the President nor a man comfortable with Capitol Hill, Zoellick had won broad respect for his trade expertise and international negotiating skills. Pursuing a strategy of competitive liberalization, he had negotiated Free Trade Agreements (FTAs) with Singapore, Chile, Australia, Morocco, Central America/Dominican Republic, and Bahrain, with the first four winning easy Congressional approval. He had also played a key

¹mdestler@umd.edu. I. M. (Mac) Destler is Professor at the School of Public Policy, University of Maryland, where he directs the program on International Security and Economic Policy. He is also visiting fellow at the Institute for International Economics. This essay is adapted from portions of his *American Trade Politics*, 4th edition (Institute for International Economics, 2005). Copyright 2005, Institute for International Economics.

role in launching and advancing the Doha Round of multilateral trade talks under the World Trade Organization. Zoellick became Deputy Secretary of State in the second Bush administration, where he is likely to stay involved in trade issues.

His successor has a full plate. Record US trade imbalances worldwide and with China have heightened Congressional concerns. The Central American Free Trade Agreement (CAFTA), actually CAFTA-DR since its broadening to include the Dominican Republic, faces serious trouble winning House approval. Also pending is Congressional action on renewal of Trade Promotion Authority (aka fast track) and US membership in the WTO. Decade-long negotiations for a Free Trade Area of the Americas (FTAA) remain stalled, with the January 2005 deadline for agreement now history. Most important for US interests, the Doha Round talks have been revived but will need major additional effort and important new concessions from the United States.

Portman confronts, however, a domestic political situation that differs fundamentally from earlier years. The old threat business-based protectionism is much weakened. But partisan divisions are far stronger.

Where s The New Protectionism?

In the 1980s, driven by a strong dollar, the US merchandise trade deficit soared to unprecedented, twelve-digit dimensions. Industry after industry was hit, and demanded new trade protection: textiles, steel, autos, shoes, machine tools, semiconductors, etc. The Reagan administration resisted to some degree, but also granted some form of trade relief to most of them.

The trade deficit receded late in that decade, facilitating compromises in (and enactment of) comprehensive trade legislation in 1988. It dropped below \$100 billion in 1991 and 1992, then grew slowly through 1997. Thereafter it skyrocketed from \$198.1 billion in 1997 to \$452.4 billion in 2000, and \$665 billion in 2004.¹ In that year, the United States imported \$1.473 trillion in goods, and exported just \$808 billion.

In absolute terms, this deficit dwarfed the \$159.6 billion that had triggered so much anxiety in 1987. But total US trade had soared also, roughly tripling between 1987 and 2000. As a proportion of trade, the deficit was comparable in those years--24 percent in 1987, 23 percent in 2000. But it reached a new peak of 29 percent in 2004, meaning that the country imported more than \$9 in goods for every \$5 that it exported, a truly remarkable ratio. As a proportion of GDP, the deficits of the early 21st century also came to exceed their eighties counterparts, reaching a record 5.7 percent in 2004.

The deficits were and are a macroeconomic phenomenon, and the proximate causes varied.² Throughout, they have reflected a disagreeable fact: US citizens were saving too little, and consuming more than they were producing. But such lofty macroeconomic explanations were no consolation to US-based goods producers who felt the heat. And for them, the new deficits were at least comparable to the eighties.

Yet the political response to the recent ballooning of the deficit has been very different. In the first period, multiple industries sought protection, Congress seized the initiative in trade policy, and many experts trembled over whether open US policies could survive. In the second period, only one important dog barked steel. It had won comprehensive (if temporary) protection under Reagan in 1985ff in the form of a number

of export restraint agreements with key producers. It won no such protection under Clinton (aside from a number of antidumping cases), and just 21 months of relief from Bush who imposed tariffs on a range of steel products in March 2002 but removed them in December 2003 after the WTO found them illegal.

