

Seattle Post-Intelligencer



September 17, 2003

We have tools for stimulating international growth

By **Carla Hills**

Former U.S. Trade Representative

Recent developments in Afghanistan, Iraq and West Africa have brought home the striking poverty that plagues much of the world. Many countries struggle with anemic economies that simply do not provide adequate resources for the kinds of investments in education and social services or critical infrastructure that could provide a base for economic growth and a first step on the ladder to greater prosperity.

The Bush administration is supporting an increase in U.S. development assistance through the Millennium Challenge Account. These funds will make a significant contribution to the needs of many developing countries.

There is, however, a much greater contribution that the United States could make in support of the poor countries of the world and it is one that does not require an increase in our aid budgets. The best tool we have for stimulating global growth and development today is the successful completion of

the Doha Round of multilateral trade talks, a complex negotiation involving 146 nations, which will not succeed without strong U.S. leadership.

The issue of poverty is central to this round. Never before have multilateral trade talks focused so

clearly on the need to integrate poor nations into the global trading system. This new emphasis was driven by two factors.

First, trade ministers met in Doha two months after 9/11, when there was widespread agreement that poverty creates conditions hostile to the maintenance of peace. Second, by focusing on poverty the ministers secured the support of a number of developing nations that had resisted the launch of a new trade round, convinced that they had not only failed to secure benefits from the last round, but had in fact lost ground.

Poor countries correctly argue that in the last trade round -- the Uruguay Round -- they sought but did not achieve reductions of tariffs in the areas of their greatest interest. Even in the United States, for example, where tariffs average less than 2 percent, the tariffs on products produced by poor countries -- footwear, vegetables, fruit juices, peanuts, sugar -- range from 40 percent to 100 percent.

The results are perverse. In 2001, Norway and Mongolia each paid the United States the same amount in duties -- about \$23 million. But Mongolia's bill covered a mere \$143 million in exports, while Norway's covered \$5.2 billion. Something is terribly wrong with the trading system when the United States extracts more duties from Bangladesh on its \$2.3 billion in exports than it does from France on its exports of \$30 billion. And the United States is not unique.

Making matters worse are the huge subsidies of nearly \$1 billion a day that wealthy governments pay their farmers and that force even the most efficient producers in poor countries out of the market for agricultural products. According to the World Bank, African farmers are the lowest-cost producers of cotton in the world -- yet they cannot compete with producers in wealthy countries that receive \$4.8 billion annually in subsidies.

The big question is whether governments can muster the political will to take the steps necessary

Continued

We have tools for stimulating international growth *continued*

to lead the world to a successful conclusion of the Doha Round. The good news is that developing countries are supporting this round, albeit skeptically. The bad news is that the present signs of progress are not good.

The European compromise on agriculture announced recently continues to link farm supports to production, which results in over-production and the consequent use of export subsidies to induce purchase on the world market. And many wonder whether our own president can deliver on his ambitious agricultural proposal to eliminate export subsidies, slash domestic production subsidies by \$100 billion worldwide, and reduce global tariffs to 25 percent or less with elections just one year away.

To enhance political support for this round, we need to connect the importance of trade to those issues we all care deeply about -- poverty alleviation, enhanced security and worldwide prosperity. It is in our national interest to protect and project wherever we can the two ideas that have galvanized the world since World War II -- open markets and democracy.

Both are critical to global peace and prosperity and both are central to the Doha Round. U.S. leadership in moving the Doha Round forward and keeping the global community's commitment to helping poor countries grow their way out of poverty will do more than even the most ambitious aid program in creating a safer and more prosperous world for all.

Carla Hills, whose company, Hills & Co., advises U.S. companies on global business opportunities, spoke recently at the Seattle Initiative for Global Development about U.S. leadership on global development.