Why Donald Trump and Bernie Sanders Are Half Right About Trade

By Jeffrey E. Garten

The role that trade policy has been playing in the presidential campaign is in many ways shocking. It's not that overheated positions on trade are new, for every recent election has highlighted what were called pernicious trade deficits and involved threats against Japan or China. It's not only that a specific pending trade agreement has become controversial; just think NAFTA. But for most of the last six decades, open markets backed by the US have characterized not only the rise of American power and prosperity, but the means by which this country has evolved to becoming the richest nation in history with the strongest military.

Now the most fundamental assumptions of a relatively free trade stance are either being trashed, criticized or ignored by all the principal candidates. For example, Donald Trump says that past trade deals have weakened and not helped the US economy. Bernie Sanders brags about opposing virtually every trade deal that Washington has negotiated. In addition, a major trade agreement called the Trans Pacific Partnership (TPP), which encompasses some 37% of global GDP and 23 % of world trade, is likely to die because of congressional opposition. And most important of all, a gigantic question mark hangs over the implications of such a radical change of position by the world's lone superpower for geopolitics and economics.

In my view, a reconceiving of American trade policy for the twentieth century is not just one of the most important issues facing the next administration, but key to virtually all others. The reason is no mystery: we can't have a dynamic and resilient economy without vigorous trade when the 90% of the global population who live outside of our borders are consuming, investing, inventing. And we cannot financially afford the kind of national security policy we need – be it combating terrorism at home or standing up to Russia and China abroad – without a strong economy. So the key question becomes, what is the right kind of trade policy for the U.S.?

I have been heavily involved in international commerce as an official in the Nixon, Ford, Carter and Clinton administrations. That includes the Tokyo Round, NAFTA, the Uruguay Round, the establishment of the World Trade Organization, multiple trade deals with Japan, preparation for China's entrance to the WTO, and assistance to many U.S. companies competing for projects abroad. I always felt that on balance trade benefited the U.S. enormously, and I still do. But somewhere along the way, America's leadership – including whatever small part I once played – fell asleep at the switch.

We failed to see that the benefits of trade, like all other economic benefits, were not shared equitably by the population. We failed to gauge how fast trade patterns could shift, how quickly industries were transforming themselves, and how much of a gap was created by the evisceration of unions which could negotiate protections and benefits for their members. As a result, those at the top of the economic pyramid benefitted. The other 80% were hit with low wage competition, outsourcing, lower paid jobs, or unemployment. All this was made worse by job-destroying technology that the Internet and digitalization was spawning, not to mention the great recession caused by the 2008 financial crisis that extinguished most economic growth. The meteoric rise of China, with its vast industrious labor force, was the coup de grace for millions of US workers, as was the ascent of so many other emerging market nations.

The challenge now is to preserve the momentum for trade expansion but think of it differently – much differently. Trade agreements should no longer stand alone, but they must be accompanied by domestic economic and social policies that are light years more conducive to benefitting labor than anything that exists today. To put it another way: we should avoid negotiating trade agreements that are not backed in the U.S. by a set of far reaching policies that help workers thrive in the new competition that new accords will bring.

Take the TPP as a concrete case. It is in many ways a far reaching agreement, containing higher standards for labor and the environment that have ever before been negotiated, better provisions to protect intellectual property rights, and government obligations to prevent state-owned companies from receiving more favorable treatment when it comes to government procurement, among other notable things. But it has been accompanied by only modest improvements in aid to help displaced workers – improvements designed to buy off certain legislators rather than really get at fundamental issues. Here is what I'd like to hear a new president say on his or her first day:

The TPP is essential piece of legislation that should be made into law, but it should not be submitted to Congress until there is a legislative package that goes beyond anything on the books. That legislation would, among other things, do three things:

Immediately help workers

This would vastly increase the funding of programs to help those wacked by either trade or technological change, because it's no longer possible to separate the two. It would contain provisions for strengthening the social safety net, particularly as it relates to unemployment benefits. It would inject funds in this fiscal year and beyond for workforce education and training — especially for the advanced computer age — through highly significant funding to institutions of higher learning, from community colleges on up.

Create new jobs fast for the longer term

It would facilitate job-generating infrastructure projects ranging from road repair, to environmental infrastructure, to broadband extension across the nation. One way to do this would be through the establishment of a new Infrastructure Bank, financed primarily by the private sector.

Foster and reward innovation and deeper collaboration

It would financially recognize states and localities that are experimenting with programs that deepen opportunities for work by *collaborative* efforts that join companies, educational institutions, state development agencies, and municipalities. It would mandate that the administration study programs outside the US that have produced impressive results for labor recommend how to adopt them for the US. It would examine how to reorganize the Labor Department, Commerce Department, the Small Business Administration and other agencies to make the fit-for-global-competition focus one of the administrations two or three central arenas of focus. It would create a mechanism to repeatedly bring together America's governors and mayors to discuss and compare innovations in upgrading America's skills across the labor spectrum.

We vitally need to keep the world economy open, but we equally need to be super-prepared. It won't happen without an intense focus over many years.

We all know that a thriving U.S. workforce depends on much else, including policies from the Fed and regulatory agencies, a strong health care system, immigration policy, and a business sector whose idea of the long term isn't the next quarter. But unless the next president links trade policy and domestic policy in integral ways and with funding that has never before been seriously contemplated by the A president and congress, America will cut its own throat. The economy will be sapped and our global influence will quickly deteriorate.

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