Anti-dumping cases? These have continued but they haven't increased, and half of them continue to be initiated by the steel industry. The textile industry? It has certainly not become a free-trade bastion. But with the phasing out of the Multi-Fiber Arrangement (MFA) at the end of 2004, its stance has shifted from limiting imports in general to maximizing the share of apparel imports made with fiber and cloth manufactured in the United States.³

Why weren't more injured claimants demanding and receiving import relief post-1995? One reason was certainly the overall strength of the US economy as compared with the mid-eighties: with a happier economic mood, campaigns for trade relief were harder to sustain. Another was the fading of the prime trade adversary, Japan (though China seemed poised to take its place). But there was also precious little new business protectionism after the stock market bubble burst in 2000 and the economy entered recession and slow growth in the George W. Bush years.

Why not more protectionism? The basic answer lies in what is commonly labeled *globalization*, the deepening integration of the US economy with the global economy..

Over recent decades, US markets have become steadily more internationalized. Goods production has in fact declined as a share of the total economy, from 43 percent in 1970 to 35 percent in 2000. But over the same period, *trade in goods* has grown from 4

percent to 10 percent of GDP.⁴ Thus the ratio of trade (average of imports and exports) to goods production has risen even faster, from .09 to .29. Producers export a larger share of their output. They also import a larger share of their products' final value. And those who lag in exploiting the gains from international specialization face uphill competition from those who do exploit them.

In the context of a globalizing economy, a pure protectionist position becomes harder and harder for an industry to maintain. And support to maintain open markets is easier to find. When, in late 2003, Bush weighed how to respond to the World Trade Organization's finding that his steel tariffs violated international trading rules, press reports highlighted the concerns of steel-user industries in key electoral states as much as they stressed the steel-producing interests in Pennsylvania, West Virginia, and Ohio. And the President's White House political adviser, Karl Rove, was reported as taking the steel users' interests fully into account.

There remained entrenched redoubts of protection, of course, most of them agricultural. The farm law enacted in 2002 flew in the face of longstanding US trade-negotiating goals by increasing producer subsidies. Sugar survived under an import quota system that made US prices a multiple of those in the global market, and opened up economic space for domestic producers of corn sweetener as well. Orange juice was another well-protected market which Brazil clamored to enter. US rigidity on sugar was evident in early 2004: Central America was granted minimal increased sugar access in the Central American Free Trade Agreement, and Australia was granted none at all in its FTA. Sugar and oranges both stood in the way of a comprehensive Free Trade Area of the

Americas, and US cotton subsidies undercut the livelihoods of African farmers and helped trigger the break-up of the Cancun Ministerial of the Doha Round. In the spring of 2004, a WTO panel held that US cotton subsidies were in excess of those allowed under the Uruguay Round agreements (a finding later affirmed by the Appellate Body).

These still-restricted US markets remained barriers both to trade and to progress in trade negotiations. But they were now outliers in the overall US economy. As recently as the 1980s, it was plausible to argue that the threat of generalized, Smoot-Hawley-type protection was real, that concessions to one or two new industries could put the United States on a slippery slope, that the trade bicycle would fall down if it did not move forward. It is much harder to make this argument today.

In the 21st century, US business is predominantly on the side of open trade. Why, then, don't market-opening bills sail through the Congress? The basic reason is that US politics has become far more polarized along party lines. And this polarization has spread to trade policy (which was traditionally managed by a bipartisan coalition of the center).

The Partisan Divide

In recent decades, there has been steady nay relentless growth in party polarization and inter-party rancor within the United States Congress, the House of Representatives in particular. This has been driven by broad national forces outside of trade policy. But it has undercut one of the enduring sources of support for trade liberalization: bipartisan leadership cooperation at the committee and chamber level.

Since 1981, the *National Journal*, a respected newsweekly focusing on government, has published sophisticated voter ratings placing every member of Congress somewhere on the ideological spectrum from liberal to conservative. The general pattern in the early years was for most Democrats to cluster on the left side, and most Republicans on the right. But there was considerable overlap in the middle. By 1999, however, for the first time in the Senate, every Democrat had an average score that was to the left of the most liberal Republican. In the junior chamber, moreover, *NJ* found that only two Republicans . . . were in that chamber's more-liberal half on each of the three issue areas. . . . And only two Democrats . . . ranked in the more-conservative half.⁵ Since then, the pattern has stayed essentially the same: two House Republicans (and no Democrats) meeting that criterion in 2004; just one Republican Senator more liberal than just one Democrat the same year.⁶

