

Introduction

History and experience provide us with important insights as we look to the future of the international trading system. Particularly since the end of World War II, trade has been an integral engine of the world's economic progress. Successive rounds of multilateral trade liberalization under the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), have helped rebuild war-devastated economies in Europe, provided a proven path to development for independent and modernizing nations in Asia, Latin America, Africa, and the Middle East, and lifted hundreds of millions of people out of poverty.

For the past seven decades, American presidents from Franklin D. Roosevelt to George W. Bush have steadfastly supported lowering trade barriers between the United States and our partners around the world. They have shared a belief in trade's central role in promoting rising standards of living, greater prosperity, and a broader range of choices for our citizens and those of other nations. As a result, the United States is the most open major economy in the world, and this openness is a clear source of strength. According to the Peterson Institute for International Economics, U.S. annual incomes are \$1 trillion higher, or \$9,000 per household, due to trade liberalization since 1945.

We are now witnessing a period of rapid transformation in the global marketplace. Just in the years since the Cold War ended, roughly 2 billion more workers and consumers have joined the international economy as political and technological barriers to market participation have fallen away. In order to empower more individuals to pursue their dreams and provide for their families, we must unleash trade's potential to promote further global economic growth and fuel better jobs.

The World Bank estimates that the full elimination of trade barriers can lift tens of millions more out of poverty; hence, the moral imperative to find a way forward on trade is clear. Moreover, while debt relief and foreign aid can make an important contribution to development in poor countries, trade and trade liberalization are likely to be even more powerful tools for alleviating poverty and providing societies with the economic resources to address their most pressing needs. Again according to the World Bank, the annual



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income gain to developing countries from the elimination of trade barriers to goods alone is \$142 billion, conservatively measured. This amount exceeds the \$80 billion in foreign economic assistance by the major industrialized countries in 2005 and the proposed \$42.5 billion for developing country debt relief combined.

The potential gains from freeing trade in manufactured goods, services, and agriculture are truly substantial.

The suspension of the Doha Round of WTO negotiations in 2006 was

disappointing for all who believe in the power of trade to promote economic development, to expand opportunities, and to facilitate peaceful cooperation among nations. That is why President Bush has directed the Office of the U.S. Trade Representative to continue in the quest for an ambitious and balanced agreement that meets the development objectives of Doha.

The rapid pace of change in the international economy and its effects—both positive and negative—on regions, localities, and individuals breed understandable anxieties. Each society must find a way to address the needs of those who may be dislocated by change and cushion the transition. But backsliding and erecting walls and barriers to trade is not the answer: Trade barriers protect a few at the expense of the many, and countries that fail to resist protectionist actions risk slower growth, inefficient and noncompetitive sectors, greater unemployment, and increased inflation in the longer term.

Increased trade also has broad social benefits: Countries that are wealthier are more likely to devote resources to preserving their environment, and workers in export-related industries tend to earn higher wages than their domestic counterparts in non-exporting sectors. The gains from trade are real to the hundreds of millions of individuals today whose livelihoods and households depend upon it.

We hope that readers will take the time to review each of the articles in this volume and gain from them a greater understanding of the benefits of trade liberalization for improving the quality of life for all people throughout the world.

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