

COMMENT & ANALYSIS

Personal View • Jeffrey E. Garten

Clinton should go further

The president has made a good start with trade policy but he must keep up the pressure

& As I left my post as US undersecretary of commerce for international trade last month, I had one concern. The Clinton administration had made an excellent start in reorienting US trade policy. Indeed, trade had become one of President Bill Clinton's most impressive achievements. But in light of mounting pressures on Democrats and Republicans alike to focus on other issues, I feared it would be difficult to sustain the momentum.

The hallmark of the administration's strategy has been relentless pursuit of open markets abroad, coupled with a firm commitment to keep the US market open. In contrast to the Reagan-Bush years, no new trade barriers, "voluntary" or otherwise, have been imposed by the US. As a result, exports are soaring, and millions of jobs are being created.

I hope that the next several years will bring more such pressure for non-US markets to be opened and that the administration will build on the base it has laid since 1993. Indeed, I would go even further.

I would push much harder, for example, to expand the North American Free Trade Agreement to the rest of the western hemisphere. I would propose a very ambitious

agenda for the World Trade Organisation. This would include aiming to make the WTO ministerial meeting in Singapore next year the most important event for designing the multilateral trading system for the early 21st century.

I would be very careful not to relax market-opening pressure on Japan, on the dubious assumption that a softer stance would help foreign relations, although I would attempt to enlist more international support for US positions. I would be bold when thinking about commercial links between the US and the European Union, in contrast to today's relatively tentative stance. I would redouble efforts to work with Beijing to open the way for China to enter the WTO.

I also believe the administration should reorganise US embassies so that the proportion of commercial staff, now dwarfed by political and military officers, is at least tripled. It should increase the size of its Advocacy Center which helps US companies win large contracts abroad.

I would merge the Export-Import Bank, the Overseas Private Investment Corporation, and other agencies which help to finance US corporations and investors, into one powerful government investment bank. I would establish a centre for monitoring trade agreements, drawing on expertise from both government and industry, so as to ensure the US gives as much attention to making existing trade agreements work as it does to negotiating new ones.

The big question, however, is



Garten: ambitious agenda for the World Trade Organisation

not whether these or similar initiatives are possible or desirable, but whether even the present thrust of US trade policy can be aggressively maintained. The omens are worrisome. Some of the president's closest advisers believe trade is a political loser, and want him to focus on other issues. The most vocal Republicans, meanwhile, advocate protectionism cloaked as patriotism. In this vacuum, the president could find himself on the defensive, and on dangerous political terrain unless he makes two simultaneous efforts.

First, Mr Clinton needs deliberately to make trade an important issue in the 1996 presidential campaign. He will not only have to defend his excellent record, but also work hard to portray trade as part of a plan to deal with stagnant wages and growing economic insecurity.

To succeed, he will have to oppose traditional Democratic

constituencies, such as organised labour, whose prime trade-related concern is the dislocation caused by imports. He will have to attack radical Republicans, such as Pat Buchanan, the rightwing commentator, whose economic isolationism and fiery rhetoric is, unfortunately, seductive to many Americans.

The president will have to resist the temptation to bash Japan, even though such behaviour can produce votes, because such action breeds cynicism about trade in general. He will have to take on Nafta's critics.

At the same time, the administration will have to resist the tendency in the executive branch of government to tread water, as all administrations normally do in this part of the US political cycle. For an economic team which aspires to - and fully deserves - another term, that would send exactly the wrong signals to US voters, as well as to our trading partners.

I am convinced that the US public is well ahead of Congress in understanding the importance of an aggressive effort by the US to tap world markets. There is a very broad constituency ready to be recruited.

In short, the administration should shed any instincts to be timid about trade. It must go on the offensive - now. Otherwise the revolution in US trade policy which it started could easily fall by the wayside.

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