
The New Trade Politics Kaleidoscope

As the century winds down, long-familiar patterns of American trade politics may be receding as well. Despite continuing support from the president and congressional leaders, legislation to restore fast-track negotiating authority is dead in the water. The source of the stalemate is not traditional protectionism (which remains surprisingly weak) but groups that have proved effective in forcing new concerns onto the trade policy agenda, labor and environmental concerns in particular. As a result, the United States is largely stymied in its pursuit of a negotiating agenda to which it has been formally committed for the past five years: the Free Trade Area of the Americas (FTAA), free trade among member nations of the Asia Pacific Economic Cooperation (APEC) forum, and a new round of multilateral trade talks whose launch is set for Seattle late in 1999.

The elevation of labor and environmental issues onto the trade agenda has changed the rules on which long-standing members of the trade community had come to rely. For 20 years fast track provided political cover for senators and representatives who understood that expanded trade was in the national interest but faced protectionist demands from firms based in their home districts. During this period labor complained steadily about trade-related job losses, but the long-term erosion of union membership in recent decades and a conservative turn in national politics blunted the political impact. Also, through most of this period environmental groups were concerned with other matters, and links between trade and the environment—in terms of both politics and policy—remained unrecognized.

The impact of trade on labor and environmental standards was growing throughout the period, however. Then NAFTA provided a catalyst, raising

trade policy consciousness and engagement in both communities. They won modest concessions in the form of side agreements for regional labor and environmental cooperation. Since then they have pressed to bring their agendas into the mainstream of trade negotiations. They have not won enactment of their trade goals, but they have derailed—at least temporarily—the domestic consensus that shaped US trade policy for much of the post-World War II period. In blocking fast track in 1997 and 1998, they have, as Representative Barney Frank (D-MA) put it, taken US trade policy “hostage.”¹

Ambivalent President, Fractious Congress

The current stalemate begins at the top. President Clinton entered office committed to open trade, and by all evidence he has maintained that commitment. He has also shown a consistent commitment to maintaining the support of traditional Democratic constituencies, labor in particular, for himself and his presumed successor, Vice President Gore. For most of the past five years these competing commitments have resulted in paralysis; the prime exception was the period from mid-September to mid-November 1997, when he pressed the House hard for his fast-track legislation.

Clinton’s open trade commitment remains, as evidenced by his devotion of multiple paragraphs of his 1999 State of the Union address—about 5 percent of the entire text—to the need “to find a common ground on which business and workers and environmentalists and farmers and government can stand together.” He added, “We have got to put a human face on the global economy.”² The ambivalence remains too, as evidenced by the lack of a focused administration effort since then to build such a compromise. It once seemed that Clinton might use his hosting of the WTO ministerial conference as a basis for a new quest for trade authority. It now appears that there will be no serious White House leadership on this issue at least until Clinton’s successor is inaugurated 20 January 2001, though recurrent (and no doubt sincere) presidential speeches indicate a wish to move sooner.

Clinton faces, to be sure, a particularly sour Congress, peopled with few friends and many enemies. His weakness in his own party was laid bare during the fast-track fight of October-November 1997, when his personal entreaties to House Democrats were overwhelmingly rebuffed. His bitter relations with Republicans were both reflected and reinforced

1. Quoted in Jeffrey J. Schott, ed., *Restarting Fast Track* (Washington: Institute for International Economics, 1998), 24.

2. William Jefferson Clinton, “State of the Union Address” (as given), 19 January 1999 (<http://www.whitehouse.gov>).

by their overwhelming December 1998 vote in favor of his impeachment. Lacking personal ties with Clinton, Democrats have moved overwhelmingly to opposition to traditional fast track and support of the labor/environmental position. Lacking respect for the current presidency, blocked by Clinton in their substantive goals, and lacking the ideological, promarket cohesiveness of earlier Republican classes, Republicans are disinclined to provide strong support for fast track even if the details are to their ideological liking.

Today's division and demoralization are particularly acute, but partisan polarization has been growing for many years, particularly in the House. It presents particular difficulties for legislative issues such as trade liberalization, which must draw their majorities from the center.

