

A globe with an American flag pattern (stars and stripes) overlaid on a grid of latitude and longitude lines. The globe is set against a blue background at the top and a red background at the bottom.

THE
DOHA ROUND

No Help for America's Trade Deficit?

Peter Morici, Ph.D.

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EXECUTIVE SUMMARY

In the Doha Round of trade negotiations, the United States is pursuing its long-standing goal of freer international trade in goods and services. In reality, trade liberalization has consisted largely of the United States opening its market, while many other countries have avoided equivalent concessions. This in large part accounts for record U.S. trade deficits, which reached \$724 billion in 2005. Unless the United States changes its approach, the Doha Round negotiations will not reverse this trend because they do not address critical issues, such as currency manipulation and discriminatory rules regarding tax rebates, that underlie the trade deficit.

Large trade deficits tax economic growth by reducing the demand for U.S. goods and services. They also lower productivity by causing workers to shift from export and import-competing industries to less productive sectors of the economy. Were the trade deficit cut in half, GDP would increase by nearly \$300 billion, or about \$2000 for every working American. Longer term, trade deficits reduce U.S. investments in R&D. As a consequence of the cumulative effects of trade deficits over the last ten years, the U.S. economy in 2006 will be about \$1.7 trillion dollars smaller than it otherwise would have been.

Viewed from this U.S. perspective, the Doha Round will make a significant contribution to U.S. economic performance if it helps substantially reduce the trade deficit. Unfortunately, even a very successful conclusion to the negotiations is unlikely to have this result. Because of the structure of the trade deficit, it is fanciful to believe that even a wholly successful Doha Round will allow the United States to export its way out of the trade deficit.

In the Doha Round, the United States is focusing primarily on barriers to trade in agricultural and manufactured products. Agriculture accounts for a fairly small percentage (less than ten percent) of U.S. exports. Acceptance of the U.S. agricultural proposals would have increased the U.S. surplus in agricultural trade by only about \$3 billion in 2005. The benefits of liberalized agricultural trade will go overwhelmingly to beef, pork, and poultry producers; crop growers will see few benefits, and exports of soybean products, one of the United States' largest single agricultural export items, will decline significantly.

U.S. exports of manufactured goods exceed those of agricultural products by a factor of ten. While lower trade barriers will modestly help U.S. exports of machinery and chemicals, these are unlikely to reduce the trade deficit significantly. The United States suffers a comparative disadvantage in many other products, including energy products and many durable and non-durable consumer goods. There is simply

no realistic way for the United States to eliminate the trade deficit by exporting more manufactured goods.

The United States enjoys both a comparative advantage and a trade surplus for trade in services, but service negotiations are playing only a very minor role in the Doha Round. The U.S. services surplus is also relatively small compared to the overall trade deficit, and has declined continuously over the last decade. Liberalizing trade in services will benefit the United States, but again will not eliminate or even significantly reduce the trade deficit.

The size of the trade deficit is itself strong evidence that the United States is the most open major economy in the world. Nonetheless, in return for acceptance of its proposals in the Doha Round, the United States will be asked to make concessions. Its trading partners are pushing the United States to agree to further restrictions on the application of its antidumping and subsidy/countervailing duty laws. Weakening these laws will leave U.S. farmers, manufacturers, and workers still more exposed to unfair trade practices by importers, without much real benefit for the United States.

If the Doha Round continues along its current path, by far the biggest winner will be China. The expanded opportunities a successful round offers China's exports will likely come at the expense of manufacturing industries in the rest of the developing world, as well as in the United States. Because China will benefit the most from a successful round, it is reasonable to expect that China will also make the largest concessions. Yet China is being asked to give up little.

The Doha negotiations are not addressing the issue of currency manipulation by China and other countries. China keeps the value of its currency artificially low to make its exports cheaper and imports more expensive; other countries believe they must do the same to remain competitive with China. Negotiating international rules that prohibit countries from engaging in this sort of unfair behavior should be the primary objective of the United States in the Doha Round—but the issue is not present in the Doha agenda. Other key issues being ignored in the Doha Round include the treatment under international trade rules of rebates of taxes on exports, which discriminate in favor of countries with value added and similar border taxes and against countries like the United States that rely primarily on income taxes; toleration by foreign governments of cartels and other private anticompetitive practices; and policies that require foreign producers to move production to a country to access its market. Until these practices are eliminated, the United States is likely to continue to incur large trade deficits with China and other Asian exporters.

The United States cannot blame the trade deficit on the actions of others alone. Domestic policies, including huge federal budget deficits, an overly expensive health care system, and sometimes-counterproductive environmental and energy policies, combine to make U.S. companies less competitive than they would otherwise be. The American propensity to consume rather than to save magnifies these disadvantages. Any meaningful attempt to reduce the trade deficit must involve changes to domestic policies as well.

Trade liberalization is a desirable goal, but the Doha Round will not provide the United States with the benefits advertised. The continued economic prosperity of the United States demands that the country reduce the trade deficit significantly. Our trading partners have obstructed U.S. exports and artificially boosted U.S. imports by using such methods as currency manipulation and subsidies in the form of VAT rebates, methods that the current international rules permit. Because the Doha Round is not addressing the real causes of the U.S. trade deficit, it will contribute little or nothing to this goal. Instead, it may ultimately erode support in the United States for trade liberalization.

INTRODUCTION

Since the Reciprocal Trade Agreements Act of 1934, trade liberalization has been a constant goal of U.S. foreign policy. Republican and Democratic administrations alike have actively sought to boost global commerce through the General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), and regional and bilateral agreements, such as the North American Free Trade Agreement (NAFTA) and agreements with Israel and Chile. The premise of these efforts is that increased international trade promotes growth, prosperity and peace worldwide by permitting each nation to specialize in and export what it makes best, and to enjoy better and lower cost products through imports.

The Doha Round of multilateral trade negotiations is the latest such effort. The Bush Administration has energetically pursued these negotiations in the hope that reducing tariffs and non-tariff barriers will open foreign markets, raise U.S. exports and income, and encourage shared peaceful patterns of development with China and other countries. Like past administrations, the Bush Administration has committed substantial resources to WTO negotiations.

There is no question that freer trade can deliver substantial benefits, if liberalization is reciprocal and if workers displaced by imports find new, more productive employment. Unfortunately, the growing U.S. trade deficit, and the misguided policies described below that have precipitated it, negate these conditions. This situation is depriving the United States of a major part of the potential benefits of trade liberalization.

The question that proponents of the Doha Round appear unwilling to ask is whether or not the Doha Round, as currently structured, is worth the effort. More specifically, will a successful conclusion to the Doha Round provide appreciable economic benefits to the United States? The reluctant conclusion of this paper is that even a successful conclusion to the Doha Round will not provide appreciable benefits to the United States. Such a conclusion is not protectionist; to the contrary, only through a realistic assessment of the actual possibilities of the Doha Round can the United States achieve the full benefits of true liberalization of trade.

