Trade Starts At Home


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NOT MANY AMERICANS OUTSIDE WASHINGTON care whether the bilateral trade agreements that the United States has negotiated with Panama, Colombia and Peru contain provisions to protect labor standards in those countries, or whether such treaties are ratified by Congress this spring. Not many are losing sleep over the fate of the Doha round of global trade negotiations that the Bush administration and other governments are frantically trying to save from collapse. Yet these issues have America's trade-policy community locked in round-the-clock political combat.

While these are important questions, none amounts to the central problem in U.S. trade policy—dealing with the growing insecurity of Americans when it comes to economic change. The anxiety ranges from the 47 million citizens who are without health care to workers' fears about competition from China, where manufacturing wages are below 10 percent of those in America. At a time when trade has been growing more than twice as fast as global GDP for several years, you can't blame many Americans for saying it is time to expend less effort on lowering trade barriers and more on preparing people to adjust to the dislocations that trade and other kinds of change, such as new technology, bring.

Of course, Americans aren't the only ones under pressure. There is similar grousing in France over layoffs, and even in China, where the government is flirting with new limits on incoming foreign investment. But U.S. discontent over free trade is particularly important because it affects every other country. For the first time in many decades, the one nation that has led the push for global economic openness may be having a change of heart. In the past several years, in fact, every major piece of U.S. legislation pertaining to trade liberalization—such as the granting of negotiating authority to the president, or the Central America Free Trade Agreement—has passed Congress by just one or two votes. It will take little to tilt that balance in a protectionist direction. And that would be contagious, just as it was in the 1930s, when high U.S. tariffs kicked off a global wave of retaliation.

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Congress now has a rare chance to put the United States firmly back in the trade-leadership position by focusing on giving American citizens the confidence to take advantage of a robust and open world economy. In June, U.S. legislators will vote on whether to extend the president's authority to negotiate trade agreements and subject them to a congressional yea or nay vote—as opposed to letting Congress pick apart the agreements with amendments. Without this presidential privilege, often dubbed fast-track authority, no government will negotiate with the United States, because the ultimate negotiator—the U.S. Congress—will not have had its say until the end. And without the renewed authority there would be no more bilateral agreements, including those being negotiated now with South Korea or Thailand. The Doha round would be closed down. Renewing fast track is therefore among the administration's highest priorities.

Every major recent U.S. move to liberalize trade has passed Congress by just one or two votes. It will take very little to tilt that balance.

Here is what should happen. Congress—not just Democrats but also centrist Republicans—should tell President Bush that it will not renew fast track until presented with new programs that constitute a much stronger, comprehensive domestic safety net. For example, every American should have a minimal level of health-care insurance, either private or state-sponsored. Such insurance should be completely portable, so that no one is penalized for moving from job to job. Training for displaced workers should encompass not just the manufacturing sector but also services, and should be extended to those whose jobs were lost because of new technology or because a plant outsourced its work abroad. A limited wage supplement should be provided to displaced workers moving to lesser-paying jobs. A new focus should be placed on rebuilding communities that have been decimated when a major company leaves. These provisions constitute a start, but more could be done.

In the past, it was easy to separate trade from domestic economic policy, because exports and imports were so small a part of U.S. GDP—generally less than 10 percent in the last half of the 20th century. But now that total trade is at 25 percent and growing, this is no longer true. It's time to rebuild the domestic foundation of international economic strength and confidence—for America, and ultimately for the benefit of the world.

GARTEN is the Juan Trippe Professor in International Trade and Finance at the Yale School of Management.