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August 01, 2006

The Death of Doha

By [Bruce Bartlett](#)

Last week, the Doha Round of trade talks collapsed. Future historians may well conclude that of all the Bush administration's economic mistakes, this one was the biggest. That is because we may have just seen the end of the free-trade consensus that has been at the core of U.S. international economic policy for both parties since World War II. The result may be a new era of protectionism that could be extraordinarily costly and painful.

Although Bush came into office mouthing all the proper platitudes about free trade and pledging his support for a new multilateral trade agreement, he made it very clear from the beginning that his heart was never in it. Bush refused to play hardball with Congress to get trade negotiating authority and instead imposed tariffs on steel imports to buy the last few Republican votes he needed.

This was a very bad deal for several reasons. First, the tariffs were unjustified on the merits. Second, Congress learned that Bush was not really a committed free trader and would cave on the issue if pushed. Third, it got the trade talks off on a very bad foot because the countries most hurt by the tariffs were precisely those whose support we needed to get a multilateral trade agreement.

Another problem with the steel tariffs was the utter contempt that Bush showed for existing international trade agreements. It was quite clear to all trade experts that the tariffs were illegal and would be ruled as such by the World Trade Organization. But Bush disingenuously insisted that the tariffs were legal and forced the issue to be litigated. He cynically reckoned that by the time the WTO issued its ruling, the U.S. steel industry would have gotten the breathing space it wanted and the tariffs could be rescinded after having accomplished their purpose.

While Bush's narrow goal of buying a few votes for trade-negotiating authority while temporarily aiding the steel industry with illegal tariffs worked, it came at a steep cost. The WTO did indeed rule the tariffs illegal, and the world learned that international agreements were nothing to Bush but scraps of paper to be ignored whenever it suited his domestic political needs. Obviously, this totally undermined the credibility of U.S. trade negotiators, making their job vastly more difficult before the multilateral talks even got started.

Bush then thumbed his nose at Doha by signing into law a massive increase in agricultural subsidies just as the talks began. This was important because the primary purpose of the talks was to reduce worldwide agricultural subsidies, which are the main way that agricultural trade is distorted, impoverishing farmers throughout the developing world who cannot compete. Even if they are the low-cost producer, they cannot sell their output because U.S. and European farmers are so heavily subsidized by their governments.

Of course, agricultural subsidies are bad even ignoring their impact on trade. In years past, Republicans have spent a lot of political capital trying to get government out of agriculture and create a genuinely free market. They went a long way in this direction in the previous farm bill in 1996. But Bush basically flushed all that effort down the drain by going back to the discredited old subsidy approach just to buy a few votes in farm states.

So Doha really had two strikes against it right off the bat. Considering that getting an agreement would have been hard enough, even if everything had gone perfectly, the added handicaps virtually preordained failure.

Bush tried to regain some credibility by pushing free-trade agreements with individual countries or small groups of them, such last year's Central American Free Trade Agreement, popularly known as CAFTA. However, all trade experts recognize that such agreements often merely divert trade flows and don't really constitute meaningful trade opening. But desperate to show some progress in the trade area, the administration pressed its various free-trade agreements as if its life depended on them.

This created another problem. The White House was so desperate to get CAFTA that it handed out goodies to various congressmen like it was Halloween. Only these goodies weren't candies but pork-barrel projects, trade protection in other areas and anything else the president had the power to offer. Not only were such deals costly on their own, they ensured that it would have broken the bank to get Doha approved by Congress, even if an agreement had been reached.

It is clear that protectionist sentiment is gaining strength daily, as shown by the recent Dubai ports debacle. It will take an enormous amount of leadership in coming years just to keep protectionist pressure contained, leaving nothing for new free-trade initiatives. When only one side is on offense, that side usually wins.

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