

PROTECTING AMERICA'S TRADE WITHOUT PROTECTIONISM

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I.

As we in Congress begin our historic 100th session, we face the unfinished business of moving America ahead to face unprecedented international trade challenges. This trade crisis poses as serious a threat to our nation's future economic and security interests as any that previous Congresses have faced. As we get down to the day-to-day business of crafting laws, we in Washington need constant reminders of the cardinal principles which guide our efforts.

We must remember that no legislature can repeal the law of comparative advantage. We must reject beggar-thy-neighbor trade policies. We must position America to take full advantage of changes in the world economy, not protect her against those changes. Unless America can gear up to the challenges of change, we will be just one more nation with its brief glory, faced with decadence and decline.

Our task in Washington is to filter these principles through the political imperatives of our trade crisis, and produce the best possible legislation. The statistics that dramatize this crisis are stark. In the last six years, our trade balance has soared from near equality to a \$170 billion deficit in 1986; in January 1987 alone, it was \$14.8 billion. The world's greatest economic power has been transformed from the largest lender to the largest debtor. Economists expect our net foreign debt to reach \$1 trillion by 1990. Just six years ago, we led the world in the wave of the future — high technology — with a \$26 billion trade surplus; today, this surplus has been erased.

A similar turnaround has occurred in our agricultural trade balance. In 1980, we rightfully saw America's future in providing the world's services. But the 1.2 million workers turned out of their manufacturing jobs since then can rarely find white-collar jobs. Instead, they are often forced to take "no-collar" jobs at fast-food restaurants.

We are exporting our industries and our jobs. We are selling our children's future for a fistful of deutschmarks and yen to finance a federal budget far out of balance, and federal spending out of control. We have accepted a global marketplace where Americans are free to buy, but not to sell.

As disturbing as these trends are, even more poignant are the human tragedies they reflect. As I travel around the country, I'm confronted every

day with disheartened steelworkers, farmers, and high tech entrepreneurs. The work ethic runs deep in these people; they are proud of their self-reliance. But now they have lost their livelihoods for reasons beyond their control.

Can the president explain to the people why his administration refused for years to bring the dollar down to a competitive level while they lost their foreign markets? Or why his administration placed a low priority on the need to get tough with foreign protectionist trading partners? Or why his administration insists on fiscal policies which drive our federal budget deficit to a record high and sacrifice their exports?

In their deep frustration, these Americans press for strong measures. As leaders, we must channel these pressures into the productive challenge of foreign competition.

It's not an easy task. In the House last year, we sought legislation to address these concerns. We knew that only a bipartisan bill with the support of Congress and the administration could be effective. We reached out to the president. But as the trade deficit grew by nearly \$4 billion a week, we were rebuffed. The administration maintained its five-year policy of "malign neglect." We were told that there was nothing the Federal Government could do about the problem. Or that trade problems were ephemeral and would vanish with the decline of the dollar. Or that trade legislation, by definition, would be protectionist.

The voices sounded familiar. When Bill Bradley and I introduced legislation three years ago to reform the tax system, we faced similar skepticism. The president opposed us. The special interests tried to keep their privileges. The politicians were afraid of anything likely to upset so many applecarts. But we had a clear vision of where we wanted to go. Our goal was to create a tax system we could be proud of, a system which imposed an equal burden on all Americans, a system which no longer skewed investment into unproductive sectors. When the lobbyists came and the politicians started to waiver, we were able to mobilize enough public opinion to resist narrow, sectarian interests. Eventually, even the president came on board. In October 1986, we saw the triumph of fairness reach its conclusion.

As we meet in the hearing rooms and corridors of Capitol Hill to consider the Trade and International Economic Policy Reform Act of 1987, which I introduced on behalf of more than 200 co-sponsors, we must cling to an equally strong vision of where we want trade legislation to lead us.

II.

