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U.S. PRIORITY AT WTO MEETING IN SEATTLE: LOWER TRADE BARRIERS

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When the World Trade Organization (WTO) meets in Seattle on November 30th, a cacophony of competing interests is expected to disrupt its agenda. At this Ministerial meeting of its 134 member nations, the WTO intends to launch a new round of multilateral trade negotiations to address trade liberalization in market sectors ranging from agriculture and services to manufacturing and electronic commerce. But the varied and often competing agendas of its members—not to mention the myriad special interest groups that plan to attend the meeting—could derail this round of negotiations before it even begins.

The Clinton Administration has said that it will use the meeting to press for lowering tariff and non-tariff barriers in such areas as services, telecommunications, and agricultural-biotechnology. In addition, it will rightly seek an extension of the present moratorium on Internet taxation. Still, while the Administration should be praised for its support of these free-trade initiatives, it also must demonstrate leadership on issues that engender domestic political criticism. At every opportunity, the Administration should press for lower trade barriers across a broad spectrum of market sectors. Most important, the United States should lead by example: It should pledge to lower U.S. trade barriers to show that it is indeed serious about free trade and is willing to follow its own advice.

Leading by Example. If the United States insists on maintaining its barriers to trade, it can hardly expect other countries to lower theirs. The textile industry is one area in which the United States retains trade barriers while demanding that other nations reduce theirs. During recent negotiations with China on the latter's accession to the WTO, the United States stipulated that it retain its quotas on Chinese textiles—a demand Chinese officials naturally resented. Other countries also criticize the United States for clinging to its anti-dumping laws—which they rightly recognize as another form of trade barrier—even as it calls for trade liberalization from others.

When the Administration takes such a negotiating stance, it paints itself as a hypocrite and acts in a manner unworthy of a world leader. The Administration should use the opportunity presented by the Seattle Ministerial to announce that it will reduce its tariff and non-tariff barriers on non-

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agricultural goods, particularly textiles, and encourage other member states to do the same.

Focusing on Trade Liberalization. The United States must keep the WTO meeting focused on its objective—lowering trade barriers on a multilateral basis. The presence of so many interest groups at the meeting could distract the Administration from this objective and lure it into the temporary gratification of advancing its domestic political interests in areas such as the environment or labor. But other organizations offer better forums for addressing these issues and give them the attention they merit. Muddying the waters at the WTO would only cause free-trade initiatives to fail, without advancing the cause of environment or labor.

Moreover, the means for achieving all of these objectives is the same: free trade. As the *Index of Economic Freedom*, published annually by The Heritage Foundation and the *Wall Street Journal*, shows, free-trade policies create the best road to prosperity for any nation; and with prosperity comes the means to act on social concerns. History shows that as countries become wealthier, they generally enact tougher labor and environmental standards.

Reducing Trade Barriers. Attempts to raise barriers to trade at this meeting will ultimately harm consumers. An example is the use of sanctions in the U.S.-European Union (EU) banana war. When the EU would not abide by the WTO ruling on the EU's use of protectionist banana import policies, the WTO granted the United States the right to impose retaliatory sanctions. Some would argue that such sanctions are a means to effect "fair" trade. This argument is false. The only fair trade is that which allows consumers of every nation the maximum freedom of choice for a fair—that is, competitive—price. In other words, free trade is the only fair trade. Sanctions have popular appeal and are politically expedient, but they harm U.S. consumers as well as those in the sanctioned country.

A forthcoming study by the International Institute of Economics indicates that trade protection costs the EU approximately 6 percent to 7 percent

of its gross domestic product—as much as Spain produces in a year. Although some might argue that preserving domestic jobs justifies the cost of protectionism, the same study shows that such measures cost the EU \$228,000 for every domestic job saved, and in the end saved only 3 percent of the jobs in the affected sectors.

Protectionism in the form of trade barriers also harms economic development in developing nations. In fact, the negative impact of protectionist policies is greater for developing countries than any positive benefit they could receive from foreign assistance. J. Michael Finger, an economist at the World Bank, calculated that import restrictions hamper developing countries' national income by about twice the amount they receive in foreign aid.

Conclusion. Trade barriers are clearly detrimental to an economy, raising costs and offering less choice to consumers. Consumers benefit most by having the freedom to buy the products they desire at the best price they can obtain. The WTO meeting presents a forum in which the United States can well argue the benefits of free trade and assert its commitment to that principle. It should encourage other nations to do so as well, reassured by the fact that all will be bound by a multilateral trade agreement, with the same willingness to adhere to the rule of law and the same adjudication process should they violate it. Such policies also serve U.S. strategic interests: International adherence to the rule of law lessens the likelihood that a nation will arbitrarily change policies to suit political expedience. The United States should remain a strong advocate of the WTO's use of the rule of law to guide multilateral trade, because the alternative to adjudication through the WTO is trade war from which no one will benefit. It is time for the United States to demonstrate leadership by lowering its own barriers in order to advance a free-trade agenda at the Seattle Ministerial.

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