

# TRADE POLICY UNDER THE BUSH ADMINISTRATION

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Let me begin by saying that I believe the Bush Administration is doing an excellent job in trade policy. Peter Davidson has given some convincing reasons why we need Trade Promotion Authority and a successful start of a new World Trade Organization (WTO) Trade Round at Doha. I would add two other reasons.

First, we need further trade liberalization in two key areas of trade where foreign trade barriers prevent us from fully capitalizing on our competitive advantage: agriculture and services. The agricultural export subsidies of the European Union are over seventy times greater than those of the United States. The European Union provides more than six times as much trade-distorting domestic support as we do. The average maximum agricultural tariff of WTO members is over sixty percent, compared to twelve percent in the United States. In services, we continue to face obstacles in important foreign markets for our banks, insurance companies, securities firms, and other service providers. We must remedy this by supplementing the GATTs framework agreement of the Uruguay Round with meaningful market access commitments.

Second, we need to do much more to open markets for the products of the developing countries. This is an additional reason for seeking reforms in the European Union's Common Agricultural Policy. The United States should be willing to reduce its own agricultural trade barriers—in sugar, for example—that damage developing country economic prospects. The industrialized countries should also be willing to make substantial reductions in their restrictions in labor-intensive industries such as textiles and footwear. The WTO now consists of 142 members, of whom three-quarters are developing countries. The best way to assure the success of the next trade round is to make it a "Development Round" so that the benefits of trade liberalization are fully and fairly shared.

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Peter Davidson has explained why Trade Promotion Authority (TPA) is needed if our trade negotiators are to have credibility with other countries. The Thomas bill, H.R. 3005, provides TPA in a pragmatic, sensible way. It recognizes the need to include worker rights and the environment in the trade agenda, but it avoids insisting that all the International Labor Organization's core worker rights be accepted immediately as a condition for receiving trade benefits.

As a final observation, I would urge that the Bush Administration develop a policy on international assistance as realistic and far-sighted as its trade policy. Except for a little extra money for international programs on AIDS, the Administration's budget requests for the current fiscal year provide for no increase after inflation in spending for sustainable development (health, education, food security), on aid to refugees and humanitarian assistance, on economic support on behalf of peace efforts in the Balkans and Middle East, or on democracy building and safeguarding nuclear materials in the republics of the former Soviet Union.

The budget does not even provide funds to pay our \$490 million in arrears to the multilateral development banks. Worse still, the Congressional budget resolution provides for no growth after inflation in the foreign affairs budget from 2002 to 2011. This spending target is at odds with the ambitious international development goals the United States is committed to achieve by 2015 with its partners in the Group of Eight and in United Nations bodies.

Our defense budget has been increased to \$343 billion for this fiscal year, but our foreign affairs budget is still only \$23 billion, of which only about \$10 billion is for international aid. This is 0.1% of our gross national product (GNP), compared to the average aid contribution of 0.35% of GNP by other developed countries. An improvement in the quantity and quality of our aid efforts would help build developing country support for our trade objectives as well as other priorities of our foreign policy.

The tragic events of September 11th and the struggle against terrorism on which we are now embarked make it even more urgent to re-examine our development aid policies. It is already clear that we will need to join with other developed countries in providing substantial financing for the reconstruction of Afghanistan. But we will also need to take a broader approach, addressing with other nations the desperate poverty and hopelessness that have been such a fertile breeding ground for terrorism.