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Optimism for the WTO Doha Round:  
The Bickering Atlantic Bigemony and New Pro Free Trade Coalitions

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## Summary

Analysts prefer portraying the WTO as a weak world trade regime. The WTO decision-making system is suffering from the opaque one state one country-voting rule and its catalogue of rather diffuse values. In a standard political science perspective WTO liberalism is “embedded” thus reconciling national welfare state and global free trade demands. The given weakness of the trade regime has nourished the expectation of a limited liberalization record.

GATT history and the regime development into a WTO, however, contradict the weakness hypothesis. The regime of now 144 equal and disparate member states succeeded delivering strong results. This suggests some kind of a modest institutional miracle. The various trade rounds efficiently liberalized world trade, negotiated tariffs for industrial goods close to zero, and included new sectors like services and even the troubled field of agriculture. Even more embarrassing, this impressive performance was brought about by a transatlantic bickering bigemony of the US and the EU.

The informal transatlantic US-EU G-2 succeeded in negotiating trade rounds to a positive end contrary to the educated guess that convincing results seemed to be impossible to achieve. The current Doha Round is trying to follow up this painful success story. The trade regime reached global membership, and developing and newly industrializing countries were incorporated in the cooperative trade network. This once protectionist faction in the regime could reach majority status, and amazingly, some key countries converted into free trade advocates thus strengthening the regimes liberal focus instead of pushing it into gridlock. Developing countries even “disembedded” liberal norms and favored more liberalization and greater market orientation.

The prospects for the Doha Round are far better than widely perceived. Again, the US is acting as a liberal leader and did already present far reaching liberalizing proposals. The EU is still a captive of its complex multi-level system and thus in a more restrictive role. The EU commission and key countries like Germany and France are far away from a liberalizing consensus. Maximalist positions in the early stage of the round and diverging interests reveal controversies and first lines of compromise and coalition building. The EU is particularly under enormous pressure to lower the walls of its agricultural fortress Europe.

### *A remarkable regime expansion and sustainable trade liberalization*

GATT and WTO Trade Rounds routinely were confronted with forecasts to fail. The skeptical expert community, however, was repeatedly surprised by results of laboriously negotiated successes on the road to sustainable liberalization. Since the seventies a bickering Atlantic bigemony was playing the leading role.<sup>1</sup> The recipe for leadership and success was G-2 instead of G-all states. Trilateral leadership, the US, Europe plus Japan, never materialized because of notorious Japanese passivity. The Doha Round additionally is facing the new task of a „development round“, i.e. foster substantive results for poor countries and newly industrializing countries (NICs).

The frame of GATT/WTO provided chances for increasing cooperation, the global trade regime favored a liberalizing process and simultaneously world trade expanded aggressively. During the Uruguay Round ending in 1993 a new strengthened regime, the *World Trade Organization* (WTO), was agreed. Regime expansion and liberalization negotiated in trade rounds appeared as a kind of a small institutional „miracle“.

### *The pragmatic political strategy: embedded liberalism*

A standard political science view portrays the GATT/WTO system to be structured by „*embedded*“ liberalism. Ambiguities in trade rules thus were unavoidable.<sup>2</sup> This regime construction was a requirement of the international political system. Rules for political cooperation could not be organized along an ideal type, interests and influences of main actors had to be taken into account. Doing so the pragmatism of embedded liberalism was a recipe for success.

Balancing solutions in a set of conflicting goals with free trade favoring global welfare and national welfare requirements did not provide negotiating processes with totally open results. Norms and rules in the GATT/WTO explicitly favored liberal behavior vis-à-vis neo-mercantilist alternatives. The instrumental side of negotiations offered a clear liberal bias. Multilateralism was ranked superior to plurilateralism, bilateralism and unilateralism ranging inferior.

Five main questions are to be raised. First, how can we explain the small „miracle“ of GATT/WTO, i.e. the development and expansion of a weak regime during complex trade rounds fostering strong results, and are there prospects for continuity?

Second, what circumstances and political coalitions did cause the success of the various trade rounds, and is there a potential for those constellations to prevail?

Third, how far reaching is the stability of the traditional Atlantic bickering bigemony in the form of a G-2 within GATT and WTO during the Doha Round, and which new actors reinforce or weaken this duopoly and the established „*embedded liberalism*“?

Fourth, how far reaching is the political room for maneuvering during the current Doha Round for optimizing liberal governance in the world trading system, and what are the restrictions to be expected?

