The Zoellick plan

Trading insults
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America wants a duty-free world. Almost

THE past year has been lousy for free trade. The Americans have ratcheted up farm subsidies and slapped new import duties on foreign steel. A European summit made little progress towards reform of the common agricultural policy (CAP); indeed, the French managed to secure agreement to preserve CAP spending at present levels. Poor countries are despairing over the outlook for the Doha round of trade negotiations, which was intended to benefit them. Just this week, negotiations between rich and poor countries over access to patented drugs through “compulsory licensing”, a big aim of poor countries, stalled.

But just as the world seemed headed towards 1930s-style protectionism, along comes a repentant America with a bold new plan to eliminate all tariffs on trade in WTO countries’ manufactured goods by 2015. The proposal, put forward by President Bush’s trade representative, Robert Zoellick, is simple but ambitious. By 2010, WTO members would reduce all tariffs to below 8%, and scrap altogether those that are now less than 5%. By 2015, all tariffs on manufactured goods would be reduced to zero. At minimum, the proposal is a welcome multilateral gambit by the Bush administration, which has recently seemed content to cut its own bilateral deals with countries in Asia and Latin America, working outside the WTO.

Sadly absent from the plan is any more discussion of farm goods, which form the basis of the poorest countries’ economies. Admittedly, in July Mr Zoellick put forward a proposal to scrap many farm subsidies, but there is little sign that American farmers will support this. Rich countries’ tariffs on factory goods are already low—typically less than 5%—while their subsidies and tariffs on farm goods are in general far higher. Duties on poor countries’ manufactured goods are quite high, in an effort to protect their domestic industry.

To be sure, poor countries’ consumers would gain by opening their borders to goods from other poor countries. But more immediately, their budding manufacturing industries would suffer—a fate that is politically unacceptable to the biggest traders—and under Mr Zoellick’s plan poor countries would get little in exchange.

Pascal Lamy, Mr Zoellick’s opposite number in the EU, was unimpressed by the move; the European Commission called the plan unrealistic. Europeans would rather reduce only the highest tariffs than move quickly toward an overall elimination. That may be because they have even more to lose than America from a reciprocal to end farm subsidies—and, unlike Mr Zoellick, they have not even put forward a proposal for farm trade in the Doha talks. Supachai Panitchpakdi, the Thai director-general of the WTO, wrung his hands over the pain that the Zoellick plan would visit on poor countries.

America’s farm bill and the EU’s failure to agree on CAP reform are making a mockery of the idea that the Doha round was to be a “development round”. If poor countries are to accept any version of the Zoellick plan, they will press for much greater access for their farm products. Until bigwigs in Brussels and Washington are ready to outface their cosseted farmers, Mr Zoellick’s tariff-cutting plan will go nowhere.