Parallel data developed by political scientists underscores the same trend. In 1969-70, as noted by Sarah Binder, there had been substantial overlap between Democrats and Republicans' right- and left-most members. A large ideological middle dominate[d] the House. Thirty years later, there is virtually no ideological common ground.⁷

Contrary to frequent press reporting, the polarization of Congress does *not* reflect a deep ideological divide among the public at large. Americans remain basically centrist in 2004, at the end of a particularly contentious Presidential election campaign, 70 percent described themselves as being in the ideological middle.⁸ More generally, Morris Fiorina has demolished the myth of a polarized America in a brilliant short book that gives particular attention to the divisive issues of abortion and homosexuality. Most citizens are ambivalent about these and other public issues, in red as well as blue states. We have,

he concludes, centrist voters and polarizing elites, and the latter have taken control of the political process in what he labels the hijacking of American democracy.⁹

Why has Congress come to reflect the polarized activists rather than the centrist public?

One powerful force has been regular Congressional redistricting. Once the Supreme Court ruled in the 1960s that districts within a state had to have substantially equal populations, the lines had to be redrawn after each decennial census. Politicians naturally shaped this process with eyes to their own survival. This meant more safe districts with strong Republican or Democratic majorities and fewer marginal districts. In a competitive district, candidates will fight for the votes of the citizens in the center, so the representative is driven toward representing the median voter. In a one-party-dominant district, a member is virtually assured of re-election provided s/he can win re-nomination. So priority shifts to maintaining the allegiance of the median *party member* (a substantial move from the center) or, in practice, the allegiance of the median *activist party member* most likely to vote in a primary (even further from the center).

Within the House, partisan polarization has had major impact on how business is conducted. Through most of the post-World War II period, committees dominated the process of developing and enacting legislation. They were run by the majority party, but they reached for bipartisan majorities to improve the prospects for final passage. But as parties became more ideological, the pattern changed. Congressional party caucuses got more and more into the business of shaping legislation themselves.

This was bound to cause problems for trade policy, which was politically dependent on strong, broad-based, bipartisan support in the Senate Finance and House Ways and Means

committees. Bills authorizing and implementing major trade agreements had been worked out in subcommittee and full committees markups (or non-markups). Lopsided, bipartisan committee votes in favor paved the way for lesser, but solid, majorities in their parent chambers. And their strong role made these committees effective partners and interlocutors for successive US Trade Representatives.

Cross-party, committee-based trade policy collaboration remained the Congressional norm well after it was fading in other policy spheres. The NAFTA battle was won through close collaboration between the Clinton White House and Congressional leaders of both parties, with Republican Whip Gingrich and former senior Ways and Means member Bill Frenzel (R-MN) playing important roles. There were increasingly, however, occasions when Ways and Means Democrats excluded Republicans from important trade policy meetings (including the drafting of language to implement the Uruguay Round antidumping agreement in 1994).

Partisanship in the House became yet more intense with the Republican takeover in 1994. Speaker Newt Gingrich (R-GA) centralized policymaking and selection of committee chairs, who were thereby pressed to respond first and foremost to party interests. On trade, partisan division was furthered by the concurrent rise of labor and environmental standards as an agenda item. Democrats favored their inclusion as major negotiating objectives in authorizing legislation, particularly for bilateral and regional agreements; Republicans sought to exclude or minimize them. This difference led Ways and Means Republicans under Chairman Bill Archer (R-TX) to put together their own fast-track renewal proposal in 1995, while Democrats stayed on the sidelines, and to add changes to President Bill Clinton's 1997

fast-track renewal proposal designed to limit the inclusion of these issues under fast-track procedures.¹⁰ Bipartisanship made a modest comeback in 2000, in the struggle over granting normal trade status to the People's Republic of China upon its entry into the World Trade Organization (WTO). This was Clinton's last major trade priority; it had enormous business support; and it won by a relatively comfortable margin of 237-197 with 73 Democrats in support.

