

America's bipartisan battle against free trade

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Once the staunchest supporter of multilateral free trade, the US has turned into arguably its greatest foe. Both multilateralism and free trade are at risk.

Many of today's Congress members are a deplorable disappointment to proponents of multilateralism – and it is not just their opposition to renewing George W. Bush's fast-track authority to conclude the Doha round that makes them so. Even the free-traders, among them many Republicans, have undermined multilateralism by embracing preferential trade agreements. These PTAs masquerade as free trade but are plainly not.

On the other hand, free trade itself has been imperilled by protectionists, many of them Democrats newly elected to the Congress. They are particularly dangerous because they hide behind the assertion that they do not mind free trade but it must be "fair". They use fairness in trade to befuddle an ill-informed citizenry into protectionism.

PTAs are a legacy of James Baker, former secretary of state, and Robert Zoellick, his under-secretary, later the US trade representative. As Martin Wolf noted last Wednesday in his column, the proliferation of PTAs has torn the multilateral system's basis, the principle of non-discrimination, into shreds. A "spaghetti bowl" of criss-crossing preferences has emerged with proliferating PTAs.

Mr Zoellick has argued that PTAs are desirable because they will spur multilateralism. By providing a threat to those who drag their feet on multilateral trade liberalisation, they constitute a policy of "competitive liberalisation". It is clear, however, that, instead of accelerating multilateral negotiations, PTAs have undermined them in at least two ways.

First, they have diverted the attention of top policymakers from multilateral negotiations. Second, they have helped to undermine political support for trade liberalisation in the US Congress, chiefly among Democrats.

Amid anxiety over wages and jobs, wrongly blamed on trade and globalisation, it makes no political sense to take one piffling PTA after another to Congress, as the Bush administration has done. Each time a congressman votes for it, he expends scarce political goodwill. This applies particularly to Democrats whose constituents include a high proportion of workers. Asking Congress members to go repeatedly to a poisoned well has reduced their willingness to do so.

We also have to confront an enhanced threat to free trade itself. It comes in two ways. First, the conviction that China is a massive "unfair trader" afflicts the Senate, which just held hearings. I argued that, if we had complaints against China, they could be made through the World Trade Organisation; it was harmful to prejudge the Chinese as perfidious.

Senator Charles Schumer leads the charge. He was a Japan-basher; then an India-basher; and now he is a China-basher. I grew up on cricket. But I know enough of baseball to know that after three strikes you should be out. Unfortunately, the Senate plays by different rules.

Second, the new Democrats insist on inclusion in trade treaties of labour and (domestic) environmental standards as elements of "fair trade" in a tougher way than ever before. The old Democrats, previously more sympathetic to free trade, are playing along, some from changed conviction and others from changed circumstances.

Such standards may be demanded out of empathy for others or they may be required because of fear and self-interest. The latter motive is clearly at play. It is hoped by those terrified by competition from poor countries that raising standards and therefore costs abroad will moderate the competitive ability of foreign companies. It is what economists call "export protectionism".

But, instead of admitting that this is their game, they want to mask their demands behind the language of altruism: oh, we are doing it for your workers. The hypocrisy is astonishing and offensive. But it works very nicely at home. It represents an invidious form of protectionism, though few realise it as such. It is also insidious. Unlike import protection, which is usually confined to specific sectors, it is generalised. It is comforting: you need not feel guilty if you can deceive yourself into thinking you are flogging the foreigner in his own interest.

It is a gift to protectionism that the Democrats can hardly wait to give to their lobbyists such as the AFL-CIO union federation.

The writer, a professor at Columbia University and senior fellow at the Council on Foreign Relations, is writing a

book titled "Terrified by Trade: The Paradox of Protectionism in the United States"

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