

Congress Wages War on Free Trade

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The struggle between the Clinton Administration and Congress over renewing China's most-favored-nation trading status is a symptom of a much larger problem with American trade policy.

That is the growing tendency of Congress to use trade sanctions to pursue non-economic goals, including protecting human rights, improving conditions for foreign workers, safeguarding the environment, stopping illegal drug trafficking and curtailing nuclear weapons sales. Yes, these are worthy goals, but using trade sanctions to try to achieve them will only backfire.

Trade has never been more crucial to national well-being. Exports have accounted for nearly a third of our economic growth in the 1990's, and some 12 million people owe their jobs to sales of American products abroad.

Yet the Administration's legal authority to conclude major trade negotiations has expired, and Congress won't renew it. The reason: The House and Senate cannot resolve whether the President's trade negotiators should be obligated to tie environmental and labor standards to all commercial accords. Thus the Administration cannot, for example, pursue the creation of free trade areas in Latin America and Asia -- two of the President's highest priorities.

Congress, pursuing other foreign policy goals, has also broadened its use of unilateral sanctions, including embargoes on Cuba (to try to force the collapse of the Castro Government) and Iran (to express outrage against terrorism). In the case of the most-favored-nation fight over China, it's no longer just the usual human rights concerns that critics are bringing up, but also complaints (fueled largely by the religious right) over Beijing's policies on birth control and its crackdown on unregistered evangelical churches.

So why won't trade sanctions help? First, Europe and Japan steadfastly refuse to join us in using trade as a lever; instead, they merrily conclude their own commercial deals, such as ongoing French investments in Iran's oil production. By imposing sanctions unilaterally, we only incur resentment among the countries we want to influence, and we undercut our own companies, which are increasingly standard-bearers of American values and influence.

If Congress continues to use trade sanctions as a weapon, the United States will forfeit its leadership in the cause for open global markets. Just look at South America, where Brazil is now trying to build a gigantic trade bloc along with Argentina, Chile and others,

without American participation. Or watch how Japan is spinning a commercial web from Seoul to Jakarta while Washington ties itself in knots over whether to let the President negotiate more trade agreements.

As billions of new consumers enter the world economy for the first time, trade will be ever more important to American living standards. The big emerging markets -- China, India, Indonesia, Turkey, Mexico and Brazil -- are growing two to three times faster than Europe and Japan. Already the United States exports more to the top 10 emerging markets than to Europe and Japan combined.

Our fastest-growing trading partners are the very countries that present the biggest human rights and security concerns: Why would we want to cut off our influence with them now?

The Administration and Congress should face the reality that not every national goal -- whether it be trade or military security or human rights -- can receive the same attention; nor is every objective equally important to our broad national interests. In most cases, commercial diplomacy should be the leading edge of our foreign policy, because free trade creates private wealth and opens ties between American and foreign businessmen. These ties can create pressure for more democracy and encourage foreign governments to loosen controls on their societies. This has happened in South Korea, for example.

To relieve the pressure to link trade to other objectives, we need credible global policies on human rights, labor standards, weapons sales and environmental protection. One approach is for Washington to help put teeth into United Nations agencies like as the International Labor Organization, which monitors treatment of workers worldwide but lacks the power to condemn countries with egregious labor practices.

Moreover, if the United States would substitute diplomatic pressure for economic sanctions to punish countries whose policies we most strongly oppose, we might find that Europe and Japan will be more willing to do the same.

Washington should also enlist American businesses, and powerful industry associations like the Business Roundtable and the National Association of Manufacturers. American companies have so far have been too hesitant to adopt higher standards for treatment of employees overseas and to invest in schools, hospitals and other community projects where they do business. After all, they have the most to lose if Congress continues its heavy-handed ways.

Trade has the potential to expose emerging nations to those values Americans hold highest. Linking trade to so many other foreign policy goals will insure that we lose on all accounts.