

Big, fat American shopper to the rescue

By KENNETH ROGOFF

CAMBRIDGE, Massachusetts -- It is appalling that the world has decided to blame the United States for the crushing end to five years of global trade talks last month (the so-called Doha Round).

I am the first to admit that the U.S. under President George W. Bush has not covered itself with multilateral glory in recent years. But accuse America of sabotaging the trade talks? Give me a break.

Has anybody noticed that for more than a decade now, U.S. imports have been averaging several hundred billion dollars more than exports? Do people seriously believe that the U.S. has accomplished its majestic trade deficit by shutting its doors to foreign goods?

On the contrary, through its low tariffs and general lack of import restrictions, the U.S. has turned itself into an international shopping theme park. Americans buy more foreign-made refrigerators, cars, clothing, computers -- you name it -- than anyone else.

Happily for world exporters, the same binge mentality that makes a whopping two-thirds of Americans either overweight or obese seems to extend to all their purchasing habits. Since the start of this decade, neither recession nor hurricanes nor sky-high oil prices have seemed to dent their appetites.

The simple fact is that even if U.S. trade negotiator Susan Schwab had refused to make a single "concession," and if Europe, Japan and the big emerging markets had kept their best offers on the table, the U.S. would still remain more open than all but a few small countries.

True, in the endgame of the talks, the U.S. caved in to its wealthy and powerful agribusiness lobby. But that was only after five years of intransigence by Europe's even more powerful farm lobbies.

And this is not to mention emerging market politicians' failure to grasp that unilaterally reducing their excessive import restrictions would be a good idea even if rich countries sat on their hands.

What does last month's trade fiasco mean? Old hands know that

global trade deals often rise out of the ashes of failed talks. Unfortunately, such an outcome seems improbable now, especially since the U.S. is unlikely to rejoin the talks anytime soon.

The opposition Democratic Party seems poised to take up growing wage inequality as an issue in this year's midterm U.S. congressional elections and in the 2008 presidential election. To be sure, we economists have found that globalization appears to have played a far lesser role in growing wage inequality than have technological advances. Even so, the explosion of exports from low-wage regions like China and India is a piece of the puzzle.

The last thing that Bush's Republicans want is to appear indifferent to the plight of the middle classes. So, unfortunately, even if Europe came to its senses and emerging markets showed greater enthusiasm for liberal trade, we may not see a big global deal until the next decade.

How bad would that be? After all, many Asian countries have achieved impressive export-led growth under the current system. And bilateral or regional trade deals can chip away at some of the barriers in the current global system. For example, a fundamental problem is that the nature of global trade is constantly evolving, and existing agreements have only limited capacity to adapt. Services like education, banking, accounting and insurance account for an ever larger share of global output (now roughly two-thirds), and further expansion requires significant changes in existing agreements.

Even if Asia has succeeded by relentlessly exporting manufactured items, today's poorest countries, especially in Africa, can realistically export only agriculture and textiles. But these are precisely the range of goods that remain most protected under existing agreements. Bilateral deals can help, but they can also lead to higher trade barriers for everyone else.

The current state of affairs is all the more depressing because global economic growth in the past four years has been the fastest since the early 1970s. Rapidly expanding global trade, combined with an ever-freer and faster exchange of people and ideas, has been a cornerstone of this growth, particularly of the strong productivity gains that underlie it. Absent further trade agreements, there is a big risk that the pace of globalization will slow, with profound consequences for global poverty and welfare.

Outside Africa, the people who will suffer the most are those in countries like Brazil, India, China and Mexico, whose leaders

rightly took on rich-country farm subsidies, but wrongly failed to recognize the profound costs of the developing world's own import restrictions.

So for now, the world must hope that Americans continue gorging on foreign imports. Wallis Simpson, the controversial U.S.-born Duchess of Windsor, once famously quipped, "You can never be too rich or too thin."

Fortunately for everyone, America's motto nowadays is "You can never be too rich or too fat." When Americans finally decide to go on an import diet, as they will someday, the world's hypocrisy over the failed global trade talks will become apparent to all.

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