Overall, however, broader polarization in the House was more and more making committee members see their colleagues across the aisle not as colleagues but as antagonists. So it was hardly surprising that bitter inter-party conflict reemerged in 2001, when the Bush administration sought renewal of fast-track authority (which it renamed Trade Promotion Authority [TPA]). Senior Ways and Means Democrats Charles Rangel (ranking member, D-NY) and Sandy Levin (ranking trade subcommittee member, (D-MI) made it clear that they wanted to work with the majority to develop, if possible, a compromise bill. But the new, assertive committee chair, Bill Thomas (R-CA), decided instead to negotiate a bipartisan bill with a group of more junior Democrats led by Cal Dooley (D-CA). Rangel et al then led the bulk of their colleagues into opposition, urged on by organized labor and anti-globalist NGOs. This led to the closest, bitterest, and most partisan vote on a major trade bill since World War II: 215 to 214, with just 21 Democrats in favor and 23 Republicans against. When the initial tally indicated defeat for the legislation, Speaker Dennis Hastert held the vote open for 20 extra minutes, until a South Carolina Republican changed from nay to aye in exchange for a promise to tighten rules-of-origin on textiles from the Andean region and the Caribbean.¹¹

In the Senate, by contrast, there was constructive bipartisan compromise, with Democrats winning a major expansion of adjustment assistance for workers displaced by trade.

This included:

**A new health insurance subsidy for eligible workers;

**Coverage, for the first time, of secondary workers (producers of inputs to trade-impacted final goods) and of certain workers who lost their jobs due to relocation of plants overseas;

**A new, alternative program of wage insurance for trade-displaced workers taking lower-paying jobs;

**A doubling of the funds authorized for worker retraining.¹²

With this addition, TPA passed the Senate by a comfortable 66-30 vote. But though the bill emerged from conference with TAA expansion included, it only increased the House margin from one to three votes (215-212), and the number of supporting Democrats from 21 to 25.

The bill became law in August 2002. But winning this way was costly for trade policy. Since the House victory was built on a number of Republicans voting against their convictions and their constituencies, it cast doubt on USTR's ability to win approval of controversial trade agreements in the future. And it inflated the power of the entrenched interests (like steel or sugar producers) determined to resist liberalization of their markets. (If you are at the edge of a political precipice, any organized group can threaten to push you off!)

Competitive Liberalization

Still, for USTR Robert Zoellick, winning this way was much better than not getting TPA at all. He had played a lesser role in lobbying for the bill than most of his predecessors would have: Congressional relations were not his forte. However, he was more than holding his own on the international bargaining side. At the November 2001 WTO Ministerial conference at Doha, Qatar, he was effective on both substance and tactics making an early US concession to include trade remedy laws early, then joining with developing nations to strengthen the language on agriculture in the face of EU resistance. And not only did he play a critical role in launching the new global talks; he would also, as discussed below, be a major player in both the problems and the progress of the Doha Round in 2003 and 2004.

Zoellick's main immediate use of trade promotion authority, however, was for a series of bilateral and regional free trade agreements (FTAs). His predecessors had also pursued such deals, beginning with the Israel and Canada FTAs of the 1980s both for their own sake, and to generate pressure for concessions on global talks by signaling that the United States had an alternative route if global talks failed. The final Uruguay Round/WTO compromise of December 1993, in fact, owed something to House passage of the NAFTA implementing legislation in November, followed quickly by Clinton's hosting the first summit meeting of leaders of the Asia-Pacific Economic Cooperation (APEC) organization.

Zoellick expanded on this record, explicitly including political-strategic criteria in the choice of partner nations. The US-Jordan FTA, completed under Clinton, was approved before TPA's enactment, but two deals initiated by Clinton with Singapore and Chile were completed in early 2003 and brought up under the new authority. (Chile had been promised

such a deal since the Miami hemispheric summit of 1994, but the lapse of fast track delayed the initiation of talks.) FTAs with Australia and Morocco were completed thereafter and approved by Congress in July 2004. A Central America Free Trade Agreement (CAFTA) was completed in late 2003, and the Dominican Republic was added in 2004 (making it CAFTA-DR). Talks were also initiated or ongoing with a range of others, including Bahrain, the states of Southern Africa; Thailand, Panama, and the Andean countries of Columbia, Peru, Ecuador, and Bolivia. Finally, the Bush administration declared a long-term goal of creating a Middle East Free Trade Area (MEFTA).