The paper begins by reviewing current economic conditions in the United States. It focuses in particular on the macroeconomic consequences of the trade deficit, and how the deficit affects the potential benefits of liberalized trade. The paper then describes the individual goals being sought by the United States in the Doha Round, and analyzes the probable consequences of U.S. success. The paper will conclude with a brief discussion of the issues the Doha negotiations are not addressing, including China's manipulation of its currency and international rules that discriminate against the United States.

THE MACROECONOMIC CONDITION OF THE UNITED STATES

At the start of 2006, the U.S. economy appears quite healthy. GDP has been growing since the fourth quarter of 2001, and has grown at a 3.5 percent annual rate over the last three years.¹ Despite the disruptions caused by Hurricanes Katrina and Rita and soaring international oil prices, inflation appears to be under control. Yet things could and should be a lot better.

Recent Trends in the U.S. Economy

The ongoing economic expansion has been driven largely by consumer spending, and borrowing to finance that spending. Since 2000, the personal savings rate has fallen from 2.3 percent of disposable income to minus 0.5 percent. Over the same period, the trade deficit increased from 3.8 percent of GDP to about 6 percent. The United States has financed the trade deficit by selling assets and especially government bonds. By making massive purchases of U.S. government bonds and other U.S. securities, foreign investors, including China and other foreign governments, have effectively propped up the value of the U.S. dollar. This has kept the dollar strong, and import and consumer prices low, but at the price of rapidly growing indebtedness to foreign investors. Essentially, Americans have been selling foreigners U.S. property and financial assets and writing foreigners IOUs so that we can keep the economic expansion going and enjoy those everyday low prices at Wal-Mart.

The U.S. labor market also exhibits some troubling trends. From 2003 to 2005, average wages, as tracked by the Bureau of Labor Statistics, did not keep pace with inflation.² Employment in manufacturing, which normally declines in recessions and expands in recoveries, has not recovered significantly despite an economic expansion that has continued since 2001. Since the last business cycle peaked in 2000, the manufacturing sector has shed about three million jobs. Judging by past recoveries, manufacturing should have regained one half to two-thirds of those jobs by now, but has not.

The situation in manufacturing is part of a broader phenomenon that is related to the decline in real wages. Worker productivity is about 50 percent higher in export and import-competing industries (whether those produce goods or services) than in other domestically-oriented sectors of the economy.³ Higher productivity permits these industries to pay significantly higher wages. By forcing workers to shift from trade-competing industries to domestically-oriented ones, the exploding trade deficit lowers both productivity and real wages.

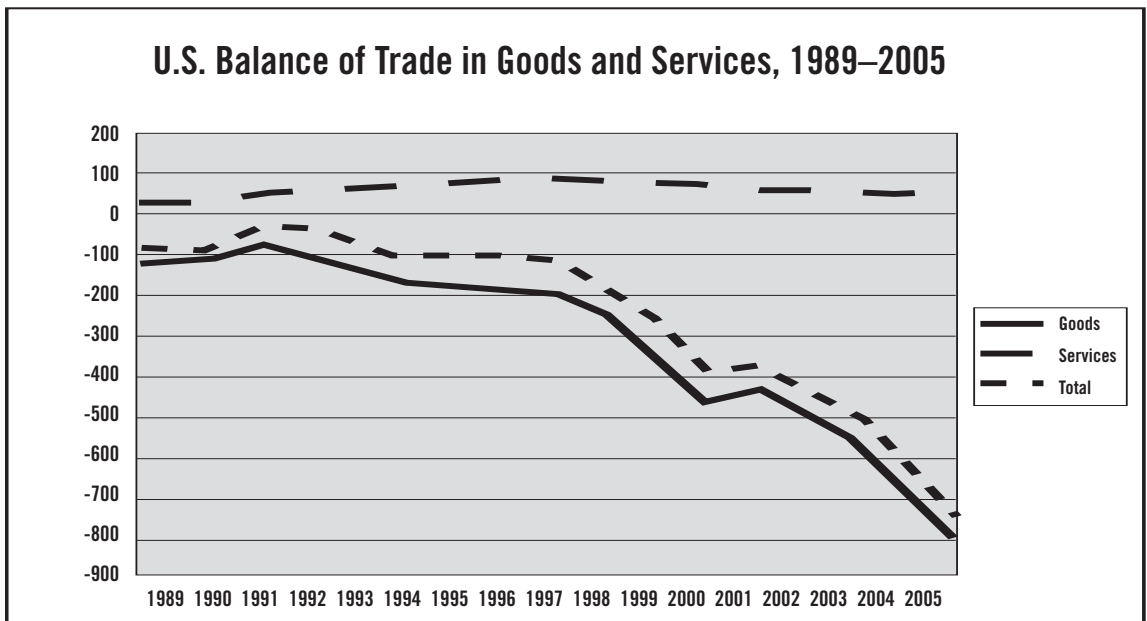
Discouraged by the lower wages and benefits offered by many of the newly created jobs, more workers are opting out of the labor force altogether. The adult labor force participation rate declined from 67.3

percent the first four months of 2000 to 66.1 percent in February 2006. This represents the departure of nearly 2.7 million workers from the work force.⁴ The combination of lower productivity and fewer people working has a profound effect on U.S. GDP and incomes, and negates many of the benefits of freer trade.

Productivity growth should be a major source of international advantage for the U.S. economy. Between 2002 and 2005, output per worker in manufacturing grew at an average annual rate of 5.8 percent.⁵ Productivity growth of this magnitude should have been reflected in a relative increase of U.S. exports compared to imports, and in more jobs created, especially in manufacturing. Instead, as explained above, exactly the opposite occurred.

The U.S. Trade Deficit and Its Impact

In 2005, the U.S. trade deficit (the value of exports of goods and services minus the value of imports) was \$724 billion.⁶ The United States has had a negative balance of trade in goods and services every year since 1991. The United States has enjoyed modest surpluses in services, but these are overwhelmed by deficits in the trade in goods. In 2005, the surplus in services was \$58 billion, while the deficit in goods was \$782 billion.⁷ The following chart shows how the balance of trade has deteriorated sharply in recent years.⁸



Within the deficit on trade in goods, the United States had a surplus of about \$15 billion for agricultural commodities, and a deficit of nearly \$800 billion for non-agricultural commodities. Of the \$800 billion deficit on trade in non-agricultural products, crude oil and petroleum products accounted for \$229 billion, while manufactured products other than refined petroleum products accounted for about \$600 billion.⁹

The trade deficit affects employment and real GDP adversely in several ways. Increased imports and fewer exports force workers from higher productivity jobs in trade competitive sectors to jobs in domestically

oriented industries, where competition is less and productivity and wages are lower. The trade deficit reduces the demand for domestically produced goods and services. By lowering wages, the trade deficit also reduces labor force participation. Were the trade deficit cut in half, for example through a devaluation of the dollar against the Chinese RMB and other Asian currencies, labor force participation could rise to 66.9 percent (still below its last cyclical peak in 2000), and GDP would likely increase by \$250 to \$300 billion per year.¹⁰

To put these figures in perspective, in 2005, U.S. imports of goods and services were \$2.0 trillion, while exports were \$1.3 trillion. While workers in both exporting and import-competing industries are more productive than workers in domestically-oriented industries, workers in exporting industries are about 11 percent more productive than those in import-competing industries. Applying this figure to exports indicates that the \$1.3 trillion in exports created efficiency gains in the U.S. economy of 11 percent, or \$135 billion.¹¹ However, the nearly \$300 billion in lost GDP imposed by large trade deficits dwarfed the efficiency gains that arose from trade.