Fifth, what is the impact of the fragmented trade policy decision-making systems in Europe (multi-level system, commission and member states) and the US (trade policy division

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<sup>1</sup> Jacques Pelkmans, *The Bickering Bigemony; GATT as an Instrument of Atlantic Trade Policy*, in: Loukas Tsoulakos (Ed.), *Europe, America and the World Economy*, Oxford 1986, pp. 83-106

<sup>2</sup> The term *embedded liberalism* was coined by John Ruggie, *International Regimes, Transactions and Chance. Embedded Liberalism in the Post-War Economic Order*, in: *International Organization* 36, 2, 1982, pp. 379-416; an actualisation *ibid.*, *Embedded Liberalism and Progress in International Economic Relations*, in: Emanuel Adler/Beverly Crawford, (Hg.), *Progress in Postwar International Relations*, New York 1991, pp. 201-234; Lloyd Gruber, *Ruling the World. Power Politics and the Rise of Supranational Institutions*, Princeton, NJ, 2000, p. 75

of power, executive branch versus Congress) for the negotiating processes in the Doha Round?

We can expect some plausibility in the assumption that the Atlantic bigemony responsible for the positive results of the Uruguay Round may be a necessary prerequisite for a new success of the Doha Round. However, the established Atlantic bickering bigemony alone, with its limited stability outcome, may be no more sufficient. It probably needs new reinforcing actors for the „*embedded liberalism*“, for example a broader more global coalition including prominent new industrializing and developing countries, and furthermore societal actors from the business communities and NGOs to simulate a liberal network of global reach.

### *Capacity and Limits of the Atlantic Bigemony*

The preponderance of the Atlantic bigemony was prevalent during all trade rounds, particularly during the Tokyo and the Uruguay Round. Following the standard explanation the WTO resulting from yearlong negotiations during the Uruguay Round has been mainly a transatlantic deal. This mainstream hypothesis explained the final consent of the reluctant EU to the Uruguay package as a consequence of the new transpacific APEC which was perceived in Europe as an American alternative to Atlanticism. The German chief negotiator, Lorenz Schomerus, made a supporting statement and thus was cited as the principal witness for this explanatory variant.<sup>3</sup> Thereafter, the GATT agreement could transform into the World Trade Organization.<sup>4</sup> This result indeed provided a tremendous success for a cooperative trade system, but no guarantee for a continuation without frictions and of course no insurance against a backlash. Since other than Atlantic players increased their influence, it was an open question, if this fact would strengthen or weaken the WTO.

The „atlanticist“ result does not fit optimistic institutionalist expectations. On the contrary it is corresponding to an evaluation of the trade governance system as an instable duopoly in the form of a bickering bigemony. It makes sense portraying this outcome as a type of regime change brought about by a hegemonic group. The parallelism of the WTO and regional blocs (EU, NAFTA, APEC etc.) is not a sufficient indicator for a mainly global process of institution building. The real trade world offers more than just the institutional arena of GATT and now the WTO; it is characterized by a wide array of bi- und unilateralism of large and small states. Particularly, US trade policy used all three strategies ad libitum. In cases when GATT procedures and policies conflicted with US interests, very pragmatically bi- or unilateral instruments were at hand.<sup>5</sup>

The quarrels around the installation of the first WTO secretary general provide a striking example.<sup>6</sup> Consensus building in the process of finding an acceptable secretary general demanded an extraordinary sophisticated arrangement of governance. Very complex coalition building was a prerequisite for success. The US candidate, the Mexican *Carlos Salinas de Gortari*, was disqualified by domestic scandals and the financial crises in Mexico. The EU

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<sup>3</sup> Lorenz Schomerus confirmed his hypothesis of APEC as the driving force in phone calls and e-mails with the author January 2003; Gruber op. cit. (note 2), p. 166, Gruber deleted the „o“ in his last name (Schomerus not Schmerus) and misjudged his role as the German chief negotiator and falsely made him an EU-negotiator; Schomerus, however, did not work for the EU commission then; Yoichi Funabashi, *Asia Pacific Fusion: Japan's Role in APEC*, Washington DC, Institute for International Economics 1995, p. 107, quoted correctly referring to Fred Bergsten asking Schomerus.

<sup>4</sup> Reinhard Rode, *GATT: Revival or Decay?*, in: Reinhard Rode (Hg.), *GATT and Conflict Management. A Transatlantic Strategy for a Stronger Regime*, Boulder, CO 1990, pp. 117-124; Gruber op. cit., (note 2) pp. 70 and 166

<sup>5</sup> Reinhard Rode, *High Tech Wettstreit 2000*, Frankfurt am Main 1993, pp. 62 and *ibid.*, *Weltregieren durch internationale Wirtschaftsorganisationen*, Münster 2002, pp. 3ff.