Zoellick enveloped these initiatives in a broader strategy. By combining global, regional, and bilateral negotiations, he said, the United States is creating a competition in liberalization, placing America at the heart of a network of initiatives to open markets. We would proceed with countries that are ready to open their markets, and success would create pressure on others.¹³ Hence, in his view, FTAs were clearly stepping stones to broader liberalization. Moreover, most FTAs were relatively popular with Congress, and hence useful for salving the wounds of the partisan TPA battle. Finally though the USTR could not say this his success in concluding FTAs buttressed his standing within the Bush administration. He was not close to the President; whatever credibility he achieved, therefore, had to come from visible results. With the hemispheric FTAA talks flagging, and the Doha Round proceeding by fits and starts, bilateral deals kept his trade vessel afloat.

There was some skepticism about whether these specific free trade agreements provided leverage for broader negotiations. Deals with Latin nations might conceivably exert some leverage on Brazil, whose disagreements with the United States were the prime bar to

progress on the hemisphere-wide FTAA. But it was implausible that CAFTA-DR, for example, could generate the pressure for progress on the Doha Round in the 2000s that NAFTA and APEC had exerted on the EU at the close of the Uruguay Round in 1993.¹⁴ And while the domestic politics might be smooth with countries with which US trade was modest (Chile) or non-controversial (Singapore), it was another matter for deals involving countries whose labor practices touched hot buttons in American trade politics. Hence CAFTA-DR, completed before the Australia or Morocco deals, was not brought to Congress in the election year of 2004.

Cancun and Geneva

Whatever the trade and political benefits of FTAs, Zoellick realized that the Doha Round was paramount. Only in global talks could US agriculture win major new market access; only from its large trading partners could the US economy add to its already-considerable gains from economic openness. And only a substantial WTO deal on non-agricultural market access and services offered the possibility of re-energizing the pro-trade business coalition.

But the WTO was an organization of 140-plus members, operating by consensus. And emerging economies were unwilling to defer to a US-EU duopoly, as they had, in the end, in prior GATT trade rounds. They were disappointed, they said, with their gains from the Uruguay Round. They were also upset by the steel tariffs and farm law of 2002 which went so directly against US trade preaching.

The new, more fractious global trade politics became manifest when, in preparation for the Cancun Ministerial Conference of September 2003, Zoellick struck a deal with EU

counterpart Pascal Lamy providing for modest reductions in farm subsidies on both sides of the Atlantic. Emerging economies refused to accept it as a basis for negotiation. Brazil joined with India and China in forming the "Group of 21" to demand more.¹⁵ Then, in the midst of the conference, a so-called "Group of 90," driven by the concerns of African nations and egged on by activist NGOs, made more sweeping demands, including immediate removal of US cotton subsidies. Cancun was supposed to bring agreement not on final Doha terms, but on the modalities, the ground rules, under which they would be hammered out. Instead, it ended in disarray the Mexican chairman and host, seeing no prospect of compromise, gaveled the meeting to a close.

Initial reactions were sharp. Zoellick denounced "can't do" nations (a label with some credibility because the G-21 and G-90 nations had shown little readiness to offer concessions themselves). His EU counterpart, Pascal Lamy, labeled the WTO process "medieval." And the Cancun collapse did raise a broader question: could the institutions of liberal trade be maintained in a world where economic power no longer resided overwhelmingly in the G-7 club? By early 2004, however, tempers had cooled. Zoellick took steps to relaunch serious discussions, working with both developed and developing nations; traveling to sub-Saharan Africa in July to facilitate compromise with (and among) the G-90. A new group of five nations—the United States, the European Union, Brazil, India, and Australia—helped to shepherd the process.

On August 1st, following round-the-clock negotiations, WTO members reached agreement on what was labeled the "July package," a document combining substantive and procedural accords on agriculture (and specifically cotton), non-agricultural market access,

services, trade facilitation, and a range of development-related issues. Particularly notable was the commitment to end export subsidies for farm products. The talks were back on track. But the destination remained a long way off. The original deadline had been December 2004. Now the target for substantial agreement was the Hong Kong WTO ministerial in December 2005, with final details concluded within the year that followed.¹⁶

