

A New Look at American Trade Politics

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American Trade Politics, 4th ed.

- Comprehensive editing and updating, first in ten years
- Four new chapters, including new conclusions
- This presentation summarizes what's new.

Is There Anything New??

- 2000s look a lot like the 1980s:
 - Special interests fighting liberalization:
 - Textiles then, sugar now
 - Huge trade deficit
 - \$150 billion then, \$700 billion now
 - Big country target
 - Japan then, China now
 - Tough legislative battle (CAFTA)

Looks are Deceiving: Much Is New

- Ch 9--Traditional Protectionism is Weaker.
- Ch 10--Social Issues have emerged:
“trade and”
 - Labor standards
 - Environmental standards
- Ch 11 Partisan rancor has grown.

Decline of Traditional Protectionism

- In 1980s & 1995-2005, huge US trade deficits
- In 1980s, textiles, steel, autos, shoes, machine tools, semiconductors sought new protection.
- In 1995-2005, just steel
- Why? Industries have globalized.
- Goods trade/GDP, 1970-2000, .09→.29
- Textiles: quotas to Rules of Origin

So Why Not Easy Trade Politics?

- Stubborn protected redoubts: sugar, cotton. (sugar and CAFTA)
- But main reason is the two other new things:
 - Social issues
 - Partisan division

Social Issues: Labor, Environment

Globalization: Problems cross national boundaries

- Trade threatens national standards
- In US, parallel to “nationalization” circa 1900
- At home: Democrats push Republicans resist.
- Abroad: Seen as “new protectionism”

Social Issues (cont.)

- Clinton fast-track failure: 1994, 1997
- Democratic opposition to TPA, CAFTA
- Compromise impeded by third new thing:

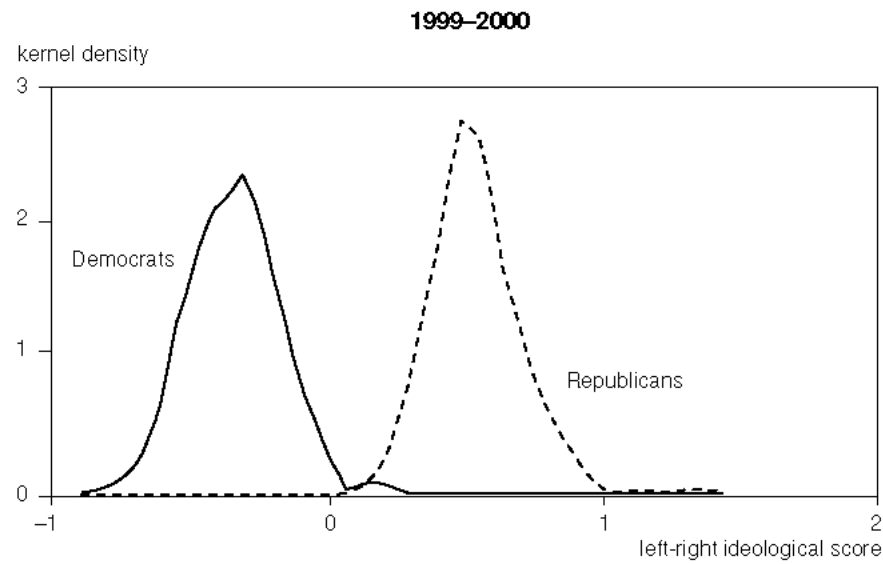
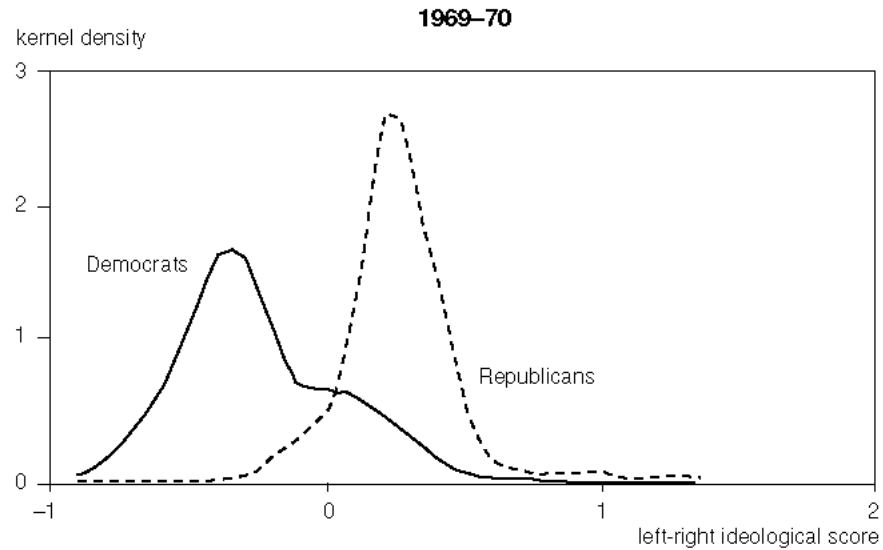
Upsurge of partisanship

The Partisan Divide

- Rank-in-file: no difference on trade. 50% Republicans, 51% Democrats for CAFTA
- In Congress, big difference. In Senate, Repubs 43-12, Dems 10-33. In House, barely 10 of 205 Dems in favor.
- Reflects broader 21st Century US political structure: reasonable public, polarized elites.
- The middle disappears, as does bipartisan communication and collaboration.

The Incredible Shrinking Middle

Figure 11.1 Ideological distribution of the parties in the US House, 1969–70 and 1999–2000



Why the Partisan Divide?

- Increase in ideological cohesion within parties: 1965-2005
 - Conservative Southern Democrats become Republicans
 - Liberal Republicans become Democrats
- Regular redistricting
 - Safe: Congressmen choose constituents
 - Potential threat in renomination primary: So they respond to party activists

Partisan Rancor and Trade

- On trade, substantive divide not so stark (46 Dems, 39 Repubs anti-WTO in June)
- But process polarized in House Ways and Means Committee: majority excludes minority
- Result on TPA 2001—Dems oppose, Repubs squeezed: 215-214 vote
- If CAFTA wins, will be same process

What to Do: Near Term

- Rebuild relations with Democrats for Doha: Rob Portman as “political” USTR
- Seek the maximum: Historically, global deals easier politics than NAFTA/CAFTA.
- BUT US must get in order to give: agriculture, NAMA, services.
- Take steps toward. . . .

Best Long-Term Answer: “New Social Compact”

- Full liberalization: \$1 trillion plus \$500 billion in gains
- BIG programs to help globalization’s losers: from \$2 to \$20 billion
- Extend programs to all displaced workers.
 - Stipends and retraining
 - Wage insurance
 - Business tax credits