Obviously, the United States must pay for the \$723.6 billion in imports that are not "paid for" by exports. The United States does so largely by selling assets to and borrowing money from foreign investors. A substantial part of this debt is purchased by foreign governments, including those of China, Japan, and Korea. Americans and the U.S. government are in effect writing IOUs, in the form of bonds. Foreign investors and governments expect interest on the bonds they have purchased to finance U.S. trade deficits.

Some argue that the trade deficit actually reflects the underlying strength of the U.S. economy because it is financed by productive investments in U.S. industry. That is less than half true. About 85 percent of the capital imported to finance the trade deficit is used by foreign investors to purchase U.S. securities, including U.S. government bonds, corporate bonds, bank deposits, small equity holdings, and the like. About 15 percent of this capital is used for direct investment in productive assets.¹² Securities held by foreign investors (including foreign governments) now total about \$5 trillion dollars,¹³ and that sum is growing rapidly. Even at an interest rate of only five percent per year (the average rate for six month certificates of deposit), the debt service on these investments would require the payment of an additional \$250 billion annually.

Persistent trade deficits also undermine future growth. Export and import competing industries spend more on research and development than the private sector as a whole. Persistent U.S. trade deficits reduce investments in new products and better production methods. Overall, the trade deficits of the last ten years have reduced GDP growth by about 1.1 percent a year.¹⁴ Because of persistent trade deficits, potential GDP in 2006 will be about 13 percent, or \$1.7 trillion, smaller than it would otherwise have been without the deficits.

The implication of this situation is straightforward. If the Doha Round is to provide meaningful benefits for the U.S. economy, it must significantly reduce the trade deficit. Examining the goals of the United States in the Round, however, indicates that this is unlikely to occur.

U.S. GOALS IN THE DOHA ROUND

U.S. objectives in the Doha Round are very similar to those it pursued in the Uruguay Round, and the Tokyo Round before that. Generally, the United States is seeking to reduce agricultural support programs and other barriers to farm exports; lower foreign tariffs on manufactured products; ease foreign regulatory burdens that limit service exports; and enhance the protection of intellectual property. As in earlier rounds, agriculture and manufacturing have moved to center stage, with developing countries seeking significant improvements in access to developed country markets for their farm exports as the price for progress on manufactured goods.

Absent from the negotiations are what were once viewed as major “new” trade issues. These include:

- private anticompetitive practices (cartel and antitrust enforcement);
- most performance requirements imposed on foreign investors;
- environmental and labor standards; and
- opaque but potentially protectionist industrial policies, such as state direction of bank credit.

These issues were excluded from the negotiations largely to placate developing countries. India and others have demanded that the Doha negotiations focus mostly on their needs, and the United States and the other developed countries have acceded to this demand.

However, the most important issue not being addressed in the Doha negotiations is the effect on trade of the manipulation of exchange rates. This is a practice extensively employed by several Asian countries, and especially by China. The lack of adequate discipline on exchange rate policies, once provided by the International Monetary Fund, but now lacking in the international system, may be the largest single flaw in the WTO-IMF-World Bank framework. Yet it is a topic not addressed in the Doha Round or in multilateral negotiations. Nor has it surfaced in U.S. efforts to negotiate bilateral and regional trade agreements, despite its profound consequences for trade.

Proposals on Agriculture

The United States has described its agriculture proposal as offering “bold reform in global agricultural trade.”¹⁵ Under the U.S. proposal, developed countries would cut their tariffs on agricultural imports by 55-90 percent. Developing countries could maintain “appropriate protection” for import sensitive sectors while providing “real improvements in access.”¹⁶

Imposing even greater distortions on trade in agricultural commodities is the widespread use of

guaranteed prices and direct payments to farmers. Under the U.S. proposal, the United States would cut so-called "Amber Box" support measures (those deemed most distortive to trade) by 60 percent, while the EU would cut such measures by 83 percent. Direct payments not directly related to individual products and "de minimis" but potentially distortive programs, such as crop insurance, each would be capped at 2.5 percent of the value of total agricultural production.¹⁷

The U.S. proposal also calls for WTO members to agree to caps on support for specific products.¹⁸ Cotton is singled out for accelerated reduction of support. In response to a WTO dispute settlement panel decision, Congress recently passed legislation that will end payments to cotton users and exporters under the so-called "Step 2" program.¹⁹ The U.S. proposal would end all export subsidies, set stricter disciplines on export credit programs, and establish standards to ensure food aid does not displace commercial shipments.²⁰

Non-Agricultural Market Access

In WTO jargon, reducing tariffs and other barriers to trade in manufactured goods is known as "non-agricultural market access," or NAMA. Despite the emphasis on agriculture, U.S. exports of manufactured goods are more than ten times greater than agricultural exports. The Office of the U.S. Trade Representative has stated that "{a}n ambitious result in the NAMA negotiations will help to level the playing field for U.S. producers of manufactured goods."²¹

The main focus of the United States in the NAMA negotiations has been the reduction of import tariffs on manufactured products. The U.S. government has noted that, while U.S. import tariffs on industrial products average only 3.2 percent, the average for all WTO members is 30.8 percent.²² In addition to overall cuts in tariff rates, the United States is seeking to negotiate reductions in tariff rates for specific sectors of interest to the United States.

While the most prominent, tariffs are not the only barrier to U.S. exports. The United States is also pursuing in the Doha negotiations the reduction or elimination of non-tariff barriers, such as certification and safety standards, which affect trade in products such as automobiles, electronics, and wood products. Finally, the United States is pushing for greater market access for the manufactured goods of the least developed countries through the elimination of all import duties on such imports.

Not appearing on this U.S. list are the many barriers that block U.S. and other industrial country exports even when tariffs come down, such as anticompetitive practices and exchange rates, that were excluded from the negotiations to placate the developing countries. These barriers to trade can be much more insidious in their effect than tariffs, and can wholly negate the benefits of tariff reductions. For example, Chinese tariffs are not particularly high, and China lacks the human and technological resources to efficiently manufacture many durable goods. Yet U.S. and European automakers are encouraging their suppliers to move to China to take advantage of the undervalued RMB and to

comply with the Chinese development policies that aim to create a domestic automotive supply chain. The same goes in other technology-intensive durable goods industries.

U.S. objectives for Doha, even if accomplished, would do little if anything about Chinese currency policies or various regulatory policies, financial incentives and other industrial policies used to entice foreign manufacturers to relocate to China. Much the same may be said for the industrial policies of other developing juggernauts, including Brazil and India, and even in developed countries like Korea.

