UNLEASHING THE TRADE WINDS: A BUILDING-BLOCK APPROACH

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Achieving free trade across the globe is a daunting task. But America is committed, says Ambassador Robert B. Zoellick, the United States Trade Representative and a member of President Bush's Cabinet. He handled the NAFTA talks and the Uruguay round at the State Department from 1989-92. The following is adapted from an article he wrote for the December 7-13, 2002, issue of The Economist.

As President Bush's first term approaches its midpoint, the commentary about American trade policy has shifted. The debate is now over how — not whether — the United States is advancing free trade.

America has stated its intentions plainly. We will promote free trade globally, regionally and bilaterally, while rebuilding support at home. By moving forward on multiple fronts, the United States can exert its leverage for openness, create a new competition in liberalization, target the needs of developing countries, and create a fresh political dynamic by putting free trade onto the offensive.

America's trade policies are connected to our broader economic, political, and security aims. This intellectual integration may confound some trade scholars, but it follows in the footsteps of the architects of reconstruction after 1945. In fact, its roots extend to the protesters who dumped English tea in Boston harbor. To be sustainable at home, our trade strategy needs to be aligned with America's values and aspirations — as well as with our economic interests. And to be influential abroad, we seek to listen and learn from our trading partners, large and small. To lead globally, President Bush recognized that he had to reverse the retreat on trade policy at home. Any American president building support for trade must overcome protectionists, special interests, anti-globalization nihilists and partisanship against the President. Nevertheless, the President was not diverted by an economic slowdown or terrorism. He pressed Congress to enact the Trade Act of 2002, which re-established the vital trade authority ("fast track") that had lapsed for eight years. Republicans compromised with pro-trade Democrats on an environmental and labor trade agenda, without overstepping concerns about sovereignty and protectionism. The act included a large, immediate down payment on open trade for the neediest, cutting tariffs to zero for an estimated $20 billion in American imports from the developing world.

To rebuild a congressional coalition, the administration had to demonstrate that the United States would use international rules to pursue its interests. Since American trade-weighted tariffs average only about 1.6 percent, congressional support for lower barriers depends on the Executive's willingness to use the same rules employed by other countries. One Republican leader in the Senate told me that the administration's record of enforcing international rules was the most persuasive argument for granting the president more negotiating authority. By leading the fight at home for freer trade within a system of enforceable international rules, President Bush has strengthened America's power to promote free commerce abroad.

THE TASK AT DOHA

Coming to office as it did in the wake of the Seattle debacle for the World Trade Organization, the Bush administration recognized the importance of launching a new global trade round. Working with the European Union (EU) and others, and against long odds, we helped to launch the Doha Development Agenda (DDA). The WTO itself has been strengthened by adding China and Taiwan as members, and efforts are in train to add Russia before long.

The United States is fully committed to completing the DDA by the agreed deadline of 2005. We have already tabled far-reaching proposals in agriculture, industrial and consumer goods, and services, to highlight the primary goal of the WTO: to open access to markets and to spur growth and development.

America's goal in the farm negotiations is to harmonize subsidies and tariffs while slashing them to much lower levels, on a path toward elimination. The last global trade negotiation — the Uruguay round — accepted high and asymmetrical levels of subsidies and tariffs just to get them under some control. For example, the United States accepted a cap for the European Union's production-distorting subsidies that was three times the size of America's, even though agriculture represents about the same proportion of our economies.

The farm bill — which authorized up to $123 billion in all types of food-stamp, conservation and farm spending over six years, amounts within WTO limits — made clear that America will not cut agricultural support unilaterally. But America's farmers and Congress back our proposal that all nations should cut together. The United States wants to eliminate the most egregious and distorting agricultural payments, export subsidies. We would cut global subsidies that distort domestic farm production by some $100 billion, slashing our own limit almost in half. We would cut the global average farm tariff from 60 percent to 15 percent, and the American average from 12 percent to 5 percent. The United States also advocates agreeing on a date for the total elimination of agricultural tariffs and distorting subsidies.

The American proposal for manufactured goods would free the world of tariffs on these products by 2015. This was the trade sector first targeted by the founders of the General Agreement on Tariffs and Trade (GATT) in 1947; after more than 50 years of work, about half the world's trade in goods has been freed from tariffs. It is time to finish the job.