Critics Emboldened, Backers Frustrated

Trade legislation also faces an interest-group climate in which the advantage lies at least temporarily with its adversaries. They have shown that they can produce blocking majorities. They feel no urgent incentive to compromise. Indeed, labor now hints at the possibility of calling for withdrawal from the WTO,³ and environmental activists talk of a long-term, 10-year campaign to build grassroots support for an entirely new set of global trade priorities.

Though they have not won positive changes to existing trade regimes, unions and greens have demonstrated the political strength to ensure that their concerns remain on the agenda. Environmental groups in particular learned two related lessons from NAFTA that continue to shape their attitudes and political behavior. First, once concessions to swing groups have been made and legislation passed, their influence can evaporate. Second, ratified environmental addenda to trade agreements do not guarantee hoped-for results; there can be a wide gap between policies enacted and effects on the ground. With NAFTA in place and attention diverted to other matters, the Clinton administration in 1994 and 1995 had little reason to push hard for strict enforcement by untested institutions or provisions likely to cause both diplomatic and political tensions with important allies and powerful constituents.

If critics have been encouraged and energized by recent experience, supporters of fast track seem to have been immobilized. In principle, US business groups now seem overwhelmingly on the side of trade and globalization—a fundamental shift from the business-driven protectionism of earlier eras. But they and their political and governmental allies feel their turf invaded by new groups whose goals they see as impractical

3. AFL-CIO Executive Council, "Trade and Deindustrialization," policy statement, 18 February 1999 (<http://www.aflcio.org/publ/estements/feb99/cstrade.htm>).

(and, if practical, threatening). They are uncertain about what their newly effective adversaries really want, and divided over how much to compromise, if at all.

As recently as 1994 the trade debate was dominated by arcane and impersonal technicalities associated with subsidies and quotas, dumping and countervailing duties, rules of origin and national treatment, and TRIPS (trade-related intellectual property rights) and TRIMS (trade-related investment measures). These issues are now complicated by broad and ill-defined but powerfully emotional debates over endangered species, child and prison labor, rain forest destruction, sweatshops, and international traffic in toxic wastes. Those who act on the belief that gains from trade flowing from comparative advantage expand overall welfare have been challenged for the moral high ground. Appeals to competitiveness supported by sophisticated expertise in international economics are countered with arguments over the distribution of trade gains or the impact of existing rules on dolphins or sea turtles.⁴

Trade liberalizers and their new challengers come from different ideological universes, with different languages, cultures, and objectives. The two groups have learned that they can no longer ignore each other. But given their disparate worldviews, mutual trust and common purpose remain elusive, further complicating steps toward communication and compromise.

Relations between the environmental and business communities have never been warm. Each distrusts the other's motives; each believes the other's agenda is secondary to its own. When their respective representatives share the stage in policy forums, fundamental differences in attitude and outlook are apparent. The two groups' diametrically opposed responses to the shrimp-turtle ruling described in chapter 3 highlight the gap that has to be bridged for a compromise on fast track to win approval from both sides.

On the matter of Chinese membership in the WTO—by far the top trade priority of the multinational business community—advocates must do battle with Democrats who favor human rights conditions, conservatives concerned about Beijing's security threat, and Republicans who see China-bashing as a promising road back to the White House. Little wonder they are not very aggressive on trade-authorizing legislation, a matter on which they have typically awaited White House initiatives.

Cracks among the Critics?

Of course there are differences within the anti-fast-track coalition as well. Though labor and environmental issues are occasionally lumped together

4. Issues relating to competitiveness and environmental concerns are discussed in Daniel C. Esty and Damien Geradin, "Environmental Protection and International Competitiveness: A Conceptual Framework," *Journal of World Trade* 32, no. 3 (1998): 5-46.

in the trade debate, there are several important distinctions.⁵ First, there are cultural differences. Labor finds its core support among the urban working class, whereas environmentalists rely primarily on the suburban middle class. Second, the policy instruments likely to be effective vary between the two fields. Environmental problems may be amenable to solutions based on market incentives, for example, whereas labor standards generally require enforcement measures. Moreover, multilateral environmental agreements (MEAs), such as the Montreal Protocol on Substances That Deplete the Ozone Layer and the Convention on International Trade in Endangered Species of Flora and Fauna (CITES), generally have a positive track record. In contrast, the ILO has established a reputation for nobility of goals and ineffectiveness in action, particularly in promoting improved labor standards in developing countries. Third, the sincerity of environmentalists' concerns for global problems is generally accepted (though the feasibility of their proposals may be questioned); in contrast, labor's professed interest in working conditions abroad is often seen as a protectionist gambit.