Services and Intellectual Property

The United States is also seeking liberalization of trade in services in the Doha Round. Existing commitments of WTO members cover only about one-third of services sub-sectors; the United States is negotiating expansion of coverage, including enhanced market access to developing countries. The United States is also proposing rules that would limit the extent to which countries could use licenses, qualifications, and technical standards to obstruct trade in services. The United States has identified as key service sectors finance, telecommunications, computer services, express delivery, distribution, and energy services.²³

The United States enjoys a sizable surplus in payments arising from intellectual property, such as licenses and royalties. The U.S. agenda at the Doha Round with respect to intellectual property is relatively limited. In fact, the main U.S. efforts are defensive and focused on ensuring patent protection for U.S. drugs and that U.S. products can carry descriptive labels such as “sherry” and “Parmesan cheese.”²⁴

Most of what could be accomplished regarding intellectual property protection was achieved in the Uruguay Round. The United States has managed to get most countries to enact strong patent and copyright protection. Enforcement is another matter. For example, China has enacted the strong statutes protecting intellectual property; however, enforcement is in the hands of local courts that are riddled by corruption and favoritism for local business, and are frequently beyond the reach of Beijing. Hence, U.S. patents and copyrights may be protected on paper but not in practice. Unfortunately, piracy is the rule, not the exception.

Necessary U.S. Concessions

Of course, it is highly unlikely that the United States will achieve all or even many of its goals in the Doha Round without making significant concessions. One problem is that the United States has relatively little to offer in terms of traditional market access. Although barriers to imports of individual items certainly exist, the U.S. market is, in general, among the most open to imports in the world. U.S. tariffs on imports of manufactured goods are already quite low, so that reducing or even eliminating them completely will provide relatively little advantage to foreign countries.

The barrier to the U.S. market most commonly cited by foreign countries is the United States' allegedly aggressive use of its unfair trade laws, especially the anti-dumping laws. The international rules governing trade have long permitted countries to take action against dumped and subsidized imports that injure domestic industries, precisely because such practices can reduce efficiency and lessen world wealth. In return for concessions on agricultural subsidies and NAMA, however, other WTO members (primarily the developing countries) are pushing the United States for amendments to the WTO rules regarding the use of antidumping and countervailing duty laws. While highly technical, the changes they are seeking are intended to reduce significantly the ability of U.S. companies and workers to obtain relief from dumped and subsidized imports through the trade remedy laws.

THE PROBABLE EFFECTS OF SUCCESS IN DOHA

The potential effects on agriculture, manufacturing and services vary considerably. In agriculture the United States may make very modest gains, while for manufacturing the outcome is far more uncertain. The third major source of U.S. exports, services, is not a major topic of discussion in the negotiations. Even a very successful outcome to the Doha Round is unlikely to lead to an adequate reduction of the trade deficit.

Agricultural Products

The ultimate impact of Doha on farm products depends on a bewildering array of factors, including the details of the agreements negotiated. Even estimating the potential impact of the U.S. proposals requires evaluating a number of other variables, including:

- the effects of tariff cuts on markets for individual products in specific countries;
- the effects of changes in agricultural support payments on production in individual countries;
- the effects of changes in agricultural support payments on production of crops in the United States;
- the impact of all of the above on world prices for key crops; and
- future demand for individual products in individual countries.

The Food and Agricultural Policy Research Institute (FAPRI) has studied the probable impact of acceptance of the U.S. proposals for agriculture on U.S. production, exports, and world prices for major commodity products, including wheat; feed grains (corn, barley and sorghum); rice; soybeans and soybean products; cotton; beef, pork, and poultry; and dairy products (butter, cheese, and non-fat and whole dry milk).²⁵ FAPRI constructed a model that ultimately predicts changes in U.S. exports of these commodities, as well as world prices, if the U.S. proposals at Doha are accepted. The model provides estimates for exports and prices for the period through 2015 for plant products, and through 2014 for meat and poultry.

The exhibit below shows in Column 1 net U.S. exports in 2005 of the products covered by the FAPRI study; negative numbers signify net imports.²⁶ The next two columns show the revenues estimated by the study for 2015 under the baseline and Doha scenarios. Because commitments of developing countries will be phased in over 10 years, all Doha commitments would apply by 2015. Column 5 expresses the difference between the Baseline and Doha scenarios as a percentage. Finally, Column 6 shows the impact such

a change would have had on U.S. agricultural exports in 2005, in millions of dollars.

The FAPRI study did not cover some significant items, including vegetables, fruits, and tropical products. Overall, the Doha proposals would have an average impact of 5.9 percent, so the table applies this percentage to trade in "other" products.

Predicted Impact of U.S. Doha Proposals on U.S. Agricultural Revenues

1	2	3	4	5	6
	2005 Net (\$M)	2015 Baseline (\$M)	2015 Doha (\$M)	Change	2005 Change (\$M)
Corn	4,728.59	7,962.90	8,458.50	6.22%	294.30
Sorghum	493.17	606.94	609.52	0.43%	2.10
Barley	75.10	15.42	19.60	27.15%	20.39
Wheat	4,154.97	4,243.02	4,421.69	4.21%	174.96
Rice	1,070.97	1,274.71	1,722.67	35.14%	376.36
Soybeans	6,259.43	5,303.06	5,304.31	0.02%	1.48
Soybean Oil	307.39	402.92	430.61	6.87%	21.13
Soybean Meal	1,473.86	1,053.59	904.19	-14.18%	-209.00
Sunflower Seeds	63.29	-15.68	-19.06	21.57%	13.65
Sunflower Seed Oil	55.29	29.07	31.00	6.66%	3.68
Peanuts	190.00	224.91	219.28	-2.50%	-4.75
Sugar	-752.56	-375.83	-646.55	72.03%	-542.10
Cotton	3,895.86	4,657.72	4,470.06	-4.03%	-156.96
Beef	-2,732.90	-418.91	-122.59	-70.74%	1,933.14
Pork	998.71	664.90	1,043.75	56.98%	569.06
Broilers	1,583.40	3,993.79	4,371.29	9.45%	149.66
Butter	-75.25	-56.21	-183.53	226.49%	-170.44
Cheese	-805.90	-381.00	-173.44	-54.48%	439.04
Nonfat Dry Milk	569.71	658.42	742.40	12.75%	72.67
FAPRI Products	21,553.11	29,843.73	31,603.70	5.90%	2,988.35
Other	-5,462.69			5.90%	-322.15
Total	16,090.42				2,666.20

As the chart shows, if the United States achieves all of its goals in the Doha negotiations, net U.S. agricultural exports would have increased by only about \$3.0 billion in 2005. That would not have made much of a dent in the \$724 billion overall trade deficit, as it would have reduced the U.S. trade in goods deficit by only 0.4 percent.

Moreover, the positive impact on the trade balance from changes to agriculture would arise overwhelmingly from changes in exports and imports for pork, poultry, cheese, and especially beef. Indeed, beef alone accounts for more than two-thirds of the increase in the trade balance in agricultural products. Most growers of crops would benefit little; in fact, the U.S. balance in trade for the major crops covered by the FAPRI study would actually fall by a small amount.