<sup>6</sup> *The Economist* 4.2.1995, p. 63; *Frankfurter Allgemeine Zeitung* 14.3.1995, p. 16 u. 16.3.1995, p. 15

candidate, *Renato Ruggiero*, an Italian trade minister (1987 - 1991), had provoked stiff US resistance at the beginning. He was labeled a protectionist, and the US even was playing around with the idea of an own candidate. *Ruggiero* had the support of far more than the majority of member states. A majority decision against the US, however, was out of question, despite the formal possibility to proceed. The Asian candidate, *Kim Chul-Su* from South Korea, in the eyes of both Atlantic competitors lacked an adequate free trade orientation. He was offered for the number two position, although most developing countries were not in his favor.

The transatlantic horse-trading ended with the deal that *Ruggiero* won an only four-year term and the understanding of a non-European successor. The US anti-*Ruggiero* stance was widely seen as a back fall option to obstruct potential new dispute settlement decisions in the *Ruggiero* era harming US interests. This US attitude was undermining the WTO from its outset.<sup>7</sup> Parallel to the Uruguay Round a transatlantic dissent was leading the trade regime temporarily into a decision grid log. *Ruggiero's* successor in 1999 than was according to the transatlantic deal a Non-European. Until that period all director generals came from European countries. Among the list of four possible successors, candidates from Morocco, Thailand, Canada and New Zealand competed, the former Prime Minister from New Zealand, *Mike Moore*, won the race. His term started in September 1999. The successor in September 2002 than came from Thailand. *Supachai Panitchpakdi* was the first secretary general from a developing country, an important symbolic step stressing the WTO's global scope.

The pragmatic liberal WTO regime won robustness contrasting to the GATT, however, WTO still was an institution in a world of nations states, where states engaged in increasingly stable forms of cooperation, but preserved their unilateral interest oriented policies. Even now the large states are deciding within the WTO on the fate of the WTO. The WTO has no robust mandate to impose decisions on the member states (exception dispute settlement), particularly the large ones. The means of the WTO, however, to limit and restrain big actors, had grown to a degree the former GATT never had enjoyed. Within the WTO the single state interests are far deeper intertwined and interlocked in a cooperative net.

Whether the WTO will be capable using it's increased strength and the new room to move really forward into the free trade direction, is now on top of the agenda of questions.<sup>8</sup> The Doha Round will be the first hard test case.<sup>9</sup> Rising NGO anti-liberal activism had created an additional common demand for liberal leadership. Again, the minilateral Atlantic G-2 was challenged to prove the leadership capability of the hegemonic group in the WTO. Global goods like stability of the WTO regime and further liberalization have to be delivered. This will require inclusion of other OECD-countries for the sake of building winning coalitions. Probably, newly industrializing and developing countries are expected soon joining the liberal bandwagon, only if the two large Atlantic trading entities are demonstrating sustainable liberal leadership. The good example of earlier rounds had proven the ability of the duopoly to overcome bickering and achieve result-oriented compromise.

The assumption that the creation of the WTO was an important step from a power-based to a rule-based trading system makes sense; the normative vision of the „rule of law“ is more than just wishful thinking. However, until now the asymmetrical power of the US and the EU are predominant during negotiations in Geneva and elsewhere. The consensus-based governance system in a WTO consisting of formally equal states can offer little more than a facade when the majority of members is composed of mostly only partially rule-oriented small traders. A G-144 has no leadership qualities. An „indirect weighting“ of votes and influence in the

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<sup>7</sup> *Frankfurter Allgemeine Zeitung* 23.3.1995, pp. 16 u. 17; *The Economist* 25.3.1995, pp. 106 et seq.; *Time* 3.4.1995, p. 38

<sup>8</sup> Jeffrey *Schott*, WTO 2000: Setting the Course for World Trade, Institute for International Economics, Washington, DC 1996

<sup>9</sup> Fred *Bergsten*, Zeit für eine Millenium-Runde, in: *Internationale Politik* 54, 1999, 1, pp. 11-20

decision-making process is inevitable, and only a very idealist perspective will label this „organized hypocrisy“.<sup>10</sup> The tendency of pretence is automatically given in a world of states, where equality of all states, in grotesque disrespect of size and democratic legitimacy, is claimed and displayed on the diplomatic floor. In view of the shabby reality, that most states' high gambling for prestige can be regarded reciprocal to their influence and legitimacy, a mapping of the real political weights in decision-making processes through the backdoor seems inevitable.

Since the WTO is lacking a strong governance network,<sup>11</sup> the trade regime is not spoiled with leisure time. The price of a loose web of liberal governance consists in permanent time-consuming coalition building. Furthermore, the Atlantic bigemony suffered internal societal weakening resulting from the NGO boom. The opposition against globalization and liberalization thus were enjoying impetus. As a consequence, the first three ministerial conferences could not further develop the capacity of governance in the WTO. The two conferences in Singapore in December 1996 and in Geneva in May 1998 were events of pure routine. The notorious 1999 Seattle tear-gas conference lasting from November 30 to December 3 was then exposing the standstill of liberalization caused by disunity among member states so giving ample room to NGO campaigning and actions of blockade.