There are also substantive differences in the groups' trade negotiating goals. Labor emphasizes three principles it believes should underlie new trade and investment agreements.⁶ First, international trade regimes should not reward and promote low-wage, export-driven growth. Second, these institutions should include mechanisms to control excessive, destabilizing volatility in international flows of goods, services, and capital. Third, trade and investment agreements should encourage rather than undermine efforts to improve working conditions and to expand union representation in developing countries.

The platform offered by environmental organizations reflects a different overall emphasis. First, it asserts the need to include procedures in the WTO framework for assessing the environmental impact of trade agreements. Second, it proposes that the WTO guarantee NGO participation in dispute settlement procedures. Third, it proposes that the United States reserve the right to use trade sanctions as a policy tool to promote environmental objectives (as does labor for its own objectives).

On the implementation side, several other asymmetries characterize labor and environmental issues. Defining appropriate international standards in the two cases will pose distinct difficulties; information-gathering and enforcement problems will diverge; and effective solutions to trade-related labor and environmental problems are likely to require inclusion

5. Distinctions and similarities between labor and the environment as they are related to trade are discussed in Geza Feketekuty, ed., *Trade Strategies for a New Era* (New York: Council on Foreign Relations, 1998).

6. AFL-CIO Executive Council, "Trade and Deindustrialization."

of substantially different regulatory and dispute resolution protocols within the WTO.

Finally, there are major political differences. As discussed in detail in chapter 2, labor is more unified in its opposition to trade liberalization, has a longer-standing interest in the issue, gives it higher policy priority, and carries more concentrated political clout. Labor has a large, broadly inclusive umbrella organization—the AFL-CIO—that can lobby policy-makers and coordinate public stands. It can reward and punish through major campaign contributions of money and “troops.” Environmental organizations, in contrast, depend on ad hoc, informal connections among group leaders. As a result, efforts to integrate political action by labor and environmental interests are typically tenuous and sporadic, and links between the two camps are personal and contingent rather than institutional and long-standing.⁷ Moreover, cooperation does not extend to all trade issues. Environmental groups have not been vocal in support of steelworkers’ demands for protection against rising imports of cheap steel in the wake of East Asian financial crises; nor have labor organizations spoken out forcefully to buttress concerns of environmental groups over perceived antienvironmental rulings by WTO dispute resolution panels.

Environmental groups opposed to NAFTA and to subsequent fast-track reauthorization proposals have worked to strengthen ties to organized labor. At the same time, reflecting their recent role as a “swing” force, they are less likely than their labor counterparts to evoke joint goals (e.g., “labor and environmental standards enforceable by trade sanctions”) in their public rhetoric. Unions, more firmly committed to opposition, want both the added numbers and the added legitimacy that greens can bring.

Activists in the two camps argue that there are enough conceptual similarities in their positions to justify the alliance. Among these are the need to counterbalance the political weight of commercial interests, to draw attention to externalized costs of global economic activities, and to make trade negotiations and trade dispute procedures democratic, accountable, and transparent. To pursue these joint interests, labor and environmental representatives met to coordinate tactics during the campaign against fast track, sometimes under the auspices of the Citizens Trade Campaign.

In practice, however, the labor-environment coalition is one of political convenience and shared opposition to current fast-track proposals rather than strong historical ties or natural philosophical affinity. Labor appeals to green issues to broaden its political reach; activist environmental groups in turn benefit from labor’s deeper pockets and greater experience on

7. For a report of one effort at cooperation, see International Labor Rights Fund, Workers in the Global Economy Project, Report on a Labor Rights-Environmental Dialogue, “Labor Rights, Environmental Protection, and the Global Economy: Sharing Advocacy Experience,” 1 April 1999 (www.laborrights.org/fordreport/index.html).

trade lobbying. Given the substantive and political distinctions spelled out above, they seem unlikely to form a firmly united front in future negotiations over the direction of US trade policy. Moreover, each has important policy interests outside trade, and an adroit administration might strike a deal with one or the other or both that responded to these interests in return for labor's and/or environmental groups' pulling their punches on trade. For the present, however, they are on the same side.