In the meantime, US trade authorities were coping with some losses in WTO dispute settlement cases. Like other nations, the United States did very well when it took other nations to this global trade court. Of the 22 cases the USTR brought before the WTO as of December 31, 2004, that were litigated to completion, 18 were decided in the US favor.¹⁷ This added up to an impressive 82 percent overall success rate. But the United States was submitting fewer cases three per year under Bush, versus 11 per year under Clinton. And the frequency of cases against the United States was increasing: 8.3 per year under Clinton, 9.5 annually in the first four years of his successor. And in these cases, where the United States was the defendant, US law or practice was usually found wanting. In 74 percent (25 out of 34) of WTO panel or appellate body decisions reached by January 2005, the United States was found in violation of its trade obligations.¹⁸ Prominent among these were a European challenge to the US system of subsidizing exports through favorable tax treatment (FSC), a US law banning imports of shrimp not caught with turtle-excluder devices, and President George W. Bush's decision in 2002 to impose Section 201 (escape clause) safeguards in certain imports of steel.¹⁹

In the bulk of these cases, the United States complied with the adverse decision though it often took time, especially if legislation were required. The most prominent exception as of

the end of 2004 was the Byrd Amendment, which channeled the proceeds of antidumping duties to the coffers of the petitioners. The WTO authorized petitioning countries to levy penalty duties against US products until the law was changed.

From Bob to Rob

As the first term of President George W. Bush came to an end, he and Zoellick could claim a creditable trade record. New authorizing legislation had been enacted, and was likely to be extended in 2005. A number of FTAs were concluded and in progress. Negotiations for a Free Trade Agreement of the Americas (FTAA) were stalled, but the Doha talks were alive and making some progress. Moreover, the President reversed his most protectionist act when he removed the steel tariffs in December 2003, and he maintained a free-trade posture through the re-election campaign which followed. His adversary, John F. Kerry, complained about outsourcing of production and jobs by Benedict Arnold corporations during the Democratic primary campaign, but he did not press the issue once he had secured the Democratic nomination.

In the months after Bush's November election victory, however, trade seemed to disappear from the White House policy agenda. The USTR position went unaddressed, and unmentioned, as the President replaced (or reaffirmed) all other members of his Cabinet, and as he announced the nomination of Zoellick to be Deputy to the new Secretary of State, Condoleezza Rice. Trade went unmentioned in the President's State of the Union address, which centered on his proposal to restructure the social security retirement system. Anxiety over this high-level neglect spread within the US trade policy community. Reports circulated

that Bush might act to terminate USTR's Cabinet-level status. A President committed to free trade seemed to be undermining the institution with the statutory responsibility to pursue it.

On March 17, 2005, Bush moved to put an end to these concerns. In choosing Representative Rob Portman (R-OH), he named a man with whom he had personal ties, a man with trade policy experience prior to and during his Congressional tenure, a man with good relations with legislators of both political parties. The appointment in fact suggested a return to the longstanding USTR model and role. Portman could be expected to act as policy broker at home with Congress, within the executive branch as well as negotiator abroad.

And while the House leadership as a whole was acting more partisan than ever,²⁰ a thaw seemed possible within the Ways and Means Committee. Its senior Democrats had voted for all four FTAs that came before Congress. And its Subcommittee on Trade had a new chairman Clay Shaw of Florida, and a new ranking Democrat Ben Cardin of Maryland. Both were moderates.

The first major piece of trade business, however, was likely to be the free trade agreement with Central America and the Dominican Republic (CAFTA-DR). This was particularly controversial because of these nations' weak labor practices and what critics saw as inadequate CAFTA provisions to address them because they didn't commit these countries to enforce core labor standards as defined by the International Labor Organization. Organized labor was prepared to fight (it had not campaigned seriously against the earlier Bush-Zoellick FTAs). The battle was generally expected to be a partisan conflict reminiscent of TPA in 2001.

Portman would need to walk a fine line: reaching out to Democrats where he could, and maintaining at least the form of the bipartisan non-markup sessions by which members of the

Congressional trade committees typically worked with USTR to draft the implementing legislation. Perhaps some Democratic votes could be won through this process. But in the end he would have to press forward and, in all likelihood, depend overwhelmingly on Republican votes for what was likely to be a narrow House victory. And he would need to do this while staying on good terms with the leading trade Democrats, whose cooperation he one need on other trade issues.