### *Learning from a failure: the non-starting Millenium Round*

Already in 1999 a new first trade round in the WTO was expected to be launched. Sir *Leon Brittain*, EU commissioner for external trade until September 1999, had not only coined the impressive label Millennium Round, but as early as 1996 started lobbying for a new initiative when he was still considered to be a lonely voice.<sup>12</sup> During the second WTO ministerial conference in Geneva celebrating the 50th anniversary of the GATT in May 1998 the term „trade round“ has been explicitly avoided. Many member states were still preoccupied implementing the Uruguay Round results and therefore shied away from new liberalizing steps.<sup>13</sup> Then, US president *Bill Clinton* in his state of the Union speech before Congress on January 19, 1999 called for a new trade round. The third ministerial conference scheduled for December 1999 in Seattle should launch the new round. On January 26, 1999 the US Trade Representative *Charlene Barshefsky* speaking to the Senate Finance Committee qualified the goal set of the Clinton administration. The negotiating agenda should be completed on an accelerated timetable of no more than three years. The Uruguay Round lasted seven long years. Results should be seen quickly in priority areas such as institutional reform, agriculture, services, government procurement, intellectual property and industrial sector tariff, and non-tariff barriers. Regional initiatives such as NAFTA, FTAA, the Transatlantic Economic Partnership, TEP and APEC should be continuing to advance.<sup>14</sup>

Again, the US following the usual trade round pattern aimed at a new liberalization effort. The EU itself right after *Leon Brittain's* proposal for a Millennium Round was stuck in a search for internal consensus. The commissioner in charge was sending multiple favorable signals to produce external effects, and at the same time had to rally for internal support.

<sup>10</sup> Thomas *Oppermann*/Marc *Beise*, Die neue Welthandelsorganisation – ein stabiles Regelwerk für weltweiten Freihandel?, in: *Europa-Archiv* 7, 1994, pp. 195-202; the two alternatives *rule-orientation* versus *power-orientation* were introduced into the GATT discourse by John *Jackson*, in: *Journal of World Trade Law*, 1978, pp. 93ff.; Richard *Steinberg*, In the Shadow of Law or Power? Consensus-Based Bargaining and Outcomes in the GATT/WTO, in: *International Organization* 56, 2002, 2, pp. 339-374

<sup>11</sup> *Rode* op. cit. (note 4), pp. 100 et seq.

<sup>12</sup> *Frankfurter Allgemeine Zeitung* 01.02.1999, p. 17

<sup>13</sup> Reinhard *Rode*, Die Rolle der Europäischen Union in der politischen Dimension der Globalisierung, in: Peter-Christian *Müller-Graff* (Ed.), Die Europäische Gemeinschaft in der Welthandelsorganisation. Globalisierung und Weltmarktrecht als Herausforderung für Europa, Baden-Baden 2000, pp. 47-62

<sup>14</sup> US Embassy Website EUR222 01/26/99

During a meeting in November 1998 together with the business community, trade unions, and nongovernmental organizations the commission presented its draft agenda. Already early in the year 1998 the council of ministers found a very broad common set of goals. In the finals of the Uruguay Round WTO members had agreed to launch a new round on agriculture and services in the year 2000. For this reason the EU had a commitment. This time in the new round EU rhetoric aimed high at playing an active part and driving things forward. The draft agenda was labeled ambitious and far-reaching. Additionally, the EU was aiming at an increase of transparency and clarity in the WTO system of rules. The internal search for a consensus, however, in regard to sufficiently operational goals failed at this stage.<sup>15</sup>

During the World Economic Forum in Davos in February 1999 the news trickled through that all large industrial and some key developing countries now were favoring a new trade round. There seemed to be some agreement on a list of topics for a preliminary agenda including tariffs and subsidies plus environmental and social norms. The US was eager to achieve a further reduction of European agricultural subsidies whereas the EU still lingered on with the cuts agreed during the Uruguay Round. This field again became the key issue and the potential stumbling bloc for another long lasting bargaining. Obviously, the Clinton initiative took the bull by the horns to counter growing domestic protectionist pressure.