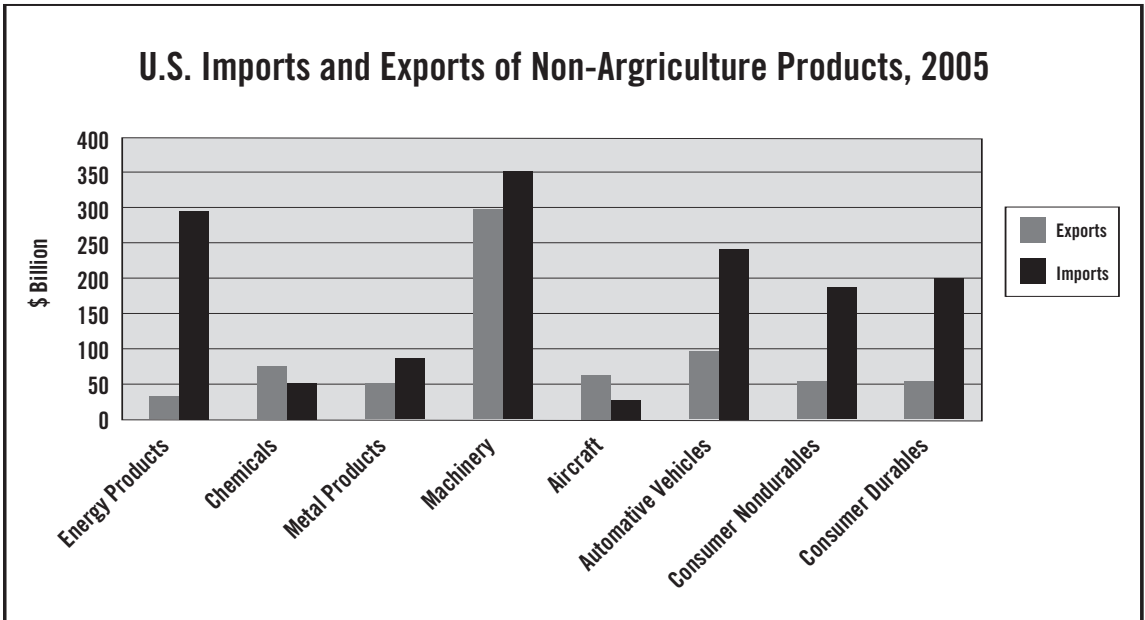
While acceptance of the U.S.'s Doha proposals would have a small but positive effect on U.S. agricultural exports in general, it would negatively affect some products. The largest "loser" in terms of exports would have been soybeans, which are currently the single largest U.S. agricultural export. Soybean meal exports would have fallen by \$209 million, over 14 percent, in 2005. Cotton exports would also have declined, with revenues from cotton exports 2.8 percent lower.²⁷ The Doha proposals would have cost U.S. cotton farmers around \$127 million in export sales in 2005. Peanuts would also have suffered a small decline in exports.

While some states would benefit from the Doha Round, others will suffer. Six states (Illinois, Indiana, Iowa, Minnesota, Nebraska, and South Dakota) account for over 60 percent of soybean exports,²⁸ and so would be especially hurt by the expected reduction in soybean meal exports. Illinois, for example, would lose over \$32 million in soybean meal exports annually. The loss of cotton exports would be even more concentrated, as five states (Texas, Mississippi, Georgia, California, and Arkansas) account for over two-thirds of U.S. cotton exports.²⁹

Manufactured Products

The second major prong of the U.S. effort in the Doha negotiations is to decrease the barriers to trade in manufactured products. This would allow the United States to export more industrial and consumer goods. To assess how this might affect the trade deficit, it is useful to look first at the structure of U.S. trade in manufactured products.

The most striking feature of U.S. trade in non-agricultural products is how much more the United States imports than it exports—nearly twice as much, nearly \$800 billion in 2005. The following exhibit shows U.S. exports and imports of key groups of non-agricultural products, including those accounting for the majority of U.S. exports, for 2005.³⁰ The United States has a positive balance in only two of the eight categories.



Four product groups accounted for 85 percent of the U.S. trade deficit in non-agricultural goods: energy products, automotive vehicles, nondurable consumer goods, and durable consumer goods.

The United States deficit in energy products reflects the fact that domestic production can supply only about 40 percent of domestic demand for petroleum. Lower export barriers will not reduce U.S. imports or increase U.S. exports of energy products; this will come about only as a result of fundamental changes in U.S. energy policy.

The main source of U.S. automotive imports is Japan. A substantial portion of the Japanese imports is actually parts for the Japanese transplant auto plants in the United States. In any case, Japan has a zero tariff on automotive imports, although there are structural barriers to automotive exports to Japan. In other large potential markets, such as China or India, a reduction in import duties would give U.S. automakers greater access, but would do the same to the Japanese, Korean, and European producers as well. Moreover, industrial policies and the overvalued dollar, rather than tariffs, are the chief obstacle to greater exports of motor vehicles to China, the largest potential market for U.S. automakers.

The final two categories of goods where the United States has large deficits are durable and non-durable consumer goods. Nondurable consumer goods include such products as apparel and footwear, products which are labor-intensive and for which the United States has very few areas of comparative advantage. Durable consumer goods include small appliances, radios, and televisions. The consumer electronics industry in the United States has greatly contracted as a result of massive imports and limited export opportunities. It is possible that improved access to export markets would increase U.S. exports of individual product lines, although the macroeconomic effects are likely to be minimal.

The United States has a significant trade surplus in chemicals and aircraft, and has large exports

of machinery (although overall it has a modest deficit for this category). There are practically no tariffs on trade in aircraft, but U.S. exports of chemicals and machinery would benefit from lower tariffs and other export barriers. An increase in U.S. exports of these three categories of products of 10 percent would generate about \$43 billion per year in additional export revenues. A 10 percent increase in exports of automotive vehicles and parts would add another \$10 billion per year.³¹

However, many durable goods exports are handicapped by the same kinds of industrial policies as automobiles in China and elsewhere, and are similarly handicapped by undervalued Asian currencies. Lowering tariffs, while certainly helpful, will not by itself open wide new markets, if other restrictions that may be more difficult to detect or address take their place.

Services

In 2005, the United States enjoyed an overall trade in services surplus of \$58 billion. This included a surplus on intellectual property (royalties and license fees) equal to \$33 billion.³² These figures are dwarfed by the deficit on trade in goods of \$782 billion. The surplus in services has been declining, falling by 31 percent from 1999 to 2005. This reflects the increasing outsourcing of service jobs to countries such as India.

Expansion of exports of U.S. services could have a positive effect on the trade balance, although even a substantial expansion would still reduce the trade deficit only to a minor extent. Surprisingly, liberalization of trade in services has not been a major focus for the United States in the Doha negotiations, largely because developing countries refused to include major negotiations on trade in services in the Doha agenda. Efforts regarding intellectual property, the strongest U.S. area, have largely been geared towards defending the current situation, as developing countries have mounted effective campaigns to pressure U.S. drug and technology companies to sell their proprietary knowledge at discount rates or give it away. Though additional progress could help maintain the likely growth path of the U.S. surplus on royalties and licenses, the Doha Round can hardly be expected to significantly improve it.

