ISSUES IN INTERNATIONAL POLITICAL ECONOMY

January 2001, NUMBER 13

BEHIND THE TRADE ISSUES FACING PRESIDENT BUSH

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The shorthand explanation for the lack of bipartisan consensus in the United States for moving ahead on a new, comprehensive trade initiative is that there is disagreement about how to link labor and environmental issues with trade negotiations.

Stated simply, the accepted analysis runs along the following lines. The mainstream of the Democratic Party in the Congress wants these linkages in the body of any new, comprehensive agreement (that is, not in a side agreement and not necessarily in a single-issue agreement, such as on financial services or telecommunications), with provision for trade sanctions in the event any partner country violates the agreed standards. The issue is most intense with respect to core labor issues because organized labor, which heavily backed the Democrats in the recent elections, speaks with one voice. The leading environmental organizations differ as to how they can best accomplish their objective of assuring that increased trade and investment do not result in environmental degradation; the environmental movement, unlike organized labor, is not anti-import in its approach. The mainstream of the Republican Party in the Congress, reflecting the sentiment of large multinational corporations heavily involved in international trade, is fearful that authorization for a new type of trade penalty will lead inexorably to a plethora of import restrictions.

The foregoing analysis is generally correct, but it omits too much. It leaves too many motives unstated and fails to capture the priorities of the various contenders.

Organized labor is most powerful in the United States in industries that must compete head-to-head with imports-such as textiles and apparel, steel, and autos. Union leaders surely care about working conditions and labor rights in developing countries, but they are equally concerned with competing imports and investment moving abroad into import-sensitive sectors. The latter concern was evident in the long bickering over African and Caribbean Basin preferences for apparel, the support for renewal of Japan's voluntary restraints on auto exports, the cacophony of complaints about automotive imports from Mexico, and the durable efforts of steel workers to force limits on steel imports.

Organized labor is content with stalemate on comprehensive trade negotiations and, by extension, with stalemate on a labor-trade linkage that might lead to serious trade negotiations.

Business interests in the United States went all out to secure congressional approval of permanent normal trading relations with China, but did not make a comparable effort to help President Clinton secure fast-track authority from the Congress for either a new negotiating round in the World Trade Organization (WTO) or to complete the bargaining for a Free Trade Area of the Americas (FTAA). Equal access-equal to that enjoyed by major trade competitors-was considered crucial for the potentially immense China market, but progress in the WTO or the Western Hemisphere negotiations had much lower priority for U.S. business. A WTO negotiation would inevitably put U.S. antidumping procedures on the trading block, and this is anathema-as was evident in the lead-up to the contentious 1999 Seattle ministerial meeting. The only discrimination U.S. exports face in this hemisphere is from other hemispheric countries, and that is not overwhelming. The issue of equal access in the hemisphere would arise seriously if the European Union were to conclude a free-trade agreement (FTA) with Mercosur; and, if that occurred, we can rest assured that there would be a business push for fast-track authority for the FTAA.

The Clinton administration, in its closing days, decided to negotiate bilateral free-trade agreements with Jordan (actually completed, although enabling legislation is still needed), Singapore, and Chile. The logic for this tactic was twofold: to show progress in concluding free-trade agreements (FTAs); and to demonstrate that FTAs with labor and environmental conditions can be reached (although Chile prefers that these issues be in side agreements and opposes a system of trade sanctions for noncompliance). The Republican leadership in the Congress sent a letter reminding the administration of its opposition to the labor and environmental features. The danger of the Clinton administration approach-that fast-track authority is not needed in bilateral trade negotiations-is that many in the Congress will accept this reasoning and deny fast-track authority for comprehensive trade negotiations as well, and thereby stymie progress in both the WTO and the Americas.

The auguries for a successful trade initiative in the Bush administration are not good, despite the free-trade proclivity of the new president. In November 2000, the U.S. Trade Deficit Review Commission created by the Congress in October 1998, issued its final report. It is a mosaic of chapters agreed to by the six Democratic appointees and six Republican appointees and chapters on which there was no agreement. The two sides agreed on three chapters (although not without supplementary comments) and disagreed on four.

More to the point, the two sides presented thoroughly distinct visions for U.S. international economic policy. The Republicans, in essence, embraced globalization and the positive contribution this makes to the U.S. economy, whereas the Democrats asserted that globalization leads to a race to the bottom in labor rights and environmental standards. The Republicans see the trade and current account deficits as part of a "virtuous" process under which investment in the United States exceeds national savings, thereby leading to increased productive capacity. The Democrats, in contrast, see the trade deficit as originating in predatory mercantilist policies of other trading nations. Because of the date of its release, in the middle of the maneuvering of the contested presidential election, the report attracted hardly any attention. Perhaps this was fortuitous.

Patching together an agreed U.S. trade policy is not simply a task of devising anodyne words to bridge differences on dealing with labor and the environment in the context of trade negotiations. The labor-environment disagreement is a symptom, not the cause, of stalemate. The underlying issue is disagreement over how to most usefully engage the rest of the world economically-whether to further reduce barriers to trade and capital movement or to avoid these reductions on the premise that an open world trading system, replete with massive capital flows, is prejudicial to the United States.

President Bush will have to confront this issue at the Summit of the Americas in Quebec on April 20-22 2001, that is, in the first 100 days of his administration. The main issue of the summit is to make progress toward concluding an FTAA negotiation by the agreed date of 2005, or earlier. Robert Zoellick, President Bush's designee as U.S. Trade Representative, is informed both on trade and Latin American matters and is, therefore, well positioned to play an important role in the summit preparations.

U.S trade policy must reconcile a seemingly incompatible dilemma between suspicion of many leaders of developing countries that labor and environmental conditions are a subterfuge in order to impose new U.S. trade restrictions, and the difficulty of obtaining congressional consent for negotiating a comprehensive agreement without these provisions. The new president, when he is in Quebec, may be able to test whether other important hemispheric nations, especially Brazil, will be prepared to exchange trade and related concessions in the absence of fast-track authority, that is, whether they are willing to play out their final negotiating hand without some assurance that the U.S. Congress will not upset the balance of bargains reached.