

FINANCIAL TIMES

America's fast-track trade needs a domestic safety net

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President George W. Bush's ability to negotiate trade agreements and present them to Congress for an up-or-down vote without amendments will either expire on June 30 or be formally extended by Congress. Washington is already debating what to do about this so-called fast-track authority. The outcome will shape US trade policy and global commerce for years to come. But so far the arguments have missed what should be the central point.

Here are some of the positions recently staked out by Congress: extend fast-track without strings, because all trade liberalisation is good. Extend it, but only if all new trade agreements contain commitments on the part of foreign partners to abide by international labour standards, such as freedom to bargain collectively. Extend it, but only for the purpose of voting Yes or No on the Doha round, provided it is successfully concluded. Another group, comprised mostly of Democrats, wants fast-track to wither. They say free trade is causing too much hardship for many workers and that countries such as China are not abiding by World Trade Organisation rules. They would also like to deal a political blow to the Bush administration.

No one seems to be asking the most important question: how can government and business cushion the blow to workers who are displaced, or whose wages have been reduced because of

USA Tuesday May 8 2007

the impact of changing trade patterns and other powerful trends, including rapid technological change? How can the public and private sectors work together to reduce the growing anxiety about economic security in this age of increasing economic interdependence?

Congress should renew fast-track for a finite period – say, two years – but explicitly make its consideration of any

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trade agreement contingent on the administration's coming up with more meaningful domestic policies to help US workers. Letting fast-track lapse is too dangerous, as no country would negotiate with the US knowing that Congress could undo what the administration conceded. Moreover, the vacuum left by the absence of any trade liberalisation could be filled with protectionist measures. Making fast-track conditional on criteria that are too narrow – such as foreign labour laws – is a side-show to the main event. Extending it just for Doha is to miss an opportunity forcefully to press the administration to enhance vastly its assistance to the US workforce.

What kind of domestic policies should President Bush come up with? They would encompass better health plans that guarantee that everyone is covered by insurance, even if they become temporarily unemployed, and that they can carry their policies to new jobs. Innovative policies would also entail wage insurance to help workers while they are looking for new employment. They would provide a way for workers to pay for their children's education while they are between jobs.

A more robust effort would address shortcomings in current programmes to retrain displaced labour for tomorrow's jobs. These programmes are now limited mostly to workers in manufacturing, but they should be extended to

those in service industries, to people who have been displaced by offshoring and to jobs made redundant by technology. New programmes would also target communities that are hard hit because businesses closed, perhaps to relocate overseas. Washington could give financial incentives to the states to experiment with other kinds of assistance policies too.

These types of programmes should be presented as an integrated 21st-century social safety net that can be evaluated against such criteria as breadth of coverage and administrative simplicity.

Most other industrial countries are in the same boat as the US in that trade is mushrooming – by twice the growth rate of global gross domestic product, according to the WTO – but the underlying domestic policies are not in place to help essential labour adjustments. In the US it is no wonder the share of national income going to business rather than labour has reached levels not seen since the 1920s, showing that globalisation and technological change are skewing the benefits to the rich and away from the middle class.

In shoring up the domestic foundations for trade, and therefore in helping to rebuild a national consensus for more rather than less trade liberalisation, the US could become a reinvigorated champion of globalisation. Congress could lead the way, but it does not have much time.

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