The Costs of Doha

Were the United States to accomplish all its negotiating objectives in the Doha Round (an exceedingly unlikely outcome), other countries would inevitably require concessions in return. Given that the United States already has generally low tariffs on imports of non-agricultural products, tariff concessions alone are unlikely to be adequate. Hence, the other countries participating actively in the Doha Round have focused largely on convincing the United States to dismantle what they see as the biggest obstacle to even more exports to the United States—U.S. subsidy/countervailing duty and antidumping laws.

The negotiations over these trade laws, which occur in the “Rules” negotiations, involve highly

technical issues. The overall effects of accepting the proposals made by countries seeking revisions in WTO rules governing U.S. trade laws would be to render the countervailing duty and antidumping laws much less potent. This would in turn allow foreign producers to further subsidize and dump their products in the United States (and other countries) with much less fear of being subject to offsetting duties. The resulting increase in imports could offset many of the gains to the United States from the Doha Round. Moreover, such changes in WTO rules would serve to implicitly legitimize many of the less transparent, highly destructive industrial policies and private anticompetitive business practices in many developing countries. By gutting subsidy/countervailing duty and dumping laws, the Doha Round could actually legalize veiled protectionism, exactly the opposite result from what the United States is seeking.

The True Winners from Doha

The United States should be the biggest winner from the Doha Round. Particularly in manufacturing, the United States has the most productive workers in the world, and U.S. productivity has grown strongly over the past four years. This should result in enhanced international competitiveness, and would allow the United States to reap the benefits of freer trade. As discussed above, however, this is unlikely to happen.

If individual countries agree to reductions in tariff and non-tariff barriers to imports of manufactured goods as a result of the Doha Round, the benefits will accrue to all WTO members, not just the United States. Exports from China, Japan, Korea, Germany, and other major exporters will benefit just as much as the United States. Given the emergence of China as the world's manufacturing center for both textiles and consumer electronics, improved market access for non-agricultural products will probably benefit China far more than it does the United States.³³ Indeed, in an example of the law of unintended consequences, lower tariffs and less effective trade remedy laws could well result in Chinese exports benefiting from a plethora of industrial policies and discriminatory practices not being addressed by the Doha agenda, destroying manufacturing industries in a large number of developing countries as well as in the United States.³⁴

THE REAL ISSUES FOR U.S. TRADE POLICY

In recent years, the impact of dramatic growth in international commerce has not been wholly positive for the United States. As discussed above, the growth of the trade deficit to about six percent of GDP is reducing productivity, employment, wages, and GDP, and will reduce the potential size of the economy in the future. International trade and the trade deficit have permitted Americans to enjoy a higher standard of living, even as they produce less, but this has been at the expense of the running up debt to foreigners and selling off assets. Americans will have to pay interest on those IOUs in the future, and will be poorer for it.

The Doha Round offers no silver bullet for the trade deficit. When evaluated against the likely structure of trade for 2006, cutting the trade deficit in half would require an agreement that allows U.S. exports to increase by \$800 billion while imports grow by only \$400 billion. Given the reciprocal nature of trade negotiations, that outcome is virtually impossible. To find solutions and make trade policy a constructive part of the solution, the underlying causes of the trade deficit must be identified. These fall into two categories: causes arising from internal U.S. policies that cannot be resolved in the Doha process, and external factors which trade policy can affect.

Domestic Problems

The continued strong growth in both GDP and productivity demonstrates that the United States continues to be the world's most efficient and innovative economy. Nonetheless, various domestic policies prevent the U.S. economy from achieving its full potential. One of these has been the willingness to incur very large federal budget deficits at a time when the economy would not appear to require such stimulus. While large federal deficits do have negative effects, these effects are relative, and should not be overstated. In 2005, the trade deficit was \$724 billion, while the current account deficit, which includes goods, services, investment income and transfer payments, was \$805 billion.³⁵ In comparison, the federal budget deficit was only \$318 billion.³⁶ The budget deficit, and the foreign borrowing required in large part to finance it, represent less than half the problem created by the trade deficit.

In 1991, the federal budget deficit was huge and U.S. trade was in surplus. By 2001, the budget was in surplus and current account deficit was in deficit. This is the absolute opposite outcome from what those who blame the trade deficit on the budget deficit would have us expect. While the budget deficit certainly has negative consequences for U.S. economic performance, it is not the cause of the trade deficit.

Despite the generally good U.S. policy environment, certain policies place undue burdens on the growth of export and import-competing sectors and push capital and labor into other industries. These misguided policies include:

- **Health Care.** Americans pay about 50 percent more for health care than do their counterparts in Germany and France, for example. Whether health care costs are paid in the form of premiums to private providers or taxes for government delivery systems, these higher costs heavily burden employers, who are the primary source of health care coverage in the United States. This is especially true of businesses with unionized workforces, as union contracts often impose high benefit requirements in lieu of higher wages, or where benefit expectations in non-unionized workplaces are established by competing unionized employers.
- **Environmental Laws and Energy Policy.** Environmental policies can raise costs in U.S. energy-intensive industries above those in other countries. For example, U.S. policy has encouraged the use of natural gas in electrical generation, largely for environmental reasons, while limiting natural gas development. Regulation and litigation make it very difficult to build large LNG terminals to import gas anywhere but in the Gulf region, and have made it impossible to build a new petroleum refinery in more than 25 years. Higher natural gas prices are driving petrochemical manufacturers to Europe to find cheaper feedstock. Other industries adversely affected by dysfunctional energy policies include plastics, metals and industries fabricating those materials.
- **Litigation Society.** The U.S. legal system relies heavily on case law and torts, rather than government regulations, to protect private interests. While it may permit lower levels of regulation, the system can be abused. Too frequent and expensive lawsuits can be particularly onerous for durable goods manufacturing where liability extends as long as the product is in use, even if ownership of the company has changed several times or the assets have been reorganized by bankruptcy.

Overall, the National Association of Manufacturers has estimated that higher benefits costs, regulatory compliance costs and lawsuits add nearly 13 percent to U.S. business costs, costs that foreign competitors do not bear.³⁷

International Policy Issues

U.S. trade deficits have been driven up by the ineffective negotiation and enforcement of trade agreements. These have permitted China to subsidize manufacturing with directed credit and low interest loans, and to pirate intellectual property; EU governments to underwrite Airbus with risk-free capital from government treasuries; and most industrialized countries to rebate value added taxes on their exports to the United States. Many governments require U.S. investors to transfer (i.e., give away)

technology, to source components locally when they might be more cost-effectively made in the United States, or to meet export requirements.