With zero tariffs, the manufacturing sectors of developing countries could compete fairly. The proposal would eliminate the barriers between developing countries, which pay 70 percent of their tariffs on manufactured goods to one another. By eliminating barriers to the farm and manufactured-goods trade, the income of the developing world could be boosted by over $500 billion.

The American proposal on trade in services would broaden opportunities for growth and development in a sector that is just taking off in the international economy. Services represent about two-thirds of the American economy and 80 percent of our employment, but account for only about 20 percent of world trade. The World Bank has pointed out that eliminating services barriers in developing countries alone would yield them a $900 billion gain.

The United States listens to the concerns of developing countries striving towards free trade. This year, we devoted $638 million to help such countries build the capacity to take part in trade negotiations, implement the rules and seize opportunities. We have acted in partnership with the Inter-American Development Bank to integrate trade and finance, and we are urging the World Bank and the IMF to back their rhetoric on trade with resources.

We agreed at Doha that the flexibility in the global intellectual-property rules could be used to allow poor countries to license medicines compulsorily to deal with HIV/AIDS, tuberculosis, malaria and other epidemics. We are also committed to helping those poor regions and states obtain medicines produced abroad — if they cannot manufacture them locally — as long as other countries with pharmaceutical industries do not carve these special terms into loopholes to circumvent the intellectual-property protection that rewards research on the medicines of the future.

The Doha negotiations include customized treatment for developing countries. Yet flexible transitions and special needs should not degenerate into perpetual protectionism. “Good intentions” that cover up trade barriers raise prices for the poorest people, profit cosseted interests, increase costs for competitive businesses and block exports from productive firms and workers to other developing countries. We are pleased that nongovernmental organizations (NGOs) such as Oxfam now recognize the benefits of trade for development, but they need to acknowledge that these benefits flow from removing barriers to imports as well as from promoting exports and competition at home. The WTO can foster export-driven growth for developing countries without reviving the neo-colonialist trade patterns promoted by an earlier generation.

EUROPE AS PARTNER

As one African minister told me recently, when the United States and the EU agree on a course in the WTO, we cannot ensure success, but we make it much more likely. Fortunately, I have no doubt that my respected and close colleague Pascal Lamy, the EU trade commissioner, is just as committed to completing the Doha negotiation on time.

The United States and the EU share a common aim of trade liberalization, but have pursued different approaches. In the lexicon of the EU, the United States is pressing to “deepen” the WTO by freeing trade across the core agenda of market access. The EU’s distinguishing agenda is to “widen” the WTO mandate by developing new rules to cover more topics. As one Asian colleague observed, the EU sees the world through the lens of recent European experience: it wants gradually to achieve a supranational system of governance for globalization. Yet many developing countries have no wish to add new topics to the WTO, believing our priority should be to spur more trade and investment. There is a risk that the EU will trade off cuts in barriers in order to add rules and institutions.

At Doha, the United States helped bridge the gap between “deepeners” and “wideners” because the EU needs progress on its broader agenda to achieve movement on agriculture, which is critical for many developing countries. The United States will continue to work to accommodate the EU’s objectives, as long as the EU is committed to liberalizing trade in agriculture, goods and services. We need to ensure that any new negotiating topics and rules enhance free markets, strengthen transparency in the WTO and facilitate trade, while respecting the prerogatives of sovereign states. Another European perspective might also be borne in mind — Hayek’s “spontaneous order,” which advises that rules should be forged first through markets, rather than through government controls.

Even if America and Europe cooperate, the Doha agenda will still be hard to achieve. (Sadly, Japan’s mercantilist, zero-sum approach to trade is typified by its recent agriculture proposal, which argued for cutting its quota on imported rice.) It is encouraging to find a network of trade ministers, in both developing and developed countries, working together.

Yet any decision by the WTO requires a consensus among its 144 members. Any one country — for whatever political or economic reason — can stop the Doha agenda in its tracks. We will not passively accept a veto over America’s drive to open markets. We want to encourage reformers who favor free trade. If others do not want to move forward, the United States will move ahead with those who do. It is time for others to tell us when they are ready to open their markets, to table proposals to liberalize and to match their criticism with commitment.

