

Chapter 6

Trade policy and organization in the era of globalization

Two Differing Views on Trade Policy and Organization

The Republican and Democratic Commissioners held differing views on how to best pursue trade policy and how to organize the government to best handle the implementation of trade policy.

The Democratic Commissioners (page 179) identified three major goals for U.S. trade policy:

- Ensure a high and rising standard of living for all Americans.
- Create new rules for the global economy that help workers and protect the environment.
- Promote new approaches to trade deficit reduction.

They call for thirty specific policy initiatives, in six major groups. Highlights include the following:

- Measures to increase manufacturing competitiveness. Key proposals include boosting federal research and development spending, and a new, pooled capital fund for smaller firms.
- Macroeconomic and monetary policy initiatives. The United States must develop crisis contingency plans in case the trade deficit causes a currency or financial crisis.
- Enhanced trade enforcement. The United States must adopt and enforce policies to attack hidden and nontariff barriers in countries such as China and Japan; to improve enforcement of fair trade laws; and to effectively counter or challenge foreign subsidies for research, development and exports.
- New rules for the global trading system. The administration must ensure that enforceable labor and environmental standards are incorporated into all trade agreements, including the World Trade Organization, which build upon those that have just been incorporated in the U.S.-Jordan Free Trade Agreement.

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- Improved oversight, monitoring, compliance, and enforcement of our trading rights and agreements. It is too soon to launch a new WTO round of negotiations-- too many issues are unresolved, including labor rights and environmental standards, agriculture, and services. Progress is needed before starting a new round. The Democratic Commissioners differ from the Republican Commissioners on this point: they do not call for a new round of WTO trade negotiations at this time, unless enforceable labor rights and environmental standards are included in any final agreement that is negotiated.
- Wage insurance, training, and adjustment assistance. The Democratic Commissioners support a large expansion of retraining and adjustment assistance for all displaced workers.
- Creation of a nonpartisan Congressional Trade Office, modeled after the Congressional Budget Office, which would provide Congress with trade data and analysis to support Congress in fulfilling its constitutional responsibility to regulate foreign commerce and oversee the conduct of trade policy.

The Republican Commissioners' (page 214) view is that the best way to advance U.S. economic well-being is to support the World Trade Organization and to pursue a new, comprehensive round of multilateral trade negotiations to continue the process of lowering international barriers to trade and investment. This requires Congress to grant the President "fast-track" negotiating authority. Trade agreements should be vigorously monitored and enforced. The government should be properly organized, funded, and staffed to undertake these responsibilities.

Promotion of international labor rights is a worthwhile objective. However, the well-being of workers in developing countries is most effectively improved by growing economies. Developing countries that are open to international trade and investment have economies that grow most rapidly. Hence, keeping our market open to trade with developing countries is the best way to improve the well-being of their people. The appropriate international organization within which to promote worker rights is the International Labor Organization (ILO), not the WTO.