One likely to be more symbolic than substantive was the expected mid-year resolution calling for US withdrawal from the World Trade Organization. This was the result of a provision authored by none other than free-trader Newt Gingrich who, faced with an anti-WTO primary appointment in 1994, had gotten a provision added to the Uruguay Round implementing legislation providing for such a resolution to be voted on every five years. In 2000, just 56 members of the House had backed it: 33 Republicans, 21 Democrats, and two Independents. In 2005, many expected the number to be higher (due to US losses in WTO dispute settlement cases). But few thought such a resolution could come anywhere near a majority.

A second possible challenge was over extension of Trade Promotion Authority. The 2002 law had provided it through mid-2005, with an additional two years automatic if the President requested it and neither house of Congress passed a resolution of *disapproval* within a specified time period. However, such resolutions could only come to the floor if reported out by the Senate Finance or House Ways and Means Committee, and neither was thought likely to do so.²¹

So Portman, like Zoellick, will have the leverage gained from TPA. Unlike the case for Zoellick, TPA is likely to prove most important to him not for FTAs though more would doubtless be consummated but for the global trade talks. The Doha Round remains the central challenge for US trade policy and US trade politics. The new USTR will need to give it the bulk of his time, building coalitions abroad and at home. The FTAA will likely fall further behind schedule, but a Doha success on agriculture is the most promising route to eventual hemispheric agreement. Brazil in particular wants market access concessions on sensitive products like sugar and citrus and cotton. The United States is unlikely to make these in the regional context, but will want agriculture market gains elsewhere, above all from the European Union.

Of course, the United States may not make such concessions at all. The survival of Doha does not mean its success is assured. In recent years, the United States has had the luxury of trade deals FTAs with smaller countries, WTO entry for China where it felt very little economic pain because it had to offer very little new market access. Sometimes, as with sugar and the US-Australia accord, it provided none at all.

To break this pattern, US trade negotiators will need to win serious new market access to emerging economic powerhouses like Brazil and India, access to both goods and services markets. There is very little sympathy in the US for special and differential treatment insofar as applies to advanced developing countries like Brazil and India. If they want to get, they will have to give. But the United States will have to give as well. On the wish lists of US trading partners are not just cotton and orange juice and sugar, but reform of anti-dumping laws and the movement of persons (Mode 4) as well. And any commitments to change US farm

programs will have to be coordinated between the TPA process and the renewal of agriculture legislation likely to come up around the same time. To make serious US market-opening concessions possible, Portman will have to build a domestic coalition of potential winners such that they can beat the well-fortified redoubts of protection in legislative battle. To make it worth the winners while, he will need to work with a broad group of nations committed to major Doha results. The "G-5" that helped rescue the Round in mid-2004—Australia, Brazil, EU, India, and the United States—might be a good place to start.

History is reassuring on global trade talks—it suggests that they typically falter in mid-course but bring constructive, positive-sum, trade-liberalizing compromise in the end. It also suggests they take longer and longer—five years after its launch for the Kennedy Round of the 1960s, six years for the Tokyo Round of the 1970s, seven years plus for the Uruguay Round of the late 1980s and early 1990s. Eight for Doha would put us in 2009, after yet-another US Presidential election, and beyond the period authorized by current US law. More optimistically, the US statutory deadline of 2007 will be de facto international deadline, as has been the case in prior trade negotiations. But it ain't certain. Stay tuned.

ENDNOTES

1. Here and throughout, this book focuses on the trade balance in goods, not the overall balance in goods and services now highlighted by the Department of Commerce, nor the still-broader balance on current account. The reason is that trade policy is still mostly about goods (though services have undeniably grown in importance) and the products and producers in farms and factories have dominated the trade policy process.

2. In the late nineties, it was a strong dollar, a surge in investment that precipitated capital inflows, and the Asian financial crisis which dampened exports. By 2003, the new Bush budget deficit was playing a role, as had Reagan's before.

3. For comprehensive treatment, see Craig VanGrasstek (TradePro@aol.com), U.S. Policy in Textile and Apparel Trade: From Managed Protection to Managed Liberalization, *Washington Trade Reports*, October 23, 2003, processed.