The Larger, Structural Challenge

As spelled out above, the current political circumstances and forces are aligned against further trade liberalization (though probably against serious protectionism also). These specifics will change, however. We will elect a new president and Congress in 2000, and the public may once again send a message of impatience toward gridlock and partisan or ideological posturing. The two branches may again be controlled by the same party. The trade-negotiating agenda may develop in a way that reenergizes the business community. Groups united against fast track may not stay united. All these factors encourage trade traditionalists to wait things out, to prepare for 2001, or 2003, or whenever the stars might once again be in the proper alignment. One cannot be certain they are wrong.

However, there are reasons to believe that long-term trends are at work. The integration of the United States into the global economy has both weakened traditional protectionism and broadened the effective agenda through trade's impact on related issues. These changes present fundamental challenges to the practice of trade policy as Washington has long known it. Business as usual may not prove to be an adequate response.

As noted earlier, the trade policymaking system in Washington centers on producer interests. It is managed by governmental institutions (e.g., USTR, the congressional trade committees) oriented toward these interests, adept at balancing them, and possessing credibility with them. This American system in turn operates within international institutions and processes with a similar orientation. Trade negotiations are exercises in what is often labeled benign mercantilism. While WTO procedures do not allow private parties to bring cases, member states typically advance and defend industries' claims. The United States, for example, supported Kodak in its claims against Fuji regarding access to Japanese markets, and in the long-standing banana dispute both the US government and EU governments advocated positions friendly to their own companies.

Established institutions work rather well for trade policy as traditionally defined. But broadening the subject matter creates serious problems, domestically and internationally. At home, partisan divisions within congressional trade committees increase, especially in the House, since labor

and environmental votes tend to divide along party lines. The “pragmatic center” disappears. Since both the committees and USTR lack relations of trust and credibility with labor and environmental groups—the latter in particular—they are not well positioned to broker the compromise on social and environmental issues that is sorely needed.

To make trade-related labor and environmental agreements a major goal of fast track, then, is likely to invite clashes along ideological lines, to further split the “trade center,” and to risk destabilizing policy reversals when party control of Congress shifts. It would polarize votes on fast-track authorizing bills and on bills to implement trade agreements, with one side opposing them if they included labor and environmental measures and the other side voting against if they did not. Not surprisingly, the trade policy community and its export-oriented business allies have been wary of bringing these issues on board.

For this political reason, one of the authors of this work initially embraced the traditional view: the fast-track process should be limited to issues on which there was bipartisan consensus.⁸ This meant limiting the inclusion of labor and environmental matters. Yet now that their inclusion has itself become an issue, the old formula of preserving bipartisanship by keeping them out is no longer effective.

The problem is exacerbated by broader increases in the contentiousness of American politics. As dramatized by the impeachment debate, the House of Representatives has become more polarized, with a small contingent of electorally vulnerable moderates standing between far larger numbers of conservative Republicans on one side and liberal Democrats on the other. The trend toward what has been called “the permanent campaign” has reinforced partisanship, resulting in a tendency to view *all* issues through an electoral lens.⁹ Operating in symbiosis with this polarization has been the rise of cause activists typically identified with one pole or the other, reinforcing their ties with other true believers via the Internet and employing attacks on large adversaries (business or government) both to advance their substantive causes and to rally their troops.¹⁰ Their engagement in trade politics changes the game: it becomes less a (sometimes private) matter of balancing producer interests and more a public contest of competing social values.

In this altered game, the long-successful system has another important disadvantage: it underemphasizes the role of public argument. When the

8. I. M. Destler, *American Trade Politics*, 3rd ed. (Washington: Institute for International Economics; New York: Twentieth Century Fund, 1995), 245, 260.

9. A book on the permanent campaign, edited by Thomas Mann and Norman Ornstein, is planned for publication by the American Enterprise Institute and the Brookings Institution.

10. Trade moderates may feel tempted to quote Yeats: “The best lack all conviction, while the worst are full of passionate intensity.”

central problem of trade politics was an imbalance favoring protectionist producers, it made sense to mute the public rhetoric as one sought to engage outward-looking producers to provide balance. "Open trade politics [was] founded, in part, on closed politics, on a variety of devices that shielded legislators from one-sided restrictive pressures."¹¹ But in today's environment, where the conflict is between trade expansion and other societal values, and where polls find Americans skeptical of NAFTA and opposed to fast-track extension,¹² muting the public argument has become counterproductive.

