

Advance a Global Pro-Trade Agenda

Increasing liberalization of world trade is one engine behind the dramatic increase in global prosperity since the 1950s, yet the country is faced with a negative view of trade and globalization. During the recent election campaign, few came forward to defend free trade, which provides benefits for rich and poor in both developed and developing countries. The efforts of the World Trade Organization (WTO) to lower international trade barriers have particularly benefited poor countries seeking prosperity. The current impasse in advancing the WTO's Doha Round mainly hinges on rich countries' reluctance to reduce their extensive agricultural support programs, which distort the world market and harm developing countries' ability to compete.

The progress that more open trade can bring is increasingly threatened by involving the WTO in setting environmental and labor standards—a form of disguised protectionism. Imposing uniform American- or European-level environmental and labor standards on developing countries would deprive poor people of jobs and harm the environment in those countries by undermining their economies' varying competitive advantages. There is also a more recent push to introduce carbon border taxes to penalize countries that have not taken steps to enact Kyoto-like regimes. Armchair environ-

mentalism is a luxury. Increasing wealth—via liberalized trade—is a key to raising both labor standards and environmental protection in the developing world.

Some constituencies seek this disguised protectionism. In the United States, organized labor would like to restrict labor market competition for its members by thwarting international trade liberalization as well as bilateral trade negotiations. Environmentalists likewise would like to “export” U.S. environmental mandates to poor countries.

In 2007, Trade Promotion Authority (TPA) expired. TPA or “fast track” authorizes the President to negotiate and sign trade agreements and have them voted up or down by Congress without amendments. Today, TPA's requirements have burdened trade agreements with developing countries with U.S.-style environmental and labor provisions. Labor unions and environmental groups insist that any new TPA must include greater enforcement of even more stringent labor and environmental mandates. If successful, this will further harm developing countries' sovereignty—their ability to set their own policies to deal with their own needs and priorities—and stifle their economic growth through more open trade.

Special interests are positioning themselves to push the new president to back up his pre-

election positions on international trade with action. Meanwhile some Democratic lawmakers may try to end tax breaks for companies that outsource jobs overseas, reopen the North American Free Trade Agreement (NAFTA) to add enforceable labor and environmental standards and change its investment provisions, and declare China's currency "manipulation" as an unfair subsidy and impose retaliatory duties on Chinese imports.

In foreign policy, President Obama will need to improve relations with neighbors, allies, and emerging world powers. Trade relationships help open the door for that. Latin America, with many countries going increasingly leftist, has a few strong U.S. allies, most prominently Mexico and Colombia. Pummeling those countries with new trade demands would foment more anti-Americanism and play into the hands of populist demagogues like Hugo Chavez of Venezuela. Likewise, in Asia, major trading countries in the region—including Japan, South Korea, Indonesia, China, and Singapore—have free trade agreements concluded or under negotiation with each other through both regional

and bilateral trade pacts. Asia-Pacific countries are setting up the structure for greater economic integration that the U.S. is ignoring in most cases.

To ignore such developments would set up the U.S. as more isolationist than many of its major trading partners. The recent sustained growth of U.S. exports has been one of the few positive economic developments in a faltering economy. If closer ties with trading partners are not negotiated, the U.S. stands to lose out on increased economic growth through trade.

More open trade greatly benefits consumers. Too often, consumers have been neglected in the mercantilist assumptions that frame most trade debates: "Exports good, imports bad."

The Obama Administration and the new Congress will face enormous pressure from interest groups to make good on campaign promises on trade. They should resist such calls for divisive and misguided trade initiatives that would harm our fragile economy and isolate the U.S. from its international interests.

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