OPEN TRADE PROVIDES GREATER OPPORTUNITIES FOR ALL COUNTRIES

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At the conclusion of the World Trade Organization (WTO) Ministerial in Qatar, trade ministers from over 140 countries agreed to launch the "Doha Development Agenda." For the WTO to be effective, all members must be involved in the decision-making process. If we are to have a successful round of global trade talks, developing countries must play a central role in the process. The Doha Development Agenda will be more inclusive than past negotiations and, as the WTO Ministerial Declaration states, the "needs and interests" of developing countries must be at the heart of the future WTO work program. For our part, we are working with Congress to provide Trade Promotion Authority to help us move forward.

While in Doha, I saw first-hand that the developing countries want to be engaged in these talks and they want to speak for themselves. This shouldn't be surprising to anyone — the developing countries have a lot to gain. A study by Joseph Francois of Erasmus University projects that new global trade negotiations would generate between $90-190 billion a year in higher incomes for developing nations. It's no wonder that UN Secretary-General Kofi Annan has said, "The poor are poor not because of too much globalization, but because of too little." The WTO operates by consensus, giving the developing countries a strong role both in the negotiations themselves, but, even more importantly, in the results of the new round.

While trade among advanced economies still accounts for the majority of international trade, world economic growth has been faster in developing economies. With a few exceptions, tariffs and quotas are no longer significant barriers in industrial economies, but they remain high in most of the developing world. This is counterproductive. Reductions in market access barriers can promote trade, in particular trade between developing countries ("south-south" trade) and improve the quality of life of those in the developing world.

OPENING MARKETS ENCOURAGES GROWTH AND BENEFITS CONSUMERS

All countries stand to gain when they lower their tariffs and open their markets. In the United States, our exports have contributed over one-quarter of our economic growth in the last decade. From 1970 to 2000, our exports have grown over 10 percent per year — reaching $1.1 trillion in 2000 — that's a doubling of U.S. exports about every 7 years. An estimated 12 million American jobs depend directly on exports — good jobs that pay wages 13 to 18 percent higher than the national average. Benefits from the NAFTA and the Uruguay Round negotiations alone have saved a family of four $1,200 to $2,000 a year by encouraging our markets to make higher quality goods available at lower prices. One in three acres planted on American farms is seeded with crops intended for export. In other words, opening new markets for American goods, services and agriculture is critical to our economic future and our strength as a nation. There is no better policy tool for raising the economic prospects for the United States — and the rest of the world — than opening markets through trade agreements.

This holds true for developing countries. In the first five years of the Uruguay Round, developing countries increased their exports by 41 percent, while high-income countries increased exports by 29 percent. Strong growth in exports serves as a catalyst for economic growth. The World Bank's 2002 report on Global Economic Prospects and Developing Countries, concludes that developing countries that lowered trade barriers over the last 20 years experienced strong economic growth.

The potential for developing countries to prosper from a more inclusive role in new trade negotiations is significant in terms of GDP growth, but more importantly in the benefits realized by the citizens of these countries. A new round of trade negotiations focused on tariff reductions on industrial and agricultural products can deliver more choices and competitive prices, including access to many goods not readily available. Medical and agricultural equipment and pharmaceuticals have historically been scarce or limited in developing countries, but reductions in tariffs and adoption of more effective protection of intellectual property rights could make these developing country markets more attractive. A new round can also focus attention on environmental protection through better access to environmental technologies, goods and services.

THE IMPORTANCE OF LOWERING MARKET ACCESS BARRIERS

The United States seeks stronger trading relationships with developing countries — as evidenced by our work last year on the Africa Growth and Opportunity Act and renewal of the Caribbean Basin Initiative. Currently in the United States, 62 percent of all imports from developing countries are free from any duties or tariffs.

The U.S. simple average tariff is 4.3 percent — which is low compared to the average tariffs for developing countries. Many developing country tariffs are in excess of 15 percent, across-the-board, placing high burdens on those who can least afford them. For example, average developed country tariffs on manufactured goods, including textiles and clothing, now stand at 8 percent, while the same tariffs in developing countries are currently 21 percent. Also, developing countries apply duties at more than double the average rate of advanced economies on motor vehicles.

These high tariffs, along with restrictive market access barriers, have stymied trade in all directions. As trade barriers between developing economies are significantly higher than between developing nations and industrialized countries, developing countries have the most to gain from liberalizing restrictions on trade with one another. Trade between developing countries accounts for 40 percent of their overall trade and developing country trade still accounts for a very small percentage of world trade. According to the United Nations, in 1999, intra-African trade accounted for 10 percent of world trade; intra-South Asian trade, 4 percent; Asian-African trade, 1.5 percent; and Latin American-African trade, 1.5 percent.

It is generally believed that developing countries produce similar goods,

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—PRESIDENT GEORGE W. BUSH AT THE WORLD BANK ON JULY 17, 2001

primarily raw materials and commodities. However, the reality is that the range of products in developing countries is considerably more diverse. A growing number of developing countries have become important producers and exporters of manufactured goods. The decentralization of production has resulted in parts and components being combined from many sources, but, due to the high tariffs between developing countries, their abilities to produce final goods to trade is limited because of the added expenses involved in importing parts. The barriers that were once erected to protect domestic markets and fledgling export industries, are now hampering growth in the developing world.

The Doha Ministerial Declaration makes it clear that there are no a priori exclusions for product coverage in the industrial market access negotiations. The United States is willing to look at liberalization in historically sensitive sectors and to consider reducing restrictions on products and services that the developing economies produce, as long as liberalization results in a genuinely more open and level playing field in these sectors worldwide. Similarly, developing counties should be prepared to improve their own situation by liberalizing services and lowering barriers to import competition — they should come to the negotiating table not only asking for a reduction in market access barriers to the industrialized world, but with a willingness to reciprocate and reduce their own barriers to entry.

Lowering tariffs is not the only challenge faced by WTO members, of course. Non-tariff barriers, such as difficult customs procedures or a general lack of transparency in the enforcement of official rules and regulations also make it more difficult for developing countries to derive the expected benefits from trade. The Doha Development Agenda provides for these and other issues to be addressed. The developed WTO nations must engage in the new round with the willingness to work together with the developing countries in order to realize the full benefits of the world trading system. But liberalization is a two-way street and developed country efforts to provide the necessary technical and capacity building assistance to developing countries will be a central element in making the Doha Development Agenda a success.

The benefits will be broad for businesses and consumers in developing countries during the next round of trade negotiations. Greater market access will lead to greater transparency, more economic stability and greater availability of necessary goods. As the noted economist, Mancur Olson, observed in ***Power and Prosperity***,

> it is no accident that the developed democracies with the best established individual rights are also the societies with the most sophisticated and extended transactions (such as those in futures, insurance and capital markets) for realizing the gains from trade. They are generally the societies with the highest levels of per-capita income.

The importance of that success is not merely material. Freedom is served when governments tear down barriers to individuals' success, whether these barriers are political, social or economic, as in the case of trade. Through an increased role in the global trading system, developing countries will realize these benefits both through their trade — with both the industrialized countries as well as with other developing countries.

The United States provided more than $555 million in trade-related capacity building assistance to developing countries last year — more than from any other single country. This assistance includes significant programs for the WTO, which are part of an overall U.S. effort to support developing country capacity building though our bilateral assistance programs and in other international organizations. This underscores our belief that the developing countries must play a central role in the WTO process — to foster greater understanding and create greater opportunities for all. ■