In the EU the usual braking coalition was drawing-up, the farm lobby in the frontline. First in spring 1998 among the member states France took the lead in pushing for the protectionist line trying to stonewall *Leon Brittain's* plan for a transatlantic market.<sup>16</sup> The prospects for a successful round clearly depended on a broad majority for a liberalizing coalition in the EU supported by a transatlantic coalition of free traders. Inside the EU the service sector with telecommunication as the stronghold of the winners of liberalization was in a stronger position than at the beginning of the decade. This new force among the free trade lobby bloc potentially could offset the protectionist demands of agriculture. The obvious stalemate in EU agricultural policy reform could in principle be surmounted by means of a linkage with a new trade round.<sup>17</sup>

*Fred Bergsten* in 1999 had published an early overly optimistic variant of forecast for the Millennium Round. He rightfully concluded five lessons from the fifty year story of the world trade regime: first, the wheel of liberalizing initiatives should be kept moving; second the new round should try "big is beautiful" and realize free trade on a global scale until 2010 or 2020; third, regional blocs should act as an important source of liberalization not as obstacles; fourth, currency policy and the Euro should be decisive for the trade round; and fifth, leadership of the US and Europe in the form of a G-2 was a precondition.<sup>18</sup>

The two first lessons had a programmatic function to spread calculated optimism. Aiming high would avoid watering down a new round into pedantry for small questions. The third lesson had already proven its impact. At the final stage of the Uruguay Round the US regional projects NAFTA and APEC provided leverage vis-à-vis the EU by stressing the useful function of the global trade regime. For this reason even Paris realized that other actors too had the potential to successfully regionalize demonstrating that regionalization was not a strategy limited to European use. Lesson four and five underlined the necessity of the leadership role of the Atlantic duopoly.

This convincing logic recommended a new common demand for free trade oriented leadership in the trade regime. Obviously, the US and the EU had to do a lot of homework to facilitate a Millennium Round success, and they both failed before Seattle. In the US president

<sup>15</sup> Meeting of the European Community and European Non-Governmental Organisations, Business Federations and Labour Organisations, The WTO Future Work Programme and its Context, Mr. M. P. Carl, Deputy Director General ai, DG I, 16.11.1998

<sup>16</sup> *Frankfurter Allgemeine Zeitung* 16.9.1998, p. 7

<sup>17</sup> Robert Paarlberg, Agricultural Policy Reform and the Uruguay-Round: Synergistic Linkages in a Two-Level-Game, in: *International Organization* 51, 1997, 3, pp. 413-444

<sup>18</sup> *Bergsten* op. cit. (note 9), pp. 11-20

*Clinton* failed to get *fast track* from Congress. The EU multilevel system failed in delivering a new liberalizing impetus including the farm sector. Since none of these preconditions could be fulfilled a common transatlantic agenda was hardly possible thus offering protectionists reinforced by new NGO's a wide open window of opportunities.

### *Seattle, the wake up call*

The December 1999 Seattle fiasco, the “tear-gas” ministerial conference,<sup>19</sup> then was not dominated by the traditional trade actor constellations but by NGO activism. A NGO rainbow coalition filled the streets in town with protest, made a great show on Internet platforms thus impressing the media and portraying network power to blockade. Traditional trade actors including governments were stunned in surprise in front of this new challenge of a broad new coalition of old trade unionists, new greens, consumerists and violent young travelers enjoying fun and action more or less skillfully coordinated via mobile phones and e-mail. Until this event trade unions and environmentalists regularly had not formed action coalitions, but very pleasant for governments were split up in disunity easy to play off against each other.

For the Seattle actions around 1 500 NGOs joined an anti-WTO protest declaration. The online platform had been managed by the US consumer organization *Public Citizen*. The organizers of the protest actions concealed afterwards that this campaigning success could not have been achieved without new media like Internet and electronic mailing. RAND experts coined the term NGO-swarming for this new phenomenon of heterogeneous NGO actors linked in information-age and street action networks.<sup>20</sup> Without central direction or leadership multi-headed NGO swarms practically resisted decapitation. Following this swarm logic they were enabled to blockade and kill targeted meetings of the WTO Seattle type. Confronted with the surprise event of rioting in the streets of Seattle the hosting president *Bill Clinton* saw no better option than to express friendly words of understanding for the NGO anti-globalization demands.

In real terms the media and the RAND analysis, however, vehemently misinterpreted and exaggerated NGO impact. The real cause for the Seattle disaster resulted from a lack of transatlantic consensus and bad US preparative efforts. The French ministerial bureaucracy for example did enjoy this failure and proposed a pause.<sup>21</sup> The Clinton administration was politically weakened by a *lame duck* president without *fast track* from Congress.<sup>22</sup> The NGOs as noticeable winners could indeed point vis-à-vis the secrecy of trade diplomacy in green rooms and impel and accelerate a trend towards transparency i.e. doing a real favor to research on the WTO regime.