In particular, it underplays the gains from trade to society as a whole by treating imports as a burden to be borne rather than as a boon to be savored. It is no doubt true, as Rodrik observed, that in the near term trade liberalization brings more welfare redistribution than welfare gain.¹³ It is also true, however, that the United States—the most open of the world's large economies—has the highest level of per capita income in terms of consumer purchasing power, and that this openness to imports seems an indispensable contributor to the astonishing combination today of a 4 percent unemployment rate and a 2 percent inflation rate. If the debate is over the efficiency and welfare gains of openness, on the one hand, and commerce-constraining measures to promote other social values, on the other, free traders do themselves no favors by withholding their strongest card.¹⁴

As if the problems at the national level were not enough, there are structural problems at the international level as well. Inclusion of labor and environmental standards goes against the grain of trade negotiations because they represent a sharp departure from benign mercantilism, the practice of each nation bargaining to advance internationally oriented producer interests. Official US action on labor and environmental stan-

11. Destler, *American Trade Politics*, 68.

12. Americans were asked in eight national surveys between July 1997 and August 1998 whether they favored the granting of fast-track authority for the negotiation of trade agreements. On average 57 percent said no and 35 percent said yes. In six polls between August 1997 and April 1999, all posing similar questions about whether NAFTA has been good or bad for the United States, an average of 42.5 percent found it "good" and 36 percent "bad." Polls asking about NAFTA's effect on US labor elicit more critical responses. (Data compiled by the Program on International Policy Attitudes, Center for International and Security Studies at Maryland, School of Public Affairs, University of Maryland.)

13. Dani Rodrik, *Has Globalization Gone Too Far?* (Washington: Institute for International Economics, 1997), 30n.

14. Brink Lindsay argues that the welfare and political costs of this omission have become too high. Advocates of trade liberalization, he argues, should highlight all the benefits of trade—imports in particular—and attack the notion that protectionist buy-offs for potent producers are a necessary price. See Lindsay's "A New Track for U.S. Trade Policy," Cato Institute, Center for Trade Policy Studies, Trade Policy Analysis no. 4 (11 September 1998).

dards in the international trade arena would put the United States in the position of pressing for measures whose most direct impact would be on the welfare of other nations' citizens and that only indirectly affect the welfare of its own population. Advocates of these values often make the politically telling point that trade talks should not place intellectual property rights above labor rights, which involve the direct welfare of human beings.¹⁵ But since they reflect interests of US producers, the former fit comfortably within the framework of international trade bargaining. The latter do not.

Yet the trade-negotiating regime generates outcomes that constrain nations' abilities to pursue social objectives, particularly in the environmental sphere. This in turn undercuts the legitimacy of the global trade regime with important societal groups.

To summarize, the situation faced by trade policy leaders bears some resemblance to that of parents coping with the arrival of a second child. They have grown accustomed to their firstborn and have developed a workable—and they hope constructive—pattern of responding to her needs. Now the newborn injects demands with an entirely different rhythm, emotionally and physically difficult and disruptive of the previously constructed order of things.

The metaphor is apt in conveying the sense of being cross-pressured and confronted with a new dimension of challenges, but it misleads in one critical respect. In most instances the new baby's demands will present themselves with a force and urgency that cannot be denied. By contrast, the demands of the new social and environmental issues can be downplayed, pushed to one side, forgotten in the day-to-day conduct of trade policy. They are attended to mainly when fast track comes up; yet because prospects for fast-track renewal appear so poor in the near term, attention is unlikely to remain there long. Turning away is a mistake, however. The confounding new issues on the trade agenda are here to stay, and the price of inattention is likely to be further postponement of trade-authorizing legislation, at further cost to US global economic leadership.

What we need is to develop a framework that advances the cause of trade-related labor and environmental interests without imposing insupportable burdens on domestic or international trade processes. In our concluding chapter, we offer the outline of a compromise toward this end.

15. T. N. Srinivasan argues that the parallel is correct but that the proper solution is to correct the "colossal mistake" of including intellectual property rights in the international trade regime. He would reverse that decision. See his "Trade and Development: Developing Countries in the World Trading System, 1947-1999," May 1999, an expansion of remarks presented at the WTO High-Level Symposium on Trade and Development in Geneva in March 1999.