In the four decades since World War II, America has used its preeminence in the world economy not solely for its own advancement, but to extend this same dream of opportunity overseas. With our strong support for the postwar financial institutions like the International Monetary Fund, the World Bank, and the General Agreement on Trade and Tariffs, we pledged ourselves to

continual liberalization of world trade. This was not entirely altruistic, of course; as the dominant world economic power, we understood that a free trading system would afford us markets abroad for our goods. At the same time, we knew that our gains would not come at the expense of others; as the international division of production proceeded along the lines of comparative advantage, all nations could get a larger piece of an ever-expanding pie. The world could move beyond the zero-sum game implied by mercantilist trading policies of the previous eras. Indeed, we guided the postwar world through an era of unprecedented prosperity and interdependence, approaching a world in which competition in the marketplace replaces competition on the battlefield.

But in serving as referee of the world trade game, the United States increasingly abandoned its rights as a player in that game. We used our huge open market to promote growth abroad, without insisting on equal access for our goods and services. We spent our wealth and research capacity to expand Western security, while countries under our defense umbrella invest in commercial expansion. We matched ourselves economically against the Europeans and Japanese, and militarily against the Soviets. All the while we've insisted on living wages for American workers, a clean environment, and a safe workplace.

We must not and will not back away from the challenge of a vibrant economy, a secure defense, and world peace and prosperity. But to achieve it, we must now insist that other nations bear their fair load, especially those surplus nations benefiting most from the system. These countries must open their markets to our exports, including services. They must expand their aid to Third World countries. They must accept their full share of manufactured exports from debt-ridden developing countries. They must respect our intellectual property rights. And they must pay a larger portion of the costs of their own defense.

This vision of an international trading order is firmly embedded in America's consciousness. Still, as we face the displacements which international competition brings, we must present tangible results to American workers and businesses to show that we are looking out for their interests when we deal with our foreign trading partners. We have not done this. Our government must abandon its adherence to a false, rigid, and one-sided free trade ideology under which more automobile workers have been laid off, more farm equipment businesses have closed down, and more high-technology manufacturers and farmers have found foreign markets closed by unfair trade practices.

III.

We cannot address all these concerns in a single piece of legislation. Nor can our bill address all the underlying causes of our trade problems, such as the massive federal budget deficit. We need separate action to put our fiscal

house in order. And other competitive problems are beyond the scope of legislative actions. But our bill takes a dynamic step to help America respond to the trade challenges of the future.

The biggest challenge addressed by our bill is America's declining educational standards. At a time when the president calls for slashed funds for higher education, experts predict that by 1990, half of all Americans will be virtually unemployable because they will not have the reading skills necessary to compete in the job market. Sixty million Americans are illiterate: they cannot read a book, a lease, the American Constitution, or the names on a ballot.

We need a national commitment to education, for the sake of our national economy and our participatory democracy. We must set a national goal of wiping out illiteracy by the year 2000, and we must be willing to pay for it. We must form a new national partnership — private and public — to assure that the skills of our people keep pace with the demands of the marketplace. As a first step, our trade bill allocates \$1 billion for an ambitious program to retrain American workers hurt by foreign competition and to expand basic education in trade-related disciplines, such as math, science, and foreign languages.

IV.

Trade legislation must also include a provision that ensures American exporters equal treatment in foreign protectionist markets, creating the so-called "level playing field." Existing laws have proven inadequate to respond to the litany of unfair trading practices abroad. I have introduced a provision, passed by the House last year as part of the Comprehensive Trade Bill with a 295-115 bipartisan majority, which would identify foreign trading partners which have built up large bilateral surpluses with us based on a pattern of unfair trade practices. The provision requires negotiations with these countries to achieve a tangible improvement in our bilateral trade balance. While it forces the president to act against these countries if these negotiations are not successful, it also allows the president to avoid taking such actions if they are not in America's national interest.

This provision would add another weapon to the arsenal available to us in expanding our access to foreign markets in protectionist surplus countries. Its enactment would send the right message to our trading partners and to the administration: it says that the American people insist that our exporters be afforded equal treatment in foreign markets. That is not protectionism: it's fair play.

Some claim that such a provision would likely provoke a new and more serious round of retaliation and counter-retaliation. Nothing could be further from the truth. I've met with leaders of our major trading partners, including

Prime Minister Nakasone, and they are prepared to deal with measures to establish tough but consistent rules for foreign trade. Their stake in the world trading game matches our own. But they need predictability, not an administration which acts like Rambo one moment and Bambi the next.

