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Edited by Lee Walczak

Free Trade: Forget The Fast Lane

November has turned out to be a cruel month for U.S. multinationals fighting for a new global trade agreement. President Bush's Nov. 3-4 trip to a regional trade summit in Argentina ended in rioting in the streets of Mar del Plata and failure at the negotiating table. And with a key conclave of rich and poor nations looming in Hong Kong in December, the word from negotiators is grim: Hopes for major new tariff reductions are fading, marking the fourth year that the Doha Round of trade liberalization has remained deadlocked.

No one ever said that the fight for free trade was easy, especially in light of rising public opposition to globalization. But while Administration trade officials vow not to turn back, the President may have no choice but to shift his focus from Big Reform to incremental gains.

Doha was launched in 2001 amid high hopes that U.S. and European farm subsidy reductions could help developing nations and spur global growth. By also lowering barriers on food imports in Europe, the U.S., and Japan, the pact aimed to bolster many African, Asian, and Latin American economies where up to two-thirds of the population works in farming. At the same time, the U.S. hoped to end rampant Third World piracy of patents and copyrights and to lower tariffs on U.S. exports while increasing overseas opportunities for U.S. service companies.

The Art of the Possible

Instead, Doha has become a Rubik's Cube of interlocking parts, few of which are aligned. France has balked at trimming subsidies to its inefficient farmers and threatens to capsize a modest European Union subsidy-trimming plan. Developing nations, led by Brazil and India, threaten to retain import barriers and keep making knockoff pharmaceuticals and software. The upshot is that Doha is pinned under the weight of its own ambitions.

But trade experts say that considerable progress could still be made if the process were scaled back. After all, the Clinton Administration accomplished much outside of the framework of massive trade talks, forging pacts with China and with NAFTA partners Mexico and Canada, and leading the world to a global telecom accord.

Indeed, the eight-year-long Uruguay Round talks that created the World Trade Organization in 1995 left everyone so exhausted that the signers predicted it would take years for the developing world to adjust. That's proving prescient.

The key to a more manageable Doha deal: Pursue the art of the possible. "Each side could agree to take something off the table," says Kimberly Elliott, an analyst at the Center for Global Development. To facilitate trade flows, rich nations could increase aid to poorer states for road and port construction. Poor nations could agree to let Europe and America keep some protections on sensitive farm sectors such as dairy, meat, and sugar. Washington could ease off its demands for dramatic drops in barriers to trade in services and for an abrupt end to generic drugmaking in the developing world.

Clearly, neither the EU nor the U.S. is ready to confront politically powerful farm interests. But most of the 148 WTO members believe in the goal of free trade. That's why they are members. Their citizens, though, are less comfortable with the wrenching changes wrought by rapid globalization. A few years of consolidation and slower change may be the ticket now.

By Paul Magnusson