The rebate of the value added tax (VAT) on exports from most countries is a source of ongoing competitive disadvantage for U.S. industries. The United States is much more dependent on personal and corporate income taxes to finance government than the EU and other countries, which rely heavily on VATs. U.S. trading partners may rebate their value added taxes on exports and impose these levies on imports without that being considered an export subsidy. An arbitrary interpretation of WTO rules prohibits the United States from making similar border tax adjustments on its exports and imports.

The value added tax in the EU and other industrialized countries averages about 18 percent.³⁸ When rebated on exports and applied to imports, these adjustments effectively provide an 18 percent subsidy on exports into U.S. markets, and an 18 percent tax on U.S. products sold in their markets. This by itself puts U.S. manufacturers and other industries competing in trade at a huge disadvantage.

The United States has agreed in the WTO to special and differential treatment for developing countries. This permits developing countries to maintain much higher tariffs on manufactured products, and applies weaker standards to them on a whole range of issues from subsidies to intellectual property to conditions imposed on foreign investors. As a consequence, U.S. firms frequently have to move production to developing countries to scale tariff and non-tariff barriers. Then, having relocated, they encounter all kinds of pressure to transfer technology and to move their suppliers of critical components into these countries as well. As a result, the steel, plastic, microprocessors, and thousands of other inputs commonly used in manufacturing these downstream products are no longer made in or exported from the United States.

In the Doha Round, the United States is in danger of repeating the mistakes of the past. Although the United States is seeking agreements by developing countries to lower their tariffs, it is not seeking parity in tariffs between the United States and the developing countries. Even if they reduce their import duties, developing countries will still generally impose far higher tariffs on imports than the United States does. Foreign governments' ability to provide veiled subsidies will likely emerge substantially intact from the Doha Round. Rules regarding private anticompetitive practices, foreign investment, environmental and labor conditions, and exchange rate manipulation are not on the table in the round. Meanwhile, U.S. subsidy and antidumping laws, which provide the only real defense against abuses of free and open trade, are under assault by countries looking for unrestricted access to the U.S. market.

Currency Manipulation

Perhaps the largest single problem in the international trading system is the almost complete absence of meaningful disciplines for exchange rates. This allows countries such as China to manipulate their currencies in ways that favor exports and discriminate against imports. Despite some tough talk, the

Bush Administration has not as yet addressed this key issue effectively. Between February 2002 and March 2006, the dollar fell in value by an average of 15 percent against all currencies. Over that period, the dollar declined by an average of 24 percent against the euro and other industrialized country currencies, but by only about 1.6 percent against the Chinese RMB and other developing country currencies. This startling difference reflects the impact of currency manipulation by China and other Asian countries.

China has made vague promises to allow the RMB to float across a wider range. On July 21, 2005, China raised the peg for the yuan from 8.28 to 8.11. This represented only a 2 percent revaluation, which was too small to have a measurable effect on trade. Although China has announced plans to value the RMB against a basket of currencies, the RMB in fact still tracks the dollar quite closely. In March 2006, the RMB was trading at a rate of 8.03RMB/dollar.

To keep the RMB's value down, the Chinese government must make enormous purchases of U.S. dollars, usually in the form of U.S. government bonds. The Chinese government's purchases of U.S. dollars and other securities are currently averaging about \$200 billion per year. These purchases amount to fully 9 percent of China's GDP. Chinese government purchases of dollars and other securities create an effective 27 percent subsidy on China's exports. Other Asian central banks employ similar currency policies, lest they lose export markets in the United States and elsewhere to China.

CONCLUSIONS

Over the last decade, the benefits of trade liberalization have not accrued to the U.S. economy in the manner both economists and policymakers had expected. Lower priced imports have greatly benefited consumers and helped to keep inflation under control. However, the gains to the United States from international trade, in the form of greater specialization and higher productivity, have been frustrated. Liberalized trade should cause U.S. workers to move from import-competing industries, where they are less productive, to exporting industries where they are more productive. Instead, a surging trade deficit has had precisely the opposite effect, and caused some adults not to work at all. The productivity gains from specialization accruing from trade have been overwhelmed by the less efficient use of workers and by the unemployment imposed by the soaring trade deficit.

All the while, Americans have been living large, consuming much more than they produce. This false prosperity has been built on foreign borrowing and an external debt totaling \$5 trillion and growing rapidly. At some point, the line of credit will run out. Rebalancing trade will require Americans to consume less than they produce to service this debt. The longer the folly persists, the more painful the adjustments will be.

Exploding trade deficits are caused by misguided domestic and international policies that allow and encourage Americans to spend beyond their means. These include the growing federal budget deficit; U.S. policies and practices that impose high health care and other burdensome costs on U.S. trade-competing industries; WTO rules that permit foreign governments to rebate taxes on exports and discriminate against U.S. reliance on progressive income taxes; and international trade agreements that allow developing countries to close their markets to America's best products. As nettlesome as these factors may be, economists would expect exchange rates to adjust and bring U.S. trade into closer balance. However, WTO agreements, at least as they have been enforced, have not kept China and other developing countries from intervening in foreign exchange markets to keep their currencies cheap and subsidize their exports.

The United States has bowed to developing country demands and kept the issues critical to U.S. exports off the table in the Doha Round. It has failed to seek relief from the WTO's debilitating treatment of the U.S. tax system. It has failed in its responsibility to recognize meddling in currency markets for what it is—currency manipulation that robs the U.S. economy of the gains from trade. Consequently, the Doha Round offers little hope for correcting U.S. trade imbalances and establish-

ing a sustainable trading relationship between the United States and the rest of the world.

In the 230 years since the publication of the *Wealth of Nations*, economists have offered to humanity no more compelling an idea than free trade on the basis of comparative advantage. The principle of free trade extends the logic of competition and specialization to their ultimate conclusions, but only if the competition is not rigged to handicap the most able and to frustrate the gains from specialization. Budget deficits, harmful U.S. industrial and regulatory policies, and poorly crafted and enforced trade agreements have combined to create a paradox—a less productive America that consumes more than it makes. However, when the foreign line of credit runs out and Americans confront the painful adjustments paying their debts require, support for outward looking international policy and free trade may prove the scarcest of commodities, especially if in the meantime Americans have been sold another round of trade agreements that create few real gains in U.S. productivity.

Even if the United States achieves all of its objectives, the Doha Round will not address these issues. While the Round may offer very modest benefits to certain U.S. agricultural producers and manufacturers, it will not result in any significant reduction of the U.S. trade deficit. The Doha Round is unlikely to provide the United States with any lasting economic benefits. In its current form, the negotiations represent instead a lost opportunity by the United States to obtain real international action that would limit currency manipulation and other practices that truly restrict the growth of free trade.