Some trade specialists cavil about America’s use of leverage to push for greater openness. I urge them to broaden their perspective. We want to strengthen the hand of the coalition pressing for freer trade. It would be fatal to give the initiative to naysayers abroad and protectionists at home. As we have seen in the League of Nations, the U.N., the International Monetary Fund and the World Bank, international organizations need leaders to prod them into action.

NAFTA AND ITS IMITATORS

To multiply the likelihood of success, the United States is also invigorating a drive for regional and bilateral free-trade agreements (FTAs). These agreements can foster powerful links among commerce, economic reform, development, investment, security and free societies. The North American Free-Trade Agreement (NAFTA) not only almost tripled American trade with Mexico and nearly doubled its trade with Canada, but also made all three members more competitive internationally. NAFTA proved definitively that both developed and developing countries gain from free-trade partnerships. It enabled Mexico to bounce back quickly from its 1994 financial crisis, launched the country on the path of becoming a global economic competitor, and supported its transformation to an open democratic society.

Ironically, a number of European publications that have criticized America's "competitive liberalization" through regional and bilateral free-trade negotiations were noticeably silent when the EU negotiated 30 such pacts; the United States only has three, but we are hard at work.

Since Congress granted the president fast-track authority, the United States has signed FTAs with Singapore and Chile and started talks for FTAs with the five nations of the Central American Economic Community, the five countries of the Southern African Customs Union, Morocco and Australia. We helped push forward the negotiations among 34 democracies for a Free-Trade Area of the Americas. We will co-chair this effort, with Brazil, until it is successfully concluded.

Our free-trade agenda conveys signals. We are open to free trade with all regions — Latin America, sub-Saharan Africa, Asia-Pacific, the Arab world — and with both developing and developed economies. We want to expand commercial links with these countries. Equally important, all our free-trade partners, though varying greatly in size and development, are showing political courage at home by making the case for open markets and connecting those ideas to economic reforms. These are governments we want to help.

One Europe-based publication recently claimed that the United States "has little to offer other countries" because America's barriers are relatively low already. But the "market test" is proving such commentaries mistaken, as countries are lining up to negotiate FTAs. Countries recognize that assured access to the huge, dynamic American market is a valuable economic asset. Because American FTAs are comprehensive, with high standards, our FTA partners stand out as good places to invest, as strong links in a global sourcing chain, or simply as promising markets in which to do business.

We will work with our FTA partners — through the U.S. Agency for International Development (USAID) and with the multilateral development banks — to link liberalization to sectoral reforms. For example, we have been discussing with Morocco how to support its shift, backed by the World Bank, from the production of cereals to fruits and vegetables for export. For Southern Africa and Central America, our FTAs can encourage regional integration, the reduction of local barriers to regional competitiveness, the development of a larger market for investment, and greater political cooperation. Many other countries are working with us on market and trade reforms simply to prepare for an FTA.

As our FTA negotiation with Singapore showed, our agreements can also serve as models by breaking new ground and setting higher standards. The United States-Singapore FTA will help advance areas such as e-commerce, intellectual property, labor and environmental standards, and the burgeoning services trade. As we work more intensively with nations on FTAs, the United States is learning about the perspectives of good trading partners. Our FTA partners are the vanguard of a new global coalition for open markets.

These partners are also helping us to expand support for free trade at home. Each set of talks enables legislators and the public to see the practical benefits of more open trade, often with societies of special interest for reasons of history, geography, security, or other ties. There is an old adage in American politics: “You can’t beat something with nothing.” We want the American debate to be focused on our agenda of opening markets, not on the protectionists’ defensive dogma of closing them.

Whether the cause is democracy, security, economic integration or free trade, advocates of reform often need to move toward a broad goal step by step — working with willing partners, building coalitions, and gradually expanding the circle of cooperation. Just as modern business markets rely on the integration of networks, we need a web of mutually reinforcing trade agreements to meet diverse commercial, economic, developmental and political challenges. The United States is combining this building-block approach to free trade with a clear commitment to reducing global barriers to trade through the WTO. By using the leverage of the American economy’s size and attractiveness to stimulate competition for openness, we will move the world closer toward the goal of comprehensive free trade.