

Business Week: June 18, 2001

Department: Economic Viewpoint

Headline: George Bush on Trade: Is He All Talk?

Byline: By Jeffrey E. Garten

Steve Case, chairman of AOL- Time Warner Inc. (AOL), once told me that a vision without the ability to execute it is a hallucination. This could describe the Bush Administration's trade policy, which will be highlighted when the President meets with European leaders in Sweden on June 14 and attends the G-7 summit in Italy on July 20-21. To be sure, he and his chief trade negotiator, Ambassador Robert B. Zoellick, will give the right signals. They have already advocated more economic integration with Mexico and freer trade throughout the hemisphere. They have announced support for new global negotiations. And they are sure to propose expansion of commerce across the Atlantic. But once the speeches end, will concrete results follow?

A first hurdle is securing "fast-track" authority--by which Congress agrees that it will either pass or reject accords that the executive branch negotiates and not allow crippling amendments. Unless such legislation is passed, other countries will not negotiate with the Administration for fear their deals will unravel on Capitol Hill. Many in Congress are making fast-track contingent on Bush's agreeing to include labor and environmental standards in the accords, as well as provisions permitting trade retaliation when such standards are violated. No developing country will agree to such conditions, and the Administration is rightfully looking for an alternative. But given Bush's low credibility with American environmental and labor groups, not to mention a Senate now controlled by the Democratic party, a solution seems remote.

HERCULEAN. Another obstacle concerns the political priority the Administration will give to trade even if it gets negotiating authority. Education, energy, the environment, military modernization, and judicial appointments are already overcrowding the agenda, and Washington has yet to tackle Social Security reform and the soaring cost of health care. It will take a herculean effort to handle the expanding number of trade issues, which include traditionally sensitive problems such as agriculture, steel, and textiles, but also extend to financial services, information technology, biotechnology, intellectual property rights, and the rules governing the World Trade Organization. It will also require deft political coalition

building in Congress. If the tax bill is any example, this is a skill the Administration has yet to demonstrate.

Third, polls show nearly half of all Americans believe free trade is harmful, even though exports have fueled about 25% of U.S. economic growth in the 1990s and supported millions of high-paying jobs, and although imports have been a major factor in holding prices down. Short of a sustained grassroots campaign, which the Administration shows no sign of conducting in this time of economic slowdown, the difficulty of gaining public support for more trade agreements will only mount.

Nor is it possible to discern any Administration strategy towards two other critical groups. Developing nations feel that the industrial countries have not made good on previous commitments to lower trade barriers. And many non-governmental organizations, such as Friends of the Earth, are determined to prevent future trade talks from succeeding.

MEAGER BENCH. The President needs more high-level help, too. When Bill Clinton came into office, for example, chief negotiator Mickey Kantor was complemented by Secretary of the Treasury Lloyd Bentsen, a former senator with extensive trade expertise, and National Economic Council chair Robert E. Rubin, a global investment banker for decades. He also got help from Council of Economic Advisers Chief Laura D'Andrea Tyson (a current Viewpoint columnist) and Labor Secretary Robert Reich, both of whom had written about global economic competition since the early 1980s, and Commerce Secretary Ron Brown, who had a passionate interest in economic development at home and abroad. In addition, Clinton had a supporting cast of globally renowned economists, including Lawrence Summers, Alan Blinder, and Joseph Stiglitz. The Bush bench does not have comparable depth.

The overall international picture won't help the Administration. If the European Union implements its threat to levy \$4 billion of sanctions against the U.S. for our income-tax rebates to American exporters, a trade war will erupt. If Japan is to recover, domestic deregulation will have to be accompanied by large increases of Japanese exports, stoking protectionist sentiments in importing nations.

The WTO is predicting that trade this year will grow only 50% as fast as it

did in 2000, and a failure of the Administration to deliver real trade liberalization could make matters worse. The stakes are bigger than just an expansion of commerce and include continuing the momentum for political openness and individual freedoms around the world. Rhetoric unaccompanied by implementation would be a major debacle. I hope I'm wrong, but unfortunately that's what could be in store.

Copyright © 2001, The Business Week.

Jeffrey E. Garten, George Bush on Trade: Is He All Talk?,
06-18-2001, pp .