NOTES

- ¹ See Bureau of Economic Analysis, *National Income and Product Accounts*, available at <http://www.bea.gov/bean1.htm>.
- ² From 2002 to 2005, average hourly wages in the private sector increased 2.5 percent (See <http://www.bls.gov/webapps/legacy/cesstab3.htm>) and the consumer price index rose by 2.7 percent (<http://data.bls.gov/cgi-bin/surveymost?cu>).
- ³ Peter Morici, *The Trade Deficit: Where Does It Come From and What Does It Do?* (Washington, DC: Economic Strategy Institute, 1997).
- ⁴ In February, the adult population was 227.8 million. Bureau of Labor Statistics, available at <http://www.bls.gov/webapps/legacy/cpsatab1.htm>.
- ⁵ Bureau of Labor Statistics, *Major Sector Productivity and Cost Index*, available at <http://data.bls.gov/cgi-bin/dsrv>.
- ⁶ U.S. Census Bureau, *U.S. International Trade in Goods and Services*, available at <http://www.bea.gov/beanewsrel/tradnewsrelease.htm>.
- ⁷ U.S. Bureau of Economic Analysis, *U.S. International Accounts*, Table 1, available at http://www.bea.gov/beanewsrel/international/bp_web/tb_download.cfm?anon=71&table_id=1&area_id=3.
- ⁸ U.S. Bureau of Economic Analysis, *U.S. International Accounts*, available at http://www.bea.gov/beanewsrel/international/bp_web/tb_download.cfm?anon=71&table_id=1&area_id=3. Values for 2005 are from U.S. Census Bureau, *U.S. International Trade in Goods and Services*, available at <http://www.bea.gov/beanewsrel/tradnewsrelease.htm>.
- ⁹ U.S. Census Bureau, FT 900: *U.S. International Trade in Goods and Services*, Exhibits 1, 9, and supplemental Exhibit 1, available at <http://www.census.gov/foreign-trade/www/press.html#current>; agriculture balance from Exhibit 3 below.
- ¹⁰ Peter Morici, *Currency Manipulation and Free Trade* (December 2004), p. 11-13, available at http://www.smith.umd.edu/faculty/pmorici/Morici_Paper_on_Currency_Manipulation.pdf.
- ¹¹ Morici, *The Trade Deficit*, p. 18. Multiplying .1059 by \$1272.2 billion yields the \$135 billion estimate.
- ¹² U.S. Bureau of Economic Analysis, *U.S. International Accounts*, Table 1, lines 56, 65, 66, 67, and 69.
- ¹³ As on June 2004, foreign holdings of U.S. securities, less equities, were 4.1 trillion—see U.S. Treasury *Foreign Holdings of U.S. Securities* (June 30, 2004), p. 3, available at <http://www.ustreas.gov/tic/fpis.html#foreign>. From the second quarter of 2004 to the fourth quarter of 2005, foreign holdings of U.S. government securities, bank deposits and corporate bonds increased 1.6 billion. *U.S. International Accounts*, Table 1, lines 56, 65, 66, and 69.
- ¹⁴ In Morici, *The Trade Deficit*, a \$100 billion persistent trade deficit was estimated to reduce growth, through its effect on R&D investment, by 0.559 percent. Adjusting this figure for changes in nominal GDP, the comparable figure in 2005 is about \$160 billion.
- ¹⁵ Office of the United States Trade Representative, *U.S. Proposal for Bold Reform in Global Agriculture Trade* (December 2005), p. 1, available at http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file281_8526.pdf.
- ¹⁶ *Id.*
- ¹⁷ *Id.* at p. 2.

- ¹⁸ *Id.* at p.2.
- ¹⁹ Office of the United States Trade Representative, *Update from Hong Kong: Cotton* (December 18, 2005), available at http://www.ustr.gov/Document_Library/Fact_Sheets/2005/Update_from_Hong_Kong_Cotton.html.
- ²⁰ *U.S. Proposal for Bold Reform in Global Agriculture Trade*, p. 2.
- ²¹ Office of the United States Trade Representative, *Liberalizing Market Access for Manufactured Goods to Promote Growth* (December 2005), p.1, available at http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file641_8536.pdf.
- ²² Office of the United States Trade Representative, *Update from Hong Kong: Non-Agricultural Market Access* (December 18, 2005), available at [http://www.ustr.gov/Document_Library/Fact_Sheets/2005/Update_from_Hong_Kong_Non-Agricultural_Market_Access_\(NAMA\).html](http://www.ustr.gov/Document_Library/Fact_Sheets/2005/Update_from_Hong_Kong_Non-Agricultural_Market_Access_(NAMA).html).
- ²³ Office of the United States Trade Representative, *U.S. Seeks to Expand Trade in Services* (December 2005), available at http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file556_8537.pdf.
- ²⁴ Office of the United States Trade Representative, *Protecting Geographical Indications for Wines and Spirits*, (December 2005), p.2, available at http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file850_8542.pdf.
- ²⁵ Food and Agricultural Policy Research Institute, *U.S. Proposal for WTO Agriculture Negotiations: Its Impact on U.S. and World Agriculture* (December 2005), available at <http://www.card.iastate.edu/publications/DBS/PDFFiles/05wp417.pdf>.
- ²⁶ All statistics were derived from U.S. Department of Agriculture, *Foreign Agricultural Service Tables*, available at <http://www.fas.usda.gov/ustrade/USTExFatus.asp?QI=> (exports) and <http://www.fas.usda.gov/ustrade/USTImFatus.asp?QI=> (imports).
- ²⁷ Elimination of the Step 2 program will have a marked effect on cotton exports, so that this loss is not necessarily entirely attributable to the results of Doha.
- ²⁸ U.S. Department of Agriculture, *U.S. Agricultural Exports*, available at <http://www.ers.usda.gov/data/stateexports/sx5yr.xls>.
- ²⁹ *Id.*
- ³⁰ U.S. Bureau of Economic Analysis, *U.S. International Transactions Account Data*, available at http://www.bea.gov/bea/international/bp_web/simple.cfm?anon=71&table_id=2&area_id=1.
- ³¹ A recent study by the Carnegie Endowment for Peace, however, projects a much smaller benefit to the United States, with real income from manufacturing increasing by only about \$6.5 billion/year as a result of a successful Doha Round. See S. Polaski, *Winner and Losers: Impact of the Doha Round on Developing Countries* 36 (2006).
- ³² U.S. Census Bureau, FT 900: *U.S. International Trade in Goods and Services*, Exhibits 3 and 4, available at <http://www.census.gov/foreign-trade/www/press.html#current>.
- ³³ See *Winners and Losers* at 35.
- ³⁴ See *Winners and Losers* at x.
- ³⁵ Bureau of Economic Analysis, *Balance of Payments Accounts*, available at <http://www.bea.gov/bea/newsrelarchive/2005/trans405.pdf>.
- ³⁶ Joint Economic Committee, *Economic Indicators* (January 2006), p. 32, available at <http://www.house.gov/jec/econ-indicator/economicindicatorjanuary2006.pdf>.
- ³⁷ National Association of Manufacturers, *How Structural Costs Imposed on U.S. Manufacturers Harm Workers and Threaten Competitiveness* (December 2003), available at http://www.nam.org/s_nam/docs/227600/227525.pdf.
- ³⁸ IAS Group, Ltd, *Border Tax Adjustments and Their Trade Impact* (January 27, 2006).
- ³⁹ Federal Reserve Board, available at <http://www.federalreserve.gov/releases/h10/Hist/>.

