

Trade policy is among the issues prompting US voters to coalesce around Hillary Clinton and Donald Trump as presumptive nominees for president. Clinton opposes the Trans-Pacific Partnership, calling for a crackdown on trade violations and more enforcement; Trump is critical of nearly all trade agreements, vowing to get tough with top partners like Mexico and China. “The problem is not with the trade agreements,” argues Jeffrey E. Garten, author and emeritus dean of the Yale School of Management, in a memo to the candidates, but “with America’s failure to create policies at home that equip workers to adjust to rapid import penetration and to exploit new opportunities that trade could bring.” Garten, who participated in trade negotiations for four presidential administrations, both Republican and Democrat, concedes that the United States and other countries failed to manage a flood of imports as globalization went into overdrive. He urges the next president to prepare for a new global economy, crafting policies so workers can anticipate trends and adjust to new technologies. Until then, Garten calls for a moratorium on passage of any US trade agreements. – YaleGlobal

Memorandum to Hillary Clinton and Donald Trump

Subject: How the next US president can rescue global trade and resuscitate the American workforce

From: Jeffrey E. Garten, New Haven
YaleGlobal, 28 April 2016

I’m writing to you both as presumptive presidential candidates for America’s two major political parties. The focus is on trade policy, a subject that has aroused so much emotion among the electorate and looms so important in both your campaigns, contributing to the growth of the United States and world economies, to jobs here and abroad, and to the way America engages with the rest of the world.

As seemingly endless and shallow as our political process is for picking nominees for the highest office in the land, the primaries do allow big issues to come to the fore in a way that might otherwise not happen – at least in a peaceful manner. And so it has been with trade. Both of you have taken clear stands. You, Secretary Clinton, have said that the Trans-Pacific Partnership (TPP) is deficient and that you would not support it. You, Mr. Trump, have roundly condemned virtually all trade agreements, suggesting that the problem is American negotiators have been inept and stupid, to boot.

With due respect, both views are way off base.

The problem is not with the trade agreements; it is with America’s failure to create policies at home that equip workers to adjust to rapid import penetration and to exploit new opportunities

that trade could bring. It's not about patching up the TPP, Mrs. Clinton. It's not about fielding a new team of trade negotiators comprised of your deal-making friends, Mr. Trump. Both of you are not only pursuing mistaken policies, but misleading the public with all the talk about bringing back good paying jobs that the middle class once enjoyed, because they are not coming back. We must prepare for the future, not dream about the past.

Thus, trade is now about stronger safety nets and upgraded education and skills that are proportionate to the third industrial revolution sweeping over us. The requirements for new approaches are orders of magnitude more than anything that has been contemplated by past administrations and congresses.

The problem is not trade agreements, it's with failure to create policies that equip workers to adjust.

In fact, until that far-reaching set of policies is established, we should have a moratorium on passage of any new trade agreements. The TPP should be put on ice. The Transatlantic Trade and Investment Partnership (TTIP) should be brought to a conclusion, but US ratification should be held in abeyance. Although both could be excellent treaties, nothing should be put in front of Congress until a major domestic legislative package is passed.

Making this recommendation is not easy for me. Having served in the Nixon, Ford, Carter and Clinton administrations, I have been enthusiastically involved in several major trade negotiations – the Tokyo Round, the North American Trade Agreement, the Uruguay Round, the automotive agreement with Japan and preparation for China's entry into the World Trade Organization. I buy the argument that more trade and investment are good for America and the gains exceed the welfare losses over time.

Shame on trade officials for not understanding what was happening on the ground.

But the last several decades have seen such an incredibly rapid increase in imports in such a highly concentrated period of time, especially from China but also other emerging markets, that the damage to American workers could not be offset by new jobs. Shame on senior trade officials, myself included, for being asleep at the switch and not understanding what was happening on the ground. Trade theory was just that – theory.

This has especially been the case since the onset of the great recession when growth plummeted and unemployment soared, decimating so many people's lives.

Moreover, it would be a major mistake to think that excruciating pressure on the workforce will substantially abate, even as the US economy improves. It's not enough to "protect" workers from imports. They need help in adjusting to a world being remade over and over by new developments in robots, artificial intelligence, sensors, nanotechnology, 3D printing, big data and the like. Adjusting isn't enough. We must get ahead of the curve.

What then would a new set of domestic policies embody? Here are some examples:

Emergency assistance to workers: Legislation should be proposed and passed to help men and women whose jobs have been hurt by imports, outsourcing or technological change. It is no longer possible to separate the causes, since they are usually interdependent. The existing programs of assistance are much too small and too bureaucratic to suffice. There are many programs, and you should look at them as a whole, rationalize them, modernize them and lever them up to appropriate scale.

Build the conditions for employment for the long term: Among the possibilities is a massive infrastructure initiative ranging from road repair to modern airports, expansion of public transportation, environmental projects and broadband extension across the nation. In terms of effort and scale, we should emulate President Dwight Eisenhower's interstate highway program. At the heart of this could be a new National Infrastructure Bank, financed primarily by financial markets.

Rethinking education and training: Now is the time for massive innovations in the US education system. It is clear that so much of the K-12 system is not up to the challenge of the evolving global economy, so a variety of new educational models should be allowed to compete with one another. That includes a broader range of charter schools, post-secondary school vocational programs, more effective use of online education and training. It also means considering adopting the best features from better programs abroad in places such as Denmark, Germany and Singapore.

Now is the time for innovations in US education and meeting the challenges of the global economy.

Funding: It will, of course, be said by many that such programs are unaffordable, given our huge debts. Mrs. Clinton and Mr. Trump, here is where your bona fides as great leaders will be demonstrated – or not. Are you deeply concerned with the lives of millions of Americans who have been left behind in a hyper-speed world economy? Do you recognize the awesome challenge our citizens face in the technology-intensive world that has emerged? Are you aware that if we don't rise to this occasion with a rejuvenated and highly competitive workforce, the implications are for social unrest, political turmoil, isolationism and xenophobia? These are just some of the stakes. In this context, you must consider revenue-generating measures such as cutting Social Security benefits for the wealthy, a tax on carbon, a tax on financial transactions and a national consumption tax.

On your first day in office, you should commit to delivering a plan to Congress over the first hundred days, outlining the preconditions for passage of new trade deals, and by the end of your first year, plan to sign into law this far-reaching domestic package, followed by the two trade agreements, TPP and TIPP. Since what happens in the United States will have enormous reverberations abroad, you would have advanced American and global interests more than

anything else you could do. After 12 months in office, your legacy will have been assured for generations to come.

Do you have the courage and political skills to do it?

Jeffrey E. Garten is dean emeritus of the Yale School of Management and [author](#) of From Silk to Silicon: The Story of Globalization Through Ten Extraordinary Lives. [Read a review of the book.](#)

Rights: Copyright © 2016 YaleGlobal and the MacMillan Center