We can no longer rely on the untender mercies of our trading partners, nor can we afford more one-sided trade negotiations in which American workers and American farmers are always the losers. By contrast, when we stand up for our rights, we have often achieved important results. In 1984, for example, Congress decided to remove duty-free import privileges under the Generalized System of Preferences (GSP) for some advanced developing countries which had outgrown their need. But we authorized the president to provide waivers for countries which agreed to open their markets, protect our intellectual property, and respect worker rights. The administration told us that the removal of GSP privileges was a mistake, and would actually hamper our ability to obtain market access to these countries. But in reality, these countries sat down and negotiated. By January 1987, Taiwan had reduced tariffs of many United States goods, South Korea had allowed greater penetration by our service firms, Singapore and Hong Kong had expanded protection for our patents and copyrights, and other countries had made important concessions.

V.

At the same time that we proceed with this bilateral approach, we recognize that important work remains to be done at the multilateral level. I fully support administration efforts to use the GATT's new Uruguay Round to work towards an improved international environment for trade. United States Trade Representative Clayton Yeutter has outlined a good set of negotiating objectives, including eliminating unfair trading practices for agricultural products, reducing barriers against services, protecting intellectual property rights, revising GATT's faulty dispute settlement mechanism, addressing trade-related investment measures, and expanding respect for worker rights. Even in the face of administration stonewalling on trade legislation last year, the House of Representatives demonstrated its commitment to multilateral negotiations by including in its 1986 bill a provision to extend the president's negotiating authority for the Uruguay Round.

VI.

Some suggest that our short-term trade deficit can be resolved by simply allowing the United States dollar to decline. This is dangerous thinking. After doing nothing to resolve the severe overvaluation of the dollar for five years, the administration now sees the dollar's decline as a panacea. Other countries have tried to use currency devaluation to provide "instant competitiveness," and then discovered that all they bought was a stagnant economy,

a reduced standard of living, and a mortgaged future. I do not want to see the American dollar reduced to the status of a Third World currency.

The current disorder in world financial markets, coming in large part from the administration's uncoordinated policies, mixed signals, and botched negotiation of basic objectives with our industrial allies, has dissipated much of the positive impact of the devaluation. These administration actions add to the impression of disarray in America's foreign economic policy. By contrast, the trade legislation passed by the House last year and reintroduced this year will add stability and predictability to our exchange rate policy. It will require the Treasury Secretary to identify an appropriate exchange rate for the dollar which reflects international competitive relationships, to coordinate exchange rate strategies with all major foreign players to ensure the gradual movement of rates towards competitive levels, and to better coordinate macroeconomic policies with major industrial countries.

VII.

These actions to expand the skills of American workers, combat foreign protectionism, take advantage of multilateral negotiations, and provide a rational basis for our exchange rate policy will go a long way towards helping America respond to the international trade challenge ahead. Additional measures should force foreign countries to respect American copyrights and patents, give full access to our service industries, provide speedier and more certain consideration of help to trade-battered industries, reexamine banking codes as a first step towards relieving the debt burden of developing countries and permitting them to resume importing from us, and create a "war chest" to help our exporters respond to unfair credits offered abroad.

But all these good and necessary measures will not be sufficient to prepare Americans for the marketplace of the 21st century unless we find a new spirit from within; a spirit that understands the importance of human capacity and human potential; a spirit that carries compassion beyond charity and empowers people with the capacity to compete.

It is not enough for business executives and government officials to find fault with American management patterns, the state of American education, the militarization of our research and development, and our low savings rates. We must provide leadership: leadership that inspires and motivates, leadership that is farsighted, leadership that asks us to transcend narrow interests. Leadership that renews our belief and our commitment to sacrifice for excellence.

If we fail to act we risk the continued loss of jobs, reduced industrial and agricultural capacities, a debased self-image, and a lowering of the standard of living for ourselves and future generations. This is a legacy we just refuse to pass on to our children.