### *A serious new start in Doha*

The new start after the failure in Seattle<sup>23</sup> obviously required a new continual Atlantic liberalization effort. Seattle was sending a strong lesson to the Doha Round. The weakness of governance in ministerial meetings was obvious. Bad preparation and organization plus dissent among the main actors offered NGOs an ideal platform for campaigning. Large ministerial conferences inevitably tend to perform a diplomatic circus with a big media show. This

<sup>19</sup> Dani Rodrik, Free Trade Optimism. Lessons from the Battle in Seattle, in: *Foreign Affairs* 82, 2003, 3, pp. 135-140

<sup>20</sup> John Arquilla/David Ronfeldt, Swarming & the Future of Conflict, pp. 51ff.; <http://www.rand.org/publications/DB/DB311/DB311.pdf> 24.04.2001

<sup>21</sup> Alex Kovéje, En attendant le cycle. Que faire après Seattle ? in: *politique étrangère* 2, 2000, pp. 439-454 ; the author's name Kovéje is a pseudonym for two high level French trade bureaucrats.

<sup>22</sup> Jacob Park, Globalisation after Seattle, in: *The Washington Quarterly* 23, 2000, 2, pp. 13-16

<sup>23</sup> Pascal Lamy, Neustart nach Seattle. Europa sucht eine Führungsrolle in der WTO, in: *Internationale Politik* 55, 2000, 4, pp. 19-26



provided a perfect window of opportunities for the performance of NGO street circus causing even more media attention. This unfortunate linkage could only be broken by a renewal of a functioning Atlantic duopoly. Large ministerial meetings provide no leadership capability, they usually give their blessing to prenegotiated packages. Successfully bargaining a new liberalization bundle demanded strongly for common Atlantic leadership in an enlarged network of the actors favoring freer trade.

Societal cooperation will probably be crucial in this networking process. Free traders faced the task of new coalition building efforts to neutralize opponents. Business organizations had to learn new techniques of networking and rallying around the liberal flag in addition to old style back door lobbying. Among the heterogeneous NGOs some reformists could eventually be won to participating in the process of consensus building and thus isolating the hard-core part of the Anti-globalization activists in the leftist corner. The „NGO-swarm“ passed a slow but continuous process of diversification and splitting into its rainbow colors. The surprise advantage for NGOs faded and the prospects of a new trade round brightened. Governments of the leading states alone could no longer guarantee this outcome, however, they still were in control of closing the window of opportunities for NGOs.

The Seattle fiasco after a short period of shock and reorientation stimulated a serious new start, the Doha trade round. First, the choice of location was a strong signal for the intention to launch a developing round. Second, the NGOs got the message that they did not possess global power for blockade and that their innovative fun and party like period had ended. The new round started in November 2001 with a ministerial meeting in Qatar.

At the beginning of the conference in the Arab desert state dissent of goals was enormous. The EU was not ready to renounce export subsidies for agriculture. The US resisted market opening for textiles, developing countries abstained a mandate to negotiate environmental and labor standards. Nevertheless, an agenda compromise could be found. The starting positions of the negotiating parties differed on a very large scale, a fact well known from earlier rounds, the prospects for success seemed to be very uncertain.<sup>24</sup> The round was still in its early stage when actors opted for maximalist positions. At the end of the year 2002 the US again took the leading role presenting a far-reaching plan for liberalization including the agricultural sector. The proposal to reduce tariffs for industrial goods to a zero level until 2015 sent a strong signal for a liberalization effort. The essence of the Doha Round's development character, however, was far less impressive.<sup>25</sup>

### *Start line positions and the prospects of substantial results*

Inspired by the five questions raised at the beginning of this article spring 2003 provides first tentative answers recommending further research to deepen the preliminary findings. Similar to earlier trade rounds the US again was setting the agenda for the Doha Round by means of delivering far reaching liberalization proposals. This time again the US seemed better prepared because of a distinct strategic and tactical concept, whereas the EU appeared to be caught in the agricultural policy grid-work of its multilevel system. Once more the US is attempting to play its well-established role of the main promoter of liberalization; the EU *molens volens* is stuck playing the brakeman. The expectation of an analogy to the process during the Uruguay Round is striking.

The Bush administration in the US had made its homework for the initial phase of the round until the end of 2002. The necessary precondition for serious negotiations and decisions on the US side had been granted from Congress by passing the Trade Act of 2000 including

<sup>24</sup> Marc Beise, Kurzer Winter der Vernunft im Welthandel, in: Internationale Politik 57, 2002, 6, pp. 11-15

<sup>25</sup> *The Economist* 30.11.2002, p. 75 and 7.12.2002, pp. 25-29 and WTO-News, St. Gallen University, 6, 2002, p.