4. Trade here is the average of exports and imports, $(X + M)/2$. Properly speaking, trade/GDP and trade/goods production should be seen as ratios, not percentages, since trade statistics represent final value of goods bought and sold, and GDP and goods production represent just value added in the United States. (All statistics are calculated from *Economic Report of the President*, 2004, Tables B-1, B-8, and B-13.)

5. Richard E. Cohen, Going to Extremes: Our Annual Vote Ratings, A Special Supplement to *National Journal*, February 26, 2000, p. 4. One of the two Democratic outliers left the party in 2000; one of the two Republicans was defeated for re-election in 2002.

6. *National Journal*, February 12, 2005, pp. 427 and 440-54.

7. Binder, *Stalemate*, pp. 23-24.

8. As it has for over thirty years, the National Election Survey (NES) based at the University of Michigan asked 2004 voters the following question: When it comes to politics do you usually think of yourself as extremely liberal, liberal, slightly liberal, moderate or middle of the road, slightly conservative, conservative, extremely conservative, or haven't you thought much about this? A total of 70 percent either chose one of the three middle categories or said they hadn't thought about it. (The 1972-2002 results can be found at http://www.umich.edu/~nes/nesguide/toptable/tab3_1.htm. The soon-to-be-published numbers for 2004 were provided to the author courtesy of the NES staff.)

9. Morris P. Fiorina with Samuel J. Abrams and Jeremy C. Pope, *Culture War? The Myth of a Polarized America* (Pearson Longman, 2005). Quotes are from pp. 78 and 99.

10. After this proposal failed to win a House majority, Gingrich infuriated Democrats by bringing it up for a vote year later, even though it had no chance to pass, in order to put a political squeeze on Democrats. In response to this, senior Ways and Means Democrat Robert Matsui (D-CA), long a stalwart free-trader, moved to the opposition camp.

11. For the detailed story, see Destler, *American Trade Politics*, 4th edition, Appendix.

12. Lori G. Kletzer and Howard Rosen, Easing the Adjustment Burden on US Workers, in C. Fred Bergsten et al, *The United States and the World Economy* (IIE, 2005), pp. 319-20. Rosen played a key role in developing the TAA-expansion legislation.

13. Zoellick Address in Phoenix, Arizona, April 30, 2002, *Remarks by Ambassador Robert B. Zoellick* (Office of the US Trade Representative, 2002), p. 81.

14. For a comprehensive review of the pros and cons, see Jeffrey J. Schott, editor, *Free Trade Agreements: US Strategies and Priorities* (IIE, 2004).

15. The membership varied, so the group is sometimes referred to as the G-20 or the G-22.

16. For details, see Jeffrey J. Schott, *Confronting Current Challenges to US Trade Policy*, in Bergsten, *US and the World Economy*, pp. 264-70.

17. This counts as single cases those submitted separately but reviewed together (e.g., three linked cases against the EU's import regime for bananas). If such cases are counted individually, the US won 22 and lost six, a success rate of 79 percent. This excludes 25 (27) that were negotiated, 9 that are pending, and 14 (16) that are inactive.

18. If cases are counted individually (e.g., the eight separate country filings in 2002 against US steel safeguards), the US won nine and lost 37, or 80 percent of WTO cases that were litigated to completion. Excluded are 14 (16) cases that were negotiated, 17 that are pending, and 9 that are inactive.

19. The Bush administration reported, in mid-2004, an overall WTO won-lost record of 13-10 (56%) during its tenure, and 18-15 (54%) during the Clinton years. (See *Real Results: Leveling the Playing Field for American Workers and Farmers*, *Trade Facts* Press Release, Office of the US Trade Representative, July 8, 2004.)

20. In the fall of 2004, Speaker Hastert refused to let the conference report on a major intelligence reorganization bill go to the House floor for a vote even though President Bush supported it, and even though it would clearly pass because of strong opposition within the Republican caucus. What should govern, he implied, was not the majority of the House but the majority of House *Republicans*. Eventually, the most prominent critics were mollified and the bill was enacted.

21. In 1991, under an identical provision in the 1988 trade law, both committees reported out such resolutions with a negative recommendation, and they were defeated. However, the committees used administration concern over the forthcoming votes as leverage to extract policy commitments from the first Bush administration. In 2005, neither committee seemed inclined to use this process for more than perfunctory oversight purposes.