

New CER working paper

MANUFACTURING FIRST A NEW WAY FORWARD FOR GLOBAL TRADE

By Bruce Stokes

Global trade negotiations inside the WTO remain stalled. Recently, negotiators have talked up the prospects for progress in the ‘Doha development round’ – but no one is expecting an imminent breakthrough. In this new CER working paper, Bruce Stokes argues that policy-makers in Brussels and Washington must think and act more creatively.

The first priority should be a revival of the Doha round. To that end, the EU and US should show greater flexibility in their negotiating strategies, especially in the area of agriculture. The latest EU proposals to eliminate export subsidies, provided other countries follow suit, are a hopeful sign. Nonetheless, a timely conclusion of the Doha talks remains unlikely. That is why Brussels and Washington must signal they would be ready to push for a multilateral, ‘zero-for-zero’ initiative in manufacturing if there is still no significant progress in the Doha negotiations by early 2005. The aim would be free trade in manufactured goods by 2015 for a critical mass of countries constituting 90 per cent of global trade in manufacturing.

A focused free trade initiative will be controversial. Hence, the EU and the US must underline that their initiative is mostly aimed at injecting new momentum into the WTO negotiations, not at killing them. But it is tactically wise and strategically prudent for policy-makers to develop a ‘Plan B’. In trade and other matters, half a loaf is better than none. And the threat of a joint US-EU initiative on manufacturing may jolt negotiators into action and unlock progress in the Doha round. To ensure broad support, poor countries would get long ‘phase-in periods’, granting them access to the markets of rich countries without having to expose their industries immediately to foreign competition.

The potential benefits from a EU-US manufacturing initiative far outweigh the costs. It would stem the recent drift toward bilateral and regional trading arrangements and put the multilateral system back at the centre of trade liberalisation. But there are also positive political side-effects. The EU and the US would also forge a new transatlantic purpose, rooted in economic self-interest, to offset the geo-political tensions that have so damaged the relationship in recent years.

Notes for editors:

1. Bruce Stokes is a journalism fellow at the German Marshall Fund of the US, the international economics correspondent for the National Journal and an author of the Pew Global Attitudes Survey.
2. This pamphlet can be ordered from the CER website (www.cer.org.uk) or by contacting kate@cer.org.uk. For media enquiries, please contact Steven Everts at steven@cer.org.uk or + 44 20 7233 1199.