*Trade Promotion Authority*. TPA is the new label for *fast track*. On the domestic trade front protectionist interest groups could be satisfied and tied with new concessions. The farm sector got a new farm bill providing more subsidies. Steel and the textile industry enjoyed some additional protection. Democrats and trade unions could be attracted to the deal via some more labor assistance. The new Bush bundle of protection wrongly has been perceived in Europe as abandonment from a liberalization course. Far more plausible is interpreting these measures as a requirement of domestic coalition building to achieve fast track from Congress. The maneuvering, one step back and two steps forward, delivered the crucial small majority in Congress.<sup>26</sup>

This solid domestic background allowed fabricating substantial US start line negotiating proposals. In contrast to the higher farm subsidy level of the EU the US increase provided better leverage to demand deeper cuts in Europe. The higher level of the farm bill somewhat closed the subsidy gap vis-à-vis Europe and stimulated multilateral bargaining intending to achieve the result of remarkable European concessions. The US goal of deep cuts in farm subsidies offered good prospects for coalition building with the Cairns group and developing countries, a strategy not at disposal to the high-level farm protectionist EU.<sup>27</sup> Another chance for US gambling is implied in the dispute over genetically modified (GM) food. This quarrel, where the US is leading the pro GM camp, and the EU is a staunch opponent, is expected to strengthen the US hand in the Doha talks.<sup>28</sup> The US goal set for agriculture insofar meant multiple tactical advantages at an early stage.

The EU room for maneuvering in the farm sector, similar to the Uruguay Round, is severely limited because of divergent interests of its member countries. The southern high protection front under French leadership is vehemently fighting the moderate line of the net contributors to the EU budget still spending around half of it for the expansive Common Agricultural Policy (CAP). In compromising deals Germany traditionally was playing a key role. At the end of the year 2000 the formula of agriculture as „multifunctional“ had delivered a contradictory and flexible example for the intricate process of EU intra- and external bargaining on the basis of the lowest common denominator.<sup>29</sup> The commission after all spread a confidential paper in December 2002 favoring 20 percent cuts.<sup>30</sup> This at last was no more than a first step into tough internal bargaining within the complex multilevel system. The member countries one by one will not be won and convinced easily.

The German ministry of agriculture immediately and vehemently supported the commission demand for cuts.<sup>31</sup> However, at the end of January 2003 during the drafting of the EU proposal end the „high subsidy lobbyists“ France and Ireland succeeded in watering down the commission plan. The commission's suggestion to fully delete export subsidies for wheat, oil seed and other key products was not included in the negotiation mandate.<sup>32</sup> Other members from the southern protection front like Italy and Spain were delighted that France and Ireland had done the dirty work of blockade allowing them to hide behind the hard line position. Even Belgium and Austria first showed protectionist reservation, than gave way.

The Franco-German farm deal from autumn 2002, however, may probably work as a major blockade; to some extent it is likely to be a trade policy pitfall. For the sake of eastward enlargement the EU subsidy level should be preserved until 2007. This was a great deal for

<sup>26</sup> Fred Bergsten, A Renaissance for U.S. Trade Policy?, in: *Foreign Affairs* 81, 2002, 6, pp. 86-98

<sup>27</sup> Key developing countries already during the Uruguay-Round demanded further liberalization; Jane Ford, A Social Theory of Trade Regime Change: GATT and WTO, in: *International Studies Review* 4, 2002, 3, pp. 128 et seq.

<sup>28</sup> According to Gary Hufbauer of the Institute for International Economics in Washington DC, *The Economist* 17.5.2003, pp. 70-71

<sup>29</sup> WTO, Committee on Agriculture, Special Session, 14.12.2000

<sup>30</sup> *Frankfurter Allgemeine Zeitung* 16.12.2002, pp. 11

<sup>31</sup> *Ibid.* 18.12.2002, p. 13

<sup>32</sup> *Ibid.* 23.1.2003, p. 13 u. 28.1.2003, p. 11; *The Economist* 25.1.2003, p. 68

the French side in view of the German interest in cuts. CAP structures might even be fixed until the year 2013.<sup>33</sup> France skillfully tried to organize a potential blockade for the Doha Round, unacceptable to the US. Furthermore, this agreement is undermining the development goal of the round in a fundamental fashion. Germany via this bad farm deal implicitly took the burden to deliver a compromise, a process hinting at a repetition of the German role during the final stage of the Uruguay Round. At that time the US expected Germany to „deliver“ French consent to the agricultural deal. This has been decisive for the success of the Uruguay Round. In a standard interpretation mentioned earlier the elimination of the French blockade then happened in this fashion. The impact of the German leverage, however, is questionable.

Since the US top trade man, *Robert Zoellick*, defined his goal for the Doha Round to reduce the global average tariff in the agricultural sector from the 60 percent level to 15 percent thus offering a US cut in its own system from 12 percent down to 5 percent,<sup>34</sup> the EU is facing enormous pressure for action. The commissioner in charge, *Pascal Lamy*, has the credibility to work for a feasible compromise, the EU trade commander in chief, however, is still lacking sufficient troops for a successful campaign against the protectionists in its own camp. When he confirmed in May 2003 that the round would not fail because of the issue of EU agriculture, his remark implied some whistle blowing in the direction of the protectionists in the EU.<sup>35</sup> Governmental and societal transatlantic linkages of liberalizers are required. The essential coalition for freeing up trade in the Doha Round is not yet really built and in action. The predictable high potential for blockade of the big coalition of old protectionists from left and right plus new NGOs should not be underestimated.

Pressure upon the EU will be asserted through the alternative of regional and bilateral free trade arrangements. Similar to the procedure during the Uruguay Round when the US displayed NAFTA and APEC to impress the EU, the US again will use its uni-, bi- und regional strategic arsenal to activate the Atlantic duopoly and form a new global coalition for open markets in the Doha Round.

The reaction to the WTO proposal to liberalize farm trade during the talks in Tokyo mid February 2003 indicated that the resisting coalition of the EU and Japan first was a very small alliance and second that pressure on them was increasing. The protectionist hardliner coalition consisted mainly of the EU, Japan, Switzerland, Norway and South Korea. The proposal of the WTO chairman in charge for agricultural negotiations, *Stuart Harbinson*, by far exceeded the European and Japanese intentions. The EU-commissioner for agriculture, *Franz Fischler*, assessed the WTO draft to be an unreasonable demand. The US and Australia even were asking for far more liberalization. The EU agricultural trade experts were upset that they should accept the idea from the Harbinson-paper to reduce subsidies for farm exports to zero in a 9-year period. The US, doing so, would be spared because the US system of farm assistance was not based on direct financial payments but on an indirect system of export credits and state run export programs. The EU judged this approach as very unfair and reproached Harbinson to measure with a double standard. Therefore, the March 2003 deadline for a settlement was missed. In the EU, *Franz Fischler*, did not see the end of the real trade world, and he was right insofar as deadlines are always missed in trade negotiations. The compromise was postponed to the ministerial meeting in Cancun (Mexico) scheduled for September 2003.<sup>36</sup> Meanwhile EU decision-makers began realizing that a systemic change of the EU CAP subsidy system into the direction of a less trade-diverting formula was unavoidable. Plans for

<sup>33</sup> Ulrike Guérot, Annäherung in der Agrarpolitik. Trägt der deutsch-französische Kompromiß?, in: *Internationale Politik* 57, 2002, 11, pp. 53-56

<sup>34</sup> Robert Zoellick, Unleashing the Trade Winds, in: *The Economist* 7.12.2002, p. 26. This forum to place a guest article was probably chosen deliberately by Zoellick to reach out to the European public interested in trade affairs.

<sup>35</sup> *Frankfurter Allgemeine Zeitung* 21.5.2003, p. 12

<sup>36</sup> *Frankfurter Allgemeine Zeitung* 14.2.2003, p. 13; 17.2.2003, p. 17; 7.3.2003, p. 12; 1.4.2003, p. 11; *The Economist* 29.3.2003, pp. 13 et seq. and 61 et seq.

reform in the German ministry of agriculture started aiming this way.<sup>37</sup> Agriculture became the de facto “deal-maker or deal-breaker” in the round.<sup>38</sup>

Summing up, the minor „institutional miracle“ of regime expansion from GATT to WTO is not without chances to endure within the WTO. The previous pattern of strong liberalizing results in trade rounds in the environment of a rather weak trade regime controlled by states could well persist in the Doha Round. Protectionists from all camps again will resist with fervor, their prospects to delay the train of liberalization are immense, the power to blockade, nonetheless, rather limited. The Doha Round deserves optimism, the ambitious timetable, however, cannot be met. In view of the unavoidably circumstantial EU multi level system and its inclination to agricultural policy pitfalls, only to be overcome with difficulty, a speedy round will not happen. A failure, however, is not in the interest of the EU and therefore the plausible assumption can be dared that similar to the Uruguay Round the EU will give way lately and substantially. France can be expected to play its ever-lasting game to delay liberalization in the agricultural sector.<sup>39</sup> France’s interest is due to finally compromise on the multi-lateral level demanding internal compensation at the expense of EU net contributors, Germany in the front line. The Atlantic bigemony will probably squabble as usual, but come together in the end stage. The US again can be expected to drive the EU in the best interest of world trade into the liberalizing direction, thus playing a stabilizing role and doing good services to the WTO regime.

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<sup>37</sup> *Frankfurter Allgemeine Zeitung* 12.5.2003, p. 13

<sup>38</sup> Mike Moore quoted from Rodrik op. cit. (note 19), p. 137

<sup>39</sup> The French minister of agriculture, Hervé Gaymard, repeatedly confirmed that France will protect its farmers from free trade; *The Economist* 11.1.2003, pp. 24 et seq.